

Profit Announcement

For the full year ended 30 June 2020

ASX Appendix 4E**Results for announcement to the market ¹****Report for the year ended 30 June 2020**

	\$M	
Revenue from ordinary activities ^{2,3}	23,926	up 2%
Profit/(loss) from ordinary activities after tax attributable to Equity holders	9,634	up 12%
Net profit/(loss) for the year attributable to Equity holders	9,634	up 12%
Dividends (distributions)		
Final dividend - fully franked (cents per share)		98
Interim dividend - fully franked (cents per share)		200
Record date for determining entitlements to the dividend		20 August 2020

1 Rule 4.3A.

2 Information has been presented on a continuing operations basis, including prior period restatements.

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

The release of this announcement was authorised by Kara Nicholls, Group Company Secretary.

Commonwealth Bank of Australia | Media Release 157/2020 | ACN 123 123 124 | Ground Floor Tower 1, 201 Sussex Street, Sydney NSW 2000 | 12 August 2020.

This preliminary final report is provided to the ASX under Rule 4.3A. Refer to Appendix 6.3 ASX Appendix 4E on page 122 for disclosures under ASX Listing Rules.

This report should be read in conjunction with the 30 June 2020 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 2020. The term “prior year” refers to the full year ended 30 June 2019, while the term “prior half” refers to the half year ended 31 December 2019.

Important dates for shareholders

Full year results announcement	12 August 2020
Ex-dividend date	19 August 2020
Record date	20 August 2020
Last date to change participation in DRP	21 August 2020
Final dividend payment date	30 September 2020
2020 Annual General Meeting	13 October 2020
Half Year Results Announcement	10 February 2021

For further information contact

Investor Relations

Melanie Kirk

Phone 02 9118 7113

Email cbainvestorrelations@cba.com.au

Contents

1.	ASX Announcement	i
2.	Highlights	1
3.	Group Performance Analysis	9
	Financial Performance and Business Review	10
	Net Interest Income	12
	Other Banking Income	14
	Funds Management Income	15
	Insurance Income	15
	Operating Expenses	16
	Investment Spend	17
	Capitalised Software	18
	Loan Impairment Expense	19
	Taxation Expense	20
	Group Assets and Liabilities	21
4.	Group Operations & Business Settings	25
	Loan Impairment Provisions and Credit Quality	26
	Capital	31
	Leverage Ratio	35
	Dividends	35
	Liquidity	36
	Funding	37
	Net Stable Funding Ratio (NSFR)	39
5.	Divisional Performance	41
	Divisional Summary	42
	Retail Banking Services	44
	Business and Private Banking	49
	Institutional Banking and Markets	53
	New Zealand	57
	International Financial Services	63
	Corporate Centre	66
	Wealth Management	68
	Investment Experience	72
6.	Financial Statements	73
7.	Appendices	81

ASX Announcement

This page has been intentionally left blank

FY20 Results

Our financial results for the 2020 financial year reflect the impact of COVID-19 on our customers and the economy, however, business performance remained strong due to disciplined execution of our strategy, and we continued to strengthen our balance sheet.¹

Net profit after tax

\$9,634m

Statutory NPAT²
▲ 12.4% on FY19

\$7,296m

Cash NPAT
▼ 11.3% on FY19

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

Loan impairment expense, provisions

\$2,518m

▲ \$1,317m on FY19

1.70%

Provision coverage ratio

The loan loss rate increased to 33 basis points³ (bpts), inclusive of the \$1.5bn COVID-19 provision. Peer leading total provision coverage ratio of 1.70%, up from 1.29% in FY19.⁴

Volume growth in core business

Business lending⁵
 +\$7.0bn +5.1%

Home lending⁵
 +\$18.4bn 1.3x system

Household deposits⁶
 +\$25.0bn +9.8%

Net interest margin

2.07%

▼ 2 bpts on FY19

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

Common Equity Tier 1 (CET1) capital ratio

11.6%

APRA, Level 2²
▲ 90 bpts on FY19

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

Dividend

\$2.98

Per share, fully franked²
▼ 31% on FY19

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

COVID-19 related loan deferrals (at 31 July)

135k

Home loans
8% of total accounts
▼ from 154k at peak

59k

Business loans
15% of total balances
▼ from 86k at peak

COVID-19 related support

\$650m+

In loans under Coronavirus SME Guarantee Scheme, >50% of scheme lending.

1m+

Requests for help managed through CBA contact centres and digital channels.

For footnotes see page viii

Result overview

Executing our strategy

Chief Executive Officer, Matt Comyn

The strength of our core banking businesses, combined with strong operational performance, has delivered good outcomes for our customers and shareholders – despite the challenges presented by lower interest rates and COVID-19.

We have now substantially divested our wealth management businesses in line with our simpler, better bank strategy. This has allowed us to focus on delivering performance in our banking businesses. As a result of our focus on operational excellence, we achieved above market growth in home lending and deposits. Our business bank also showed momentum due to investments in new products, service and technology. This includes the growing application of BizExpress, our same-day lending facility.

We continued to extend our digital leadership through increased customer engagement with our market-leading digital assets, and were again awarded *Bank of the Year* for online and mobile banking.⁷

We further strengthened our balance sheet across key capital, funding and liquidity metrics. This has allowed us to support customers and shareholders, while continuing to invest in innovation for future growth.

Our people have also shown great dedication during a challenging period, enabling us to maintain delivery of essential banking services to support the financial wellbeing of our customers and communities, and to deliver strong operational performance for our shareholders.

Key financials

For the full year ended 30 June 2020.⁸

- ▶ **Statutory NPAT**⁹ including discontinued operations was \$9,634m, up 12.4% on FY19. In FY20, statutory NPAT included significant gains realised on the sale of businesses.
- ▶ **Cash NPAT** from continuing operations was \$7,296m, down 11.3%, largely due to higher COVID-19 loan impairment expense.
- ▶ **Operating income** was \$23,758m, up 0.8%, as volume growth in home lending and deposits offset the decline in net interest margin.
- ▶ **Net interest margin** was 2.07%, down 2 bpts, due to the impact of lower interest rates.
- ▶ **Operating expenses** were \$10,895m, up 0.7%, driven by higher staff and IT costs, partly offset by lower remediation costs.
- ▶ **Loan impairment expense** was \$2,518m, an increase of \$1,317m, inclusive of the \$1.5bn COVID-19 provision. The loan loss rate was 33 bpts of average gross loans and acceptances.
- ▶ **Deposit funding** of 74%, up from 69%, due to continued growth in deposit volumes.
- ▶ **Common Equity Tier 1 (CET1)** capital ratio of 11.6% (Level 2, APRA), up 90 bpts.
- ▶ **Final dividend** of 98 cents per share, taking the full year dividend to \$2.98 per share, fully franked.

Outlook

Chief Executive Officer, Matt Comyn

We are focused on helping our customers and the economy through the crisis to recovery.

While there is continued uncertainty about the duration and impact of the health crisis, Australia is relatively well positioned. We are starting from a position of fiscal and economic strength. Significant stimulus measures have supported the economy, there is a strong pipeline of infrastructure projects, and the outlook for mining and agriculture exports is strong.

The Government has announced there will be some tapering of measures, but we anticipate continued, targeted support, and monetary policy is likely to remain accommodative for the foreseeable future.

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

Despite the challenging environment, operational performance in the business remains strong. Combined with our strong balance sheet and capital position, this enables us to continue supporting customers and the economy. Using our strengths in customer service, technology and data we will check-in regularly with customers to assess their financial needs and to support their recovery.

We will also maintain our focus on retail, business and digital banking, to further extend our franchise strength and to deliver long-term performance and returns for shareholders.

The next few months will be critical and some sectors will take longer to recover than others, however, we remain positive about Australia's long-term prospects. We will also continue to work with government, regulators and our industry peers to support initiatives that stimulate economic activity and jobs.

COVID-19 support for customers

Support and assistance

During COVID-19, we have been supporting our customers through the financial and business impacts of the health crisis.

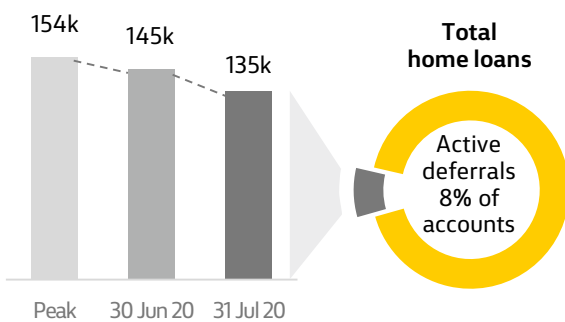
At the outset of the pandemic, we quickly automated the deferral of repayments on all small business loans and put in place online digital solutions for home loan deferral applications. We scaled up resources in our phone and digital banking services to meet the surge in customer inquiries, which saw an 800% increase in calls to our financial assistance line and more than 10.2 million peak daily customer logins.

To deliver much-needed capital to businesses, we provided more than \$650 million in new lending under the Government's Coronavirus SME Guarantee Scheme, accounting for more than 50% of all loans under the scheme.

We are now contacting all customers with deferred loans to talk with them about their options, including returning to full or part payment, or converting their loans to interest only. Our Financial Assistance Solutions team is also reaching out to customers who need the most support to provide tailored solutions for their individual needs. Our focus will continue to be on supporting our customers through difficult times.

Home lending deferrals

Australia¹⁰



Customer assistance

- Ongoing reviews, proactive assistance
- Regular check-ins via digital platforms; deferral opt out process via NetBank, CommBank app
- Direct contact with customers needing most support
- Early exit customers eligible for 1 year Interest Only¹¹

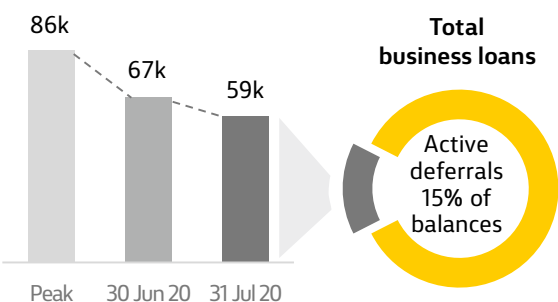
Home lending deferrals

- ~135k deferrals, 8% of accounts
- \$48bn in balances
- <20% in higher risk occupations¹²
- 67% with dynamic loan-to-value (LVR) ratio <80%
- 25% making some repayments¹³
- 14% with 12 months or more worth of payments in advance¹⁴
- Approximately 12% of deferred accounts in higher risk category
- Approximately 14% receiving JobSeeker, 58% of which are joint accounts with only one borrower on JobSeeker^{15*}
- Principal and Interest 84%, Interest Only 16%*
- Owner Occupied 72%, Investor 28%*
- NSW 33%, VIC 26%, QLD 18%, WA 16%, Other 7%*

* Based on balances

Business lending deferrals

Australia¹⁶



Risk segmentation

- Facility level risk-based segmentation based on a range of risk metrics, including customer behaviour, industry sector and cash flows
- Ongoing review and customer contact

Business lending deferrals

- ~86k at peak, ~73k auto-deferred¹⁷
- ~59k active deferrals
- \$14bn in balances (15% of book)
- 30% making repayments in full (30 Jun)*
- 89% secured (30 Jun)^{18*}
- >50% relationship managed
- Approximately 30% receiving JobKeeper
- Approximately 23% of deferred accounts in higher risk category
- NSW 33%, VIC 25%, QLD 17%, WA 12%, Other 13%*
- Deferrals by sector*: Commercial Property 15%; Accommodation, Cafes and Restaurants 12%; Agriculture and Forestry 11%; Retail Trade 10%; Business Services 9%; Property Services 7%; Health and Community Services 6%; Manufacturing 5%; Transport and Storage 5%; Other 20%

* Based on balances

Operating performance

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

Operating income – Volume growth offset margin decline

Operating income

Cash basis

\$23,758m

FY19 \$23,577m

Net interest margin

2.07% FY20

FY19 2.09%

2.04% 2H20

1H20 2.11%

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

Home lending grew at 1.3x system¹⁹ due to strong operational execution. Household deposit balances grew 9.8%²⁰ year-on-year, and spot transaction account balances were up 25%.

Net interest margin (NIM) was 2 bpts lower on FY19, due to the impact of lower interest rates on deposit margins, partly offset by lower short term funding costs.

NIM declined 7 bpts half-on-half. This was due to the low rate environment, as well as the growth in liquid assets.

We expect that previously announced cash rate reductions will be a 7bpt headwind to Group NIM in FY21.

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

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

Operating expenses – Impacted by increased staff and IT costs

Operating expenses

\$10,895m

FY19 \$10,824m

Operating expenses increased by 0.7% due to higher staff and IT costs, and spend on risk and compliance.

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

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

Notable items included \$454m in provisions for remediation and \$399m in risk and compliance costs.

Progress continued to be made on remediation, with \$732m refunded to customers as at 30 June.

Cumulative **cost savings** of \$548m were achieved through business simplification, up from \$190m in 2019.

The **cost-to-income** ratio (cash basis) was 45.9%, flat on FY19.

Investment spend increased by 8% to \$1,437m, with risk and compliance accounting for 72% of total spend.

Provisions and credit quality

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

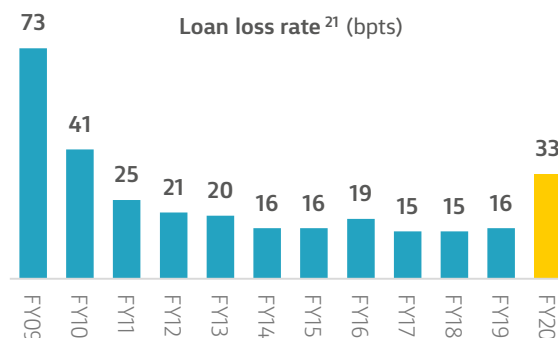
Loan impairment expense

\$2,518m

FY19 \$1,201m

Loan impairment expense increased as a result of forward looking adjustments made to provisions for the expected impact of COVID-19.

The loan loss rate increased to 33 bpts, up from 16 bpts in FY19. The corporate loan loss rate increased to 50 bpts, up from 14 bpts in FY19. Consumer increased to 26 bpts, up from 17 bpts.

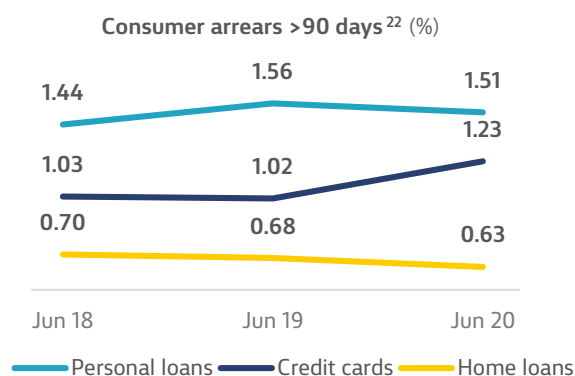


Portfolio credit quality – Monitoring closely for signs of stress

Consumer arrears

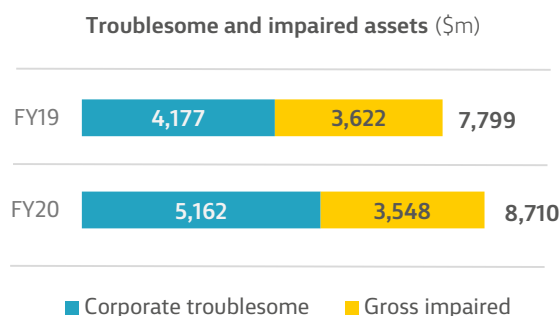
Arrears on home loans and personal loans remained low. In line with APRA's regulatory approach, loans deferred as part of our COVID-19 support packages are not included in arrears, where the loans were otherwise performing.

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



Troublesome and impaired assets

Troublesome and impaired assets increased to \$8,710m. This was mainly due to the impact of COVID-19 on corporate customers in transport and storage, manufacturing, culture and recreation, business services, and retail and wholesale trade, as well as continued weakness in sectors impacted by discretionary spending. There was also a small number of individual corporate impairments.



Loan impairment provisions

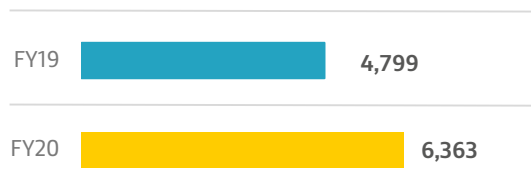
During the financial year, we took an additional credit provision of \$1.5bn for the potential impacts of COVID-19 on our lending portfolios.

This took into account the stress to the economy introduced by COVID-19 and the mitigating impacts of Government and industry assistance packages and support, such as loan repayment deferral arrangements.

Total provisions increased to \$6.4bn equating to total provision coverage of 1.70%, up from 1.29% in June 2019.

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

Total impairment provisions (\$m)



Balance sheet strength

The strength of our balance sheet means the Bank has been well-positioned to support customers and the Australian economy through challenging and uncertain times. Our key capital, liquidity and funding metrics strengthened further during FY20.

Capital – Unquestionably strong

Common Equity Tier 1 capital ratio

11.6%

APRA (Level 2)
FY19 10.7%

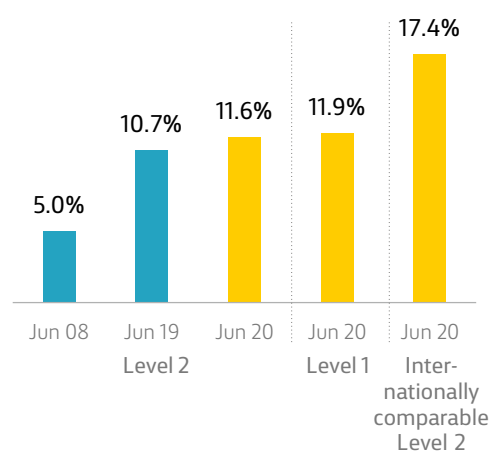
The Group has a strong capital position with a Level 2, CET1 capital ratio of 11.6%, above APRA's 'unquestionably strong' benchmark of 10.5% – notwithstanding the payment of the interim dividend and the adverse impact of the additional \$1.5bn provision for the expected impact of COVID-19.

During the year, CET1 capital was supported by:

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

The pro-forma capital uplift from the finalisation of remaining divestments (CommInsure Life, BoCommLife and Colonial First State) is expected to be 58-68 bpts (CET 1, Level 2).

Common Equity Tier 1 capital ratio



Funding and liquidity – Continued to strengthen

Deposit funding ratio

74%

FY19 69%

The **deposit funding ratio** was 74%, up from 69% in FY19, as the Group continued to satisfy a significant portion of its funding requirements from customer deposits. This was due to the growth in customers' transaction and savings account balances and mortgage offset accounts.

As at 30 June, the Group had access to \$26.6bn of funding provided through the RBA's three-year Term Funding Facility (TFF), and \$1.5bn had been drawn. As at 7 August, the Group's total available TFF allocation was \$31.4bn.

The average tenor of new long term wholesale funding (>12 months) was 9 years. The average tenor of the long term wholesale funding portfolio was 5.3 years (excluding TFF drawdown). Long term wholesale funding accounted for 69% of total wholesale funding, up from 66% in FY19.

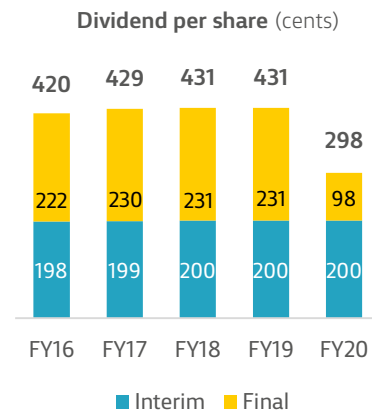
The average **liquidity coverage ratio** (LCR) for the quarter ended 30 June was 155%, significantly above the minimum regulatory requirement of 100%. The increase in LCR during the year was driven by strong deposit growth and the TFF.

The **net stable funding ratio** (NSFR) as at 30 June was 120%, well above the regulatory minimum of 100%. The increase in the ratio was due to the growth in customer deposits, the benefit from the TFF, and the Group's strong capital position.

Delivering for shareholders

Dividends – Focus on sustainable returns for shareholders

- ▶ The Group’s strong capital position and operational performance continues to support returns for shareholders.
- ▶ The final dividend of 98 cents per share reflects APRA’s recently updated guidance (which applies until the end of the calendar year) that banks should retain at least 50% of earnings. The final dividend payout ratio was 49.95% of second half statutory earnings.
- ▶ This represents a cautious approach to capital management and dividends as we head into a period of economic uncertainty.
- ▶ Combined with the interim dividend of \$2.00 per share, the final dividend takes the total full year dividend to \$2.98 per share, fully franked.
- ▶ The ex-dividend date is 19 August, the record date is 20 August and the final dividend will be paid on 30 September.
- ▶ The Dividend Reinvestment Plan (DRP) continues to be offered to shareholders. No discount will apply. The deadline for notifying participation is 21 August.



Supporting our people in challenging times

Health and wellbeing

- ▶ The **health, safety and wellbeing** of our people is paramount – branches, offices and work practices have been adapted to keep our people and customers safe.
- ▶ **Remote working technologies** were quickly scaled to allow 39,000 of our people and delivery partners to work from home or other locations.
- ▶ **10 days paid special leave** is available to employees self-isolating or caring for family members.
- ▶ **Interest free cash advances** are available to employees experiencing financial hardship due to COVID-19.
- ▶ Our people have access to a **coronavirus medical hotline** and free and confidential **counselling services**.
- ▶ Our **wellbeing portal** provides dedicated resources for physical, mental and financial health during the pandemic.

Engaged and energised

- ▶ Employee engagement has increased 13% year-on-year to 81%, the highest it has been for more than four years.²³
- ▶ Our people report feeling proud of the work they have been doing to deliver essential banking services during this year’s bushfires and the coronavirus pandemic.
- ▶ In recognition of the commitment and dedication of our people in challenging circumstances, the Bank will be granting up to \$1,000 of Commonwealth Bank shares to each eligible employee.

81% Employee engagement

89% Proud to work for CBA

90% Confident in the future of CBA

Footnotes

Page i

- 1 Comparative information has been restated to conform to presentation in the current period. Unless otherwise stated: all figures relate to the full year ended 30 June 2020 and comparisons are to the prior comparative period, the full year ended 30 June 2019; financials are presented on a continuing operations basis.
- 2 Statutory NPAT, CET1 and dividend per share include discontinued operations. Discontinued operations includes Colonial First State (CFS), the Bank's Australian and New Zealand life insurance businesses (CommInsure Life and Sovereign), BoCommLife, TymeDigital SA, Colonial First State Global Asset Management (CFSGAM) and PT Commonwealth Life. Includes non-controlling interests related to discontinued operations.
- 3 Cash loan impairment expense as a percentage of average gross loans and acceptances.
- 4 Total provisions as a percentage of credit risk weighted assets.
- 5 As reported in RBA Lending and Credit Aggregates (Home lending and Business lending). RBA collection data was aligned to the new regulatory definitions set by APRA from July 2019, therefore the home lending system multiple has been calculated for the 11 months to June 2020 annualised. Business lending includes Business and Private Banking, Bankwest and Institutional Banking and Markets (ex. CMPF) and growth is calculated for 12 months.
- 6 As reported in APRA Monthly ADI Statistics (MADIS) (Household deposits).

Page ii

- 7 Online banking: CBA won Canstar's *Bank of the Year – Online Banking* award for 2020 (11th year in a row). Mobile banking: CBA won Canstar's *Bank of the Year – Mobile Banking* (5th year in a row). Both awarded in June 2020.
- 8 See 1 above.
- 9 For an explanation of and reconciliation between statutory and cash NPAT refer to page 3 of the Profit Announcement for the full year ended 30 June 2020.

Page iii

- 10 Active Australian deferrals as at 31 July 2020. All metrics are based on number of accounts unless noted otherwise.
- 11 Subject to approval/assessment. Not available to customers in arrears.
- 12 Higher risk occupations include those in retail, airlines, hospitality, food and travel industries.
- 13 Includes any loan repayment since deferral started.
- 14 Includes redraw and offset balances.
- 15 Based on CBA transactional data and does not capture payment flows to non-CBA accounts.
- 16 Active Australian deferrals as at 31 July 2020 unless noted otherwise. All metrics are based on number of accounts unless noted otherwise. Total business loans excludes IB&M.
- 17 Gross auto-deferrals prior to opt-outs.
- 18 Fully or partially.

Page iv

- 19 See 5 above.
- 20 See 6 above.

Page v

- 21 See 3 above. FY09 includes Bankwest on a pro-forma basis.
- 22 Group consumer arrears including New Zealand.

Page vii

- 23 Bi-annual engagement survey.

Investor Relations

Melanie Kirk

02 9118 7113

CBAInvestorRelations@cba.com.au

Media Relations

Danny John

02 9118 6919

media@cba.com.au

Investor Centre

For more information:

commbank.com.au/results

Key financial information

Group performance summary (continuing operations)	Full year ended (cash basis) ¹			Half year ended (cash basis) ¹		
	30 Jun 20 \$m	30 Jun 19 \$m	Jun 20 v Jun 19 %	30 Jun 20 \$m	31 Dec 19 \$m	Jun 20 v Dec 19 %
Net interest income	18,610	18,224	2	9,260	9,350	(1)
Other banking income	4,837	4,951	(2)	2,294	2,543	(10)
Total banking income	23,447	23,175	1	11,554	11,893	(3)
Funds management income	172	255	(33)	73	99	(26)
Insurance income	139	147	(5)	108	31	large
Total operating income	23,758	23,577	1	11,735	12,023	(2)
Investment experience	3	2	50	3	–	n/a
Total income	23,761	23,579	1	11,738	12,023	(2)
Operating expenses	(10,895)	(10,824)	1	(5,689)	(5,206)	9
Loan impairment expense	(2,518)	(1,201)	large	(1,869)	(649)	large
Net profit before tax	10,348	11,554	(10)	4,180	6,168	(32)
NPAT from continuing operations (cash basis)	7,296	8,221	(11)	2,940	4,356	(33)
NPAT from discount'd operations (cash basis)²	153	485	(68)	15	138	(89)
NPAT incl. discount'd operations (statutory basis)	9,634	8,571	12	3,473	6,161	(44)
Cash net profit after tax, by division (continuing operations)						
Retail Banking Services	3,997	3,907	2	1,829	2,168	(16)
Business and Private Banking	2,654	2,931	(9)	1,156	1,498	(23)
Institutional Banking and Markets	655	1,117	(41)	179	476	(62)
New Zealand	811	1,059	(23)	287	524	(45)
International Financial Services	131	250	(48)	31	100	(69)
Corporate Centre	(952)	(1,043)	(9)	(542)	(410)	32
Shareholder ratios & performance indicators (continuing operations)						
Earnings per share – cash basis – basic (cents)	412.5	465.5	(11)	166.2	246.2	(32)
Return on equity – cash basis (%)	10.3	12.1	(180)bpts	8.3	12.3	(400)bpts
Dividends per share – fully franked (cents) ³	298	431	(31)	98	200	(51)
Dividend payout ratio – cash basis (%) ³	70.82	87.64	large	58.71	78.78	large
Average interest earning assets (\$M) ⁴	897,409	871,418	3	913,139	881,850	4
Funds under administration (FUA) – average (\$M) ⁵	15,332	14,205	8	–	15,332	large
Assets under management (AUM) – average (\$M)	16,941	14,544	16	17,272	16,730	3
Net interest margin (%)	2.07	2.09	(2)bpts	2.04	2.11	(7)bpts
Operating expenses to total operating income (%)	45.9	45.9	–	48.5	43.3	large

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), the Bank's Australian and New Zealand life insurance businesses (CommInsure Life and Sovereign), BoCommLife, TymeDigital SA, Colonial First State Global Asset Management (CFSGAM) and PT Commonwealth Life. Includes non-controlling interests related to discontinued operations.

3 Includes discontinued operations.

4 Average interest earning assets are net of average mortgage offset balances.

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

This page has been intentionally left blank

Highlights

This page has been intentionally left blank

Contents

2. Highlights

Group Performance Summary	2
Non-Cash Items included in Statutory Profit	3
Key Performance Indicators	4
Market Share	7
Credit Ratings	7

Highlights

Group Performance Summary

	Full Year Ended ¹ ("statutory basis")		Full Year Ended ¹ ("cash basis")			Half Year Ended ¹ ("cash basis")		
	30 Jun 20 \$M	Jun 20 vs Jun 19 %	30 Jun 20 \$M	30 Jun 19 \$M	Jun 20 vs Jun 19 %	30 Jun 20 \$M	31 Dec 19 \$M	Jun 20 vs Dec 19 %
Group Performance Summary								
Net interest income	18,610	2	18,610	18,224	2	9,260	9,350	(1)
Other banking income	5,002	3	4,837	4,951	(2)	2,294	2,543	(10)
Total banking income	23,612	2	23,447	23,175	1	11,554	11,893	(3)
Funds management income	173	(32)	172	255	(33)	73	99	(26)
Insurance income	141	(6)	139	147	(5)	108	31	large
Total operating income	23,926	2	23,758	23,577	1	11,735	12,023	(2)
Investment experience	n/a	n/a	3	2	50	3	–	n/a
Total income	23,926	2	23,761	23,579	1	11,738	12,023	(2)
Operating expenses	(10,929)	–	(10,895)	(10,824)	1	(5,689)	(5,206)	9
Loan impairment expense	(2,518)	large	(2,518)	(1,201)	large	(1,869)	(649)	large
Net profit before tax	10,479	(8)	10,348	11,554	(10)	4,180	6,168	(32)
Corporate tax expense	(3,020)	(8)	(3,052)	(3,321)	(8)	(1,240)	(1,812)	(32)
Non-controlling interests	–	large	–	(12)	large	–	–	–
Net profit after tax from continuing operations	7,459	(8)	7,296	8,221	(11)	2,940	4,356	(33)
Net profit after tax from discontinued operations ²	2,175	large	153	485	(68)	15	138	(89)
Net profit after tax	9,634	12	7,449	8,706	(14)	2,955	4,494	(34)
Gain/(loss) on acquisition, disposal, closure and demerger of businesses	n/a	n/a	2,092	(61)	large	461	1,631	(72)
Hedging and IFRS volatility	n/a	n/a	93	(79)	large	57	36	58
Other non-cash items	n/a	n/a	–	5	large	–	–	–
Net profit after tax ("statutory basis")	9,634	12	9,634	8,571	12	3,473	6,161	(44)
Cash net profit after tax, by division								
Retail Banking Services (excl. Mortgage Broking and General Insurance)			3,949	3,875	2	1,782	2,167	(18)
Mortgage Broking and General Insurance			48	32	50	47	1	large
Retail Banking Services			3,997	3,907	2	1,829	2,168	(16)
Business and Private Banking			2,654	2,931	(9)	1,156	1,498	(23)
Institutional Banking and Markets			655	1,117	(41)	179	476	(62)
New Zealand			811	1,059	(23)	287	524	(45)
International Financial Services			131	250	(48)	31	100	(69)
Corporate Centre			(952)	(1,043)	(9)	(542)	(410)	32
Net profit after tax from continuing operations ("cash basis")			7,296	8,221	(11)	2,940	4,356	(33)

¹ Comparative information has been restated to conform to presentation in the current period. For further details refer to Note 1.1 in the 2020 Annual Report.

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), the Bank's Australian and New Zealand life insurance businesses (CommInsure Life and Sovereign), BoCommLife, TymeDigital SA, Colonial First State Global Asset Management (CFSGAM) and PT Commonwealth Life. Includes 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.

Non-Cash items included in Statutory Profit	Full Year Ended			Half Year Ended		
	30 Jun 20 \$M	30 Jun 19 \$M	Jun 20 vs Jun 19 %	30 Jun 20 \$M	31 Dec 19 \$M	Jun 20 vs Dec 19 %
Gain/(loss) on acquisition, disposal, closure and demerger of businesses	2,092	(61)	large	461	1,631	(72)
Hedging and IFRS volatility	93	(79)	large	57	36	58
Bankwest non-cash items	–	(1)	large	–	–	–
Treasury shares valuation adjustment	–	6	large	–	–	–
Other non-cash items	–	5	large	–	–	–
Total non-cash items (after tax)	2,185	(135)	large	518	1,667	(69)

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

Non-Cash items included in Statutory Profit	Full Year Ended			Half Year Ended		
	30 Jun 20 \$M	30 Jun 19 \$M	Jun 20 vs Jun 19 %	30 Jun 20 \$M	31 Dec 19 \$M	Jun 20 vs Dec 19 %
Gain/(loss) on acquisition, disposal, closure and demerger of businesses ¹	70	(52)	large	10	60	(83)
Hedging and IFRS volatility	93	(79)	large	57	36	58
Bankwest non-cash items	–	(1)	large	–	–	–
Non-cash items (after tax) from continuing operations	163	(132)	large	67	96	(30)
Gain/(loss) on acquisition, disposal, closure and demerger of businesses ²	2,022	(9)	large	451	1,571	(71)
Treasury shares valuation adjustment discontinued operations	–	6	large	–	–	–
Non-cash items (after tax) from discontinued operations	2,022	(3)	large	451	1,571	(71)
Total non-cash items (after tax)	2,185	(135)	large	518	1,667	(69)

¹ Includes gains and losses net of transaction and separation costs associated with the disposal of Aegis, AUSIEX, Count Financial and other businesses, the dilution of the Group's interest in Bank of Hangzhou and demerger costs for NewCo.

² Includes gains and losses net of transaction and separation costs associated with the disposal of CFS, CFGAM, PT Commonwealth Life, Sovereign, TymeDigital SA and other businesses, and the deconsolidation and divestment of CommInsure Life.

Highlights (continued)

Key Performance Indicators

Key Performance Indicators ²	Full Year Ended ¹			Half Year Ended ¹		
	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %	30 Jun 20	31 Dec 19	Jun 20 vs Dec 19 %
Group Performance from continuing operations						
Statutory net profit after tax (\$M)	7,459	8,089	(8)	3,007	4,452	(32)
Cash net profit after tax (\$M)	7,296	8,221	(11)	2,940	4,356	(33)
Net interest margin (%)	2.07	2.09	(2)bpts	2.04	2.11	(7)bpts
Operating expenses to total operating income (%)	45.9	45.9	–	48.5	43.3	large
Spot number of full-time equivalent staff (FTE)	41,778	41,458	1	41,778	40,519	3
Average number of FTE	41,051	41,371	(1)	41,147	40,879	1
Effective corporate tax rate (%)	29.5	28.7	80 bpts	29.7	29.4	30 bpts
Profit after capital charge (PACC) (\$M) ³	3,864	4,074	(5)	1,614	2,250	(28)
Average interest earning assets (\$M) ⁴	897,409	871,418	3	913,139	881,850	4
Average interest bearing liabilities (\$M) ⁴	771,982	761,115	1	781,037	763,025	2
Funds under administration (FUA) - average (\$M) ⁵	15,332	14,205	8	–	15,332	large
Assets under management (AUM) - average (\$M)	16,941	14,544	16	17,272	16,730	3
Group Performance including discontinued operations						
Statutory net profit after tax (\$M)	9,634	8,571	12	3,473	6,161	(44)
Cash net profit after tax (\$M)	7,449	8,706	(14)	2,955	4,494	(34)
Net interest margin (%)	2.08	2.10	(2)bpts	2.04	2.11	(7)bpts
Operating expenses to total operating income (%)	47.2	47.8	(60)bpts	50.1	44.4	large
Spot number of full-time equivalent staff (FTE)	43,585	45,165	(3)	43,585	42,548	2
Average number of FTE	43,550	45,250	(4)	43,196	43,760	(1)
Effective corporate tax rate (%)	29.5	28.7	80 bpts	29.8	29.3	50 bpts
Profit after capital charge (PACC) (\$M) ³	3,913	4,333	(10)	1,594	2,319	(31)
Average interest earning assets (\$M) ⁴	897,879	871,901	3	913,690	882,241	4
Average interest bearing liabilities (\$M) ⁴	772,096	762,144	1	781,037	763,253	2
Funds under administration (FUA) - average (\$M) ⁶	180,389	173,354	4	152,195	184,047	(17)
Assets under management (AUM) - average (\$M) ⁷	235,743	222,646	6	17,608	235,547	(93)
Inforce premiums - average (\$M) ⁸	2,130	2,365	(10)	1,080	2,130	(49)

1 Comparative information has been restated to conform to presentation in the current period. For further details refer to Note 1.1 in the 2020 Annual Report.

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 offset balances. Average interest bearing liabilities exclude average mortgage 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.

8 Average inforce premiums has been calculated using the average for the period the Group operated CommInsure Life up until 1 November 2019.

Highlights (continued)

Key Performance Indicators (continued)

Key Performance Indicators	Full Year Ended ¹			Half Year Ended ¹		
	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %	30 Jun 20	31 Dec 19	Jun 20 vs Dec 19 %
Shareholder Returns from continuing operations						
Earnings Per Share (EPS) (cents) ²						
Statutory basis - basic	421.8	458.3	(8)	170.0	251.7	(32)
Cash basis - basic	412.5	465.5	(11)	166.2	246.2	(32)
Return on equity (ROE) (%) ²						
Statutory basis	10.5	11.9	(140)bpts	8.5	12.6	(410)bpts
Cash basis	10.3	12.1	(180)bpts	8.3	12.3	(400)bpts
Shareholder Returns including discontinued operations						
Earnings per share (EPS) (cents) ²						
Statutory basis - basic	544.8	485.6	12	196.3	348.4	(44)
Cash basis - basic	421.1	493.0	(15)	167.1	254.0	(34)
Return on equity (ROE) (%) ²						
Statutory basis	13.6	12.6	100 bpts	9.8	17.4	large
Cash basis	10.5	12.8	(230)bpts	8.3	12.7	(440)bpts
Dividends per share - fully franked (cents)	298	431	(31)	98	200	(51)
Dividend cover - "cash basis" (times)	1.4	1.1	27	1.7	1.3	31
Dividend payout ratio (%) ²						
Statutory basis	54.76	89.02	large	49.95	57.47	large
Cash basis	70.82	87.64	large	58.71	78.78	large
Capital including discontinued operations						
Common Equity Tier 1 (Internationally Comparable) (%) ³	17.4	16.2	120 bpts	17.4	17.5	(10)bpts
Common Equity Tier 1 (APRA) (%)	11.6	10.7	90 bpts	11.6	11.7	(10)bpts
Risk weighted assets (RWA) (\$M) - Basel III	454,948	452,762	–	454,948	449,154	1
Leverage Ratio including discontinued operations						
Leverage Ratio (Internationally Comparable) (%) ³	6.7	6.5	20 bpts	6.7	7.0	(30)bpts
Leverage Ratio (APRA) (%)	5.9	5.6	30 bpts	5.9	6.1	(20)bpts
Funding and Liquidity Metrics including discontinued operations						
Liquidity Coverage Ratio (%) ⁴	155	132	large	155	134	large
Weighted Average Maturity of Long-Term Debt (years)	5.3	5.1	0.2 years	5.3	5.4	(0.1) years
Customer Deposit Funding Ratio (%)	74	69	large	74	71	300 bpts
Net Stable Funding Ratio (%)	120	112	large	120	114	large
Credit Quality Metrics including discontinued operations						
Loan impairment expense ("cash basis") annualised as a % of average GLAAs	0.33	0.16	17 bpts	0.48	0.17	31 bpts
Gross impaired assets as a % of GLAAs	0.46	0.48	(2)bpts	0.46	0.44	2 bpts
Credit risk weighted assets (RWA) (\$M)	374,194	372,574	–	374,194	375,217	–

¹ Comparative information has been restated to conform to presentation in the current period. For further details refer to Note 1.1 in the 2020 Annual Report.

² For definitions refer to Appendix 6.8.

³ Analysis aligns with the 13 July 2015 APRA study titled "International capital comparison study".

⁴ Quarterly average.

Highlights (continued)

Key Performance Indicators (continued)

Key Performance Indicators	Full Year Ended ¹			Half Year Ended ¹		
	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %	30 Jun 20	31 Dec 19	Jun 20 vs Dec 19 %
Retail Banking Services²						
Cash net profit after tax (\$M)	3,949	3,875	2	1,782	2,167	(18)
Net interest margin (%)	2.63	2.55	8 bpts	2.61	2.65	(4)bpts
Average interest earning assets (\$M) ³	357,008	342,713	4	360,487	353,568	2
Operating expenses to total operating income (%) ⁴	38.7	40.0	(130)bpts	39.2	38.3	90 bpts
Risk weighted assets (\$M) ⁵	162,939	166,908	(2)	162,939	166,074	(2)
Business and Private Banking						
Cash net profit after tax (\$M)	2,654	2,931	(9)	1,156	1,498	(23)
Net interest margin (%)	3.10	3.10	–	3.05	3.14	(9)bpts
Average interest earning assets (\$M) ³	182,498	182,400	–	181,967	183,023	(1)
Operating expenses to total banking income (%) ⁴	36.1	36.3	(20)bpts	37.1	35.1	200 bpts
Risk weighted assets (\$M)	141,157	138,753	2	141,157	139,471	1
Institutional Banking and Markets						
Cash net profit after tax (\$M)	655	1,117	(41)	179	476	(62)
Net interest margin (%)	1.00	1.11	(11)bpts	1.01	1.00	1 bpt
Average interest earning assets (\$M)	139,911	137,670	2	143,557	136,304	5
Operating expenses to total banking income (%) ⁴	44.4	40.9	350 bpts	48.4	40.8	large
Risk weighted assets (\$M)	93,076	85,951	8	93,076	86,112	8
New Zealand						
Cash net profit after tax (\$M)	811	1,059	(23)	287	524	(45)
Risk weighted assets - APRA basis (\$M) ⁶	50,664	51,186	(1)	50,664	52,420	(3)
Net interest margin (ASB) (%) ⁷	2.11	2.23	(12)bpts	2.09	2.13	(4)bpts
Average interest earning assets (ASB) (NZ\$M) ⁷	100,582	95,315	6	102,345	98,839	4
Operating expenses to total operating income (ASB) (%) ^{4,7}	39.6	35.4	420 bpts	42.5	36.7	large
FUA - average (ASB) (NZ\$M) ^{7,8}	16,273	15,146	7	–	16,273	large
AUM - average (ASB) (NZ\$M) ⁷	17,886	15,501	15	18,156	17,706	3
Wealth Management⁹						
Cash net profit after tax (\$M)	137	528	(74)	10	127	(92)
Operating expenses to total operating income (%) ⁴	81.6	68.9	large	96.5	70.9	large
FUA - average (\$M)	165,058	159,149	4	152,195	168,715	(10)

1 Comparative information has been restated to conform to presentation in the current period. For further details refer to Note 1.1 in the 2020 Annual Report.

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 represent ASB only and are 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.

9 Presented as discontinued operations.

Highlights (continued)

Market Share

Market Share ¹	As at				
	30 Jun 20 %	31 Dec 19 %	30 Jun 19 %	Jun 20 vs Dec 19	Jun 20 vs Jun 19
Home loans - RBA ²	24.9	24.9	n/a	–	n/a
Home loans - APRA ³	25.7	25.5	25.2	20 bpts	50 bpts
Credit cards - APRA ³	26.5	26.6	26.6	(10)bpts	(10)bpts
Other household lending ^{3,4}	18.9	19.1	19.3	(20)bpts	(40)bpts
Household deposits - APRA ³	27.1	26.8	26.7	30 bpts	40 bpts
Business lending - RBA ²	14.8	14.7	n/a	10 bpts	n/a
Business lending - APRA ³	16.8	16.7	16.7	10 bpts	10 bpts
Business deposits - APRA ³	20.3	19.9	19.7	40 bpts	60 bpts
Equities trading	4.8	3.9	3.7	90 bpts	110 bpts
Australian Retail - administrator view ⁵	14.9	14.9	14.8	–	10 bpts
FirstChoice Platform ⁵	10.9	11.0	10.9	(10)bpts	–
NZ home loans	21.5	21.5	21.7	–	(20)bpts
NZ customer deposits	18.2	17.8	17.7	40 bpts	50 bpts
NZ business lending	15.3	15.2	15.4	10 bpts	(10)bpts
NZ retail AUM ⁶	14.8	14.9	15.4	(10)bpts	(60)bpts

1 Comparatives have been updated to reflect market restatements.

2 System source: RBA Lending and Credit Aggregates. RBA collection data was aligned to the new regulatory definitions set by APRA from 1 July 2019. As a result of this change, the 30 June 2019 Market Share is not comparable to the other reporting periods.

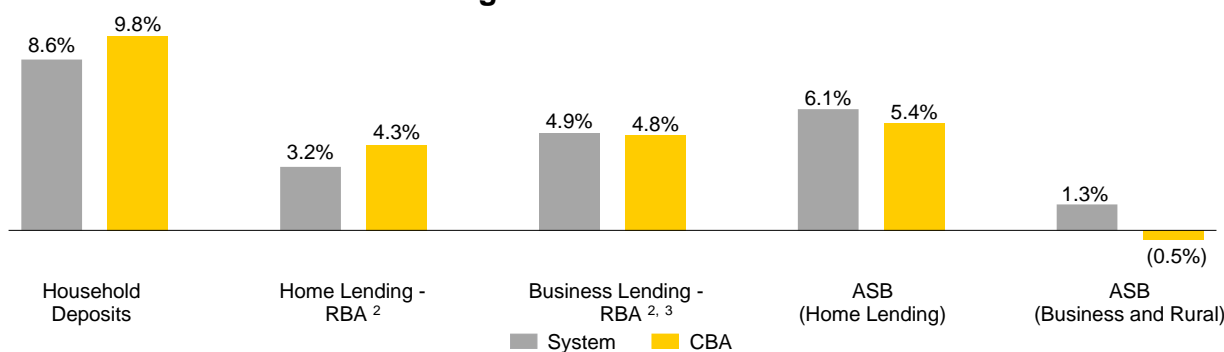
3 System source: APRA's Monthly Authorised Deposit-taking Institutions Statistics (MADIS) publication.

4 Other Household Lending market share includes personal loans, margin loans and other forms of lending to individuals.

5 System source: Strategic Insights as at 31 March 2020 and includes Colonial First State only.

6 Presented on a continuing operations basis.

CBA growth against System ¹ Balance growth - 12 months to June 20



1 System source: RBA/APRA/RBNZ. CBA includes Bankwest.

2 System source: RBA Financial Aggregates. Growth rates for 11 months to June 20, due to system data reclassification from 1 July 2019 (annualised).

3 Domestic Lending balance growth (excluding Cash Management Pooling Facilities).

Credit Ratings

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

This page has been intentionally left blank

Group Performance Analysis

This page has been intentionally left blank

Contents

3. Group Performance Analysis

Financial Performance and Business Review	10
Net Interest Income	12
Other Banking Income	14
Funds Management Income	15
Insurance Income	15
Operating Expenses	16
Investment Spend	17
Capitalised Software	18
Loan Impairment Expense	19
Taxation Expense	20
Group Assets and Liabilities	21

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 2020 decreased \$630 million or 7.8% on the prior year to \$7,459 million. The Bank's statutory NPAT (including discontinued operations) for the full year ended 30 June 2020 increased \$1,063 million or 12.4% on the prior year to \$9,634 million.

Cash net profit after tax ("cash NPAT" or "cash profit") from continuing operations decreased \$925 million or 11.3% on the prior year to \$7,296 million. The result was driven by a 0.8% increase in operating income, a 0.7% increase in operating expenses and a \$1,317 million increase in loan impairment expense.

Operating income increased 0.8% on the prior year. Key movements included:

- Net interest income increased 2.1% primarily driven by a 3.0% or \$26 billion increase in average interest earning assets, mainly due to growth in home loans, business loans and non-lending interest earning assets, partly offset by a decrease in institutional loans and consumer finance balances. Net interest margin (NIM) decreased 2 basis points, mainly due to lower earnings on deposits and capital due to the falling interest rate environment, partly offset by higher asset pricing and the benefit from lower basis risk;
- Other banking income decreased 2.3%, primarily driven by lower credit card and international transaction volumes from a decline in spend due to COVID-19, the impairment of aircraft which are owned by the Group and leased to various airlines in the Structured Asset Finance (SAF) portfolio, lower deposit income due to lower interchange income and the removal and simplification of certain account fees, and lower net profits from minority investments, partly offset by higher CommSec equities income from higher trading volumes, partnership milestone payments from AIA following the sale of CommInsure Life, and stronger Markets trading and sales performance;
- Funds management income decreased 32.5%, primarily driven by the cessation of ongoing service fees and grandfathered trail commissions, and the wind-down of the Aligned Advice businesses; and
- Insurance income decreased 5.4%, primarily driven by higher claims experience in the General Insurance business mainly due to bushfire related claims, partly offset by the non-recurrence of NSW hailstorm and Queensland flood related claims in the prior year.

Operating expenses increased 0.7%. Excluding notable items ², operating expenses increased 2.7% mainly driven by wage inflation, an increase in call centre, operations and financial assistance staff in response to COVID-19, higher amortisation and higher IT spend, partly offset by business simplification savings.

Loan impairment expense (LIE) increased \$1,317 million, primarily driven by forward looking adjustments to collective provisions for COVID-19, partly offset by lower unsecured consumer finance balances.

CET1 was above APRA's 'unquestionably strong' target of 10.5%, with the CET1 ratio decreasing 10 basis points from 31 December 2019 to 11.6%, primarily driven by the 2020 interim dividend payment (-79bps), provisions for COVID-19 loan losses and customer and other remediation (-43bps), and an increase in risk weighted assets (-14bps), partly offset by capital generated from earnings (+95bps) and benefits related to the divestment of CommInsure Life and PT Commonwealth Life (+26bps).

Earnings per share ("cash basis") was down 11.4% on the prior year at 412.5 cents per share, primarily due to the decrease in cash profit.

Return on equity ("cash basis") decreased 180 basis points to 10.3% due to the impact of lower profit (approximately 140 basis points) and an increase in capital levels (approximately 40 basis points), resulting in surplus capital held over and above APRA's 'unquestionably strong' benchmark due to the uncertain economic environment.

The Bank declared a final dividend of \$0.98 per share, bringing the total for the year to \$2.98, which is equivalent to 70.82% 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, now accounting for 74% of total funding at 30 June 2020 (up from 69% at 30 June 2019);
- Issued new long-term wholesale funding with a weighted average maturity (WAM) of 9.0 years, bringing the portfolio WAM to 5.3 years (up from 5.1 years at 30 June 2019);
- Maintained its strong funding position, with long-term wholesale funding accounting for 69% of total wholesale funding (up from 66% at 30 June 2019); 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.

¹ 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 include Colonial First State (CFS), the Bank's Australian and New Zealand life insurance businesses (CommInsure Life and Sovereign), BoCommLife, TymeDigital SA, Colonial First State Global Asset Management (CFSGAM) and PT Commonwealth Life.

² For further details on notable items refer to page 11.

Group Performance Analysis (continued)

Financial Performance and Business Review (continued)

Performance Overview (continued)

The Bank's financial result was impacted by a number of notable items. 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			Half Year Ended ¹		
	("cash basis")			("cash basis")		
	30 Jun 20	30 Jun 19	Jun 20 vs	30 Jun 20	31 Dec 19	Jun 20 vs
Group Performance Summary	\$M	\$M	Jun 19 %	\$M	\$M	Dec 19 %
Total operating income	23,758	23,577	1	11,735	12,023	(2)
Investment experience	3	2	50	3	–	n/a
Total income	23,761	23,579	1	11,738	12,023	(2)
Operating expenses excluding notable items	(10,042)	(9,776)	3	(5,032)	(5,010)	–
<i>AUSTRAC Insurance recovery</i> ²	–	145	large	–	–	–
<i>Customer and other remediation (incl. Aligned Advice)</i> ³	(454)	(835)	(46)	(454)	–	n/a
<i>Risk and compliance programs, and other</i> ⁴	(399)	(358)	11	(203)	(196)	4
Total operating expenses	(10,895)	(10,824)	1	(5,689)	(5,206)	9
Loan impairment expense	(2,518)	(1,201)	large	(1,869)	(649)	large
Net profit before tax	10,348	11,554	(10)	4,180	6,168	(32)
Corporate tax expense	(3,052)	(3,321)	(8)	(1,240)	(1,812)	(32)
Non-controlling interests - continuing operations ⁵	–	(12)	large	–	–	–
Net profit after tax from continuing operations ("cash basis")	7,296	8,221	(11)	2,940	4,356	(33)
Non-cash items - continuing operations ⁶	163	(132)	large	67	96	(30)
Net profit after tax from continuing operations ("statutory basis")	7,459	8,089	(8)	3,007	4,452	(32)
Net profit after tax from discontinued operations ("cash basis")	156	492	(68)	15	141	(89)
Non-cash items - discontinued operations ⁶	2,022	(3)	large	451	1,571	(71)
Non-controlling interests - discontinued operations ⁷	(3)	(7)	(57)	–	(3)	large
Net profit after tax ("statutory basis")	9,634	8,571	12	3,473	6,161	(44)

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

² The full year ended 30 June 2019 includes a \$145 million professional indemnity insurance recovery in relation to the AUSTRAC civil penalty.

³ The full year ended 30 June 2020 includes an additional \$300 million provision for historical Aligned Advice remediation issues and associated program costs, \$94 million of Wealth and Banking customer refunds and associated program costs, and a \$60 million increase in provisions for other remediation items, including to address New Zealand Compliance Audit findings related to holiday pay. The full year ended 30 June 2019 includes a \$534 million provision for historical Aligned Advice remediation issues and associated program costs, and \$301 million of Wealth and Banking customer refunds and associated program costs.

⁴ Includes Program of Action, increase in operational resourcing of the financial crimes compliance team, the Better Risk Outcomes Program and other items. The full year ended 30 June 2020 also includes 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, partly offset by a one-off benefit from the release of a historical provision which was no longer required and other rebates.

⁵ Non-controlling interests in continuing operations includes preference dividends paid to holders of preference shares in ASB Capital Limited and ASB Capital No.2 Limited.

⁶ Refer to page 3 for further information.

⁷ Non-controlling interests in discontinued operations includes 20% outside equity interest in PT Commonwealth Life up until 4 June 2020.

Group Performance Analysis (continued)

Net Interest Income (continuing operations basis)

	Full Year Ended ¹			Half Year Ended ¹		
	30 Jun 20	30 Jun 19	Jun 20 vs	30 Jun 20	31 Dec 19	Jun 20 vs
	\$M	\$M	Jun 19 %	\$M	\$M	Dec 19 %
Net interest income - "cash basis"	18,610	18,224	2	9,260	9,350	(1)
Average interest earning assets						
Home loans ²	484,553	466,057	4	489,014	480,140	2
Consumer finance	20,497	22,491	(9)	19,735	21,250	(7)
Business and corporate loans	217,961	220,986	(1)	220,060	215,886	2
Total average lending interest earning assets	723,011	709,534	2	728,809	717,276	2
Non-lending interest earning assets ³	174,398	161,884	8	184,330	164,574	12
Total average interest earning assets	897,409	871,418	3	913,139	881,850	4
Net interest margin (%)	2.07	2.09	(2)bpts	2.04	2.11	(7)bpts

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

2 Net of average mortgage offset balances. Gross average home loans balance, excluding mortgage offset accounts was \$533,360 million for the full year ended 30 June 2020 (\$511,232 million for the full year ended 30 June 2019), and \$539,132 million for the half year ended 30 June 2020 (\$527,650 million for the half year ended 31 December 2019). While these balances are required to be grossed up under accounting standards, they are netted down for the calculation of customer interest payments and the calculation of the Bank's net interest margin.

3 Average interest earning assets is presented on a continuing operations basis (excluding assets held for sale). For the year ended 30 June 2020, \$470 million of non-lending interest earning assets have been reclassified to assets held for sale (\$483 million for the year ended 30 June 2019, \$550 million for the half year ended 30 June 2020 and \$391 million for the half year ended 31 December 2019).

Year Ended June 2020 versus June 2019

Net interest income was \$18,610 million, an increase of \$386 million or 2% on the prior year. The result was driven by a \$26 billion or 3% increase in average interest earning assets to \$897 billion, partly offset by a 2 basis point or 1% decrease in net interest margin to 2.07%.

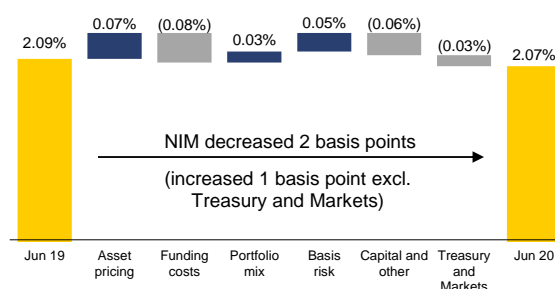
Average Interest Earning Assets

Average interest earning assets increased \$26 billion or 3% on the prior year to \$897 billion.

- Home loan average balances increased \$18 billion or 4% on the prior year to \$485 billion, primarily driven by continued growth in owner occupied loans;
- Consumer finance average balances decreased \$2 billion or 9% on the prior year to \$20 billion, driven by lower consumer demand for unsecured lending, lower discretionary spend due to COVID-19, and increased customer repayments following fiscal and regulatory support measures;
- Business and corporate loan average balances decreased \$3 billion or 1% on the prior year to \$218 billion, driven by a \$5 billion decrease in institutional lending balances due to portfolio optimisation initiatives, partly offset by a \$1 billion increase in Business and Private Banking business lending across various industries, and a \$1 billion increase in New Zealand business lending; and
- Non-lending interest earning asset average balances increased \$13 billion or 8% on the prior year to \$174 billion, driven by a \$9 billion increase in average liquid asset balances due to strong customer deposit growth resulting in excess liquid assets, and a \$4 billion increase in average trading asset balances in Global Markets due to an increase in the high grade bonds portfolio, reflecting higher bond prices as a result of the falling interest rate environment and active participation in new issuances.

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

NIM movement since June 2019



Net Interest Margin

The Bank's net interest margin decreased 2 basis points on the prior year to 2.07%. The key drivers of the movement were:

Asset pricing: Increased margin of 7 basis points driven by home lending (up 5 basis points), business lending (up 1 basis point) and consumer finance (up 1 basis point). Increased home lending margin reflects repricing and timing benefits (up 10 basis points), partly offset by increased competition (down 3 basis points) and the impact of customers switching from higher margin loans to lower margin loans (down 2 basis points).

Funding costs: Decreased margin of 8 basis points, reflecting lower earnings on transaction and savings deposits due to the decreases in the cash rate (down 11 basis points) and reduced earnings on retail investment deposits due to lower swap rates (down 2 basis points), partly offset by a higher benefit from the replicating portfolio (up 4 basis points) and the benefit from lower wholesale funding costs (up 1 basis point).

Portfolio Mix: Increased margin of 3 basis points due to a higher average deposit funding ratio driven by strong growth in transaction and savings deposits.

Group Performance Analysis (continued)

Net Interest Income (continued)

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 5 basis points reflecting a decrease in the average spread and reduced exposure to basis risk due to strong growth in cash rate linked deposits.

Capital and other: Decreased margin of 6 basis points driven by lower earnings on capital due to the falling interest rate environment (down 4 basis points), reduced contribution from New Zealand (down 1 basis point) reflecting the decreases in the RBNZ cash rate, and the implementation of AASB 16 Leases (down 1 basis point) which results in the recognition of interest expense on lease liabilities.

Treasury and Markets: Decreased margin of 3 basis points driven by higher average liquid and trading asset balances.

Half Year Ended June 2020 versus December 2019

Net interest income was \$9,260 million, a decrease of \$90 million or 1% on the prior half, driven by the impact of two fewer calendar days in the current half and a 7 basis point or 3% decrease in net interest margin to 2.04%, partly offset by a \$31 billion or 4% increase in average interest earning assets to \$913 billion.

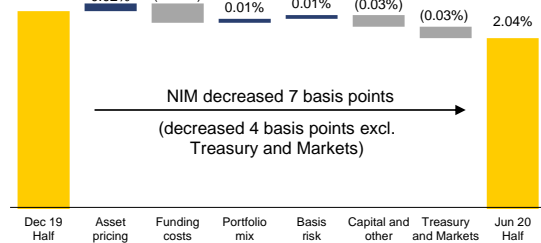
Average Interest Earning Assets

Average interest earning assets increased \$31 billion or 4% on the prior half to \$913 billion.

- Home loan average balances increased \$9 billion or 2% to \$489 billion, primarily driven by continued growth in owner occupied loans;
- Consumer finance average balances decreased \$2 billion or 7% on the prior half to \$20 billion, driven by lower consumer demand for unsecured lending, lower discretionary spend due to COVID-19, and increased customer repayments following fiscal and regulatory support measures;
- Business and corporate loan average balances increased \$4 billion or 2% on the prior half to \$220 billion, driven by higher institutional lending balances due to client demand for liquidity in response to COVID-19;
- Non-lending interest earning asset average balances increased \$20 billion or 12% on the prior half to \$184 billion, driven by an \$18 billion increase in average liquid asset balances due to strong customer deposit growth resulting in excess liquid assets, and a \$2 billion increase in average trading asset balances in Global Markets.

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

NIM movement since December 2019



Net Interest Margin

The Bank's net interest margin decreased 7 basis points on the prior half to 2.04%. The key drivers of the movement were:

Asset pricing: Increased margin of 2 basis points driven by home lending (up 4 basis points), partly offset by lower business lending (down 2 basis points) following repricing actions to support our business customers in response to COVID-19. Increased home lending margin reflects repricing (up 6 basis points), partly offset by increased competition (down 2 basis points).

Funding costs: Decreased margin of 5 basis points, reflecting lower earnings on transaction and savings deposits due to the decreases in the cash rate (down 8 basis points), partly offset by a higher benefit from the replicating portfolio (up 2 basis points) and the benefit from lower wholesale funding costs (up 1 basis point).

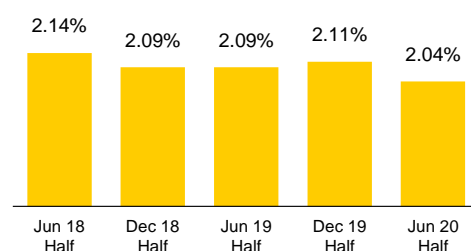
Portfolio Mix: Increased margin of 1 basis point due to a higher average deposit funding ratio driven by strong growth in transaction and savings deposits (up 2 basis points), partly offset by the unfavourable mix impact from lower consumer finance balances (down 1 basis point).

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 Bank's margin increased 1 basis point reflecting a decrease in the average spread and reduced exposure to basis risk due to strong growth in cash rate linked deposits.

Capital and other: Decreased margin of 3 basis points driven by lower earnings on capital due to the falling interest rate environment.

Treasury and Markets: Decreased margin of 3 basis points driven by higher average liquid and trading asset balances (down 4 basis points), partly offset by higher commodities financing income in Global Markets (up 1 basis point).

NIM (Half Year Ended) ¹



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

Group Performance Analysis (continued)

Other Banking Income (continuing operations basis)

	Full Year Ended ¹			Half Year Ended ¹		
	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %	30 Jun 20	31 Dec 19	Jun 20 vs Dec 19 %
	\$M	\$M		\$M	\$M	
Commissions	2,557	2,677	(4)	1,236	1,321	(6)
Lending fees	986	992	(1)	503	483	4
Trading income	940	853	10	432	508	(15)
Other income	354	429	(17)	123	231	(47)
Other banking income - "cash basis"	4,837	4,951	(2)	2,294	2,543	(10)

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

Year Ended June 2020 versus June 2019

Other banking income was \$4,837 million, a decrease of \$114 million or 2% on the prior year.

Commissions decreased by \$120 million or 4% to \$2,557 million, mainly driven by lower credit card and international transaction volumes from a decline in spend due to COVID-19, lower deposit income due to lower interchange income, the removal and simplification of certain account fees and lower volumes of transaction fees, and lower merchant income following the introduction of fee waivers to support our customers in response to COVID-19. This was partly offset by higher equities income from higher trading volumes.

Lending fees decreased by \$6 million or 1% to \$986 million, mainly driven by reduced institutional lending fees reflecting lower average exposures from portfolio optimisation initiatives, partly offset by higher business loan fee income reflecting a continued shift to fee based products such as cash advance facilities.

Trading income increased by \$87 million or 10% to \$940 million, driven by higher Markets income due to improved trading performance in foreign exchange, reflecting market volatility, and higher Treasury income, partly offset by unfavourable derivative valuation adjustments.

Other income decreased by \$75 million or 17% to \$354 million, primarily driven by the impairment of aircraft which are owned by the Group and leased to various airlines in the Structured Asset Finance portfolio, lower net profits from minority investments, and a realised loss on the hedge of New Zealand earnings, partly offset by payments received from AIA reflecting progress in meeting partnership milestones following the sale of CommInsure Life.

Half Year Ended June 2020 versus December 2019

Other banking income was \$2,294 million, a decrease of \$249 million or 10% on the prior half.

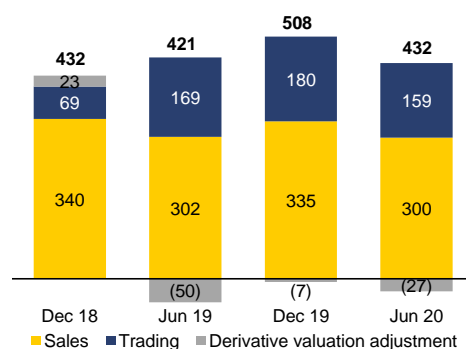
Commissions decreased by \$85 million or 6% to \$1,236 million, mainly driven by lower credit card and international transaction volumes from a decline in spend due to COVID-19, and lower merchant income from lower turnover volumes and the introduction of fee waivers to support our customers in response to COVID-19. This was partly offset by higher equities income from higher trading volumes.

Lending fees increased by \$20 million or 4% to \$503 million, mainly driven by higher institutional lending fees as customers increased exposures for liquidity purposes in response to COVID-19.

Trading income decreased by \$76 million or 15% to \$432 million, driven by lower Markets income from lower sales performance reflecting reduced client demand, lower income from hedging activities related to bond inventories and commodities financing (offsetting the increase in net interest income), and unfavourable derivative valuation adjustments, partly offset by higher Treasury income.

Other income decreased by \$108 million or 47% to \$123 million, primarily driven by the impairment of aircraft which are owned by the Group and leased to various airlines in the Structured Asset Finance portfolio, lower net profits from minority investments, lower gains on the sale of liquid assets in Treasury and the non-recurrence of gains on the sale of assets in the Structured Asset Finance portfolio in the prior half, partly offset by payments received from AIA reflecting progress in meeting partnership milestones following the sale of CommInsure Life.

Trading Income (\$M) ¹



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

Group Performance Analysis (continued)

Funds Management Income (continuing operations basis)

	Full Year Ended ¹			Half Year Ended ¹		
	30 Jun 20 \$M	30 Jun 19 \$M	Jun 20 vs Jun 19 %	30 Jun 20 \$M	31 Dec 19 \$M	Jun 20 vs Dec 19 %
Retail Banking Services ²	67	139	(52)	16	51	(69)
New Zealand	136	130	5	65	71	(8)
Other	(31)	(14)	large	(8)	(23)	(65)
Funds management income - "cash basis"	172	255	(33)	73	99	(26)
Funds under administration (FUA) - average (\$M) ³	15,332	14,205	8	-	15,332	large
Assets under management (AUM) - average (\$M) ⁴	16,941	14,544	16	17,272	16,730	3

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 Financial Planning 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 2020 versus June 2019

Funds management income was \$172 million, a decrease of \$83 million or 33% on the prior year. The key drivers were:

- A decrease in Retail Banking Services of \$72 million or 52% to \$67 million, driven by the cessation of ongoing service fees and grandfathered trail commissions, lower volumes of initial advice, and the wind-down of the Aligned Advice businesses; partly offset by
- An increase in New Zealand of \$6 million or 5% to \$136 million, driven by higher average AUM (up 16%) reflecting net inflows, and higher AUM margins, partly offset by lower income due to the sale of the Aegis business on 2 December 2019.

Half Year Ended June 2020 versus December 2019

Funds management income was \$73 million, a decrease of \$26 million or 26% on the prior half. The key drivers were:

- A decrease in Retail Banking Services of \$35 million or 69% to \$16 million, driven by the cessation of platform rebates on 1 January 2020, and the wind-down of the Aligned Advice businesses; and
- A decrease in New Zealand of \$6 million or 8% to \$65 million, driven by the sale of the Aegis business on 2 December 2019, partly offset by higher average AUM (up 3%).

Insurance Income (continuing operations basis)

	Full Year Ended			Half Year Ended		
	30 Jun 20 \$M	30 Jun 19 \$M	Jun 20 vs Jun 19 %	30 Jun 20 \$M	31 Dec 19 \$M	Jun 20 vs Dec 19 %
Insurance income - "cash basis"	139	147	(5)	108	31	large

Year Ended June 2020 versus June 2019

Insurance income was \$139 million, a decrease of \$8 million or 5% on the prior year. This result was driven by higher claims experience in the General Insurance business mainly due to bushfire related claims, partly offset by the non-recurrence of NSW hailstorm and Queensland flood related claims in the prior year.

Half Year Ended June 2020 versus December 2019

Insurance income was \$108 million, an increase of \$77 million on the prior half. This result was driven by lower claims experience in the General Insurance business due to lower bushfire related claims net of reinsurance recoveries.

Group Performance Analysis (continued)

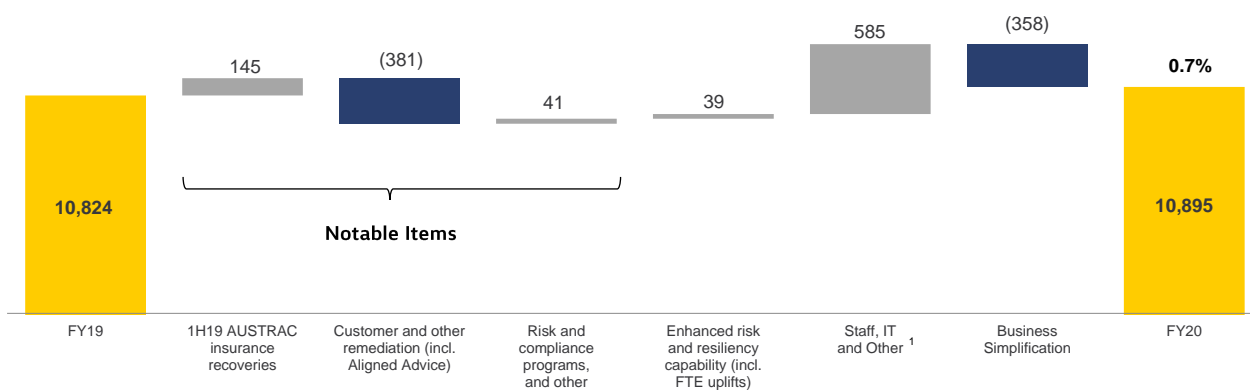
Operating Expenses (continuing operations basis)

	Full Year Ended ¹			Half Year Ended ¹		
	30 Jun 20 \$M	30 Jun 19 \$M	Jun 20 vs Jun 19 %	30 Jun 20 \$M	31 Dec 19 \$M	Jun 20 vs Dec 19 %
Staff expenses	5,525	5,408	2	2,744	2,781	(1)
Occupancy and equipment expenses	1,060	1,070	(1)	544	516	5
Information technology services expenses	1,896	1,770	7	972	924	5
Other expenses	1,561	1,528	2	772	789	(2)
Operating expenses excluding notable items - "cash basis"	10,042	9,776	3	5,032	5,010	-
Notable items ²						
1H19 AUSTRAC insurance recoveries	-	(145)	large	-	-	-
Customer and other remediation (incl. Aligned Advice)	454	835	(46)	454	-	n/a
Risk and compliance programs, and other	399	358	11	203	196	4
Operating expenses including notable items - "cash basis"	10,895	10,824	1	5,689	5,206	9
Operating expenses to total operating income excluding notable items (%)	42.3	41.5	80 bpts	42.9	41.7	120 bpts
Operating expenses to total operating income (%)	45.9	45.9	-	48.5	43.3	large
Spot number of full-time equivalent staff (FTE)	41,778	41,458	1	41,778	40,519	3

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

2 For further details on notable items refer to page 11.

Operating Expenses



1 Excludes staff, IT and other costs related to notable items, enhanced risk and resiliency capability and simplification.

Year Ended June 2020 versus June 2019

Operating expenses excluding notable items were \$10,042 million, an increase of \$266 million or 3% on the prior year.

Staff expenses increased by \$117 million or 2% to \$5,525 million, driven by wage inflation, increased full-time equivalent staff (FTE) and higher annual leave costs. The spot number of FTE increased by 320 or 1% from 41,458 to 41,778, primarily due to an increase in call centre, operations and financial assistance staff in response to COVID-19 (up 412 FTE), risk and compliance staff (up 582 FTE, mainly driven by increased operational resourcing of the financial

crimes compliance team and additional risk resources), remediation staff (up 343 FTE), and project resources, partly offset by productivity initiatives including workforce optimisation.

Occupancy and equipment expenses decreased by \$10 million or 1% to \$1,060 million, primarily due to the closure of 44 branches in the 12 months to 30 June 2020, lower corporate office development costs and closure of offshore offices, partly offset by annual rental reviews and higher cleaning and maintenance costs due to COVID-19.

Group Performance Analysis (continued)

Operating Expenses (continued)

Information technology services expenses increased by \$126 million or 7% to \$1,896 million. This was primarily due to increased IT infrastructure costs, increased amortisation, higher software licence costs, and increased risk and compliance investment spend.

Other expenses increased by \$33 million or 2% to \$1,561 million, primarily driven by higher fees and commissions expenses, and costs associated with the domestic violence program and bushfire recovery grants.

Operating expenses to total operating income ratio excluding notable items increased 80 basis points from 41.5% to 42.3%.

Half Year Ended June 2020 versus December 2019

Operating expenses excluding notable items increased \$22 million or flat on the prior half to \$5,032 million.

Staff expenses decreased by \$37 million or 1% to \$2,744 million driven by lower variable remuneration and productivity initiatives, partly offset by an increase in average FTE. The spot number of FTE increased by 1,259 or 3% from 40,519 to 41,778, primarily due to an increase in call centre,

operations and financial assistance staff in response to COVID-19 (up 412 FTE), risk and compliance staff (up 411 FTE, mainly driven by increased operational resourcing of the financial crimes compliance team and additional risk resources), remediation staff (up 265 FTE), and project resources.

Occupancy and equipment expenses increased by \$28 million or 5% to \$544 million, driven by higher cleaning and maintenance costs due to COVID-19 and increased depreciation, partly offset by the closure of 14 branches in the 6 months to 30 June 2020.

Information technology services expenses increased by \$48 million or 5% to \$972 million, primarily due to an increase in IT infrastructure costs including higher volumes and cloud usage, and higher amortisation.

Other expenses decreased by \$17 million or 2% to \$772 million, primarily driven by lower discretionary spend.

Operating expenses to total operating income ratio excluding notable items increased 120 basis points from 41.7% to 42.9%.

Investment Spend (continuing operations basis)

	Full Year Ended ¹			Half Year Ended ¹		
	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %	30 Jun 20	31 Dec 19	Jun 20 vs Dec 19 %
	\$M	\$M		\$M	\$M	
Expensed investment spend ²	771	731	5	421	350	20
Capitalised investment spend ³	666	603	10	377	289	30
Investment spend	1,437	1,334	8	798	639	25
Comprising:						
Risk and compliance	1,041	845	23	576	465	24
Productivity and growth	301	376	(20)	176	125	41
Branch refurbishment and other	95	113	(16)	46	49	(6)
Investment spend	1,437	1,334	8	798	639	25

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 non-software capitalised investment spend, primarily related to branch refurbishments and the development of the South Eveleigh corporate office.

Year Ended June 2020 versus June 2019

The Bank has continued to invest in becoming a simpler and better bank for our customers with \$1,437 million incurred in the full year to 30 June 2020, an increase of \$103 million or 8% on the prior year. This is driven by an increase of \$196 million in risk and compliance projects, partly offset by a decrease of \$75 million in productivity and growth initiatives and a decrease of \$18 million in branch refurbishment and other.

Risk and compliance projects accounted for 72% of investment spend, an increase from 63% in the prior year, as the Bank has continued to strengthen regulatory and compliance frameworks, and implement systems to satisfy regulatory obligations. Productivity and growth initiatives accounted for 21% of investment spend, a decrease from 28% in the prior year as the Bank has continued to prioritise funding for risk and compliance initiatives. Key areas of investment across each of the categories are outlined below.

Risk and Compliance

Financial Crimes Compliance

The Bank has continued to strengthen financial crimes compliance as part of a comprehensive program of investment, including:

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

Group Performance Analysis (continued)

Investment Spend (continued)

Other Risk and Compliance

The Bank has invested in the following:

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

Productivity and Growth

The Bank has invested in the following:

- Ongoing development of digital channels to improve the digital customer service experience and improve the resilience of the digital infrastructure;

- Commercial lending systems to upgrade the end-to-end process for loan origination and maintenance, to improve business customer experiences;
- Accelerating the use of cloud-based technology to reduce the cost of ownership of IT infrastructure;
- Simplifying and automating manual back end processes to improve customer experience and deliver cost savings; and
- Collaborating with our partners in initiatives including new life and income protection products, new home loan features and a staff health and wellbeing rewards program.

Branch Refurbishment and Other

The Bank has invested in the following:

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

Capitalised Software

	Full Year Ended			Half Year Ended		
	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %	30 Jun 20	31 Dec 19	Jun 20 vs Dec 19 %
	\$M	\$M		\$M	\$M	
Opening Balance	1,712	1,819	(6)	1,418	1,712	(17)
Additions	407	343	19	206	201	2
Amortisation and write-offs ¹	(769)	(450)	71	(274)	(495)	(45)
Reclassification to assets held for sale	(1)	–	n/a	(1)	–	n/a
Closing balance	1,349	1,712	(21)	1,349	1,418	(5)

¹ The full year ended 30 June 2019 includes amortisation and write-offs of \$14 million related to discontinued operations. The half year ended 31 December 2019 includes amortisation of \$9 million related to discontinued operations.

Year Ended June 2020 versus June 2019

Capitalised software balance decreased \$363 million or 21% to \$1,349 million.

Additions increased by \$64 million or 19% to \$407 million, due to higher capitalised investment spend in relation to risk and compliance initiatives as the Bank continued to strengthen regulatory and compliance frameworks and implement systems to satisfy regulatory obligations.

Amortisation and write-offs increased by \$319 million or 71% to \$769 million, driven by the accelerated amortisation of certain capitalised software balances, and investment in digital assets which have shorter amortisation periods.

Half Year Ended June 2020 versus December 2019

Capitalised software balance decreased \$69 million or 5% to \$1,349 million.

Additions increased by \$5 million or 2% to \$206 million.

Amortisation and write-offs decreased by \$221 million or 45% to \$274 million, mainly driven by the non-recurrence of the accelerated amortisation of certain capitalised software balances in the prior half.

Group Performance Analysis (continued)

Loan Impairment Expense (continuing operations basis)

	Full Year Ended ¹			Half Year Ended		
	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %	30 Jun 20	31 Dec 19	Jun 20 vs Dec 19 %
	\$M	\$M		\$M	\$M	
Retail Banking Services	1,010	672	50	746	264	large
Business and Private Banking	814	384	large	575	239	large
Institutional Banking and Markets	347	17	large	282	65	large
New Zealand	292	102	large	271	21	large
IFS and other	55	26	large	(5)	60	large
Loan impairment expense - "cash basis"	2,518	1,201	large	1,869	649	large

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

Year Ended June 2020 versus June 2019

Loan impairment expense was \$2,518 million, an increase of \$1,317 million on the prior year. This was driven by:

- An increase in Business and Private Banking of \$430 million to \$814 million, driven by higher collective provisions due to increased forward looking adjustments reflecting a deterioration in the economic outlook, as well as emerging industry sector risks, in particular commercial property, health and community services, manufacturing and wholesale trade, mainly due to COVID-19;
- An increase in Retail Banking Services of \$338 million or 50% to \$1,010 million, driven by higher collective provisions due to increased forward looking adjustments reflecting a deterioration in the economic outlook, and emerging risks, mainly due to COVID-19, partly offset by lower consumer finance balances;
- An increase in Institutional Banking and Markets of \$330 million to \$347 million, driven by higher collective provisions due to increased forward looking adjustments reflecting a deterioration in the economic outlook, as well as emerging industry sector risks, in particular manufacturing, media and aviation, mainly due to COVID-19, partly offset by lower individual provisions;
- An increase in New Zealand of \$190 million to \$292 million, driven by the impact of COVID-19 resulting in higher collective provisions reflecting a deterioration in the economic outlook, and emerging industry sector risks, in particular commercial property, retail trade, and entertainment, leisure and tourism, and higher individually assessed provisions; and
- An increase in IFS and Other of \$29 million to \$55 million, mainly driven by higher individually assessed and collective provisions in PTBC, reflecting a deterioration in credit quality and economic outlook, mainly due to COVID-19.

Loan impairment expense as a percentage of average gross loans and acceptances (GLAAs) increased 17 basis points to 33 basis points.

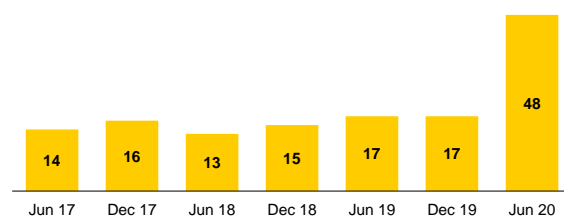
Half Ended June 2020 versus December 2019

Loan impairment expense was \$1,869 million, an increase of \$1,220 million on the prior half. This was driven by:

- An increase in Retail Banking Services of \$482 million to \$746 million, driven by higher collective provisions due to increased forward looking adjustments reflecting a deterioration in the economic outlook, emerging risks, and an increase in early stage arrears, mainly due to COVID-19;
- An increase in Business and Private Banking of \$336 million to \$575 million, driven by higher collective provisions due to increased forward looking adjustments reflecting a deterioration in the economic outlook, as well as emerging industry sector risks, in particular commercial property, health and community services, manufacturing and wholesale trade, mainly due to COVID-19, and higher individual provisions;
- An increase in Institutional Banking and Markets of \$217 million to \$282 million, driven by higher collective provisions due to increased forward looking adjustments reflecting a deterioration in the economic outlook, as well as emerging industry sector risks, in particular aviation, manufacturing and commercial property, mainly due to COVID-19, partly offset by lower individual provisions; and
- An increase in New Zealand of \$250 million to \$271 million, driven by the impact of COVID-19 resulting in higher collective provisions reflecting a deterioration in the economic outlook, and emerging industry sector risks, in particular commercial property, retail trade, and entertainment, leisure and tourism, and higher individually assessed provisions; partly offset by
- A decrease in IFS and Other of \$65 million to a \$5 million benefit, mainly driven by a higher central management overlay in the prior half, for drought affected agriculture and associated regional communities in NSW and Queensland.

Loan impairment expense annualised as a percentage of average gross loans and acceptances (GLAAs) increased 31 basis points to 48 basis points.

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



Group Performance Analysis (continued)

Taxation Expense (continuing operations basis)

	Full Year Ended ¹			Half Year Ended ¹		
	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %	30 Jun 20	31 Dec 19	Jun 20 vs Dec 19 %
	\$M	\$M		\$M	\$M	
Corporate tax expense (\$M)	3,052	3,321	(8)	1,240	1,812	(32)
Effective tax rate - "cash basis" (%)	29.5	28.7	80 bpts	29.7	29.4	30 bpts

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

Year Ended June 2020 versus June 2019

Corporate tax expense was \$3,052 million, a decrease of \$269 million or 8% on the prior year, reflecting a 29.5% effective tax rate.

The rate is below the Australian company tax rate of 30% primarily as a result of the offshore banking unit and offshore jurisdictions that have lower corporate tax rates.

The 80 basis points increase in the effective tax rate from 28.7% to 29.5% was primarily due to a reduction in profit earned by the offshore banking unit and offshore jurisdictions.

Half Year Ended June 2020 versus December 2019

Corporate tax expense was \$1,240 million, a decrease of \$572 million or 32% on the prior half, reflecting a 29.7% effective tax rate.

The rate is below the Australian company tax rate of 30% primarily as a result of the offshore banking unit and offshore jurisdictions that have lower corporate tax rates.

Group Performance Analysis (continued)

Group Assets and Liabilities

	As at ¹				
	30 Jun 20 \$M	31 Dec 19 \$M	30 Jun 19 \$M	Jun 20 vs Dec 19 %	Jun 20 vs Jun 19 %
Total Group Assets and Liabilities					
Interest earning assets					
Home loans ²	542,880	535,090	522,942	1	4
Consumer finance	18,217	21,167	21,993	(14)	(17)
Business and corporate loans	216,695	214,145	214,953	1	1
Loans, bills discounted and other receivables ³	777,792	770,402	759,888	1	2
Non-lending interest earning assets ⁴	178,806	159,391	155,821	12	15
Total interest earning assets	956,598	929,793	915,709	3	4
Other assets ^{3,4}	55,692	48,869	44,242	14	26
Assets held for sale ⁴	1,770	1,206	16,551	47	(89)
Total assets	1,014,060	979,868	976,502	3	4
Interest bearing liabilities					
Transaction deposits ⁵	145,316	128,294	121,747	13	19
Savings deposits ⁵	236,339	201,930	190,397	17	24
Investment deposits	181,483	204,875	205,622	(11)	(12)
Other demand deposits	61,940	65,098	63,650	(5)	(3)
Total interest bearing deposits	625,078	600,197	581,416	4	8
Debt issues	142,503	153,327	164,022	(7)	(13)
Other interest bearing liabilities ⁴	51,264	56,507	54,840	(9)	(7)
Total interest bearing liabilities	818,845	810,031	800,278	1	2
Non-interest bearing transaction deposits	74,335	60,871	53,896	22	38
Other non-interest bearing liabilities ⁴	48,273	37,251	36,883	30	31
Liabilities held for sale ⁴	594	562	15,796	6	(96)
Total liabilities	942,047	908,715	906,853	4	4

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

2 Home loans are presented gross of \$50,597 million of mortgage offset balances (31 December 2019: \$49,006 million; 30 June 2019: \$45,078 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 55% interest in Colonial First State (CFS) to KKR. On 28 April 2020 CBA announced that it has entered into an agreement to sell AUSIEX to Nomura Research Institute. As at 30 June 2020, \$290 million of non-lending interest earning assets and \$1,074 million of other assets have been reclassified to assets held for sale, \$591 million of other non-interest bearing liabilities, and \$3 million of other interest bearing liabilities have been reclassified to liabilities held for sale in relation to these businesses.

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). On 1 November 2019 CBA announced that the joint co-operation agreement with AIA Group Limited (AIA) in relation to CBA's Australian life insurance business (CommInsure Life) has been implemented. The assets and liabilities held for sale in relation to these businesses have therefore been deconsolidated during the six months ended 31 December 2019, resulting in a decrease in assets held for sale of \$15 billion and liabilities held for sale of \$15 billion in the half year ended 31 December 2019.

5 Transaction and savings deposits includes \$50,597 million of mortgage offset balances (31 December 2019: \$49,006 million; 30 June 2019: \$45,078 million).

Year Ended June 2020 versus June 2019

Total assets were \$1,014 billion, an increase of \$38 billion or 4% on the prior year, reflecting an increase in home lending, business and corporate loans, non-lending interest earning assets, and other assets, partly offset by lower consumer finance balances and assets held for sale.

Total liabilities were \$942 billion, an increase of \$35 billion or 4% on the prior year, reflecting an increase in transaction and savings deposits, and other non-interest bearing liabilities, partly offset by a decrease in investment deposits, debt issues, and liabilities held for sale.

The Bank continued to fund a significant portion of lending growth from customer deposits. Customer deposits represented 74% of total funding (30 June 2019: 69%).

Home loans

Home loan balances increased \$20 billion to \$543 billion, reflecting a 4% increase on the prior year. The increase was driven by Retail Banking Services and New Zealand, partly offset by a decrease in Business and Private Banking. Domestic home loan growth of 4% was above system growth, reflecting strong operational execution of credit-decisioning processes.

Home loans in Australia amount to \$485 billion (30 June 2019: \$467 billion) of which 68% were owner occupied, 30% were investment home loans and 2% were lines of credit (30 June 2019: 66% were owner occupied, 31% were investment home loans and 3% were lines of credit).

Group Performance Analysis (continued)

Group Assets and Liabilities (continued)

Consumer finance

Consumer finance balances decreased \$4 billion to \$18 billion, a 17% decrease on the prior year, broadly in line with system. The decrease was driven by lower consumer demand for unsecured debt, lower discretionary spend due to COVID-19, and increased customer repayments following fiscal and regulatory support measures.

Business and corporate loans

Business and corporate loans increased \$2 billion to \$217 billion, a 1% increase on the prior year, reflecting growth of 2% in institutional lending driven by increased drawdown of warehouse facilities, growth of 2% in Business and Private Banking across various industries, driven in part by support provided to customers with over 7,300 loans funded under the Government's SME Guarantee Scheme, and growth in New Zealand business lending of 2% (excluding the impact of FX). This was partly offset by a decline in New Zealand rural lending of 4% (excluding the impact of FX) driven by a focus on risk-adjusted returns.

Domestic business lending increased 5%, broadly in line with system.

Non-lending interest earning assets

Non-lending interest earning assets increased \$23 billion to \$179 billion, a 15% increase on the prior year, mainly driven by higher liquid assets due to strong customer deposit growth resulting in excess liquid assets, and higher trading asset balances in Institutional Banking and Markets.

Other assets

Other assets, including derivative assets, property, plant and equipment and intangibles, increased \$11 billion to \$56 billion, a 26% increase on the prior year. The increase was driven by higher derivative assets due to foreign currency and interest rate volatility, and higher property, plant and equipment balances from the adoption of AASB 16 *Leases*.

Total interest bearing deposits

Total interest bearing deposits increased \$44 billion to \$625 billion, an 8% increase on the prior year, primarily driven by transaction and savings deposits growth, partly offset by lower investment deposits. The increase in transaction and savings deposits was driven by increased demand for at-call deposits, continued growth in existing customers' balances and mortgage offset accounts in Retail Banking Services, Business and Private Banking and New Zealand, and clients managing their liquidity needs in response to COVID-19 in Institutional Banking and Markets. The reduction in investment deposits reflects customers switching to at-call deposits in the low cash rate environment.

Domestic household deposits grew at 10%, above system growth of 9%.

Debt issues

Debt issues decreased \$22 billion to \$143 billion, a 13% decrease on the prior year, reflecting lower wholesale funding requirements due to growth in deposit funding. Customer deposits represented 74% of total funding (30 June 2019: 69%).

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 page 37-38 for further information on debt programs and issuance for the year ended 30 June 2020.

Other interest bearing liabilities

Other interest bearing liabilities, including loan capital, liabilities at fair value through income statement and amounts due to other financial institutions, decreased \$4 billion to \$51 billion, a 7% decrease on the prior year. The decrease was driven by lower foreign currency term deposits and offshore central bank deposits, reflecting lower short-term wholesale funding requirements due to growth in deposit funding, partly offset by higher lease liabilities from the adoption of AASB 16 *Leases* and the issuance of PERLS XII and Tier 2 USD Capital instruments.

Non-interest bearing transaction deposits

Non-interest bearing transaction deposits increased \$20 billion to \$74 billion, a 38% increase on the prior year. The increase was driven by growth in existing personal and business transaction deposits in Retail Banking Services, Business and Private Banking and New Zealand due to increased demand for at-call deposits in the low cash rate environment.

Other non-interest bearing liabilities

Other non-interest bearing liabilities, including derivative liabilities, increased \$11 billion to \$48 billion, a 31% increase on the prior year. The increase was driven by higher derivative liabilities primarily due to foreign currency and interest rate volatility.

Half Year Ended June 2020 versus December 2019

Total assets increased \$34 billion or 3% on the prior half, reflecting increased home lending, business and corporate loans, non-lending interest earning assets, and other assets, partly offset by lower consumer finance balances.

Total liabilities increased \$33 billion or 4% on the prior half, primarily reflecting an increase in transaction and savings deposits, and other non-interest bearing liabilities, partly offset by a decrease in investment deposits, and debt issues.

Customer deposits represent 74% of total funding (31 December 2019: 71%).

Home loans

Home loan balances increased \$8 billion or 1% on the prior half, driven by Retail Banking Services, partly offset by a decline in New Zealand balances (excluding the impact of FX, New Zealand balances increased 2%). Domestic home loan growth of 2%, broadly in line with system.

Home loans in Australia amount to \$485 billion (31 December 2019: \$477 billion) of which 68% were owner occupied, 30% were investment home loans and 2% were lines of credit (31 December 2019: 67% were owner occupied, 31% were investment home loans and 2% were lines of credit).

Consumer finance

Consumer finance balances decreased \$3 billion or 14%, broadly in line with system. The decrease was driven by lower consumer demand for unsecured debt, lower discretionary spend due to COVID-19, and increased customer repayments following fiscal and regulatory support measures.

Group Performance Analysis (continued)

Group Assets and Liabilities (continued)

Business and corporate loans

Business and corporate loans increased \$3 billion or 1% on the prior half, reflecting growth of 2% in Business and Private Banking across various industries, driven in part by support provided to customers with over 7,300 loans funded under the Government's SME Guarantee Scheme, and growth of 1% in institutional lending driven by increased drawdown of warehouse facilities. This was partly offset by a decline in New Zealand rural lending of 1% (excluding the impact of FX) driven by a focus on risk-adjusted returns.

Domestic business lending increased 4%, above system growth of 3%.

Non-lending interest earning assets

Non-lending interest earning assets increased \$19 billion or 12% on the prior half, mainly driven by higher liquid assets due to strong customer deposit growth resulting in excess liquid assets, and higher trading asset balances in Institutional Banking and Markets.

Other assets

Other assets, including derivative assets, property, plant and equipment and intangibles, increased \$7 billion or 14% on the prior half, driven by higher derivative assets primarily due to foreign currency and interest rate volatility.

Total interest bearing deposits

Total interest bearing deposits increased \$25 billion or 4% on the prior half, primarily driven by transaction and savings deposits growth, partly offset by lower investment deposits. The increase in transaction and savings deposits was driven by increased demand for at-call deposits, continued growth in existing customers' balances and mortgage offset accounts in Retail Banking Services, Business and Private Banking and New Zealand, and clients managing their liquidity needs in response to COVID-19 in Institutional Banking and Markets. The reduction in investment deposits reflects customers switching to at-call deposits in the low cash rate environment.

Domestic household deposits grew at 6%, above system growth of 5%.

Debt issues

Debt issues decreased \$11 billion or 7% on the prior half, reflecting lower wholesale funding requirements due to growth in deposit funding.

Refer to page 37-38 for further information on debt programs and issuance for the half year ended 30 June 2020.

Other interest bearing liabilities

Other interest bearing liabilities, including loan capital, liabilities at fair value through income statement and amounts due to other financial institutions, decreased \$5 billion or 9% on the prior half primarily driven by lower foreign currency term deposits and offshore central bank deposits, reflecting lower short-term wholesale funding requirements due to growth in deposit funding.

Non-interest bearing transaction deposits

Non-interest bearing transaction deposits increased \$13 billion or 22% on the prior half, primarily driven by growth in existing personal and business transaction deposits in Retail Banking Services, Business and Private Banking and New Zealand due to increased demand for at-call deposits in the low cash rate environment.

Other non-interest bearing liabilities

Other non-interest bearing liabilities, including derivative liabilities, increased \$11 billion or 30% on the prior half. The increase was driven by higher derivative liabilities due to foreign currency and interest rate volatility.

This page has been intentionally left blank

Group Operations & Business Settings

This page has been intentionally left blank

Contents

4. Group Operations & Business Settings

Loan Impairment Provisions and Credit Quality	26
Capital	31
Leverage Ratio	35
Dividends	35
Liquidity	36
Funding	37
Net Stable Funding Ratio (NSFR)	39

Group Operations and Business Settings

Loan Impairment Provisions and Credit Quality

Provisions for Impairment

	As at				
	30 Jun 20	31 Dec 19	30 Jun 19	Jun 20 vs Dec 19 %	Jun 20 vs Jun 19 %
	\$M	\$M	\$M		
Provisions for impairment losses					
Collective provisions	5,396	4,067	3,904	33	38
Individually assessed provisions	967	959	895	1	8
Total provisions for impairment losses	6,363	5,026	4,799	27	33
Less: Provisions for Off Balance Sheet exposures	(119)	(87)	(84)	37	42
Total provisions for loan impairment	6,244	4,939	4,715	26	32

Year Ended June 2020 versus June 2019

Total provisions for impairment losses as at 30 June 2020 were \$6,363 million, an increase of \$1,564 million or 33% on the prior year. The increase was driven by:

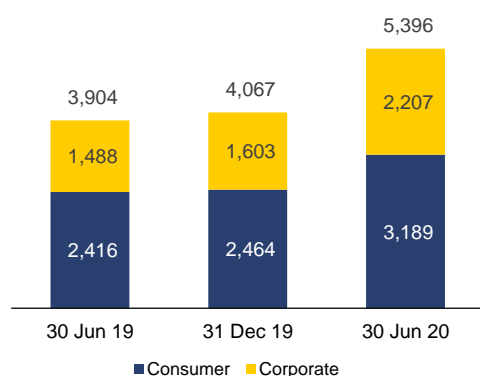
- Consumer collective provisions increase of \$773 million or 32% to \$3,189 million. This was driven by higher collective provisions due to increased forward looking adjustments, reflecting a deterioration in the economic outlook and emerging risks, mainly due to COVID-19, partly offset by lower consumer finance balances;
- Corporate collective provisions increase of \$719 million or 48% to \$2,207 million. This was driven by a deterioration in the economic outlook and emerging industry sector risks, mainly due to COVID-19, in particular commercial property, manufacturing, transport and storage, business services, health and community services, and wholesale trade, as well as other sectors reliant on discretionary spending; and
- Corporate individually assessed provisions increase of \$106 million or 17% to \$727 million. This was mainly due to the impairment of a small number of large exposures, partly offset by write-offs and write-backs across various industry sectors; partly offset by
- Consumer individually assessed provisions decrease of \$34 million or 12% to \$240 million. This was mainly driven by improved house prices and a decrease in 90+ days arrears balances in the Australian mortgage portfolio as a result of customer take-up of repayment deferrals, increased resourcing of arrears management and the decreases in the cash rate.

Half Year Ended June 2020 versus December 2019

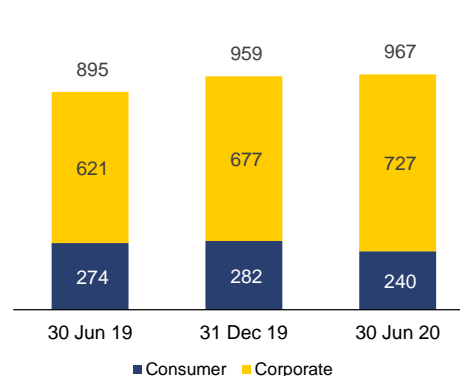
Total provisions for impairment losses increased \$1,337 million or 27% on the prior half. The increase was driven by:

- Consumer collective provisions increase of \$725 million or 29% to \$3,189 million. This was driven by higher collective provisions due to increased forward looking adjustments, reflecting a deterioration in the economic outlook, emerging risks, and an increase in early stage arrears, mainly due to COVID-19;
- Corporate collective provisions increase of \$604 million or 38% to \$2,207 million. This was driven by a deterioration in the economic outlook and emerging industry sector risks, mainly due to COVID-19, in particular commercial property, transport and storage, business services, manufacturing, health and community services, and wholesale trade, as well as other sectors reliant on discretionary spending; and
- Corporate individually assessed provisions increase of \$50 million or 7% to \$727 million. This was mainly due to the impairment of a small number of large exposures, partly offset by write-offs and write-backs across various industry sectors; partly offset by
- Consumer individually assessed provisions decrease of \$42 million or 15% to \$240 million. This was mainly driven by a decrease in 90+ days arrears balances in the Australian mortgage portfolio as a result of customer take-up of repayment deferrals, increased resourcing of arrears management and the decreases in the cash rate.

Collective Provisions (\$M)



Individually Assessed Provisions (\$M)



Group Operations and Business Settings (continued)

Loan Impairment Provisions and Credit Quality (continued)

Credit Quality

Credit Quality Metrics	Full Year Ended			Half Year Ended		
	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %	30 Jun 20	31 Dec 19	Jun 20 vs Dec 19 %
Gross loans and acceptances (GLAA) (\$M)	778,675	761,013	2	778,675	771,383	1
Risk weighted assets (RWA) (\$M) - Basel III	454,948	452,762	–	454,948	449,154	1
Credit RWA (\$M) - Basel III	374,194	372,574	–	374,194	375,217	–
Gross impaired assets (\$M)	3,548	3,622	(2)	3,548	3,383	5
Net impaired assets (\$M)	2,293	2,435	(6)	2,293	2,161	6
Provision Ratios						
Collective provisions as a % of credit RWA - Basel III	1.44	1.05	39 bpts	1.44	1.08	36 bpts
Total provisions as a % of credit RWA - Basel III	1.70	1.29	41 bpts	1.70	1.34	36 bpts
Total provisions for impaired assets as a % of gross impaired assets	35.37	32.77	260 bpts	35.37	36.12	(75)bpts
Total provisions for impaired assets as a % of gross impaired assets (corporate)	46.62	43.71	291 bpts	46.62	54.90	large
Total provisions for impaired assets as a % of gross impaired assets (consumer)	26.18	24.85	133 bpts	26.18	24.61	157 bpts
Total provisions for impairment losses as a % of GLAAs	0.82	0.63	19 bpts	0.82	0.65	17 bpts
Asset Quality Ratios						
Gross impaired assets as a % of GLAAs	0.46	0.48	(2)bpts	0.46	0.44	2 bpts
Loans 90+ days past due but not impaired as a % of GLAAs	0.43	0.44	(1)bpt	0.43	0.41	2 bpts
Loan impairment expense ("cash basis") annualised as a % of average GLAAs	0.33	0.16	17 bpts	0.48	0.17	31 bpts
Net write-offs annualised as a % of GLAAs	0.13	0.16	(3)bpts	0.14	0.12	2 bpts
Corporate total committed exposures rated investment grade (%) ¹	67.30	67.40	(10)bpts	67.30	66.40	90 bpts
Australian Home Loan Portfolio						
Portfolio dynamic LVR (%) ²	52.69	52.44	25 bpts	52.69	53.42	(73)bpts
Customers in advance (%) ³	80.12	78.48	164 bpts	80.12	81.70	(158)bpts

1 Investment grades based on CBA grade in S&P equivalent.

2 Loan to value ratio (LVR) defined as current balance as a percentage of the current valuation on Australian home loan portfolio.

3 Any amount ahead of monthly minimum repayment (including offset facilities).

Provision Ratios and Impaired Assets

Total provisions as a proportion of credit RWA increased by 36 basis points on the prior half to 1.70%. This was driven by increased forward looking adjustments reflecting a deterioration in the economic outlook, and emerging industry sector risks, mainly due to COVID-19.

Gross impaired assets were \$3,548 million, an increase of \$165 million or 5% on the prior half. Gross impaired assets as a proportion of GLAAs were 0.46%, an increase of 2 basis points on the prior half. Provision coverage for the impaired asset portfolio was 35.37%, a decrease of 75 basis points on the prior half mainly driven by the impairment of a small number of secured, large corporate exposures.

COVID-19 Support

From March 2020 the Bank has offered a number of support measures to retail and business customers impacted by the COVID-19 pandemic, including repayment deferrals of up to 6 months in duration. In July 2020 the Bank announced that customers may be able to extend their existing repayment deferrals by up to 4 months, on a case by case basis depending on their individual circumstances. Consistent with guidance from APRA, the Bank has not treated the period of the repayment deferral as a period of arrears, where the customer was otherwise performing. Customers are being contacted during their deferral period to ensure that the support is suitable for their current circumstances.

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

Group Operations and Business Settings (continued)

Loan Impairment Provisions and Credit Quality (continued)

Retail Portfolio Asset Quality

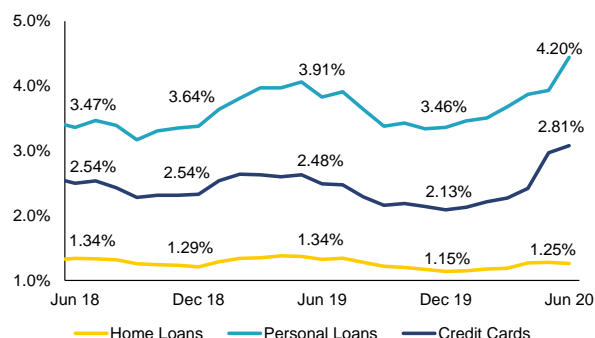
Consumer loan impairment expense (LIE) as a percentage of average gross loans and acceptances was 38 basis points, an increase of 24 basis points on the prior half. This was driven by higher collective provisions due to increased forward looking adjustments reflecting a deterioration in the economic outlook due to COVID-19, higher early stage arrears, and an increase in provisions for higher risk customers that have taken up repayment deferrals.

Home loan 90+ days arrears were 0.63%, an increase of 2 basis points on the prior half, mainly driven by higher arrears in the New Zealand portfolio, reflecting a delay in collection and write-off activity during the COVID-19 restrictions. Credit cards and personal loans 90+ days arrears were 1.23% and 1.51% respectively, an increase of 43 basis points and 13 basis points on the prior half, driven by lower balances, increased hardship due to COVID-19, and a seasonal increase in arrears following the December holiday period.

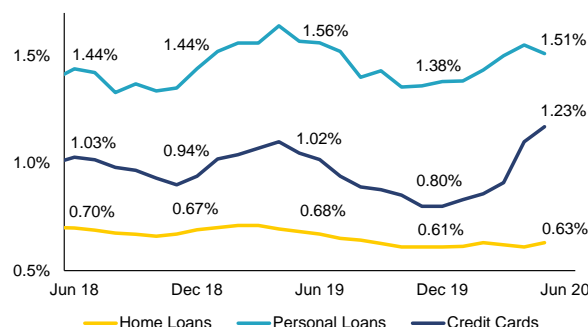
The home loan dynamic LVR was 52.69%, a decrease of 73 basis points on the prior half. The majority of home lending customers remain in advance of scheduled repayments.

On 5 July 2019 APRA announced amendments to the guidance on serviceability assessments in residential lending. APRA's guidance no longer expects Authorised Deposit-taking Institutions (ADIs) to assess home loan applicants using a minimum interest rate of 7.25%, and instead expects ADIs to determine an internal floor rate and increase the loan serviceability buffer by at least 2.50% (previously 2.25%) above the customer interest rate. As a result, from 22 July 2019 the Bank set a minimum floor rate of 5.75% and subsequently on 9 November 2019 reduced this to 5.40%, and applies a buffer of 2.50% above the customer interest rate. Further risk mitigants remain in place including lenders mortgage insurance requirements and limits on lending for higher risk loans.

30+ Days Arrears Ratios (%) ¹



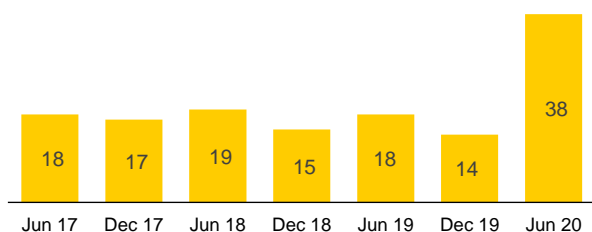
90+ Days Arrears Ratios (%) ¹



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

Consumer LIE

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



Group Operations and Business Settings (continued)

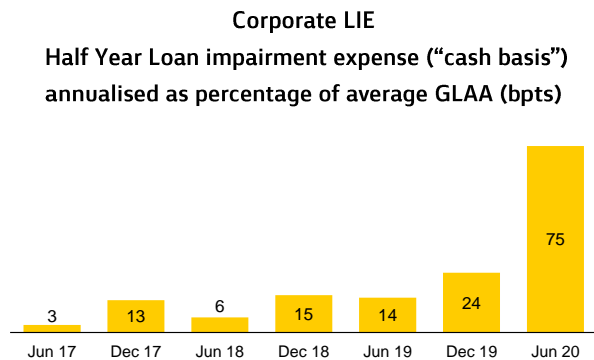
Loan Impairment Provisions and Credit Quality (continued)

Corporate Portfolio Asset Quality

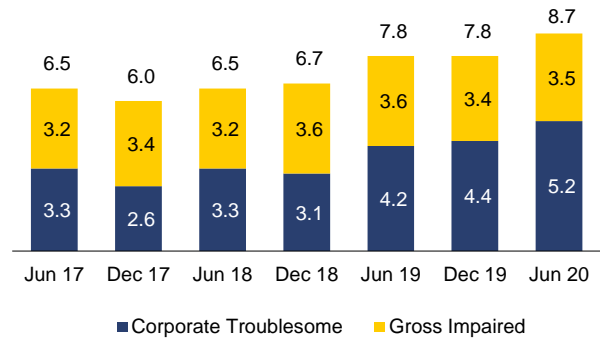
Corporate troublesome exposures were \$5.2 billion, an increase of \$0.8 billion or 18% on the prior half, mainly due to the impact of COVID-19, particularly on the transport and storage, culture and recreation, retail and wholesale trade and manufacturing sectors.

Investment grade rated exposures increased by 90 basis points on the prior half to 67.3% of overall portfolio risk graded counterparties. This was driven by an increase in investment grade Sovereign exposures, reflecting the Group's liquidity management activities following customer deposit growth, partly offset by a decrease in investment grade exposures across various sectors.

Corporate LIE as a percentage of gross loans and acceptances was 75 basis points, an increase of 51 basis points on the prior half. This was driven by higher collective provisions due to increased forward looking adjustments reflecting a deterioration in the economic outlook, as well as emerging industry sector risks, mainly due to COVID-19, and the impairment of a small number of large single name exposures.

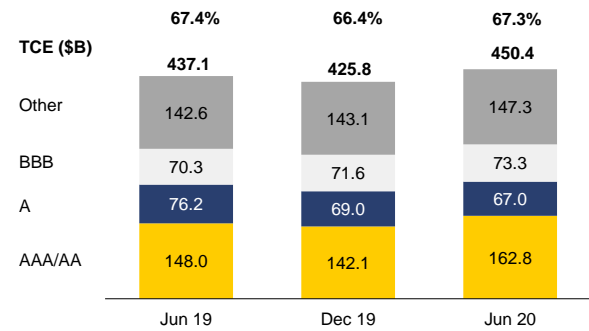


Troublesome and Impaired Assets (\$B)



Corporate Portfolio Quality

% of book rated investment grade ¹



¹ CBA grades in S&P equivalents.

Group Operations and Business Settings (continued)

Loan Impairment Provisions and Credit Quality (continued)

Industry Exposure and Asset Quality

The distribution of the Bank's credit exposures by sector remained relatively consistent during the half. The largest movement was an increase in the Sovereign sector of 180 basis points, from 9.9% to 11.7% of the Bank's total committed exposures, reflecting liquidity management activities. The next largest movement was a reduction in the Consumer sector of 120 basis points from 60.0% to 58.8% of the Bank's total committed exposures, mainly reflecting the re-weighting of the Group's portfolio following the increase in Sovereign exposures.

Movements in troublesome and impaired assets (TIA) were mixed across sectors, with total TIA of \$8,710 million, reflecting an increase of \$900 million on the prior half.

TIA as a percentage of total committed exposures (TCE) was 0.78%, an increase of 6 basis points on the prior half reflecting:

- Culture & Recreation (up 373 basis points) driven by the downgrade of a small number of large single name exposures;
- Transport & Storage (up 160 basis points) driven by the downgrade and impairment of a small number of large single name exposures;
- Manufacturing (up 137 basis points) driven by the downgrade and impairment of a small number of large single name exposures;
- Business Services (up 97 basis points) driven by the downgrade and impairment of a small number of large single name exposures; and
- Retail & Wholesale Trade (up 90 basis points) driven by the downgrade and impairment of a small number of large single name exposures, partly offset by the write-off of a small number of large single name exposures;
- Construction (down 155 basis points) driven by the upgrade of a small number of large single name exposures and the partial write-off of a large single name exposure;
- Agriculture (down 24 basis points) driven by the upgrade of a small number of large single name exposures; and
- Property (down 20 basis points) driven by the upgrade of a small number of large single name exposures.

Sector	Total Committed Exposures (TCE) ¹		Troublesome and Impaired Assets (TIA) ¹		TIA % of TCE ¹	
	30 Jun 20	31 Dec 19	30 Jun 20	31 Dec 19	30 Jun 20	31 Dec 19
	%	%	\$M	\$M	%	%
Consumer	58.8	60.0	1,952	2,111	0.30	0.32
Sovereign	11.7	9.9	–	–	–	–
Property	6.6	6.5	714	835	0.97	1.17
Banks	2.8	3.0	–	–	–	–
Finance - Other	4.7	4.9	45	33	0.09	0.06
Retail & Wholesale Trade	1.8	1.9	804	647	4.08	3.18
Agriculture	2.0	2.1	859	927	3.86	4.10
Manufacturing	1.3	1.3	660	487	4.80	3.43
Transport & Storage	2.1	2.0	765	363	3.25	1.65
Mining	0.9	1.0	199	145	1.89	1.32
Business Services	1.0	1.1	533	438	4.67	3.70
Energy	0.9	0.9	80	81	0.84	0.80
Construction	0.8	0.7	426	530	4.98	6.53
Health & Community Services	0.8	0.8	96	94	1.05	1.06
Culture & Recreation	0.6	0.6	306	70	4.86	1.13
Other	3.2	3.3	1,271	1,049	3.44	2.44
Total	100.0	100.0	8,710	7,810	0.78	0.72

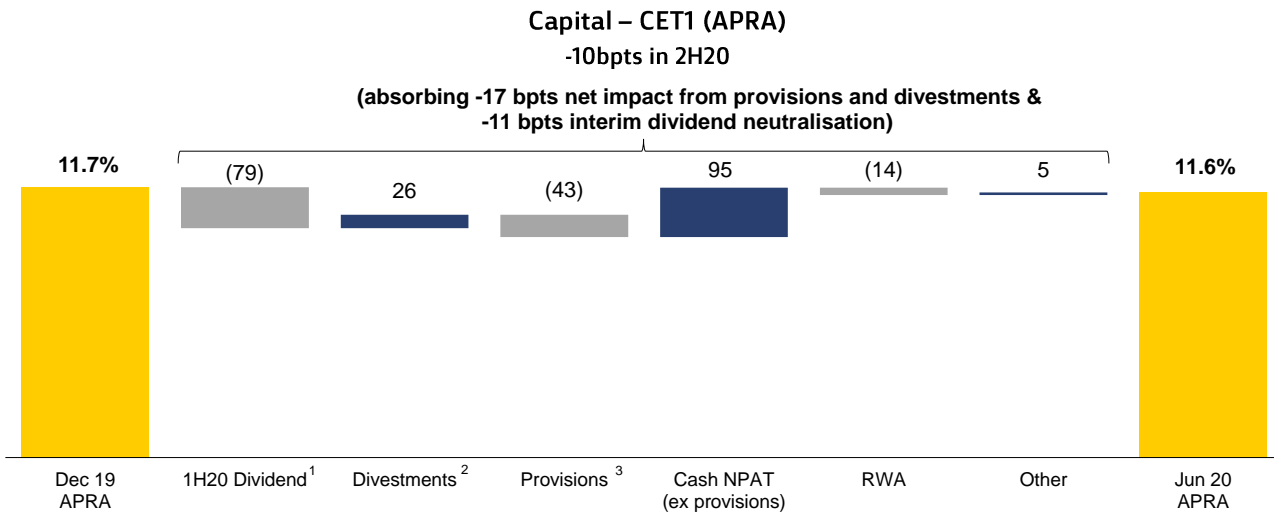
¹ Comparative information has been restated to conform to presentation in the current period.

Group Operations and Business Settings (continued)

Capital

Summary Group Capital Adequacy Ratios	As at				
	30 Jun 20	31 Dec 19	30 Jun 19	Jun 20 vs Dec 19 %	Jun 20 vs Jun 19 %
Common Equity Tier 1	11.6	11.7	10.7	(10)bpts	90 bpts
Tier 1	13.9	14.1	12.7	(20)bpts	120 bpts
Tier 2	3.6	3.3	2.8	30 bpts	80 bpts
Total Capital (APRA)	17.5	17.4	15.5	10 bpts	200 bpts
Common Equity Tier 1 (Internationally Comparable)¹	17.4	17.5	16.2	(10)bpts	120 bpts

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



¹ The 2020 interim dividend included the on-market purchase of \$519 million of shares (CET1 impact of 11 basis points) in respect of the Dividend Reinvestment Plan.

² Relates to additional receipt of funds as part of the divestment of CommInsure Life and the completion of the sale of PT Commonwealth Life.

³ Includes increases in provisions for loan losses as a result of COVID-19 (\$1.5 billion), and customer and other remediation (includes \$454 million in continuing operations and \$27 million in discontinued operations).

Capital Position

The Bank's CET1 ratio (APRA) was 11.6% as at 30 June 2020, a decrease of 10 basis points from 31 December 2019 and an increase of 90 basis points from 30 June 2019. The CET1 ratio was above APRA's 'unquestionably strong' benchmark of 10.5% and consistently well in excess of regulatory minimum capital adequacy requirements at all times throughout the full year ended 30 June 2020.

After allowing for the impact of the 2020 interim dividend in which the Dividend Reinvestment Plan (DRP) was neutralised (-79 basis points) and provisions for COVID-19 loan losses and customer and other remediation (-43 basis points), the CET1 ratio increased by 112 basis points in the half year ended 30 June 2020. This was driven by capital generated from earnings (+95 basis points), the receipt of further sale proceeds as part of the divestment of the Australian life insurance business, CommInsure Life (+19 basis points), the completion of the divestment of the 80% equity interest in its life insurance business, PT Commonwealth Life (+7 basis points) and other movements (+5 basis points). This was partly offset by higher RWA (-14 basis points), as detailed on page 32.

Internationally Comparable Capital Position

The Bank's CET1 ratio as measured on an internationally comparable basis was 17.4% as at 30 June 2020, placing it amongst the top quartile of international peer banks.

Capital Initiatives

The following significant capital initiatives were undertaken during the year:

Common Equity Tier 1 Capital

- The DRP in respect of the 2019 final dividend, was satisfied in full by the on-market purchase of shares. The participation rate for the interim DRP was 15.0%.
- The DRP in respect of the 2020 interim dividend was satisfied in full by the on-market purchase of shares. The participation rate for the interim DRP was 14.7%.

Additional Tier 1 Capital

- In November 2019, the Bank issued \$1.65 billion of CommBank PERLS XII Capital Notes (PERLS XII) that are Basel III compliant Additional Tier 1 capital.

Tier 2 Capital

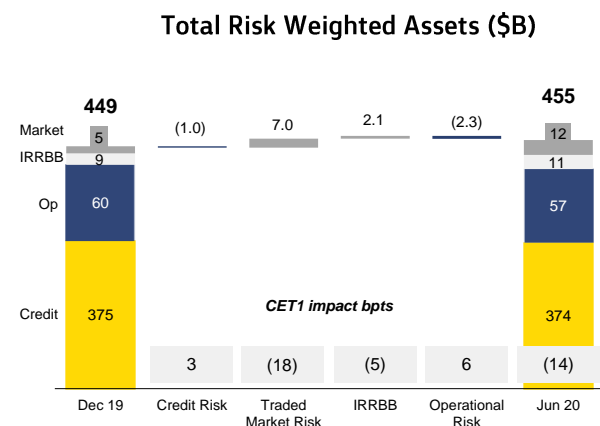
- In September 2019, the Bank issued two USD 1.25 billion subordinated notes and an AUD 100 million subordinated note that are all Basel III compliant Tier 2 capital.
- In March 2020, the Bank issued an AUD 280 million subordinated note that is Basel III compliant Tier 2 capital.
- In May 2020, the Bank issued an AUD 210 million subordinated note that is Basel III compliant Tier 2 capital.

Group Operations and Business Settings (continued)

Risk Weighted Assets (RWA)

Total Group Risk Weighted Assets

Total RWA increased by \$5.8 billion or 1% on the prior half to \$454.9 billion driven by increases in Traded Market Risk RWA and Interest Rate Risk in the Banking Book (IRRBB) RWA, partly offset by lower Credit Risk RWA and Operational Risk RWA.

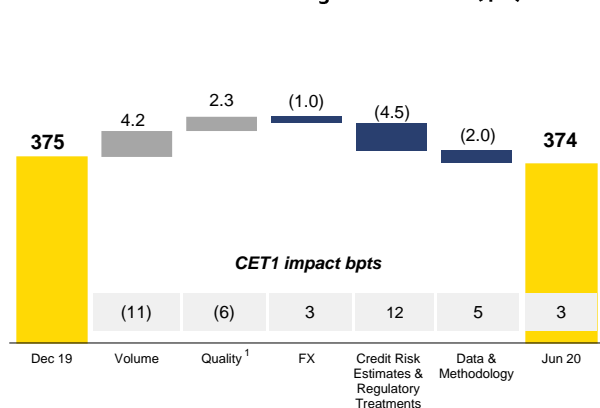


Credit Risk Weighted Assets

Credit Risk RWA decreased by \$1.0 billion or flat on the prior half to \$374.2 billion, driven by:

- Volume growth across residential mortgages, commercial portfolios and sovereign exposures, partly offset by a reduction in Bank exposures and unsecured retail portfolios (increase of \$4.2 billion); and
- Credit quality deterioration across most portfolios (increase of \$2.3 billion), largely due to the impact of COVID-19 (increase of \$4.3 billion), partly offset by a reduction in Credit Valuation Adjustment RWA (decrease of \$2.0 billion); partly offset by
- Foreign currency movements (decrease of \$1.0 billion);
- Changes in credit risk estimates and regulatory treatments for non-retail exposures, and improved alignment of provisioning and capital on defaulted exposures resulting in a reduction in Credit RWA (decrease of \$4.5 billion); and
- Data and methodology changes (decrease of \$2.0 billion).

Credit Risk Weighted Assets (\$B)



¹ Credit quality includes portfolio mix.

Traded Market Risk Weighted Assets

Traded market risk RWA increased by \$7.0 billion on the prior half to \$12.5 billion. This was due to increases in the Value-at-Risk (VaR) and the Stressed Value-at-Risk (SVaR)

components, which were impacted by volatility in asset prices mainly due to foreign currency movements.

Interest Rate Risk Weighted Assets

IRRBB RWA increased by \$2.1 billion or 23% on the prior half to \$11.0 billion. This was due to increased market volatility during the current half which impacted the Bank's holdings of High Quality Liquid Assets, partly offset by increases in embedded gains due to lower domestic and offshore interest rates.

Operational Risk Weighted Assets

Operational Risk RWA decreased by \$2.3 billion or 4% on the prior half to \$57.2 billion. The decrease is due to improvements in the Group's operational risk profile.

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.

The Operational Risk RWA includes the \$12.5 billion add-on required by APRA following the Prudential Inquiry findings dated 30 April 2018.

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)¹ requirement of 1% and a countercyclical capital buffer (CCyB)¹ of 0% (effective from 1 January 2016), brings the minimum CET1 ratio requirement to 8%.

Unquestionably Strong Capital Ratios

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

APRA's expectation is that the Australian major banks will operate for the majority of the year with a CET1 ratio of 10.5% or more by 1 January 2020. As at 30 June 2020, the Group's CET1 ratio was 11.6%, and was above the 10.5% benchmark for the majority of the 2020 financial year. On 19 March 2020, APRA advised banks that during the period of disruption caused by COVID-19, it would not be concerned if banks temporarily operated below the 10.5% CET1 ratio benchmark while still remaining above minimum capital requirements.

In calendar years 2018 and 2019, APRA issued a number of consultation documents to propose revisions to the overall design of the capital framework. Further detail on the proposed APRA reforms is provided on page 33. APRA has advised that the proposed changes to the capital framework have been accommodated within the 10.5% CET1 target set by APRA in July 2017.

¹ In December 2019, 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)

APRA's COVID-19 capital announcements

On 19 March 2020, APRA announced temporary changes to its expectations regarding bank capital ratios, to ensure banks are well positioned to continue to provide credit to the economy in the challenging environment impacted by COVID-19. APRA 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.

The Group has introduced a number of support measures for customers impacted by COVID-19, which include loan repayment deferrals to retail and business customers, and the origination of loans under the Government's SME Guarantee Scheme.

On 23 March 2020 APRA announced its regulatory approach to customer support measures being offered by banks in response to COVID-19. APRA confirmed that the SME Guarantee Scheme will be regarded as an eligible guarantee by the Government for risk weighting purposes. In relation to loans subject to repayment deferrals as part of COVID-19 support measures, APRA confirmed that where a borrower was otherwise performing, repayment deferrals would not be treated as a period of arrears and the loan would not be regarded as restructured. On 8 July 2020 APRA advised that this regulatory approach would be extended to cover a maximum period of 10 months from the start of a repayment deferral, or until 31 March 2021, whichever comes first.

In addition, on 7 April 2020, APRA released a letter to ADIs and insurers, setting out APRA's guidance on capital management during the period of disruption caused by COVID-19. APRA's expectation is that discretionary capital distributions should be limited in the coming months. APRA noted that where dividends are approved, this should only be on the basis of robust stress testing results that have been discussed with APRA and should nevertheless be at a materially reduced level. Dividend payments should also be offset to the extent possible through the use of capital management initiatives.

Further, on 29 July 2020, APRA released updated guidance on capital management, in which it noted that ADIs should continue to take a measured approach to capital distributions to maintain caution in the face of ongoing uncertainty and heightened economic risk. APRA reiterated that ADIs should use stress testing to inform decisions on dividends and other capital actions, as well as to assess their lending capacity under a range of different scenarios. For 2020, APRA expects that ADIs will retain at least half of their earnings, and actively use dividend reinvestment plans and/or other capital management initiatives to at least partially offset the diminution in capital from distributions.

Pillar 3 Disclosures

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

www.commbank.com.au/regulatorydisclosures

Regulatory Reforms

APRA

In February 2018, APRA released "Discussion paper – Revisions to the capital framework for authorised deposit-taking institutions" in response to the Basel Committee on

Banking Supervision (BCBS) release of "Basel III: Finalising post-crisis reforms" in December 2017. APRA's proposals include:

- Increased capital requirements for investment and interest only home loan exposures, and an amendment to the correlation factor to dampen procyclicality of risk weights;
- Higher correlation factors to apply in the Other Retail asset class (including credit cards);
- Large corporate and financial institutions will be subject to the Foundation Internal Ratings based approach;
- Mandated Loss Given Default (LGD) and Exposure At Default (EAD) estimates for certain non-retail portfolios;
- Replacing the Operational Risk Advanced Measurement Approach with a single risk sensitive standardised approach for all banks; and
- Implementation of a 72.5% output floor on the amount of total RWA (without transitional phasing).

In August 2018, APRA released "Discussion paper – Improving the transparency, comparability and flexibility of the ADI capital framework". The focus of the proposal is the presentation of capital ratios to increase international comparability, transparency and flexibility of the capital framework without altering the quantum and risk sensitivity of capital ratios.

In June 2019, APRA released draft prudential standards on the standardised approach to measuring Credit Risk and Operational Risk Weighted Assets. In addition, APRA is proposing a simpler method for calculating capital requirements for residential mortgages measured under the Internal Ratings Based (IRB) approach.

In July 2019, APRA released its response to the submissions for the November 2018 "Discussion Paper – Increasing the loss-absorbing capacity of ADIs to support orderly resolution". APRA confirmed that the Australian loss-absorbing capacity (LAC) regime will be established under the existing capital framework. For D-SIBs, such as CBA, APRA will require an additional Total Capital requirement of 3% of RWA, effective from 1 January 2024. APRA further noted that its long-term target of 4% to 5% of LAC remains unchanged and may consider feasible alternative methods for raising the additional 1% to 2%, in consultation with industry and other stakeholders.

In September 2019, APRA released draft prudential standards on the measurement of IRRBB. APRA is proposing to standardise aspects of the internal modelling approach, remove the basis risk add-on, and extend risk management requirements to all ADIs.

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

In March 2020, APRA announced the deferral of all scheduled capital framework reforms by one year. All reforms excluding APS 111 and APS 116 "Capital Adequacy: Market Risk" are scheduled for implementation on 1 January 2023. Implementation of APS 111 and APS 116 is scheduled for 1 January 2021 and 1 January 2024 respectively. Advanced Measurement Approach banks will be allowed to opt-in to earlier implementation of APS 115: "Capital Adequacy: Operational Risk" from 1 January 2022.

Group Operations and Business Settings (continued)

Basel Committee on Banking Supervision (BCBS)

In January 2019, the BCBS released “Minimum capital requirements for market risk” which finalised changes to the identification and measurement of market risk under both the standardised approach and the internal model approach. APRA is yet to commence consultation on APS 116.

Reserve Bank of New Zealand (RBNZ)

In December 2019, the RBNZ confirmed that the RWA of internal ratings based banks, such as ASB, will increase to approximately 90% of that required under a standardised approach. In addition, for those banks deemed systemically important, including ASB, the Tier 1 capital requirement will increase to 16% of RWA, of which 13.5% must be in the form of CET1 capital. Tier 2 capital will remain in the framework, and can contribute up to 2% of the 18% minimum Total capital ratio. Existing Additional Tier 1 and Tier 2 contingent instruments issued by New Zealand banks will no longer be eligible under RBNZ’s new capital criteria and will be phased out over the transition period of 7 years. In March 2020, the RBNZ announced deferral of the start date of capital framework reforms until 1 July 2021.

On 2 April 2020, the RBNZ announced a freeze on the distribution of dividends by banks in New Zealand due to COVID-19. Dividends from the Bank’s New Zealand subsidiary, ASB Bank Limited, only affect the Group’s Level 1 CET1 capital ratio. As at 30 June 2020, the Group’s Level 1 CET1 capital ratio was 11.9%, well above APRA’s unquestionably strong benchmark, and as such, the Group is well placed to absorb the suspension of dividends.

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

Other reforms

In July 2019, the Group implemented the revised standardised approach to counterparty credit risk (SA-CCR) and AASB 16 *Leases*. In the half year ended 31 December 2019, the implementation of SA-CCR resulted in a decrease of the Bank’s CET1 ratio (APRA) of 12 basis points and the implementation of AASB 16 *Leases* resulted in a decrease of 11 basis points.

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

Group Operations and Business Settings (continued)

Leverage Ratio

	As at				
	30 Jun 20	31 Dec 19	30 Jun 19	Jun 20 vs Dec 19 %	Jun 20 vs Jun 19 %
Summary Group Leverage Ratio					
Tier 1 Capital (\$M)	63,414	63,218	57,355	-	11
Total Exposures (\$M) ¹	1,073,131	1,040,423	1,023,181	3	5
Leverage Ratio (APRA) (%)	5.9	6.1	5.6	(20)bpts	30 bpts
Leverage Ratio (Internationally Comparable) (%) ²	6.7	7.0	6.5	(30)bpts	20 bpts

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

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

The Bank's Leverage Ratio, defined as Tier 1 Capital as a percentage of total exposures, was 5.9% at 30 June 2020 on an APRA basis and 6.7% on an internationally comparable basis. The ratio decreased 20 basis points on an APRA basis from 31 December 2019, driven by a 3% increase in exposures.

In November 2018, APRA released draft prudential and reporting standards, including changes to the definition of exposures related to derivatives and off Balance Sheet items and advocating a minimum leverage ratio requirement of 3.5% for Internal Ratings Based (IRB) banks.

On 30 March 2020 APRA announced it was deferring the scheduled implementation of the Basel III reforms in Australia by one year. As a result the new leverage ratio requirements will now be applicable from 1 January 2023.

Dividends

Final dividend for the Year Ended 30 June 2020

The final dividend determined was \$0.98 per share, bringing the total dividend for the year ended 30 June 2020 to \$2.98, a reduction of 133 cents compared to the prior full year dividend. The dividend payout ratio ("cash basis") for the full year ended to 30 June 2020 was 70.82% (54.76% on a "statutory basis") and for the half year ended 30 June 2020 was 58.71% (49.95% on a "statutory basis").

The final dividend will be fully franked and will be paid on 30 September 2020 to owners of ordinary shares at the close of business on 20 August 2020 (record date). Shares will be quoted ex-dividend on 19 August 2020.

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 2020 final dividend is anticipated to be satisfied by the issuance of shares.

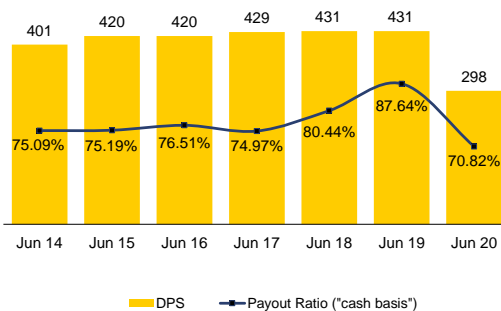
Dividend Policy

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 light of the heightened economic risk caused by COVID-19, the Bank has also taken into consideration APRA's expectation on capital distributions outlined in its letter released on 29 July 2020. For 2020, APRA expects that ADIs will retain at least half of their earnings, and actively use dividend reinvestment plans and/or other capital management initiatives to at least partially offset the diminution in capital from distribution.

Full Year Dividend History (cents per share)



Group Operations and Business Settings (continued)

Liquidity

Level 2	Quarterly Average Ended ¹				
	30 Jun 20 \$M	31 Dec 19 \$M	30 Jun 19 \$M	Jun 20 vs Dec 19 %	Jun 20 vs Jun 19 %
Liquidity Coverage Ratio (LCR) Liquid Assets					
High Quality Liquid Assets (HQLA) ²	121,889	89,028	85,859	37	42
Committed Liquidity Facility (CLF) ³	68,931	50,700	50,700	36	36
Total LCR liquid assets	190,820	139,728	136,559	37	40
Net Cash Outflows (NCO)					
Customer deposits	93,759	76,473	75,664	23	24
Wholesale funding	11,869	11,143	10,208	7	16
Other net cash outflows ⁴	17,935	16,946	17,778	6	1
Total NCO	123,563	104,562	103,650	18	19
Liquidity Coverage Ratio (%)	155	134	132	large	large
LCR surplus	67,257	35,166	32,909	91	large

1 The averages presented are calculated as simple averages of daily observations over the quarter. Spot LCR for 30 June 2020 was 145% (31 December 2019: 125%; 30 June 2019: 129%).

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 \$45,800 million and the Group's average undrawn TFF allowance of \$23,131 million 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), providing eligible ADIs fixed-rate funding at 0.25%. As at 30 June 2020, the Group had drawn \$1.5 billion of its total available TFF allocation of \$26.6 billion, composed of \$19.1 billion of Initial Allowance and \$7.5 billion of Additional Allowance. As at 7 August 2020, the Group's total available TFF allocation was \$31.4 billion.

The Group's June 2020 quarterly average LCR was 155%, an increase of 21% compared to the quarterly average ended 31 December 2019, and an increase of 23% from the quarterly average ended 30 June 2019. The LCR remains well above the regulatory minimum of 100%.

Compared to the quarterly average ended 31 December 2019, LCR liquid assets increased by \$51.1 billion or 37% driven by a \$32.9 billion or 37% increase in HQLA due to strong customer deposit growth, and an \$18.2 billion or 36% increase in the CLF, which includes the available RBA TFF allowance. Excluding the TFF, the available CLF decreased from \$50.7 billion to \$45.8 billion from 1 January 2020. The Group's 30 day modelled NCOs were up \$19.0 billion or 18% as a result of strong customer deposit growth in at-call products.

Group Operations and Business Settings (continued)

Funding

	As at				
	30 Jun 20	31 Dec 19	30 Jun 19	Jun 20 vs Dec 19 %	Jun 20 vs Jun 19 %
	\$M	\$M	\$M		
Group Funding¹					
Customer deposits	640,969	600,456	578,786	7	11
Short-term wholesale funding ²	71,191	81,518	85,570	(13)	(17)
Long-term wholesale funding - less than or equal to one year residual maturity ³	22,147	26,032	32,434	(15)	(32)
Long-term wholesale funding - more than one year residual maturity ³	125,563	131,265	130,409	(4)	(4)
IFRS MTM and derivative FX revaluations	7,241	3,012	3,424	large	large
Total wholesale funding	226,142	241,827	251,837	(6)	(10)
Short-term collateral deposits ⁴	3,618	5,523	5,729	(34)	(37)
Total funding	870,729	847,806	836,352	3	4

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

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

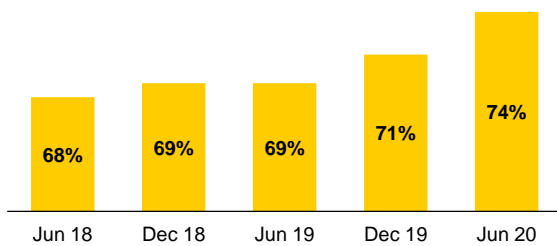
3 Long-term wholesale funding includes debt with an original maturity or call date of greater than 12 months and the Group's drawn TFF allowance.

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

Customer Deposits

Customer deposits accounted for 74% of total funding at 30 June 2020, an increase of 3% from 71% at 31 December 2019 and an increase of 5% from 69% at 30 June 2019. The Group satisfied a significant proportion of its funding requirements from retail, business, and institutional customer deposits.

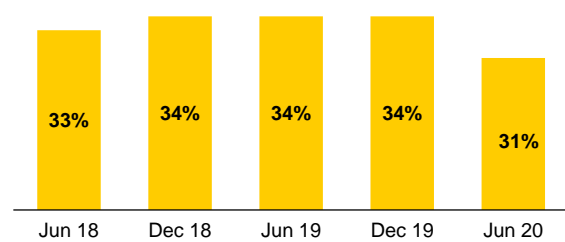
Customers Deposits to Total Funding Ratio



Short-Term Wholesale Funding

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

Short-Term to Total Wholesale Funding Ratio



Group Operations and Business Settings (continued)

Funding (continued)

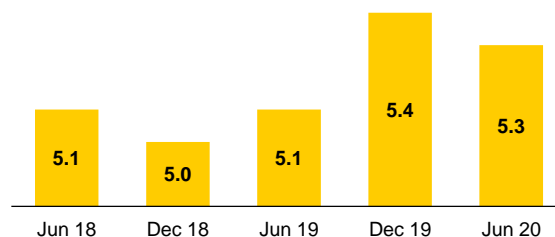
Long-Term Wholesale Funding

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

During the full year to 30 June 2020, the Group raised \$14.5 billion of long-term wholesale funding in multiple currencies including AUD, USD, EUR and GBP. The issuances were across a variety of formats including senior unsecured, covered bonds, RMBS and capital instruments, providing cost, tenor and diversification benefits. In addition, the Group drew down \$1.5 billion of its TFF allowance taking the total long-term funding for the 12 months to 30 June 2020 to \$16 billion.

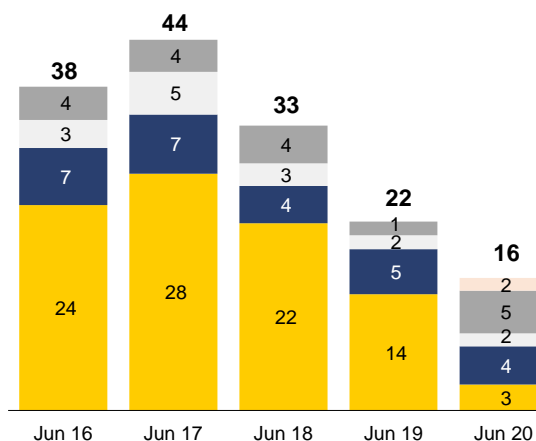
The Weighted Average Maturity (WAM) of new long-term wholesale debt for the 12 months to 30 June 2020 was 9.0 years. The WAM of outstanding long-term wholesale debt with a residual maturity greater than 12 months at 30 June 2020 was 5.3 years.

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



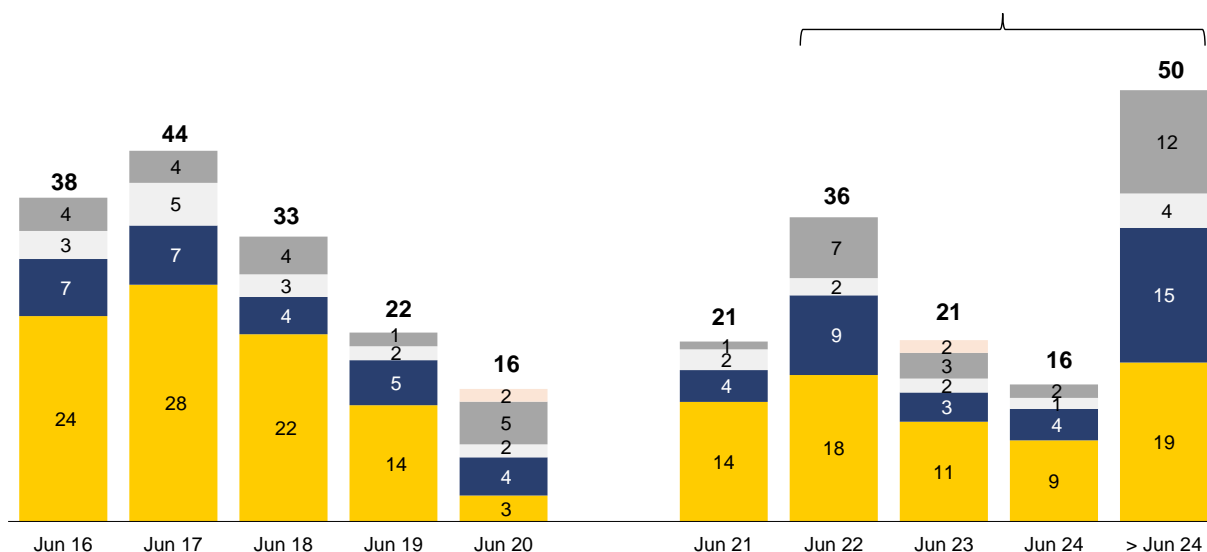
Long-Term Wholesale Funding Profile (\$B)

Issuance



Maturity

Weighted average maturity 5.3 years ¹



■ Long-Term Wholesale Debt ² ■ Covered Bond ■ Securitisation ■ AT1 / T2 ³ ■ TFF

1 Represents the weighted average maturity of outstanding long-term wholesale debt with a residual maturity greater than 12 months at 30 June 2020, excluding the Term Funding Facility.

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)

Level 2	As at ¹				
	30 Jun 20 \$M	31 Dec 19 \$M	30 Jun 19 \$M	Jun 20 vs Dec 19 %	Jun 20 vs Jun 19 %
Required Stable Funding					
Residential mortgages $\leq 35\%$ ^{2,3}	264,169	274,745	269,072	(4)	(2)
Other loans	236,540	240,311	242,964	(2)	(3)
Liquid and other assets ⁴	63,078	59,777	57,574	6	10
Total Required Stable Funding	563,787	574,833	569,610	(2)	(1)
Available Stable Funding					
Capital	99,005	96,464	91,141	3	9
Retail/SME deposits	394,155	371,896	360,618	6	9
Wholesale funding & other	185,758	185,845	188,895	-	(2)
Total Available Stable Funding	678,918	654,205	640,654	4	6
Net Stable Funding Ratio (NSFR) (%)	120	114	112	large	large

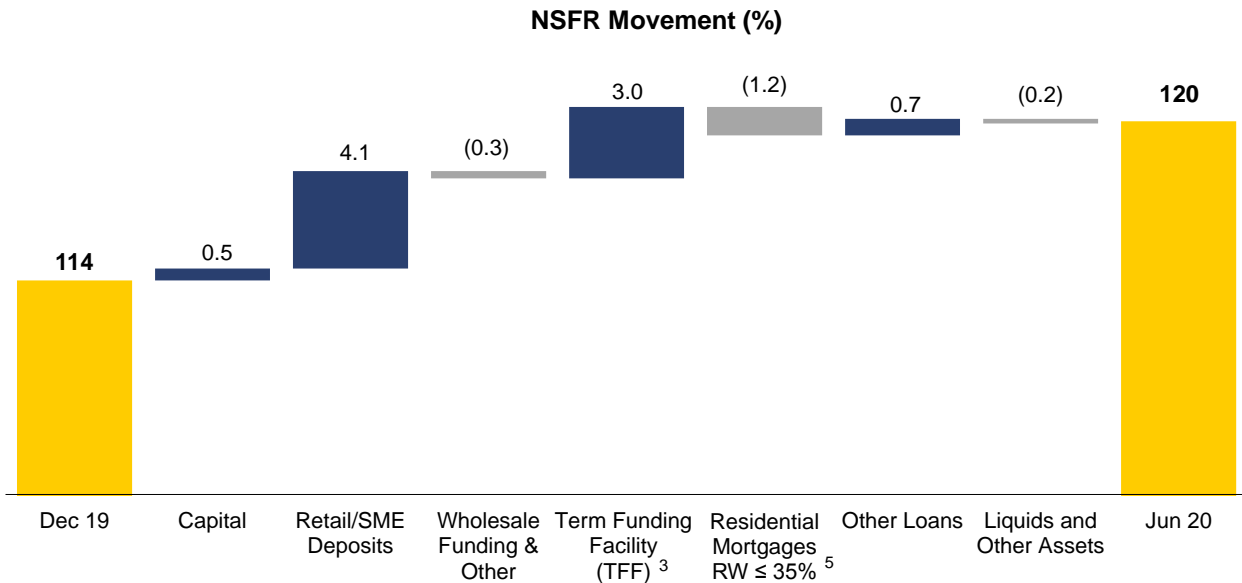
Net Stable Funding Ratio (NSFR)

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

The Group's NSFR was 120% at 30 June 2020, an increase of 6% from 114% at 31 December 2019 and an increase of 8% from 112% at 30 June 2019, and well above the regulatory minimum of 100%.

The decrease in Required Stable Funding (RSF) over the year reflected the recognition of the Group's TFF which resulted in a lower RSF factor for mortgages that have been pledged as collateral for the TFF. This was partly offset by a decrease in the Group's CLF allocation to \$45.8 billion as at 1 January 2020 and growth in residential mortgage volumes.

The increase in Available Stable Funding over the year was primarily driven by strong growth in Retail and SME deposits and an increase in Capital, partly offset by a reduction in wholesale funding.



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

2 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".

3 For the purpose of calculating NSFR, the recognition of the Group's TFF results in a lower RSF factor for mortgages that have been pledged as collateral for the TFF.

4 Includes non-performing loans, off Balance Sheet items, net derivatives, and other assets.

5 Excludes the impact from the recognition of the Group's TFF on the RSF factor for mortgages that have been pledged as collateral for the TFF.

This page has been intentionally left blank

Divisional Performance

This page has been intentionally left blank

Contents

5. Divisional Performance

Divisional Summary	42
Retail Banking Services	44
Business and Private Banking	49
Institutional Banking and Markets	53
New Zealand	57
International Financial Services	63
Corporate Centre	66
Wealth Management	68
Investment Experience	72

Divisional Performance

Divisional Summary

Full Year Ended 30 June 2020						
Divisional Summary	Retail Banking Services ¹ \$M	Business and Private Banking \$M	Institutional Banking and Markets \$M	New Zealand \$M	IFS and Corporate Centre \$M	Total \$M
Net interest income	9,388	5,654	1,403	1,927	238	18,610
Other banking income	1,625	1,565	897	375	375	4,837
Total banking income	11,013	7,219	2,300	2,302	613	23,447
Funds management income	67	–	–	136	(31)	172
Insurance income	140	–	–	–	(1)	139
Total operating income	11,220	7,219	2,300	2,438	581	23,758
Investment experience ²	16	–	–	–	(13)	3
Total income	11,236	7,219	2,300	2,438	568	23,761
Operating expenses	(4,529)	(2,606)	(1,022)	(1,021)	(1,717)	(10,895)
Loan impairment expense	(1,010)	(814)	(347)	(292)	(55)	(2,518)
Net profit before tax	5,697	3,799	931	1,125	(1,204)	10,348
Corporate tax (expense)/benefit	(1,700)	(1,145)	(276)	(314)	383	(3,052)
Non-controlling interests	–	–	–	–	–	–
Net profit after tax from continuing operations - "cash basis"	3,997	2,654	655	811	(821)	7,296

Full Year Ended 30 June 2020 vs Full Year Ended 30 June 2019 ³						
	Retail Banking Services ¹ %	Business and Private Banking %	Institutional Banking and Markets %	New Zealand %	IFS and Corporate Centre %	Total %
Net interest income	7	–	(8)	1	(37)	2
Other banking income	(3)	3	(5)	(15)	2	(2)
Total banking income	6	1	(7)	(2)	(18)	1
Funds management income	(52)	–	–	5	large	(33)
Insurance income	(6)	–	–	–	(50)	(5)
Total operating income	5	1	(7)	(2)	(20)	1
Investment experience ²	(38)	–	–	–	(46)	50
Total income	5	1	(7)	(2)	(19)	1
Operating expenses	2	–	1	12	(6)	1
Loan impairment expense	50	large	large	large	large	large
Net profit before tax	2	(9)	(36)	(23)	4	(10)
Corporate tax (expense)/benefit	–	(9)	(17)	(23)	3	(8)
Non-controlling interests	–	–	–	–	large	large
Net profit after tax from continuing operations - "cash basis"	2	(9)	(41)	(23)	4	(11)

1 Retail Banking Services including Mortgage Broking and General Insurance.

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

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

Divisional Performance (continued)

Half Year Ended 30 June 2020						
	Retail Banking Services ¹	Business and Private Banking	Institutional Banking and Markets	New Zealand	IFS and Corporate Centre	Total
Divisional Summary	\$M	\$M	\$M	\$M	\$M	\$M
Net interest income	4,683	2,763	718	970	126	9,260
Other banking income	812	786	372	176	148	2,294
Total banking income	5,495	3,549	1,090	1,146	274	11,554
Funds management income	16	–	–	65	(8)	73
Insurance income	109	–	–	–	(1)	108
Total operating income	5,620	3,549	1,090	1,211	265	11,735
Investment experience ²	8	–	–	–	(5)	3
Total income	5,628	3,549	1,090	1,211	260	11,738
Operating expenses	(2,282)	(1,317)	(528)	(541)	(1,021)	(5,689)
Loan impairment expense	(746)	(575)	(282)	(271)	5	(1,869)
Net profit before tax	2,600	1,657	280	399	(756)	4,180
Corporate tax (expense)/benefit	(771)	(501)	(101)	(112)	245	(1,240)
Non-controlling interests	–	–	–	–	–	–
Net profit after tax from continuing operations - "cash basis"	1,829	1,156	179	287	(511)	2,940

Half Year Ended 30 June 2020 vs Half Year Ended 31 December 2019 ³						
	Retail Banking Services ¹	Business and Private Banking	Institutional Banking and Markets	New Zealand	IFS and Corporate Centre	Total
	%	%	%	%	%	%
Net interest income	–	(4)	5	1	13	(1)
Other banking income	–	1	(29)	(12)	(35)	(10)
Total banking income	–	(3)	(10)	(1)	(19)	(3)
Funds management income	(69)	–	–	(8)	(65)	(26)
Insurance income	large	–	–	–	–	large
Total operating income	–	(3)	(10)	(1)	(16)	(2)
Investment experience ²	–	–	–	–	(38)	n/a
Total income	–	(3)	(10)	(1)	(16)	(2)
Operating expenses	2	2	7	13	47	9
Loan impairment expense	large	large	large	large	large	large
Net profit before tax	(16)	(23)	(57)	(45)	69	(32)
Corporate tax (expense)/benefit	(17)	(22)	(42)	(45)	78	(32)
Non-controlling interests	–	–	–	–	–	–
Net profit after tax from continuing operations - "cash basis"	(16)	(23)	(62)	(45)	65	(33)

¹ Retail Banking Services including Mortgage Broking and General Insurance.

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

³ Comparative information has been restated to conform to presentation in the current period.

Divisional Performance (continued)

Retail Banking Services

Overview

Retail Banking Services provides simple, convenient and affordable banking as well as general insurance products and services to personal customers, helping them manage their everyday banking needs, buy a home, protect their assets, or invest for the future. We support our customers through an extensive network of close to 1,000 branches, more than 3,000 ATMs, Australian-based customer call centres, leading online services and apps, as well as mobile banking specialists and support teams. Retail Banking Services also includes the financial results of retail banking activities conducted under the Bankwest brand.

From March 2020 the Aligned Advice related businesses (including Financial Wisdom Limited, Count Financial Limited and Commonwealth Financial Planning Limited-Pathways) were transferred out of the Wealth Management division and consolidated into the Retail Banking Services division. On 7 August 2019, CBA confirmed it would commence the assisted closure of Financial Wisdom Limited (Financial Wisdom) and allow Commonwealth Financial Planning Limited-Pathways (CFP-Pathways) advisers to transition to a self-licensing arrangement or move to another licensee. The Group ceased providing licensee services through CFP-Pathways in March 2020 and through Financial Wisdom in June 2020. On 1 October 2019, CBA completed the sale of Count Financial Limited (Count Financial) to CountPlus Limited resulting in Count Financial results being recognised for the period up to 1 October 2019. As Count Financial does not in itself constitute a major line of the Group's business, the financial results of Count Financial are treated as continuing operations and are included in the account lines of Retail Banking Services' performance.

	Full Year Ended ¹				Half Year Ended ¹			
	Retail Banking (excl. Mortgage Broking and General Insurance)			Total RBS ²	Retail Banking (excl. Mortgage Broking and General Insurance)			Total RBS ²
	30 Jun 20 \$M	30 Jun 19 \$M	Jun 20 vs Jun 19 %	30 Jun 20 \$M	30 Jun 20 \$M	31 Dec 19 \$M	Jun 20 vs Dec 19 %	30 Jun 20 \$M
Net interest income	9,389	8,754	7	9,388	4,683	4,706	–	4,683
Other banking income	1,363	1,450	(6)	1,625	682	681	–	812
Total banking income	10,752	10,204	5	11,013	5,365	5,387	–	5,495
Funds management income	67	139	(52)	67	16	51	(69)	16
Insurance income	–	–	–	140	–	–	–	109
Total operating income	10,819	10,343	5	11,220	5,381	5,438	(1)	5,620
Operating expenses	(4,191)	(4,139)	1	(4,529)	(2,107)	(2,084)	1	(2,282)
Loan impairment expense	(1,010)	(672)	50	(1,010)	(746)	(264)	large	(746)
Net profit before tax	5,618	5,532	2	5,681	2,528	3,090	(18)	2,592
Corporate tax expense	(1,679)	(1,668)	1	(1,698)	(751)	(928)	(19)	(770)
Underlying net profit after tax	3,939	3,864	2	3,983	1,777	2,162	(18)	1,822
Investment experience after tax	10	11	(9)	14	5	5	–	7
Cash net profit after tax	3,949	3,875	2	3,997	1,782	2,167	(18)	1,829
Cash net profit after tax from Mortgage Broking and General Insurance	48	32	50	n/a	47	1	large	n/a
Total Cash net profit after tax	3,997	3,907	2	3,997	1,829	2,168	(16)	1,829

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)

Income analysis	Full Year Ended ¹				Half Year Ended ¹			
	Retail Banking (excl. Mortgage Broking and General Insurance)			Total RBS ²	Retail Banking (excl. Mortgage Broking and General Insurance)			Total RBS ²
	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %	30 Jun 20	30 Jun 20	31 Dec 19	Jun 20 vs Dec 19 %	30 Jun 20
	\$M	\$M		\$M	\$M		\$M	
Net interest income								
Home loans	5,472	4,235	29	5,471	2,808	2,664	5	2,808
Consumer finance & other ³	1,559	1,635	(5)	1,559	739	820	(10)	739
Deposits	2,358	2,884	(18)	2,358	1,136	1,222	(7)	1,136
Total net interest income	9,389	8,754	7	9,388	4,683	4,706	-	4,683
Other banking income								
Home loans	265	261	2	265	138	127	9	138
Consumer finance ⁴	469	505	(7)	469	214	255	(16)	214
Deposits	371	427	(13)	371	179	192	(7)	179
Distribution & other ⁵	258	257	-	520	151	107	41	281
Total other banking income	1,363	1,450	(6)	1,625	682	681	-	812
Total banking income	10,752	10,204	5	11,013	5,365	5,387	-	5,495

Balance Sheet (excl. Mortgage Broking and General Insurance)	As at ¹				
	30 Jun 20	31 Dec 19	30 Jun 19	Jun 20 vs Dec 19 %	Jun 20 vs Jun 19 %
	\$M	\$M	\$M		
Home loans ⁶	388,565	380,466	369,236	2	5
Consumer finance ⁴	12,096	14,103	14,780	(14)	(18)
Other interest earning assets	833	828	494	1	69
Total interest earning assets	401,494	395,397	384,510	2	4
Other assets	3,447	4,003	4,498	(14)	(23)
Total assets	404,941	399,400	389,008	1	4
Transaction deposits ⁷	36,991	34,988	32,252	6	15
Savings deposits ⁷	119,896	112,893	106,957	6	12
Investment deposits & other	71,733	75,375	79,594	(5)	(10)
Total interest bearing deposits	228,620	223,256	218,803	2	4
Non-interest bearing transaction deposits	33,444	28,109	23,940	19	40
Other non-interest bearing liabilities	3,510	3,378	4,163	4	(16)
Total liabilities	265,574	254,743	246,906	4	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 products and wealth products. Other includes asset finance, merchants and business lending.

6 Home loans are presented gross of \$38,853 million of mortgage offset balances (31 December 2019: \$37,240 million; 30 June 2019: \$34,455 million). These balances are required to be grossed up under accounting standards but are netted down for the calculation of customer interest payments.

7 Transaction and Savings deposits includes \$38,853 million of mortgage offset balances (31 December 2019: \$37,240 million; 30 June 2019: \$34,455 million).

Divisional Performance (continued)

Retail Banking Services (continued)

Key Financial Metrics (excl. Mortgage Broking and General Insurance)	Full Year Ended ¹			Half Year Ended ¹		
	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %	30 Jun 20	31 Dec 19	Jun 20 vs Dec 19 %
Performance indicators						
Net interest margin (%)	2.63	2.55	8 bpts	2.61	2.65	(4)bpts
Return on assets (%)	1.0	1.0	–	0.9	1.1	(20)bpts
Operating expenses to total operating income (%)	38.7	40.0	(130)bpts	39.2	38.3	90 bpts
Impairment expense annualised as a % of average GLAAs (%)	0.26	0.17	9 bpts	0.38	0.13	25 bpts
Other information						
Average interest earning assets (\$M) ²	357,008	342,713	4	360,487	353,568	2
Risk weighted assets (\$M) ³	162,939	166,908	(2)	162,939	166,074	(2)
90+ days home loan arrears (%)	0.63	0.73	(10)bpts	0.63	0.65	(2)bpts
90+ days consumer finance arrears (%)	1.34	1.29	5 bpts	1.34	1.05	29 bpts
Number of full-time equivalent staff (FTE)	14,013	14,447	(3)	14,013	13,783	2

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. Net 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 2020 versus June 2019

Retail Banking Services cash net profit after tax for the full year ended 30 June 2020 was \$3,949 million, an increase of \$74 million or 2% on the prior year. The result was driven by a 5% increase in total operating income, a 1% increase in operating expenses and a 50% increase in loan impairment expense.

Net Interest Income

Net interest income was \$9,389 million, an increase of \$635 million or 7% on the prior year. This was driven by a 3% increase in net interest margin and 4% growth in average interest earning assets.

Net interest margin increased 8 basis points, reflecting:

- Higher home lending margin reflecting repricing and timing benefits (up 23 basis points), partly offset by increased competition (down 8 basis points) and unfavourable home loan portfolio mix (down 3 basis points) with a shift to lower margin loans (interest only to principal and interest, and investor to owner occupied);
- Lower wholesale funding costs primarily due to a decrease in the spread between the three month bank bill swap rate and the three month overnight index swap rate, known as basis risk (up 11 basis points); and
- Higher consumer finance margin due to the benefit from the decreases in the cash rate (up 2 basis points); partly offset by
- Lower deposits margin due to reduced earnings on transaction and savings deposits reflecting the decreases in the cash rate, and lower earnings on investment deposits from lower swap rates (down 11 basis points);
- Lower earnings on equity due to the falling interest rate environment (down 3 basis points); and

- Unfavourable portfolio mix driven by proportionally more lower margin home loan balances relative to higher margin consumer finance balances, partly offset by customers switching to at-call deposits from investment deposits (down 3 basis points).

Other Banking Income

Other banking income was \$1,363 million, a decrease of \$87 million or 6% on the prior year, reflecting:

- Lower credit card and international transaction volumes, mainly driven by a decline in spend due to COVID-19; and
- Lower deposit income due to lower interchange, the removal and simplification of certain account fees, and lower volumes of transaction fees; partly offset by
- Payments received from AIA reflecting progress in meeting partnership milestones following the sale of CommInsure Life.

Funds Management Income

Funds management income was \$67 million, a decrease of \$72 million or 52% on the prior year. This was driven by the cessation of ongoing service fees and grandfathered trail commissions, lower volumes of initial advice, and the wind-down of the Aligned Advice businesses.

Operating Expenses

Operating expenses were \$4,191 million, an increase of \$52 million or 1% on the prior year. This was primarily driven by inflation, increased call centre and financial assistance resourcing, higher risk and compliance spend, operational losses and increased investment spend, partly offset by productivity initiatives including workforce and branch optimisation, and lower credit card loyalty redemptions as a result of COVID-19.

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

Divisional Performance (continued)

Retail Banking Services (continued)

Financial Performance and Business Review (continued)

The number of full-time equivalent staff (FTE) decreased by 434 or 3% on the prior year, from 14,447 to 14,013 FTE, driven by frontline and head office optimisation, partly offset by increased call centre, financial assistance and risk resourcing.

Investment spend focused on risk and compliance initiatives to meet regulatory requirements including Program of Action, Comprehensive Credit Reporting, Banking Code of Practice, Responsible Lending, Privacy and Open Banking.

The total operating expenses to total operating income ratio was 38.7%, a decrease of 130 basis points on the prior year, mainly driven by higher total operating income.

Loan Impairment Expense

Loan impairment expense was \$1,010 million, an increase of \$338 million or 50% on the prior year. This was driven by higher collective provisions due to increased forward looking adjustments reflecting a deterioration in the economic outlook, and emerging risks, mainly due to COVID-19, partly offset by lower consumer finance balances.

Loan impairment expense as a percentage of average gross loans and acceptances increased 9 basis points on the prior year to 0.26%.

Home loan 90+ day arrears decreased by 10 basis points from 0.73% to 0.63%, reflecting increased resourcing for arrears management, the decreases in the cash rate and customer take-up of repayment deferrals.

Consumer finance 90+ day arrears increased by 5 basis points from 1.29% to 1.34% driven by lower balances and increased hardship due to the impact of COVID-19, partly offset by an improvement in customer origination quality and increased resourcing levels for arrears management.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of \$19.3 billion or 5%, above system growth of 3%. Proprietary mix for CBA branded home loans decreased 1% from 59% to 58%, due to continued strong broker flows, with time to decision remaining stable despite strong application volumes and increased policy and regulatory requirements;
- Consumer finance decrease of \$2.7 billion or 18%, broadly in line with system. The decrease in balances was driven by lower consumer demand for unsecured lending, lower discretionary spend due to COVID-19, and increased customer repayments following fiscal and regulatory support measures; and
- Total deposits growth of \$19.3 billion or 8% (interest and non-interest bearing), broadly in line with system. Total transaction deposits growth was strong (up 25% including non-interest bearing balances), driven by growth in existing customers' balances and continued growth in mortgage offset accounts. Savings deposits increased by 12% as customers switched to at-call deposits from investment deposits (down 10%).

Risk Weighted Assets

Risk weighted assets were \$162.9 billion, a decrease of \$4.0 billion or 2% on the prior year.

- Credit risk weighted assets decreased \$2.3 billion or 2% driven by lower consumer finance balances and changes in credit risk estimates, partly offset by home lending volume growth;
- IRRBB and other risk weighted assets decreased \$0.9 billion or 11%; and
- Operational risk weighted assets decreased \$0.8 billion or 3%.

Retail Banking Services generated \$4,538 million of organic capital¹ for the Group in the current year. This contributed 99 basis points to the Group's CET1 ratio.

General Insurance and Mortgage Broking

Cash net profit after tax was \$48 million, an increase of \$16 million or 50% on the prior year. The result was driven by higher income in Mortgage Broking, partly offset by higher claims experience in the General Insurance business mainly due to bushfire related claims.

Half Year Ended June 2020 versus December 2019

Cash net profit after tax for the half year ended 30 June 2020 was \$1,782 million, a decrease of \$385 million or 18% on the prior half. The result was driven by a 1% decrease in operating income, a 1% increase in operating expenses and a \$482 million increase in loan impairment expense.

Net Interest Income

Net interest income was \$4,683 million, a decrease of \$23 million or flat on the prior half. This was driven by a 2% decrease in net interest margin and the impact of two fewer calendar days in the current half, partly offset by a 2% increase in average interest earning assets.

Net interest margin decreased 4 basis points, reflecting:

- Lower deposits margin due to reduced earnings on transaction and savings deposits reflecting the decreases in the cash rate (down 7 basis points);
- Lower earnings on equity due to the falling interest rate environment (down 3 basis points); and
- Unfavourable portfolio mix driven by proportionally more lower margin home loan balances relative to higher margin consumer finance balances, partly offset by customers switching to at-call deposits from investment deposits (down 2 basis points); partly offset by
- Higher home lending margin reflecting repricing (up 13 basis points), partly offset by increased competition (down 4 basis points), and unfavourable home loan portfolio mix (down 1 basis point) with a shift to lower margin loans (interest only to principal and interest).

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, the allocation of Operational RWA from the Enforceable Undertaking with APRA and the impact of regulatory changes from SA-CCR and AASB 16 Leases.

Divisional Performance (continued)

Retail Banking Services (continued)

Financial Performance and Business Review (continued)

Other Banking Income

Other banking income was \$682 million, an increase of \$1 million or flat on the prior half, reflecting:

- Payments received from AIA reflecting progress in meeting partnership milestones following the sale of CommInsure Life; partly offset by
- Lower credit card and international transaction volumes, mainly driven by a decline in spend due to COVID-19.

Funds Management Income

Funds Management income was \$16 million, a decrease of \$35 million or 69% on the prior half. This was driven by the cessation of platform rebates in January 2020 and the wind-down of the Aligned Advice businesses.

Operating Expenses

Operating expenses were \$2,107 million, an increase of \$23 million or 1% on the prior half. This was driven by higher operational losses, increased call centre and financial assistance resourcing, and higher investment spend, partly offset by productivity initiatives and lower credit card loyalty redemptions as a result of COVID-19.

The number of FTE increased by 230 or 2% on the prior half, from 13,783 to 14,013 FTE, driven by increased call centre and financial assistance resourcing.

The operating expenses to total operating income ratio was 39.2%, an increase of 90 basis points on the prior half, mainly driven by lower total operating income.

Loan Impairment Expense

Loan impairment expense was \$746 million, an increase of \$482 million on the prior half. The result was driven by higher collective provisions due to increased forward looking adjustments reflecting a deterioration in the economic outlook, emerging risks, and an increase in early stage arrears, mainly due to COVID-19.

Loan impairment expense as a percentage of average gross loans and acceptances increased by 25 basis points on the prior half to 0.38%.

Home loan 90+ day arrears decreased by 2 basis points from 0.65% to 0.63%, driven by increased resourcing for arrears management, the decreases in the cash rate and customer take-up of repayment deferrals.

Consumer finance arrears increased by 29 basis points from 1.05% to 1.34%, driven by lower balances, increased hardship due to the impact of COVID-19, and a seasonal increase in arrears following the December holiday period.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of \$8.1 billion or 2%, broadly in line with system. Proprietary mix for CBA branded home loans remained at 58%;
- Consumer finance decrease of \$2.0 billion or 14%, broadly in line with system. The decrease in balances was driven by lower consumer demand for unsecured lending, lower discretionary spend due to COVID-19, and increased customer repayments following fiscal and regulatory support measures; and
- Total deposits growth of \$10.7 billion or 4% (interest and non-interest bearing), broadly in line with system. Total deposits growth was driven by strong growth in transaction (up 12% including non-interest bearing balances) and savings (up 6%) balances, partly offset by a decline in investment deposits (down 5%) as customers switched to at-call deposits.

Risk Weighted Assets

Risk weighted assets were \$162.9 billion, a decrease of \$3.1 billion or 2% on the prior half.

- Credit risk weighted assets decreased \$1.5 billion or 1% driven by lower consumer finance balances and changes in credit risk estimates, partly offset by home lending volume growth;
- IRRBB and other risk weighted assets decreased \$0.6 billion or 9%; and
- Operational risk weighted assets decreased \$1.0 billion or 4%.

Retail Banking Services generated \$2,170 million of organic capital¹ 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 \$47 million, an increase of \$46 million on the prior half. The result was driven by lower claims experience net of reinsurance recoveries in the General Insurance business.

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 and Private Banking

Overview

Business and Private Banking serves the banking needs of business, corporate and agribusiness customers across the full range of financial services solutions as well as providing banking and advisory services for high net worth individuals. We also provide Australia's leading equities trading and margin lending services through our CommSec business. Business and Private Banking also includes the financial results of business banking activities conducted under the Bankwest brand.

On 28 April 2020, the Group announced the sale of its subsidiary, Australian Investment Exchange Limited (AUSIEX), to Nomura Research Institute (NRI). The sale is subject to regulatory and other conditions, and is expected to complete in the first half of calendar year 2021. As AUSIEX does not itself constitute a major line of the Group's business, the financial results of AUSIEX are treated as continuing operations and included in the account lines of Business and Private Banking performance.

	Full Year Ended ¹			Half Year Ended ¹		
	30 Jun 20 \$M	30 Jun 19 \$M	Jun 20 vs Jun 19 %	30 Jun 20 \$M	31 Dec 19 \$M	Jun 20 vs Dec 19 %
Net interest income	5,654	5,655	–	2,763	2,891	(4)
Other banking income	1,565	1,524	3	786	779	1
Total banking income	7,219	7,179	1	3,549	3,670	(3)
Operating expenses	(2,606)	(2,604)	–	(1,317)	(1,289)	2
Loan impairment expense	(814)	(384)	large	(575)	(239)	large
Net profit before tax	3,799	4,191	(9)	1,657	2,142	(23)
Corporate tax expense	(1,145)	(1,260)	(9)	(501)	(644)	(22)
Cash net profit after tax	2,654	2,931	(9)	1,156	1,498	(23)
Income analysis						
Net interest income						
Small Business Banking	2,408	2,388	1	1,187	1,221	(3)
Business and Corporate Banking	1,916	1,959	(2)	927	989	(6)
Regional and Agribusiness	808	788	3	388	420	(8)
Private Bank	317	330	(4)	156	161	(3)
CommSec	205	190	8	105	100	5
Total net interest income	5,654	5,655	–	2,763	2,891	(4)
Other banking income						
Small Business Banking	462	493	(6)	206	256	(20)
Business and Corporate Banking	556	577	(4)	264	292	(10)
Regional and Agribusiness	134	146	(8)	65	69	(6)
Private Bank	45	60	(25)	16	29	(45)
CommSec	368	248	48	235	133	77
Total other banking income	1,565	1,524	3	786	779	1
Total banking income	7,219	7,179	1	3,549	3,670	(3)
Income by product						
Business products	4,150	4,318	(4)	1,981	2,169	(9)
Retail products	2,573	2,468	4	1,279	1,294	(1)
Equities and margin lending	455	337	35	277	178	56
Other	41	56	(27)	12	29	(59)
Total banking income	7,219	7,179	1	3,549	3,670	(3)

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

Divisional Performance (continued)

Business and Private Banking (continued)

	As at				
	30 Jun 20 \$M	31 Dec 19 \$M	30 Jun 19 \$M	Jun 20 vs Dec 19 %	Jun 20 vs Jun 19 %
Balance Sheet					
Home loans ¹	97,591	97,646	98,568	–	(1)
Business loans ²	93,305	91,086	91,641	2	2
Margin loans	2,322	2,492	2,559	(7)	(9)
Consumer finance	2,051	2,514	2,600	(18)	(21)
Total interest earning assets	195,269	193,738	195,368	1	–
Non-lending interest earning assets ³	133	62	92	large	45
Other assets ³	1,308	1,295	1,587	1	(18)
Total assets	196,710	195,095	197,047	1	–
Transaction deposits ^{2,4}	37,240	33,557	30,676	11	21
Savings deposits ⁴	68,146	58,073	55,033	17	24
Investment deposits and other	37,623	43,679	47,847	(14)	(21)
Total interest bearing deposits	143,009	135,309	133,556	6	7
Debt Issues and other interest bearing liabilities	25	30	32	(17)	(22)
Non-interest bearing transaction deposits	33,554	27,008	23,867	24	41
Other non-interest bearing liabilities ⁵	1,604	1,254	1,602	28	–
Total liabilities	178,192	163,601	159,057	9	12

Key Financial Metrics	Full Year Ended ⁶			Half Year Ended ⁶		
	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %	30 Jun 20	31 Dec 19	Jun 20 vs Dec 19 %
Performance indicators						
Net interest margin (%)	3.10	3.10	–	3.05	3.14	(9)bpts
Return on assets (%)	1.3	1.5	(20)bpts	1.2	1.5	(30)bpts
Operating expenses to total banking income (%)	36.1	36.3	(20)bpts	37.1	35.1	200 bpts
Impairment expense annualised as a % of average GLAAs (%)	0.42	0.20	22 bpts	0.60	0.24	36 bpts
Other information						
Average interest earning assets (\$M) ⁷	182,498	182,400	–	181,967	183,023	(1)
Risk weighted assets (\$M)	141,157	138,753	2	141,157	139,471	1
Troublesome and impaired assets (\$M) ⁸	4,677	4,273	9	4,677	4,398	6
Number of full-time equivalent staff (FTE)	4,589	4,566	1	4,589	4,419	4

1 Home loans are presented gross of \$11,744 million of mortgage offset balances (31 December 2019: \$11,766 million; 30 June 2019: \$10,623 million). These balances are required to be grossed up under accounting standards, but are netted down for the calculation of customer interest payments.

2 Business loans include \$244 million of Cash Management Pooling Facilities (CMPF) (31 December 2019: \$365 million; 30 June 2019: \$339 million). Transaction Deposits include \$1,223 million of CMPF liabilities (31 December 2019: \$835 million; 30 June 2019: \$947 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 On 28 April 2020 CBA announced that it has entered into an agreement to sell AUSIEX to Nomura Research Institute. Other assets include \$226 million of assets and non-lending interest earning assets include \$23 million of assets related to the AUSIEX business that have been reclassified to assets held for sale.

4 Transaction and Savings deposits include \$11,744 million of mortgage offset balances (31 December 2019: \$11,766 million; 30 June 2019: \$10,623 million).

5 Includes \$188 million of liabilities related to the AUSIEX business that are classified as liabilities held for sale.

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

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

8 Commercial troublesome and impaired assets only. Includes commercial and leasing products.

Divisional Performance (continued)

Business and Private Banking (continued)

Financial Performance and Business Review

Year Ended June 2020 versus June 2019

Business and Private Banking cash net profit after tax for the full year ended 30 June 2020 was \$2,654 million, a decrease of \$277 million or 9% on the prior year. The result was driven by a 1% increase in total banking income, flat operating expenses and a \$430 million increase in loan impairment expense.

Net Interest Income

Net interest income was \$5,654 million, a decrease of \$1 million or flat on the prior year. This was driven by flat net interest margin and flat average interest earning assets.

Net interest margin was flat on the prior year, reflecting:

- Higher home lending margin reflecting repricing and timing benefits, partly offset by increased competition (up 5 basis points, excluding the impact of basis risk);
- Favourable portfolio mix from growth in transaction and savings deposits (up 5 basis points);
- Higher business lending margin reflecting repricing (up 4 basis points, excluding the impact of basis risk); and
- Lower exposure to basis risk due to growth in cash rate linked deposits (up 1 basis point); offset by
- Lower deposits margin due to reduced earnings on transaction and saving deposits driven by the decreases in the cash rate, and lower earnings on investment deposits from lower swap rates (down 11 basis points, excluding the impact of basis risk); and
- Lower earnings on equity due to the falling interest rate environment (down 4 basis points).

Other Banking Income

Other banking income was \$1,565 million, an increase of \$41 million or 3% on the prior year, reflecting:

- Higher equities income from higher trading volumes and an increase in customer numbers; partly offset by
- Lower merchant income due to fee waivers to support our customers through COVID-19;
- Lower deposits income driven by the introduction of fee free business transaction accounts; and
- Lower credit card and international transaction income, mainly driven by a decline in volumes due to COVID-19.

Operating Expenses

Operating expenses were \$2,606 million, an increase of \$2 million or flat on the prior year. Excluding the impact of remediation costs, operating expenses increased by \$122 million or 5% on the prior year due to continued investment in business banking product offerings and distribution capabilities.

The number of full-time equivalent staff (FTE) increased by 23 or 1% on the prior year, from 4,566 to 4,589 FTE, primarily driven by investment in frontline business bankers and remediation staff, partly offset by productivity initiatives.

Investment was primarily focused on further enhancing the customer experience with investment in digitisation of deposit and payment products, improving the end-to-end processes for business loans and merchant solutions, and simplifying the product offering for business customers, as well as investment in regulatory, risk and compliance initiatives.

The operating expenses to total banking income ratio was 36.1%, a decrease of 20 basis points on the prior year. Excluding

remediation costs, the operating expenses to total banking income ratio increased 150 basis points, mainly driven by higher operating expenses.

Loan Impairment Expense

Loan impairment expense was \$814 million, an increase of \$430 million on the prior year. This was driven by higher collective provisions due to increased forward looking adjustments reflecting a deterioration in the economic outlook, as well as emerging industry sector risks, in particular commercial property, health and community services, manufacturing and wholesale trade, mainly due to COVID-19.

Loan impairment expense as a percentage of average gross loans and acceptances increased 22 basis points on the prior year to 0.42%.

Troublesome and impaired assets increased by 9%, driven by the downgrade and impairment of a small number of large exposures. Asset quality was supported by a selective tightening of origination criteria in specific industries affected by COVID-19.

Balance Sheet

Key spot balance sheet movements included:

- Business loan growth of \$1.7 billion or 2%, reflecting growth across various industries including property investment and agriculture, partly offset by a continued reduction in exposure to residential property development. Loan growth was driven in part by support provided to customers with over 7,300 loans funded under the Government's SME Guarantee Scheme;
- Home loan decrease of \$1.0 billion or 1%, below system growth of 3%, reflecting lower investor home lending partly offset by growth in owner occupied; and
- Total deposit growth (interest and non-interest bearing) of \$19.1 billion or 12%, below system growth of 15%. Total deposit growth was driven by higher transaction (up 30%) and savings (up 24%) balances, partly offset by a decrease in investment deposits (down 21%) due to increased demand for at-call deposits in the low cash rate environment.

Risk Weighted Assets

Risk weighted assets were \$141.2 billion, an increase of \$2.4 billion or 2% on the prior year.

- Credit risk weighted assets increased \$3.9 billion or 3% driven by business lending volume growth and a deterioration in credit quality; and
- Operational risk weighted assets increased \$0.1 billion or 1%; partly offset by
- Traded Market risk weighted assets decreased \$0.9 billion or 52%; and
- IRRBB risk weighted assets decreased \$0.7 billion or 14%.

Business and Private Banking generated \$2,483 million of organic capital¹ for the Group in the current year. This contributed 56 basis points to the Group's CET1 ratio.

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, the allocation of Operational RWA from the Enforceable Undertaking with APRA and the impact of regulatory changes from SA-CCR and AASB 16 Leases.

Divisional Performance (continued)

Business and Private Banking (continued)

Financial Performance and Business Review (continued)

Half Year Ended June 2020 versus December 2019

Cash net profit after tax for the half year ended 30 June 2020 was \$1,156 million, a decrease of \$342 million or 23% on the prior half. The result was driven by a 3% decrease in total banking income, a 2% increase in operating expenses and a \$336 million increase in loan impairment expense.

Net Interest Income

Net interest income was \$2,763 million, a decrease of \$128 million or 4% on the prior half. This was driven by a 3% decrease in net interest margin, a 1% decrease in average interest earning assets and the impact of two fewer calendar days in the current half.

Net interest margin decreased 9 basis points, reflecting:

- Lower deposits margin due to reduced earnings on transaction and saving deposits driven by the decreases in the cash rate (down 9 basis points, excluding the impact of basis risk);
- Lower business lending margin reflecting repricing of loans linked to the cash rate of 125 basis points to support our customers in response to COVID-19 (down 6 basis points, excluding the impact of basis risk); and
- Lower earnings on equity due to the falling interest rate environment (down 4 basis points); partly offset by
- Higher home lending margin due to repricing, partly offset by increased competition (up 5 basis points, excluding the impact of basis risk);
- Favourable portfolio mix from growth in transaction and savings deposits (up 3 basis points); and
- Lower exposure to basis risk due to growth in cash rate linked deposits (up 2 basis points).

Other Banking Income

Other banking income was \$786 million, an increase of \$7 million or 1% on the prior half, reflecting:

- Higher equities income from higher trading volumes and an increase in customer numbers; partly offset by
- Lower merchant income due to lower turnover volumes, and fee waivers to support our customers through COVID-19;
- Lower credit card and international transaction income mainly driven by a decline in volumes due to COVID-19; and
- Lower deposits income driven by the introduction of fee free business transaction accounts.

Operating Expenses

Operating expenses were \$1,317 million, an increase of \$28 million or 2% on the prior half. This was mainly driven by continued investment in business banking product offerings and distribution capabilities.

The number of FTE increased by 170 or 4% on the prior half, from 4,419 to 4,589 FTE, primarily driven by investment in frontline business bankers and remediation staff.

The operating expenses to total banking income ratio was 37.1%, an increase of 200 basis points on the prior half, mainly driven by lower banking income.

Loan Impairment Expense

Loan impairment expense was \$575 million, an increase of \$336 million on the prior half. This was driven by higher collective provisions due to increased forward looking adjustments reflecting a deterioration in the economic outlook, as well as emerging industry sector risks, in particular commercial property, health and community services, manufacturing and wholesale trade, mainly due to COVID-19, and higher individual provisions.

Loan impairment expense as a percentage of average gross loans and acceptances increased 36 basis points on the prior half to 0.60%.

Troublesome and impaired assets increased by 6%, driven by the downgrade and impairment of a small number of large exposures. Asset quality was supported by a selective tightening of origination criteria in specific industries affected by COVID-19.

Balance Sheet

Key spot balance sheet movements included:

- Business loan growth of \$2.2 billion or 2%, reflecting growth in property investment and targeted diversified industries of agriculture, health and manufacturing. Loan growth was driven in part by support provided to customers with over 7,300 loans funded under the Government's SME Guarantee Scheme;
- Home loan decrease of \$0.1 billion, flat on the prior half and below system growth of 2%, reflecting lower investor home lending, partly offset by growth in owner occupied; and
- Total deposit growth (interest and non-interest bearing) of \$14.2 billion or 9%, below system growth of 13%. Total deposit growth was driven by higher transaction (up 17%) and savings (up 17%) balances, partly offset by a decrease in investment deposits (down 14%) due to increased demand for at-call deposits in the low cash rate environment.

Risk Weighted Assets

Risk weighted assets were \$141.2 billion, an increase of \$1.7 billion or 1% on the prior half.

- Credit risk weighted assets increased \$2.8 billion or 2%, driven by business lending volume growth and a deterioration in credit quality; partly offset by
- IRRBB risk weighted assets decreased by \$0.6 billion or 12%; and
- Operational risk weighted assets decreased \$0.5 billion or 3%.

Business and Private Banking generated \$955 million of organic capital¹ for the Group in the current half. This contributed 22 basis points to the Group's CET1 ratio.

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 & 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 ¹		
	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %	30 Jun 20	31 Dec 19	Jun 20 vs Dec 19 %
	\$M	\$M		\$M	\$M	
Net interest income	1,403	1,533	(8)	718	685	5
Other banking income	897	947	(5)	372	525	(29)
Total banking income	2,300	2,480	(7)	1,090	1,210	(10)
Operating expenses	(1,022)	(1,014)	1	(528)	(494)	7
Loan impairment expense	(347)	(17)	large	(282)	(65)	large
Net profit before tax	931	1,449	(36)	280	651	(57)
Corporate tax expense	(276)	(332)	(17)	(101)	(175)	(42)
Cash net profit after tax	655	1,117	(41)	179	476	(62)
Income analysis						
Net interest income						
Institutional Banking	1,146	1,271	(10)	554	592	(6)
Markets	257	262	(2)	164	93	76
Total net interest income	1,403	1,533	(8)	718	685	5
Other banking income						
Institutional Banking	365	506	(28)	128	237	(46)
Markets	532	441	21	244	288	(15)
Total other banking income	897	947	(5)	372	525	(29)
Total banking income	2,300	2,480	(7)	1,090	1,210	(10)
Income by product						
Institutional products	1,443	1,578	(9)	723	720	–
Asset leasing	68	199	(66)	(41)	109	large
Markets (excluding derivative valuation adjustments)	846	749	13	444	402	10
Total banking income excluding derivative valuation adjustments	2,357	2,526	(7)	1,126	1,231	(9)
Derivative valuation adjustments ²	(57)	(46)	24	(36)	(21)	71
Total banking income	2,300	2,480	(7)	1,090	1,210	(10)

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.

Divisional Performance (continued)

Institutional Banking and Markets (continued)

Balance Sheet	As at ¹				
	30 Jun 20 \$M	31 Dec 19 \$M	30 Jun 19 \$M	Jun 20 vs Dec 19 %	Jun 20 vs Jun 19 %
Interest earning lending assets ²	94,155	93,167	91,859	1	2
Non-lending interest earning assets	48,014	45,727	37,097	5	29
Other assets ³	28,941	21,240	19,071	36	52
Total assets	171,110	160,134	148,027	7	16
Transaction deposits ²	63,806	53,445	52,315	19	22
Savings deposits	21,977	7,869	6,581	large	large
Investment deposits	38,723	49,355	42,424	(22)	(9)
Certificates of deposit and other	23,088	17,535	16,132	32	43
Total interest bearing deposits	147,594	128,204	117,452	15	26
Due to other financial institutions	9,607	14,673	14,964	(35)	(36)
Debt issues and other ⁴	3,894	4,180	7,850	(7)	(50)
Non-interest bearing liabilities ³	25,292	17,288	18,313	46	38
Total liabilities	186,387	164,345	158,579	13	18

Key Financial Metrics	Full Year Ended ¹			Half Year Ended ¹		
	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %	30 Jun 20	31 Dec 19	Jun 20 vs Dec 19 %
Performance indicators						
Net interest margin (%)	1.00	1.11	(11)bpts	1.01	1.00	1 bpt
Return on assets (%)	0.4	0.7	(30)bpts	0.2	0.6	(40)bpts
Operating expenses to total banking income (%)	44.4	40.9	350 bpts	48.4	40.8	large
Impairment expense annualised as a % of average GLAAs (%)	0.36	0.02	34 bpts	0.57	0.14	43 bpts
Other information						
Average interest earning assets (\$M)	139,911	137,670	2	143,557	136,304	5
Risk weighted assets (\$M)	93,076	85,951	8	93,076	86,112	8
Troublesome and impaired assets (\$M)	1,346	748	80	1,346	670	large
Total committed exposures rated investment grade (%)	86.5	87.2	(70)bpts	86.5	88.3	(180)bpts
Number of full-time equivalent staff (FTE)	1,138	1,157	(2)	1,138	1,120	2

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

2 Interest earning lending assets include \$24,868 million of Cash Management Pooling Facilities (CMPF) (31 December 2019: \$23,850 million; 30 June 2019: \$22,822 million). Transaction deposits include \$34,349 million of CMPF liabilities (31 December 2019: \$30,862 million; 30 June 2019: \$31,182 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.

Divisional Performance (continued)

Institutional Banking and Markets (continued)

Financial Performance and Business Review

Year Ended June 2020 versus June 2019

Institutional Banking and Markets cash net profit after tax for the full year ended 30 June 2020 was \$655 million, a decrease of \$462 million or 41% on the prior year. The result was driven by a 7% decrease in total banking income, a 1% increase in operating expenses and a \$330 million increase in loan impairment expense.

Net Interest Income

Net interest income was \$1,403 million, a decrease of \$130 million or 8% on the prior year. The result was driven by a 10% decrease in net interest margin, partly offset by a 2% increase in average interest earning assets.

Net interest margin decreased 11 basis points, reflecting:

- Reduced deposits revenue as a result of the decreases in the cash rate, and the impact from the lower spread between the three month bank bill swap rate and the three month overnight index swap rate, known as basis risk (down 4 basis points);
- Lower earnings on equity due to the falling interest rate environment (down 4 basis points); and
- Lower revenue from Structured Asset Finance mainly due to a reduction in the estimated residual value of shipping vessels under finance leases (down 3 basis points).

Other Banking Income

Other banking income was \$897 million, a decrease of \$50 million or 5% on the prior year, reflecting:

- The impairment of aircraft which are owned by the Group and leased to various airlines in the Structured Asset Finance portfolio;
- Lower lending fees driven by lower average institutional lending exposures due to portfolio optimisation initiatives; and
- Unfavourable movement in derivative valuation adjustments; partly offset by
- Higher Markets income due to stronger trading and sales performance in foreign exchange reflecting market volatility and higher client demand.

Operating Expenses

Operating expenses were \$1,022 million, an increase of \$8 million or 1% on the prior year. This was driven by higher IT expenses and regulatory, risk and compliance costs, partly offset by productivity initiatives.

The number of full-time equivalent staff (FTE) decreased by 19 or 2% on the prior year, from 1,157 to 1,138 FTE. The decrease was driven by productivity initiatives, partly offset by an increase in risk and compliance staff.

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

The operating expenses to total banking income ratio was 44.4%, an increase of 350 basis points on the prior year, mainly driven by lower total banking income.

Loan Impairment Expense

Loan impairment expense was \$347 million, an increase of \$330 million on the prior year. This was driven by higher collective provisions due to increased forward looking adjustments reflecting a deterioration in the economic outlook, as well as emerging industry sector risks, in particular manufacturing, media and aviation, mainly due to COVID-19, partly offset by lower individual provisions.

Loan impairment expense as a percentage of average gross loans and acceptances increased 34 basis points to 0.36%.

Asset quality of the portfolio has deteriorated, with the percentage of the book rated as investment grade decreasing by 70 basis points to 86.5%.

Balance Sheet

Key spot balance sheet movements included:

- Lending balance growth of \$2.3 billion or 2%, driven by increased drawdown of warehouse facilities;
- Non-lending interest earning assets growth of \$10.9 billion or 29%, mainly driven by an increase in the high grade bonds portfolio, reflecting higher bond prices as a result of the falling interest rate environment and active participation in new issuances;
- Other assets and non-interest bearing liabilities growth of \$9.9 billion or 52% and \$7.0 billion or 38% respectively, mainly driven by the revaluation of derivative assets and derivative liabilities due to foreign currency and interest rate volatility. Derivative assets and derivative liabilities are required to be grossed up under accounting standards;
- Total interest bearing deposits growth of \$30.1 billion or 26%, driven by clients managing their liquidity needs in response to COVID-19; and
- Due to other financial institutions decrease of \$5.4 billion or 36%, due to lower central bank deposits reflecting reduced demand for short-term funding.

Risk Weighted Assets

Risk weighted assets were \$93.1 billion, an increase of \$7.1 billion or 8% on the prior year.

- Credit risk weighted assets increased \$4.8 billion or 7% driven by a deterioration in credit quality, foreign currency movements and regulatory changes; and
- Traded Market risk weighted assets increased \$3.2 billion or 41%; partly offset by
- IRRBB risk weighted assets decreased \$0.5 billion or 21%; and
- Operational risk weighted assets decreased \$0.4 billion or 5%.

Institutional Banking and Markets generated \$386 million of organic capital¹ for the Group in the current year. This contributed 10 basis points to the Group's CET1 ratio.

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, the allocation of Operational RWA from the Enforceable Undertaking with APRA and the impact of regulatory changes from SA-CCR and AASB 16 Leases.

Divisional Performance (continued)

Institutional Banking and Markets (continued)

Financial Performance and Business Review (continued)

Half Year Ended June 2020 versus December 2019

Cash net profit after tax for the half year ended 30 June 2020 was \$179 million, a decrease of \$297 million or 62% on the prior half. The result was driven by a 10% decrease in total banking income, a 7% increase in operating expenses, and a \$217 million increase in loan impairment expense.

Net Interest Income

Net interest income was \$718 million, an increase of \$33 million or 5% on the prior half. The result was driven by a 5% increase in average interest earning assets and a 1% increase in net interest margin, partly offset by the impact of two fewer calendar days in the current half.

Net interest margin increased 1 basis point, reflecting:

- Higher Markets net interest income due to lower funding costs for commodities financing, and higher bond spreads (offset in other banking income) from a fall in short-end AUD interest rates (up 11 basis points); partly offset by
- Lower earnings on equity due to the falling interest rate environment (down 4 basis points);
- Lower revenue from Structured Asset Finance mainly due to a reduction in the estimated residual value of shipping vessels under finance leases (down 4 basis points); and
- Reduced deposits revenue as a result of the decreases in the cash rate (down 2 basis points).

Other Banking Income

Other banking income was \$372 million, a decrease of \$153 million or 29% on the prior half, reflecting:

- The impairment of aircraft which are owned by the Group and leased to various airlines in the Structured Asset Finance portfolio;
- Lower Markets sales performance driven by lower client demand, lower income from hedging activities related to bond inventories and lower commodities financing income (offsetting the increase in net interest income); and
- Unfavourable movement in derivative valuation adjustments; partly offset by
- Higher lending fees driven by higher average institutional lending exposures due to client demand for liquidity in response to COVID-19.

Operating Expenses

Operating expenses were \$528 million, an increase of \$34 million or 7% on the prior half. This was driven by higher investment spend, amortisation from the completion of projects, and regulatory, risk and compliance costs, partly offset by productivity initiatives.

The number of FTE increased by 18 or 2% on the prior half, from 1,120 to 1,138 FTE due to an increase in risk and compliance staff, partly offset by productivity initiatives.

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

The operating expenses to total banking income ratio was 48.4%, an increase from 40.8% in the prior half, driven by lower total banking income and higher operating expenses.

Loan Impairment Expense

Loan impairment expense was \$282 million, an increase of \$217 million on the prior half. This was driven by higher collective provisions due to increased forward looking adjustments reflecting a deterioration in the economic outlook, as well as emerging industry sector risks, in particular aviation, manufacturing and commercial property, mainly due to COVID-19, partly offset by lower individual provisions.

Loan impairment expense as a percentage of average gross loans and acceptances increased 43 basis points to 0.57%.

Asset quality of the portfolio has deteriorated, with the percentage of the book rated as investment grade decreasing by 180 basis points to 86.5%.

Balance Sheet

Key spot balance sheet movements included:

- Lending balance growth of \$1.0 billion or 1%, driven by increased drawdown of warehouse facilities;
- Other assets and Non-interest bearing liabilities growth of \$7.7 billion or 36% and \$8.0 billion or 46% respectively, mainly driven by the revaluation of derivative assets and derivative liabilities due to foreign currency and interest rate volatility. Derivative assets and derivative liabilities are required to be grossed up under accounting standards;
- Total interest bearing deposits growth of \$19.4 billion or 15%, driven by clients managing their liquidity needs in response to COVID-19; and
- Due to other financial institutions decrease of \$5.1 billion or 35%, from lower central bank deposits reflecting reduced demand for short-term funding.

Risk Weighted Assets

Risk weighted assets were \$93.1 billion, an increase of \$7.0 billion or 8% on the prior half.

- Credit risk weighted assets increased \$0.3 billion or flat driven by a deterioration in credit quality and foreign currency movements; and
- Traded Market risk weighted assets increased \$7.3 billion; partly offset by
- IRRBB risk weighted assets decreased \$0.5 billion or 21%; and
- Operational risk weighted assets decreased \$0.1 billion or 1%.

Institutional Banking and Markets consumed \$613 million of organic capital¹ for the Group in the current half. This impacted the Group's CET1 ratio by 12 basis points.

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)

New Zealand

Overview

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

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

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

	Full Year Ended ¹			Half Year Ended		
	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %	30 Jun 20	31 Dec 19	Jun 20 vs Dec 19 %
New Zealand (A\$M)	A\$M	A\$M		A\$M	A\$M	
Net interest income	1,927	1,909	1	970	957	1
Other banking income ²	375	442	(15)	176	199	(12)
Total banking income	2,302	2,351	(2)	1,146	1,156	(1)
Funds management income	136	130	5	65	71	(8)
Total operating income	2,438	2,481	(2)	1,211	1,227	(1)
Operating expenses	(1,021)	(912)	12	(541)	(480)	13
Loan impairment expense	(292)	(102)	large	(271)	(21)	large
Net profit before tax	1,125	1,467	(23)	399	726	(45)
Corporate tax expense	(314)	(408)	(23)	(112)	(202)	(45)
Cash net profit after tax	811	1,059	(23)	287	524	(45)

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.

Divisional Performance (continued)

New Zealand (continued)

New Zealand (NZ\$M)	Full Year Ended ¹			Half Year Ended		
	30 Jun 20 NZ\$M	30 Jun 19 NZ\$M	Jun 20 vs Jun 19 %	30 Jun 20 NZ\$M	31 Dec 19 NZ\$M	Jun 20 vs Dec 19 %
Net interest income	2,038	2,035	–	1,014	1,024	(1)
Other banking income	460	477	(4)	213	247	(14)
Total banking income	2,498	2,512	(1)	1,227	1,271	(3)
Funds management income	143	138	4	67	76	(12)
Total operating income	2,641	2,650	–	1,294	1,347	(4)
Operating expenses	(1,078)	(970)	11	(570)	(508)	12
Loan impairment expense	(306)	(108)	large	(284)	(22)	large
Net profit before tax	1,257	1,572	(20)	440	817	(46)
Corporate tax expense	(352)	(440)	(20)	(122)	(230)	(47)
Cash net profit after tax	905	1,132	(20)	318	587	(46)
Represented by:						
ASB	967	1,203	(20)	353	614	(43)
Other ²	(62)	(71)	(13)	(35)	(27)	30
Cash net profit after tax	905	1,132	(20)	318	587	(46)

Key Financial Metrics (continuing operations) ³	Full Year Ended ¹			Half Year Ended		
	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %	30 Jun 20	31 Dec 19	Jun 20 vs Dec 19 %
Performance indicator						
Operating expenses to total operating income (%)	40.8	36.6	420 bpts	44.0	37.7	large

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 2020 versus June 2019

New Zealand cash net profit after tax¹ for the full year ended 30 June 2020 was NZD905 million, a decrease of NZD227 million or 20% on the prior year. The result was driven by flat total operating income, an 11% increase in operating expenses and a NZD198 million increase in loan impairment expense.

New Zealand generated AUD918 million of organic capital² for the Group in the current year. This contributed 19 basis points to the Group's CET1 ratio.

Half Year Ended June 2020 versus December 2019

New Zealand cash net profit after tax¹ for the half year ended 30 June 2020 was NZD318 million, a decrease of NZD269 million or 46% on the prior half. The result was driven by a 4% decrease in total operating income, a 12% increase in operating expenses and a NZD262 million increase in loan impairment expense.

New Zealand generated AUD492 million of organic capital² for the Group in the current half. This contributed 10 basis points to the Group's CET1 ratio.

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 and the impact of regulatory changes from SA-CCR and AASB 16 Leases.

Divisional Performance (continued)

New Zealand (continued)

ASB (NZ\$M)	Full Year Ended ¹			Half Year Ended		
	30 Jun 20	30 Jun 19	Jun 20 vs	30 Jun 20	31 Dec 19	Jun 20 vs
	NZ\$M	NZ\$M	Jun 19 %	NZ\$M	NZ\$M	Dec 19 %
Net interest income	2,122	2,128	–	1,062	1,060	–
Other banking income	460	477	(4)	213	247	(14)
Total banking income	2,582	2,605	(1)	1,275	1,307	(2)
Funds management income	143	138	4	67	76	(12)
Total operating income	2,725	2,743	(1)	1,342	1,383	(3)
Operating expenses	(1,078)	(970)	11	(570)	(508)	12
Loan impairment expense	(306)	(108)	large	(284)	(22)	large
Net profit before tax	1,341	1,665	(19)	488	853	(43)
Corporate tax expense	(374)	(462)	(19)	(135)	(239)	(44)
Cash net profit after tax	967	1,203	(20)	353	614	(43)

Balance Sheet (NZ\$M)	As at				
	30 Jun 20	31 Dec 19	30 Jun 19	Jun 20 vs	Jun 20 vs
	NZ\$M	NZ\$M	NZ\$M	Dec 19 %	Jun 19 %
Home loans	60,336	58,870	57,194	2	5
Business Lending	17,680	17,601	17,342	–	2
Rural Lending	10,900	11,010	11,320	(1)	(4)
Other interest earning assets	1,895	2,209	2,198	(14)	(14)
Total lending interest earning assets	90,811	89,690	88,054	1	3
Non-lending interest earning assets	12,029	8,951	8,719	34	38
Other assets	2,370	1,897	1,643	25	44
Total assets	105,210	100,538	98,416	5	7
Interest bearing deposits	63,874	60,257	59,016	6	8
Debt issues	18,863	20,632	20,971	(9)	(10)
Other interest bearing liabilities	2,796	2,038	2,283	37	22
Total interest bearing liabilities	85,533	82,927	82,270	3	4
Non-interest bearing deposits	8,123	6,585	5,530	23	47
Other non-interest bearing liabilities	1,183	1,126	1,195	5	(1)
Total liabilities	94,839	90,638	88,995	5	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			Half Year Ended		
	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %	30 Jun 20	31 Dec 19	Jun 20 vs Dec 19 %
Performance indicators						
Net interest margin (%)	2.11	2.23	(12)bpts	2.09	2.13	(4)bpts
Return on assets (%)	0.9	1.2	(30)bpts	0.7	1.2	(50)bpts
Operating expenses to total operating income (%)	39.6	35.4	420 bpts	42.5	36.7	large
Impairment expense annualised as a % of average GLAAs (%)	0.34	0.13	21 bpts	0.63	0.05	58 bpts
Other information						
Average interest earning assets (NZ\$M)	100,582	95,315	6	102,345	98,839	4
Risk weighted assets (NZ\$M) ³	56,548	56,073	1	56,548	56,784	–
Risk weighted assets (A\$M) ⁴	50,664	51,186	(1)	50,664	52,420	(3)
FUA - average (NZ\$M) ⁵	16,273	15,146	7	–	16,273	large
FUA - spot (NZ\$M) ⁶	–	15,876	large	–	–	–
AUM - average (NZ\$M)	17,886	15,501	15	18,156	17,706	3
AUM - spot (NZ\$M)	18,500	16,787	10	18,500	18,513	–
90+ days home loan arrears (%)	0.34	0.13	21 bpts	0.34	0.14	20 bpts
90+ days consumer finance arrears (%)	1.13	0.59	54 bpts	1.13	0.59	54 bpts
Number of full-time equivalent staff (FTE)	5,122	5,038	2	5,122	5,074	1

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 (NZ\$M) calculated in accordance with RBNZ requirements.

4 Risk weighted assets (A\$M) calculated in accordance with APRA requirements.

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

6 Spot FUA balances are nil as at 30 June 2020 and 31 December 2019 due to the completion of the sale of Aegis on 2 December 2019.

Divisional Performance (continued)

New Zealand (continued)

Financial Performance and Business Review

Year Ended June 2020 versus June 2019

ASB cash net profit after tax for the full year ended 30 June 2020 was NZD967 million, a decrease of NZD236 million or 20% on the prior year. The result was driven by a 1% decrease in total operating income, an 11% increase in operating expenses and a NZD198 million increase in loan impairment expense.

Net Interest Income

Net interest income was NZD2,122 million, a decrease of NZD6 million or flat on the prior year. The result was driven by a 6% decrease in net interest margin, partly offset by 6% growth in average interest earning assets.

Net interest margin decreased 12 basis points, reflecting:

- Lower deposits margin due to reduced earnings on transaction and savings deposits reflecting the decreases in the cash rate, and lower earnings on investment deposits due to lower swap rates (down 10 basis points); and
- Lower earnings on equity due to the falling interest rate environment (down 6 basis points); partly offset by
- Higher fixed rate home lending margin due to reduced funding costs as a result of lower swap rates (up 3 basis points); and
- Favourable portfolio mix driven by growth in transaction and savings deposits, partly offset by proportionally less higher margin consumer finance balances (up 1 basis point).

Other Banking Income

Other banking income was NZD460 million, a decrease of NZD17 million or 4% on the prior year, reflecting:

- Lower card and merchant volumes primarily driven by a decline in spend due to COVID-19, and the removal of card cash advance and withdrawal fees; and
- Lower customer service fees resulting from customers migrating to lower fee digital channels; partly offset by
- Higher equities fee income driven by higher trading volumes due to increased market volatility.

Funds Management Income

Funds management income was NZD143 million, an increase of NZD5 million or 4% on the prior year, driven by:

- Higher average Assets Under Management (AUM) (up 15%), reflecting net inflows; and
- Higher AUM margins primarily due to a change in portfolio mix reflecting higher net inflows in higher margin funds; partly offset by
- Lower income due to the completion of the sale of Aegis on 2 December 2019.

Operating Expenses

Operating expenses were NZD1,078 million, an increase of NZD108 million or 11% on the prior year. The increase was driven by higher staff expenses, increased investment spend and higher IT costs. The increase in staff expenses was primarily due to an increase in the provision for prior period holiday pay, an increase in annual leave costs due to lower annual leave usage, and higher risk and compliance staff.

The number of full-time equivalent staff (FTE) increased by 84 or 2% on the prior year from 5,038 to 5,122 FTE, primarily driven by growth in risk and compliance, and technology staff, partly offset by productivity initiatives.

Investment spend continued to focus on strengthening the operational risk and compliance framework, enhancing technology platforms, and changes to the customer service delivery model.

The operating expenses to total operating income ratio for ASB was 39.6%, an increase of 420 basis points on the prior year, mainly driven by higher operating expenses.

Loan Impairment Expense

Loan impairment expense was NZD306 million, an increase of NZD198 million on the prior year. This was driven by the impact of COVID-19 resulting in higher collective provisions reflecting a deterioration in the economic outlook, and emerging industry sector risks, in particular commercial property, retail trade, and entertainment, leisure and tourism, and higher individually assessed provisions.

Home loan arrears increased 21 basis points, from 0.13% to 0.34%, and consumer finance arrears increased 54 basis points, from 0.59% to 1.13%, reflecting a delay in collection and write-off activity during the COVID-19 lockdown.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of NZD3.1 billion or 5%, below system growth of 6%, with continued customer preference for fixed rate loans;
- Business loan growth of NZD0.3 billion or 2%, below system growth of 3%;
- Rural loan decrease of NZD0.4 billion or 4%, below system decline of 1%, with a focus on risk-adjusted returns; and
- Total deposit growth of NZD7.5 billion or 12% (interest and non-interest bearing), above system growth of 9%, with a customer preference for transaction and savings deposits.

Risk Weighted Assets ¹

Risk weighted assets were NZD56.5 billion, an increase of NZD0.4 billion or 1% on the prior year.

- Credit risk weighted assets increased NZD0.1 billion driven by an increase in lending volumes, and an increase following the implementation of NZ IFRS 16 *Leases*, partly offset by data and methodology changes; and
- Market risk weighted assets increased NZD0.3 billion or 10% primarily due to an increase in foreign exchange risk.

ASB generated AUD1,022 million of organic capital ² for the Group in the current year. This contributed 22 basis points to the Group's CET1 ratio.

¹ Risk weighted assets reflect the New Zealand dollar amount calculated in accordance with RBNZ requirements.

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, and the impact of regulatory changes from SA-CCR and AASB 16 *Leases*.

Divisional Performance (continued)

New Zealand (continued)

Financial Performance and Business Review (continued)

Half Year Ended June 2020 versus December 2019

ASB cash net profit after tax for the half year ended 30 June 2020 was NZD353 million, a decrease of NZD261 million or 43% on the prior half. The result was driven by a 3% decrease in total operating income, a 12% increase in operating expenses and a NZD262 million increase in loan impairment expense.

Net Interest Income

Net interest income was NZD1,062 million, an increase of NZD2 million or flat on the prior half. The result was driven by 4% growth in average interest earning assets, partly offset by a 2% decrease in net interest margin and the impact of two fewer calendar days in the current half.

Net interest margin decreased 4 basis points, reflecting:

- Lower deposits margin due to reduced earnings on transaction and savings deposits reflecting the decreases in the cash rate (down 7 basis points); and
- The impact from an increase in low yielding liquid asset balances (down 4 basis points); partly offset by
- Favourable portfolio mix from growth in transaction and savings deposits (up 6 basis points); and
- Higher consumer finance margins (up 1 basis point).

Other Banking Income

Other banking income was NZD213 million, a decrease of NZD34 million or 14% on the prior half, reflecting:

- Lower card and merchant volumes primarily driven by a decline in spend due to COVID-19 and a seasonal decrease following the December holiday season; and
- Lower insurance commission income.

Funds Management Income

Funds management income was NZD67 million, a decrease of NZD9 million or 12% on the prior half, driven by lower income due to the completion of the sale of Aegis in the prior half.

Operating Expenses

Operating expenses were NZD570 million, an increase of NZD62 million or 12% on the prior half. The increase was driven by higher staff expenses due to an increase in the provision for prior period holiday pay and higher annual leave costs due to lower annual leave usage, increased investment spend, and higher IT expenses.

The number of FTE increased by 48 or 1% on the prior half from 5,074 to 5,122 FTE, primarily driven by growth in risk and compliance staff.

Investment spend continued to focus on operational risk and compliance, enhancing technology platforms, and changes to the customer service delivery model.

The operating expenses to total operating income ratio was 42.5%, an increase from 36.7% in the prior half, mainly driven by higher operating expenses.

Loan Impairment Expense

Loan impairment expense was NZD284 million, an increase of NZD262 million on the prior half. This was driven by the impact of COVID-19 resulting in higher collective provisions reflecting a deterioration in the economic outlook, and emerging industry sector risks, in particular commercial property, retail trade, and entertainment, leisure and tourism, and higher individually assessed provisions.

Home loan arrears increased 20 basis points, from 0.14% to 0.34%, and consumer finance arrears increased 54 basis points, from 0.59% to 1.13%, reflecting a delay in collection and write-off activity during the COVID-19 lockdown.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of NZD1.5 billion or 2%, in line with system growth of 2%, with continued customer preference for fixed rate loans;
- Business loan growth of NZD0.1 billion or flat, in line with system;
- Rural loan decrease of NZD0.1 billion or 1%, below a flat system, with a focus on risk-adjusted returns; and
- Total deposit growth of NZD5.2 billion or 8% (interest and non-interest bearing), above system growth of 6%, with a customer preference for transaction and savings deposits.

Risk Weighted Assets ¹

Risk weighted assets were NZD56.5 billion, a decrease of NZD0.3 billion on the prior half.

- Credit risk weighted assets decreased NZD0.5 billion or 1% driven by data and methodology changes, partly offset by an increase in lending volumes; and
- Operational risk weighted assets decreased \$0.1 billion or 2%; partly offset by
- Market risk weighted assets increased NZD0.3 billion or 10% primarily due to an increase in foreign exchange risk.

ASB generated AUD540 million of organic capital ² for the Group in the current half. This contributed 11 basis points to the Group's CET1 ratio.

¹ Risk weighted assets reflect the New Zealand dollar amount calculated in accordance with RBNZ requirements.

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)

International Financial Services

Overview

The continuing operations of International Financial Services (IFS) include the Indonesian retail and business banking operations (PT Bank Commonwealth), and minority investments in China (Bank of Hangzhou and Qilu Bank) and Vietnam (Vietnam International Bank).

On 23 May 2018 CBA announced the sale of its 37.5% equity interest in BoCommLife Insurance Company Limited (BoCommLife) to MS&AD Insurance Group Holdings (MS&AD) ¹. Completion of the sale remains subject to regulatory approval and is expected to complete in the second half of calendar year 2020.

On 1 November 2018 CBA sold Commonwealth Bank of South Africa (Holding Company) Limited (TymeDigital SA) to its minority shareholder, African Rainbow Capital (ARC).

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

The IFS results have been prepared on a continuing operations basis excluding the financial results of BoCommLife, TymeDigital SA, and PTCL (discontinued operations). The financial results of the discontinued operations are excluded from the account lines of the IFS performance and reported as a single cash net profit after tax line item.

	Full Year Ended ²			Half Year Ended		
	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %	30 Jun 20	31 Dec 19	Jun 20 vs Dec 19 %
International Financial Services ³	\$M	\$M		\$M	\$M	
Net interest income	152	153	(1)	74	78	(5)
Other banking income	217	304	(29)	82	135	(39)
Total banking income	369	457	(19)	156	213	(27)
Operating expenses	(148)	(150)	(1)	(71)	(77)	(8)
Loan impairment expense	(59)	(27)	large	(38)	(21)	81
Net profit before tax	162	280	(42)	47	115	(59)
Corporate tax expense	(31)	(30)	3	(16)	(15)	7
Cash net profit after tax from continuing operations	131	250	(48)	31	100	(69)
Cash net profit/(loss) after tax from discontinued operations ⁴	17	(15)	large	3	14	(79)
Cash net profit after tax	148	235	(37)	34	114	(70)

	Full Year Ended ²			Half Year Ended		
	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %	30 Jun 20	31 Dec 19	Jun 20 vs Dec 19 %
Key Financial Metrics (continuing operations)						
Performance indicators						
Return on assets (%)	2.4	5.0	(260)bpts	1.1	3.8	(270)bpts
Operating expenses to total banking income (%)	40.1	32.8	large	45.5	36.2	large
Impairment expense annualised as a % of average GLAAs (%)	3.96	1.90	206 bpts	5.21	2.77	244 bpts
Other information						
Risk weighted assets (\$M) ⁵	2,937	3,660	(20)	2,937	3,194	(8)
Number of full-time equivalent staff (FTE)	1,247	1,428	(13)	1,247	1,340	(7)

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

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

³ IFS does not include the Business and Private Banking and Institutional Banking and Markets businesses in Asia.

⁴ Discontinued operations includes BoCommLife, TymeDigital SA and PTCL.

⁵ Risk weighted assets include discontinued operations.

Divisional Performance (continued)

International Financial Services (continued)

Financial Performance and Business Review

Full Year Ended June 2020 versus June 2019

International Financial Services (IFS) cash net profit after tax for the full year ended 30 June 2020 was \$148 million, a decrease of \$87 million or 37% on the prior year. Excluding the contribution from discontinued operations, cash net profit after tax was \$131 million, a decrease of \$119 million or 48% on the prior year. The result was driven by a 19% decrease in total banking income, a 1% decrease in operating expenses and a \$32 million increase in loan impairment expense.

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

Net Interest Income

Net interest income was \$152 million, a decrease of \$1 million or 1% on the prior year. This reflected lower earnings on equity due to the falling interest rate environment, partly offset by a 6% increase in average lending balances in PT Bank Commonwealth (PTBC).

Other Banking Income

Other banking income was \$217 million, a decrease of \$87 million or 29% on the prior year, driven by lower net profits from minority investments.

Operating Expenses

Operating expenses were \$148 million, a decrease of \$2 million or 1% on the prior year. Excluding the impact of FX, operating expenses decreased by \$10 million or 7% as a result of productivity and simplification initiatives.

The number of full-time equivalent staff (FTE) decreased by 181 or 13% on the prior year, from 1,428 to 1,247 FTE. This reflected the impact of productivity and simplification initiatives including a reduction in PTBC footprint.

The operating expenses to total banking income ratio was 40.1%, an increase from 32.8% in the prior year driven by lower total banking income.

Loan Impairment Expense

Loan impairment expense was \$59 million, an increase of \$32 million on the prior year. This was driven by higher individually assessed and collective provisions in PTBC, reflecting a deterioration in credit quality and economic outlook, mainly due to COVID-19.

Loan impairment expense as a percentage of average gross loans and acceptances increased by 206 basis points on the prior year to 3.96%.

Balance Sheet

Spot lending balances decreased by 10% driven by active portfolio management in PTBC resulting in lower mortgage and SME lending exposures.

Risk Weighted Assets¹

Risk weighted assets were \$2.9 billion, a decrease of \$0.7 billion or 20% on the prior year.

- IRRBB risk weighted assets decreased \$0.2 billion or 20%; and
- Operational risk weighted assets decreased \$0.6 billion or 39%; partly offset by
- Credit risk weighted assets increased \$0.1 billion.

IFS generated \$230 million of organic capital² for the Group in the current year. This contributed 6 basis points to the Group's CET1 ratio.

Half Year Ended June 2020 versus December 2019

Cash net profit after tax for the half year ended 30 June 2020 was \$34 million, a decrease of \$80 million or 70% on the prior half. Excluding the contribution from discontinued operations, cash net profit after tax was \$31 million, a decrease of \$69 million or 69% on the prior half. The result was driven by a 27% decrease in total banking income, an 8% decrease in operating expenses and an 81% increase in loan impairment expense.

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

Net Interest Income

Net interest income was \$74 million, a decrease of \$4 million or 5% on the prior half, reflecting lower earnings on equity due to the falling interest rate environment, and a 3% decrease in average lending balances in PTBC primarily due to active portfolio management initiatives and COVID-19, partly offset by lower funding costs.

Other Banking Income

Other banking income was \$82 million, a decrease of \$53 million or 39% on the prior half, driven by lower net profits from minority investments.

Operating Expenses

Operating expenses were \$71 million, a decrease of \$6 million or 8% on the prior half as a result of lower staff costs and productivity and simplification initiatives.

The number of FTE decreased by 93 or 7% on the prior half, from 1,340 to 1,247 FTE. This reflected the impact of productivity and simplification initiatives.

The operating expenses to total banking income ratio was 45.5%, an increase from 36.2% in the prior half driven by lower total banking income.

¹ Risk Weighted Assets include discontinued operations.

² 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, the allocation of Operational RWA from the Enforceable Undertaking with APRA and the impact of regulatory changes from SA-CCR and AASB 16 Leases.

Divisional Performance (continued)

International Financial Services (continued)

Financial Performance Business Review (continued)

Loan Impairment Expense

Loan impairment expense was \$38 million, an increase of \$17 million or 81% on the prior half. This was driven by higher individually assessed and collective provisions in PTBC, reflecting a deterioration in credit quality and economic outlook, mainly due to COVID-19.

Loan impairment expense as a percentage of average gross loans and acceptances increased by 244 basis points on the prior half to 5.21%.

Balance Sheet

Spot lending balances decreased by 10% driven by active portfolio management in PTBC resulting in lower mortgage and SME lending exposures.

Risk Weighted Assets ¹

Risk weighted assets were \$2.9 billion, a decrease of \$0.3 billion or 8% on the prior half.

- IRRBB risk weighted assets decreased \$0.2 billion or 20%; and
- Operational risk weighted assets decreased \$0.1 billion or 9%.

IFS generated \$64 million of organic capital ² for the Group in the current half. This contributed 2 basis points to the Group's CET1 ratio.

¹ Risk Weighted Assets include discontinued operations.

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 include discontinued operations and exclude the payment of dividends and the allocation of Operational RWA from the Enforceable Undertaking with APRA.

	Full Year Ended ¹			Half Year Ended		
	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %	30 Jun 20	31 Dec 19	Jun 20 vs Dec 19 %
	\$M	\$M		\$M	\$M	
IFS Discontinued Operations ²						
Net interest income	6	7	(14)	3	3	–
Other banking income	–	4	large	–	–	–
Total banking income	6	11	(45)	3	3	–
Funds management income	2	2	–	1	1	–
Insurance income	37	55	(33)	13	24	(46)
Total operating income	45	68	(34)	17	28	(39)
Operating expenses	(24)	(76)	(68)	(12)	(12)	–
Net profit/(loss) before tax	21	(8)	large	5	16	(69)
Corporate tax expense	(5)	(5)	–	(3)	(2)	50
Non-controlling interests	(3)	(7)	(57)	–	(3)	large
Underlying profit after tax	13	(20)	large	2	11	(82)
Investment experience after tax	4	5	(20)	1	3	(67)
Cash net profit/(loss) after tax from discontinued operations	17	(15)	large	3	14	(79)

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

² Discontinued operations includes BoCommLife, TymeDigital SA and PTCL.

Financial Performance and Business Review (Discontinued Operations)

Full Year Ended June 2020 versus June 2019

Discontinued operations cash net profit after tax for the full year ended 30 June 2020 was \$17 million, an increase of \$32 million on the prior year. The result was driven by lower operating expenses following the sale of TymeDigital SA, partly offset by lower insurance income from PT Commonwealth Life (PTCL).

Half Year Ended June 2020 versus December 2019

Discontinued operations cash net profit after tax was \$3 million for the half year ended 30 June 2020, a decrease of \$11 million or 79% on the prior half. The result was mainly driven by lower insurance income from PTCL.

Divisional Performance (continued)

Corporate Centre

Overview

Corporate Centre includes the results of unallocated Bank support functions such as Treasury, Investor Relations, Group Strategy, Legal and Corporate Affairs. It also includes Bank-wide elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses.

Treasury is primarily focused on the management of the Bank's interest rate risk, funding and liquidity requirements, and management of the Bank's capital.

The Treasury function includes:

- Portfolio Management: manages the interest rate risk of the Bank's non-traded Balance Sheet using transfer pricing to consolidate risk into Treasury, and hedging the residual mismatch between assets and liabilities using swaps, futures and options;
- Group Funding and Liquidity: manages the Bank's long-term and short-term wholesale funding requirements, and the Bank's prudent liquidity requirements; and
- Capital and Regulatory Strategy: manages the Bank's capital requirements.

	Full Year Ended ¹			Half Year Ended ¹		
	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %	30 Jun 20	31 Dec 19	Jun 20 vs Dec 19 %
Corporate Centre (including eliminations)	\$M	\$M		\$M	\$M	
Net interest income	86	226	(62)	52	34	53
Other banking income	158	62	large	66	92	(28)
Total banking income	244	288	(15)	118	126	(6)
Funds management income	(31)	(14)	large	(8)	(23)	(65)
Insurance income	(1)	(2)	(50)	(1)	–	n/a
Total operating income	212	272	(22)	109	103	6
Operating expenses	(1,569)	(1,682)	(7)	(950)	(619)	53
Loan impairment benefit/(expense)	4	1	large	43	(39)	large
Net loss before tax	(1,353)	(1,409)	(4)	(798)	(555)	44
Corporate tax benefit	411	395	4	260	151	72
Non-controlling interests	–	(12)	large	–	–	–
Underlying loss after tax	(942)	(1,026)	(8)	(538)	(404)	33
Investment experience after tax	(10)	(17)	(41)	(4)	(6)	(33)
Cash net loss after tax from continuing operations	(952)	(1,043)	(9)	(542)	(410)	32
Cash net (loss)/profit after tax from discontinued operations	(1)	(28)	(96)	2	(3)	large
Cash net loss after tax	(953)	(1,071)	(11)	(540)	(413)	31

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

Financial Performance and Business Review

Year Ended June 2020 versus June 2019

Corporate Centre cash net loss after tax for the full year ended 30 June 2020 was \$953 million, a decrease of \$118 million or 11% on the prior year. Excluding the contribution from discontinued operations, cash net loss after tax was \$952 million, a decrease of \$91 million or 9% on the prior year. The result was primarily driven by a 22% decrease in total operating income, a 7% decrease in operating expenses and a \$3 million increase in loan impairment benefit.

Net Interest Income

Net interest income was \$86 million, a decrease of \$140 million or 62% on the prior year. This was due to reduced earnings from the management of interest rate risk in the banking book and lower earnings on Group capital due to the falling interest rate environment.

Other Banking Income

Other banking income was \$158 million, an increase of \$96 million on the prior year. This was primarily driven by higher earnings from the management of foreign currency and interest rate risk associated with wholesale debt issuances.

Divisional Performance (continued)

Corporate Centre (continued)

Financial Performance and Business Review (continued)

Operating Expenses

Operating expenses were \$1,569 million, a decrease of \$113 million or 7% on the prior year. Excluding increases in provisions for Aligned Advice remediation of \$300 million and \$534 million in the current and prior year respectively, as well as \$145 million of AUSTRAC insurance recoveries in the prior year, operating expenses decreased \$24 million or 2%. This was primarily driven by a one-off benefit from the release of a historical provision no longer required, partly offset by the accelerated amortisation of certain capitalised software balances reflecting the faster pace of technological change.

Risk Weighted Assets

Risk weighted assets were \$4.0 billion, a decrease of \$1.7 billion or 30% on the prior year.

- Credit risk weighted assets decreased \$4.2 billion or 35%;
- Traded Market risk weighted assets decreased \$0.2 billion or 50%; and
- Operational risk weighted assets decreased by \$0.9 billion or 37%; partly offset by
- IRRBB risk weighted assets increased \$3.6 billion or 40%.

Corporate Centre consumed \$8,384 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 185 basis points.

Half Year Ended June 2020 versus December 2019

Cash net loss after tax for the half year ended 30 June 2020 was \$540 million, an increase of \$127 million or 31% on the prior half. Excluding the contribution from discontinued operations, cash net loss after tax was \$542 million, an increase of \$132 million or 32% on the prior half. The result was primarily driven by a 6% increase in total operating income, a 53% increase in operating expenses and an \$82 million decrease in loan impairment expense.

Net Interest Income

Net interest income was \$52 million, an increase of \$18 million or 53% on the prior half. This was driven by higher earnings due to growth in liquid assets, partly offset by reduced earnings from the management of interest rate risk in the banking book and lower earnings on Group capital due to the falling interest rate environment.

Other Banking Income

Other banking income was \$66 million, a decrease of \$26 million or 28% on the prior half. This was driven by lower gains from the sale of liquid assets.

Operating Expenses

Operating expenses were \$950 million, an increase of \$331 million or 53% on the prior half. Excluding the increase in provisions for Aligned Advice remediation of \$300 million in the current half, operating expenses increased \$31 million or 5%. This was primarily driven by higher risk and compliance costs and an increase in provisions for other remediation issues.

Loan Impairment Expense

Loan impairment expense decreased \$82 million on the prior half. This was due to a higher central management overlay in the prior half, for drought affected agriculture and associated regional communities in NSW and Queensland.

Risk Weighted Assets

Risk weighted assets were \$4.0 billion, an increase of \$2.4 billion on the prior half.

- IRRBB risk weighted assets increased \$3.9 billion or 41%; partly offset by
- Credit risk weighted assets decreased \$1.0 billion or 10%;
- Traded Market risk weighted assets decreased \$0.1 billion or 41%; and
- Operational risk weighted assets decreased \$0.4 billion or 21%.

Corporate Centre consumed \$4,346 million of organic capital ² for the Group in the current half, largely due to the payment of dividends. This impacted the Group's CET1 ratio by 97 basis points.

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 and the impact of regulatory changes from SA-CCR and AASB 16 Leases.

² 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

Overview

Wealth Management provides superannuation, investment and retirement products which help to improve the financial wellbeing of our customers.

On 2 August 2019 CBA completed the sale of its global asset management business, Colonial First State Global Asset Management (CFSGAM) to Mitsubishi UFJ Trust and Banking Corporation (MUTB), as a result CBA recognised the financial results of CFSGAM for the period up until 2 August 2019. CFSGAM is classified as discontinued operations.

On 1 November 2019 CBA announced that the joint co-operation agreement with AIA Australia Limited (AIA) in relation to CBA's Australian life insurance business (CommInsure Life) has been implemented, as a result CBA recognised the financial results of CommInsure Life¹ for the period up until 1 November 2019. CommInsure Life is classified as discontinued operations.

From March 2020 the Aligned Advice related businesses (including Financial Wisdom, Count Financial and CFP-Pathways) were transferred out of the Wealth Management division and consolidated into the Retail Banking Services division.

On 13 May 2020 CBA announced it has entered into an agreement to sell a 55% interest in Colonial First State (CFS) to KKR. As a result CFS is classified as discontinued operations. Following the announcement, all of Wealth Management is now classified as discontinued operations.

Discontinued Operations

	Full Year Ended ²			Half Year Ended ²		
	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %	30 Jun 20	31 Dec 19	Jun 20 vs Dec 19 %
	\$M	\$M		\$M	\$M	
Funds management income	863	1,806	(52)	368	495	(26)
Insurance income	13	74	(82)	–	13	large
Total operating income	876	1,880	(53)	368	508	(28)
Operating expenses	(715)	(1,295)	(45)	(355)	(360)	(1)
Net profit before tax	161	585	(72)	13	148	(91)
Corporate tax expense	(51)	(156)	(67)	(9)	(42)	(79)
Underlying profit after tax	110	429	(74)	4	106	(96)
Investment experience after tax	27	99	(73)	6	21	(71)
Cash net profit after tax from discontinued operations	137	528	(74)	10	127	(92)
Colonial First State and other	131	275	(52)	10	121	(92)
CFS Global Asset Management	24	240	(90)	–	24	large
Life Insurance Business	(18)	13	large	–	(18)	large
Cash net profit/(loss) after tax from discontinued operations	137	528	(74)	10	127	(92)

1 CommInsure's life business (the "Life Business") includes life insurance and a life related investments businesses.

2 Comparative information has been restated to conform to presentation in the current period. Includes all Wealth Management discontinued operations.

Divisional Performance (continued)

Wealth Management (continued)

	Full Year Ended ¹								
	Colonial First			CFS Global			Life		
	State and other			Asset Management ²			Insurance Business ³		
	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %
\$M	\$M		\$M	\$M		\$M	\$M		
Funds management income	758	819	(7)	77	887	(91)	28	100	(72)
Insurance income	–	–	–	–	–	–	13	74	(82)
Total operating income	758	819	(7)	77	887	(91)	41	174	(76)
Operating expenses	(579)	(442)	31	(52)	(597)	(91)	(84)	(256)	(67)
Net profit before tax	179	377	(53)	25	290	(91)	(43)	(82)	(48)
Corporate tax expense	(59)	(113)	(48)	(5)	(68)	(93)	13	25	(48)
Underlying profit/(loss) after tax	120	264	(55)	20	222	(91)	(30)	(57)	(47)
Investment experience after tax	11	11	–	4	18	(78)	12	70	(83)
Cash net profit/(loss) after tax	131	275	(52)	24	240	(90)	(18)	13	large

Key Financial Metrics	Full Year Ended ¹			Half Year Ended ¹		
	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %	30 Jun 20	31 Dec 19	Jun 20 vs Dec 19 %
Performance Indicators						
Operating expenses to total operating income (%)	81.6	68.9	large	96.5	70.9	large
FUA - average (\$M) ⁴	165,058	159,149	4	152,195	168,715	(10)
FUA - spot (\$M) ⁵	147,621	165,719	(11)	147,621	160,988	(8)
AUM - average (\$M) ⁶	223,474	213,779	5	–	223,474	large
AUM - spot (\$M) ⁷	–	223,227	large	–	–	–
Inforce premiums - average (\$M) ⁸	1,048	1,242	(16)	–	1,048	large
Inforce premiums - spot (\$M) ⁷	–	1,151	large	–	–	–
Risk Weighted Assets (\$M)	137	585	(77)	137	212	(35)
Number of full-time equivalent staff (FTE) ⁹	1,375	2,707	(49)	1,375	1,244	11

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

2 CFSGAM 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 FUA includes CFS (including Commonwealth Bank Group Super) and CommInsure Life Investments. Average FUA has been calculated using the average for the period the Group operated CommInsure Life up until 1 November 2019.

5 Spot FUA includes CFS (including Commonwealth Bank Group Super) and CommInsure Life Investments for the period the Group operated CommInsure Life up until 1 November 2019.

6 Average AUM has been calculated using the average for the period the Group owned CFSGAM up until 2 August 2019 and excludes the Group's interest in the First State Cinda Fund Management Company Limited.

7 Spot balances are nil as at 30 June 2020 and 31 December 2019 due to the completion of the sale of CFSGAM and the implementation of the CommInsure Life joint co-operation agreement on 2 August 2019 and 1 November 2019 respectively. AUM excludes the Group's interest in the First State Cinda Fund Management Company Limited.

8 Average inforce premiums have been calculated using the average for the period the Group operated CommInsure Life up until 1 November 2019.

9 30 June 20 FTE represents CFS FTE and does not include any support unit FTE.

Divisional Performance (continued)

Wealth Management (continued)

Funds Under Administration (FUA)	Full Year Ended ¹						30 Jun 20	31 Dec 19	Jun 20 vs Jun 19 %	Jun 20 vs Dec 19 %
	30 Jun 19	Inflows	Outflows	Net Flows	Other ²	\$M				
	\$M	\$M	\$M	\$M	\$M	\$M	\$M			
FirstChoice	94,335	15,359	(16,028)	(669)	(2,895)	90,771	97,391	(4)	(7)	
CFSWrap	32,370	6,064	(6,253)	(189)	(773)	31,408	33,608	(3)	(7)	
CFS Non-Platform	18,067	12,745	(15,165)	(2,420)	(738)	14,909	19,025	(17)	(22)	
CommInsure Investment ³	10,251	126	(1,034)	(908)	(9,343)	–	–	large	–	
Other ⁴	10,696	3,443	(3,295)	148	(311)	10,533	10,964	(2)	(4)	
Total	165,719	37,737	(41,775)	(4,038)	(14,060)	147,621	160,988	(11)	(8)	

Assets Under Management (AUM) ^{5,7}	Full Year Ended						30 Jun 20	31 Dec 19	Jun 20 vs Jun 19 %	Jun 20 vs Dec 19 %
	30 Jun 19	Inflows	Outflows	Net Flows	Other ⁶	\$M				
	\$M	\$M	\$M	\$M	\$M	\$M	\$M			
Australian equities	30,366	1,136	(481)	655	(31,021)	–	–	large	–	
Global equities	100,514	2,478	(1,107)	1,371	(101,885)	–	–	large	–	
Fixed income ⁸	80,763	3,738	(5,093)	(1,355)	(79,408)	–	–	large	–	
Infrastructure	11,584	(175)	–	(175)	(11,409)	–	–	large	–	
Total	223,227	7,177	(6,681)	496	(223,723)	–	–	large	–	

Inforce Premiums ³	Full Year Ended						30 Jun 20	31 Dec 19	Jun 20 vs Jun 19 %	Jun 20 vs Dec 19 %
	30 Jun 19	Sales	Lapses	Net Flows	Other ⁹	\$M				
	\$M	\$M	\$M	\$M	\$M	\$M	\$M			
Life Insurance	1,151	45	(180)	(135)	(1,016)	–	–	large	–	

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

2 Includes investment income and the derecognition of FUA following the commencement of the CommInsure Life joint co-operation agreement on 1 November 2019.

3 Spot balances are nil as at 30 June 2020 and 31 December 2019 due to the commencement of the CommInsure Life joint co-operation agreement on 1 November 2019.

4 Other includes Commonwealth Bank Group Super.

5 AUM excludes the Group's interest in the First State Cinda Fund Management Company Limited.

6 Includes investment income, foreign exchange gains and losses from translation of internationally sourced business and the derecognition of AUM following the sale of CFSGAM on 2 August 2019.

7 Spot balances are nil as at 30 June 2020 and 31 December 2019 due to the completion of the sale of CFSGAM on 2 August 2019.

8 Fixed income includes short-term investments and global credit.

9 Includes the derecognition of inforce premiums following the implementation of the CommInsure Life joint co-operation agreement on 1 November 2019.

Divisional Performance (continued)

Wealth Management (continued)

Financial Performance and Business Review (Discontinued Operations)

Full Year Ended June 2020 versus June 2019

Wealth Management cash net profit after tax for the full year ended 30 June 2020 was \$137 million, a decrease of \$391 million or 74% on the prior year.

CFS Business and other

CFS and other cash net profit after tax for the full year ended 30 June 2020 was \$131 million, a decrease of \$144 million or 52% on the prior year. The result was driven by a 7% decrease in funds management income and a 31% increase in operating expenses. Funds management income decreased \$61 million or 7% on the prior year mainly due to platform pricing changes in response to the regulatory and market environment, partly offset by higher average FUA reflecting momentum from the prior year. Operating expenses increased \$137 million or 31% on the prior year mainly due to an increase in provisions for remediation, compliance and legal matters.

CFSGAM Business

CFSGAM cash net profit after tax for the full year ended 30 June 2020 was \$24 million, a decrease of \$216 million or 90% on the prior year. The current period includes 1 month of the financial performance of CFSGAM compared to 12 months in the prior year following the sale and deconsolidation of the business on 2 August 2019.

Life Insurance Business

The Life Business cash net loss after tax for the full year ended 30 June 2020 was \$18 million, compared to a \$13 million cash net profit after tax in the prior year. The cash net loss after tax was driven by lower Life Insurance income due to higher claims and a decrease in inforce premiums reflecting higher lapses, including the loss of some large wholesale schemes. The current period includes 4 months of the financial performance of CommInsure Life compared to 12 months in the prior year following the commencement of the joint co-operation agreement and deconsolidation of the business on 1 November 2019.

Risk Weighted Assets

Risk weighted assets were \$0.1 billion, a decrease of \$0.5 billion or 77% on the prior year.

- Credit risk weighted asset decreased \$0.1 billion or 79%; and
- IRRBB risk weighted assets decreased \$0.4 billion or 76%.

Wealth Management generated \$186 million of organic capital ¹ for the Group in the current year. This contributed 4 basis points to the Group's CET1 ratio.

Half Year Ended June 2020 versus December 2019

Wealth Management cash net profit after tax for the half year ended 30 June 2020 was \$10 million, a decrease of \$117 million or 92% on the prior half.

CFS Business and other

CFS and other cash net profit after tax for the half year ended 30 June 2020 was \$10 million, a decrease of \$111 million or 92% on the prior half, driven by lower funds management income due to lower investment markets and further platform pricing changes in response to the regulatory and market environment, and an increase in operating expenses. Operating expenses increased mainly due to an increase in provisions for remediation, compliance and legal matters.

CFSGAM Business

The CFSGAM Business was deconsolidated on 2 August 2019 following the sale to Mitsubishi UFJ Trust and Banking Corporation (MUTB).

Life Insurance Business

The Life Business was deconsolidated on 1 November 2019 following the commencement of the joint co-operation agreement with AIA.

Risk Weighted Assets

Risk weighted assets were \$0.1 billion, a decrease of \$0.1 billion or 35% on the prior half.

- IRRBB risk weighted assets decreased \$0.1 billion or 37%.

Wealth Management generated \$19 million of organic capital ¹ for the Group in the current half. This had no impact on the Group's CET1 ratio.

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, the allocation of Operational RWA from the Enforceable Undertaking with APRA and the impact of regulatory changes from SA-CCR and AASB 16 Leases.

Divisional Performance (continued)

Investment Experience

Investment experience includes net returns from shareholder investments held within Retail Banking Services, Wealth Management, and the Indonesian life insurance businesses.

	Full Year Ended ¹			Half Year Ended		
	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %	30 Jun 20	31 Dec 19	Jun 20 vs Dec 19 %
Investment Experience	\$M	\$M		\$M	\$M	
Retail Banking Services	16	26	(38)	8	8	–
Other ²	(13)	(24)	(46)	(5)	(8)	(38)
Investment experience before tax	3	2	50	3	–	n/a
Tax on Investment experience	1	1	–	–	1	large
Investment experience after tax from continuing operations	4	3	33	3	1	large
Investment experience after tax from discontinued operations ³	10	56	(82)	(1)	11	large
Investment experience after tax	14	59	(76)	2	12	(83)

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

2 Includes elimination entries.

3 Discontinued operations include Wealth Management, the Indonesian life insurance businesses, and associated elimination entries.

Shareholder Investment Asset Mix

The net tangible assets by investment asset class shown below represent shareholder investments held within Retail Banking Services, Wealth Management and the Indonesian life insurance business.

	As at 30 June 2020		
	Australia ¹	Asia	Total
Shareholder Investment Asset Mix (%)	%	%	%
Cash	65	–	48
Fixed Interest	–	–	–
Equity	–	–	–
Other	2	–	2
Assets classified as held for sale	33	100	50
Total	100	100	100

	As at 30 June 2020		
	Australia ¹	Asia	Total
Shareholder Investment Asset Mix (\$M)	\$M	\$M	\$M
Cash	962	–	962
Fixed Interest	–	–	–
Equity	–	–	–
Other	33	–	33
Assets classified as held for sale	490	513	1,003
Total	1,485	513	1,998

1 Includes Shareholders' funds in Colonial First State and RBS Retail Wealth businesses.

Financial Statements

This page has been intentionally left blank

Contents

6. Financial Statements

Consolidated Income Statement	74
Consolidated Statement of Comprehensive Income	75
Consolidated Balance Sheet	76
Consolidated Statement of Changes in Equity	77
Consolidated Statement of Cash Flows	78

Financial Statements

Consolidated Income Statement

For the year ended 30 June 2020

	Appendix	Full Year Ended ^{1,2}		Half Year Ended ^{1,2}	
		30 Jun 20	30 Jun 19	30 Jun 20	31 Dec 19
		\$M	\$M	\$M	\$M
Interest income:					
Effective interest income	1.1	29,726	34,089	14,007	15,719
Other interest income	1.1	436	620	209	227
Interest expense	1.1	(11,552)	(16,485)	(4,956)	(6,596)
Net interest income		18,610	18,224	9,260	9,350
Other banking income ³	1.5	5,002	4,877	2,408	2,594
Net banking operating income		23,612	23,101	11,668	11,944
Net funds management operating income		173	254	75	98
Net insurance operating income		141	150	109	32
Total net operating income before operating expenses and impairment		23,926	23,505	11,852	12,074
Operating expenses	1.6	(10,929)	(10,928)	(5,718)	(5,211)
Loan impairment expense	2.2	(2,518)	(1,201)	(1,869)	(649)
Net profit before income tax		10,479	11,376	4,265	6,214
Income tax expense	1.7	(3,020)	(3,275)	(1,258)	(1,762)
Net profit after income tax from continuing operations		7,459	8,101	3,007	4,452
Non-controlling interests in net profit after income tax from continuing operations		–	(12)	–	–
Net profit attributable to equity holders of the Bank from continuing operations		7,459	8,089	3,007	4,452
Net profit after income tax from discontinued operations		2,178	489	466	1,712
Non-controlling interests in net profit after income tax from discontinued operations		(3)	(7)	–	(3)
Net profit attributable to equity holders of the Bank		9,634	8,571	3,473	6,161

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 20	30 Jun 19	30 Jun 20	31 Dec 19
	Cents per Share		Cents per Share	
Earnings per share from continuing operations:				
Basic	421.8	458.3	170.0	251.7
Diluted	408.5	443.2	165.5	243.4
Earnings per share:				
Basic	544.8	485.6	196.3	348.4
Diluted	523.2	468.6	189.9	334.0

1 Comparative information has been restated to conform to presentation in the current period. For further details refer to Note 1.1 in the 2020 Annual Report.

2 Current year amounts reflect the adoption of AASB 16 Leases on 1 July 2019. As permitted by AASB 16 comparative information has not been restated. For details on the adoption of AASB 16 refer to Note 1.1 of the 2020 Annual Report.

3 Other banking income is presented net of directly associated depreciation and impairment charges.

Financial Statements (continued)

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2020

	Full Year Ended ^{1,2}		Half Year Ended ^{1,2}	
	30 Jun 20	30 Jun 19	30 Jun 20	31 Dec 19
	\$M	\$M	\$M	\$M
Net profit after income tax for the period from continuing operations	7,459	8,101	3,007	4,452
Other comprehensive income/(expense):				
Items that may be reclassified subsequently to profit/(loss):				
Foreign currency translation reserve net of tax	(186)	488	(204)	18
Gains/(losses) on cash flow hedging instruments net of tax	726	947	965	(239)
(Losses)/gains on debt investment securities at fair value through other comprehensive income net of tax	(199)	103	(77)	(122)
Total of items that may be reclassified	341	1,538	684	(343)
Items that will not be reclassified to profit/(loss):				
Actuarial gains/(losses) from defined benefit superannuation plans net of tax	116	(49)	210	(94)
Gains/(losses) on equity investment securities at fair value through other comprehensive income net of tax	34	(6)	32	2
Revaluation of properties net of tax	19	34	17	2
Total of items that will not be reclassified	169	(21)	259	(90)
Other comprehensive income net of income tax from continuing operations	510	1,517	943	(433)
Total comprehensive income for the period from continuing operations	7,969	9,618	3,950	4,019
Net profit after income tax for the period from discontinued operations	2,178	489	466	1,712
Other comprehensive income/(expense) for the period from discontinued operations net of income tax ³	(56)	(17)	(17)	(39)
Total comprehensive income for the period	10,091	10,090	4,399	5,692
Total comprehensive income for the period is attributable to:				
Equity holders of the Bank	10,088	10,071	4,399	5,689
Non-controlling interests	3	19	–	3
Total comprehensive income net of tax	10,091	10,090	4,399	5,692

- 1 Comparative information has been restated to conform to presentation in the current period. For further details refer to Note 1.1 in the 2020 Annual Report.
 2 Current year amounts reflect the adoption of AASB 16 Leases on 1 July 2019. As permitted by AASB 16 comparative information has not been restated. For details on the adoption of AASB 16 refer to Note 1.1 of the 2020 Annual Report.
 3 Current year includes \$48 million loss on foreign currency translation net of tax (30 June 2019: \$24 million loss) and \$8 million loss on revaluation of debt investment securities measured at fair value through other comprehensive income net of tax (30 June 2019: \$7 million gain).

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

	Full Year Ended		Half Year Ended	
	30 Jun 20	30 Jun 19	30 Jun 20	31 Dec 19
	Cents per Share		Cents per Share	
Dividends per share attributable to shareholders of the Bank:				
Ordinary shares	298	431	98	200

Financial Statements (continued)

Consolidated Balance Sheet

As at 30 June 2020

Assets	Appendix	As at ^{1, 2, 3}		
		30 Jun 20	31 Dec 19	30 Jun 19
		\$M	\$M	\$M
Cash and liquid assets		44,165	37,105	29,387
Receivables from financial institutions		8,547	7,710	8,093
Assets at fair value through Income Statement		46,545	39,813	33,677
Derivative assets		30,285	24,818	25,215
Investment securities:				
At amortised cost		5,173	6,285	7,355
At fair value through other comprehensive income		79,549	73,113	78,912
Loans, bills discounted and other receivables	2.1	771,547	765,464	755,173
Property, plant and equipment		5,602	5,205	2,383
Investments in associates and joint ventures		3,034	3,054	3,001
Intangible assets	6.2	6,944	7,729	7,965
Deferred tax assets		2,060	1,892	1,675
Other assets		8,839	6,474	7,115
Assets held for sale		1,770	1,206	16,551
Total assets		1,014,060	979,868	976,502
Liabilities				
Deposits and other public borrowings	3.1	701,999	662,824	636,040
Payables to financial institutions		16,429	23,822	23,370
Liabilities at fair value through Income Statement		4,397	4,752	8,520
Derivative liabilities		31,347	24,692	22,777
Current tax liabilities		795	458	326
Deferred tax liabilities		30	–	–
Provisions		3,408	2,999	2,968
Debt issues		142,503	153,327	164,022
Bills payable and other liabilities		13,188	9,854	10,068
Liabilities held for sale		594	562	15,796
		914,690	883,290	883,887
Loan capital		27,357	25,425	22,966
Total liabilities		942,047	908,715	906,853
Net assets		72,013	71,153	69,649
Shareholders' Equity				
Ordinary share capital	4.2	38,131	38,126	38,020
Reserves	4.2	2,666	1,910	3,092
Retained profits	4.2	31,211	31,066	28,482
Shareholders' Equity attributable to equity holders of the Bank		72,008	71,102	69,594
Non-controlling interests	4.2	5	51	55
Total Shareholders' Equity		72,013	71,153	69,649

1 Comparative information has been restated to conform to presentation in the current period. For further details refer to Note 1.1 in the 2020 Annual Report.

2 Current period balances have been impacted by the announced disposals of AUSIEX and Colonial First State, completed disposals of CFSGAM, Count Financial and PT Commonwealth Life, and deconsolidation of CommInsure Life.

3 Current period balances reflect the adoption of AASB 16 Leases on 1 July 2019. As permitted by AASB 16 comparative information has not been restated. For details on the adoption of AASB 16 refer to Note 1.1 of the 2020 Annual Report.

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

Financial Statements (continued)

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	Ordinary share capital \$M	Reserves \$M	Retained profits \$M	Total \$M	Non- controlling interests \$M	Total Shareholders' Equity \$M
As at 31 December 2018	38,015	2,051	27,959	68,025	553	68,578
Net profit after income tax from continuing operations ¹	–	–	3,785	3,785	6	3,791
Net profit after income tax from discontinued operations ¹	–	–	187	187	3	190
Net other comprehensive income from continuing operations ¹	–	1,037	30	1,067	–	1,067
Net other comprehensive income from discontinued operations ¹	–	3	–	3	–	3
Total comprehensive income for the period	–	1,040	4,002	5,042	9	5,051
Transactions with equity holders in their capacity as equity holders: ²						
Dividends paid on ordinary shares	–	–	(3,541)	(3,541)	–	(3,541)
Dividend reinvestment plan (net of issue costs)	–	–	–	–	–	–
Share-based payments	–	58	–	58	–	58
Purchase of treasury shares	(19)	–	–	(19)	–	(19)
Sale and vesting of treasury shares	24	–	–	24	–	24
Other changes	–	(57)	62	5	(507)	(502)
As at 30 June 2019	38,020	3,092	28,482	69,594	55	69,649
Change on adoption of AASB 16 ³	–	–	(146)	(146)	–	(146)
Restated opening balance	38,020	3,092	28,336	69,448	55	69,503
Net profit after income tax from continuing operations ¹	–	–	4,452	4,452	–	4,452
Net profit after income tax from discontinued operations ¹	–	–	1,709	1,709	3	1,712
Net other comprehensive income from continuing operations ¹	–	(339)	(94)	(433)	–	(433)
Net other comprehensive income from discontinued operations ¹	–	(39)	–	(39)	–	(39)
Total comprehensive income for the period	–	(378)	6,067	5,689	3	5,692
Transactions with equity holders in their capacity as equity holders: ²						
Dividends paid on ordinary shares	–	–	(4,089)	(4,089)	–	(4,089)
Dividend reinvestment plan (net of issue costs)	(1)	–	–	(1)	–	(1)
Share-based payments	–	(65)	–	(65)	–	(65)
Purchase of treasury shares	(54)	–	–	(54)	–	(54)
Decrease in treasury shares on deconsolidation of CommInsure Life	79	–	–	79	–	79
Sale and vesting of treasury shares	82	–	–	82	–	82
Other changes ⁴	–	(739)	752	13	(7)	6
As at 31 December 2019	38,126	1,910	31,066	71,102	51	71,153
Net profit after income tax from continuing operations	–	–	3,007	3,007	–	3,007
Net profit after income tax from discontinued operations	–	–	466	466	–	466
Net other comprehensive income from continuing operations	–	733	210	943	–	943
Net other comprehensive income from discontinued operations	–	(17)	–	(17)	–	(17)
Total comprehensive income for the period	–	716	3,683	4,399	–	4,399
Transactions with equity holders in their capacity as equity holders: 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)
Decrease in treasury shares on deconsolidation of CommInsure Life	–	–	–	–	–	–
Sale and vesting of treasury shares	16	–	–	16	–	16
Other changes	–	(2)	2	–	(46)	(46)
As at 30 June 2020	38,131	2,666	31,211	72,008	5	72,013

¹ Information has been restated to reflect reclassification of Colonial First State as a discontinued operation during the current period.

² Current year and prior year include discontinued operations.

³ The Group adopted AASB 16 *Leases* on 1 July 2019. As permitted by AASB 16, the Group recognised the cumulative effect of initially applying the new requirements as an adjustment to opening retained profits at 1 July 2019. Comparative information has not been restated. For details on the adoption of AASB 16 refer to Note 1.1 of the 2020 Annual Report.

⁴ Includes \$733 million transfer from general reserve to retained profits.

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

Financial Statements (continued)

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	Full Year Ended ^{1,2}	
	30 Jun 20	30 Jun 19
	\$M	\$M
Cash flows from operating activities		
Interest received	30,920	34,757
Interest paid ³	(11,932)	(15,695)
Other operating income received	5,237	5,808
Expenses paid ³	(9,749)	(10,784)
Income taxes paid	(3,171)	(4,878)
Net (outflows)/inflows from assets at fair value through Income Statement (excluding insurance)	(4,009)	2,482
Net inflows/(outflows) from liabilities at fair value through Income Statement:		
Insurance:		
Investment income	198	340
Premiums received ⁴	1,135	2,414
Policy payments and commission expense ⁴	(2,087)	(3,061)
Other liabilities at fair value through Income Statement	(4,312)	126
Cash flows from operating activities before changes in operating assets and liabilities	2,230	11,509
Changes in operating assets and liabilities arising from cash flow movements		
Movement in investment securities:		
Purchases	(42,088)	(41,925)
Proceeds	44,358	43,239
Net increase in loans, bills discounted and other receivables	(20,386)	(9,465)
Net (increase)/decrease in receivables from financial institutions	(584)	1,345
Net (increase)/decrease in securities purchased under agreements to resell	(4,126)	930
Insurance business:		
Purchase of insurance assets at fair value through Income Statement	(903)	(1,383)
Proceeds from sale and maturities of insurance assets at fair value through Income Statement	1,415	2,512
Net (increase)/decrease in other assets	(1,560)	525
Net increase in deposits and other public borrowings	69,214	4,891
Net (decrease)/increase in payables to financial institutions	(6,970)	2,154
Net (decrease)/increase in securities sold under agreements to repurchase	(2,222)	4,402
Net increase/(decrease) in other liabilities	482	(648)
Changes in operating assets and liabilities arising from cash flow movements	36,630	6,577
Net cash provided by operating activities	38,860	18,086
Cash flows from investing activities		
Net proceeds from disposal of entities and businesses (net of cash disposed of)	5,011	1,259
Dividends received	95	141
Proceeds from sales of property, plant and equipment	200	151
Purchases of property, plant and equipment	(910)	(326)
Net cash flows from (acquisitions)/sales of associates and joint ventures	(18)	72
Net purchase of intangible assets	(682)	(314)
Net cash provided by investing activities	3,696	983

1 It should be noted that the Group does not use this accounting Statement of Cash Flows in the internal management of its liquidity positions.

2 Includes discontinued operations.

3 Includes cash outflows due to lease payments, under AASB 16 Leases, which was implemented on 1 July 2019. As permitted by AASB 16 comparative information has not been restated.

4 Represents gross premiums and policy payments before splitting between policy holders and shareholders.

Financial Statements (continued)

Consolidated Statement of Cash Flows (continued) For the year ended 30 June 2020

	Full Year Ended ^{1,2}	
	30 Jun 20	30 Jun 19
	\$M	\$M
Cash flows from financing activities		
Dividends paid (excluding Dividend Reinvestment Plan)	(7,629)	(6,853)
Redemption of other equity instruments	–	(505)
Proceeds from issuance of debt securities	37,630	56,448
Redemption of debt securities	(64,661)	(73,747)
Purchases of treasury shares	(65)	(93)
Sales of treasury shares	93	22
Proceeds from issuance of loan capital	5,849	1,579
Redemption of loan capital	(2,871)	(2,637)
Payments for the principal portion of lease liabilities	(463)	–
Other	(115)	47
Net cash used in financing activities	(32,232)	(25,739)
Net increase/(decrease) in cash and cash equivalents	10,324	(6,670)
Effect of foreign exchange rates on cash and cash equivalents	17	675
Cash and cash equivalents at beginning of year	17,010	23,005
Cash and cash equivalents at end of year	27,351	17,010

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.

This page has been intentionally left blank

Appendices

This page has been intentionally left blank

Contents

7. Appendices

1. Our Performance	
1.1 Net Interest Income	82
1.2 Net Interest Margin	84
1.3 Average Balances and Related Interest	85
1.4 Interest Rate and Volume Analysis	91
1.5 Other Banking Income	95
1.6 Operating Expenses	96
1.7 Income Tax Expense	97
2. Our Lending Activities	
2.1 Loans, Bills Discounted and Other Receivables	98
2.2 Provisions for Impairment and Asset Quality	100
3. Our Deposits and Funding Activities	
3.1 Deposits and Other Public Borrowings	103
4. Our Capital, Equity and Reserves	
4.1 Capital	104
4.2 Shareholders' Equity	107
4.3 Share Capital	110
5. Risk Management	
5.1 Integrated Risk Management	111
5.2 Counterparty and Other Credit Risk Exposures	117
6. Other Information	
6.1 General Insurance Sources of Profit	120
6.2 Intangible Assets	121
6.3 ASX Appendix 4E	122
6.4 Profit Reconciliation	129
6.5 Analysis Template	132
6.6 Group Performance Summary	136
6.7 Foreign Exchange Rates	137
6.8 Definitions	138

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 ^{1,2}			Half Year Ended ^{1,2}		
	30 Jun 20 \$M	30 Jun 19 \$M	Jun 20 vs Jun 19 %	30 Jun 20 \$M	31 Dec 19 \$M	Jun 20 vs Dec 19 %
Interest Income						
Effective interest income:						
Loans and bills discounted	28,144	31,449	(11)	13,376	14,768	(9)
Other financial institutions	110	181	(39)	37	73	(49)
Cash and liquid assets	356	572	(38)	142	214	(34)
Investment securities:						
At amortised cost	114	199	(43)	44	70	(37)
At fair value through other comprehensive income	1,002	1,688	(41)	408	594	(31)
Total effective interest income	29,726	34,089	(13)	14,007	15,719	(11)
Other:						
Assets at fair value through Income Statement	436	620	(30)	209	227	(8)
Total interest income	30,162	34,709	(13)	14,216	15,946	(11)
Interest Expense						
Deposits	7,304	9,965	(27)	3,140	4,164	(25)
Other financial institutions	391	464	(16)	153	238	(36)
Liabilities at fair value through Income Statement	74	172	(57)	26	48	(46)
Debt issues	2,529	4,563	(45)	1,031	1,498	(31)
Loan capital	825	951	(13)	398	427	(7)
Lease liabilities	71	–	n/a	34	37	(8)
Bank levy	358	370	(3)	174	184	(5)
Total interest expense	11,552	16,485	(30)	4,956	6,596	(25)
Net interest income	18,610	18,224	2	9,260	9,350	(1)

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

2 Current year amounts reflect the adoption of AASB 16 Leases on 1 July 2019. As permitted by AASB 16 comparative information has not been restated. For details on the adoption of AASB 16 refer to Note 1.1 of the 2020 Annual Report.

Appendices (continued)

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 other comprehensive income (FVOCI), are recognised using the effective interest rate method. Interest income is calculated on financial assets classified within Stage 1 and Stage 2 by applying the effective interest rate to the gross carrying amount of the assets. Interest income on financial assets in Stage 3 is recognised by applying the effective interest rate to the gross carrying amount net of provisions for impairment. Interest income on finance leases is recognised progressively over the life of the lease, consistent with the outstanding investment and unearned income balance.

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

Interest income and expense on financial assets and liabilities that are classified at fair value through the Income Statement are accounted for on a contractual rate basis and includes amortisation of premiums/discounts. Fees, transaction costs and issue costs integral to the financial assets and liabilities are capitalised and included in the interest recognised over the expected life of the instrument. This includes fees for providing a loan or a lease arrangement.

Net Interest Income – Reconciliation of Cash to Statutory Basis

The table below sets out the accounting impacts arising from the application of Australian Accounting Standard 139 “Financial Instruments: Recognition and Measurement” to the Group’s derivative hedging activities and other non-cash items.

	Full Year Ended ¹			Half Year Ended ¹		
	30 Jun 20 \$M	30 Jun 19 \$M	Jun 20 vs Jun 19 %	30 Jun 20 \$M	31 Dec 19 \$M	Jun 20 vs Dec 19 %
Total interest income - "cash basis"	30,162	34,709	(13)	14,216	15,946	(11)
Hedging and IFRS volatility	–	–	–	–	–	–
Total interest income - "statutory basis"	30,162	34,709	(13)	14,216	15,946	(11)
Total interest expense - "cash basis"	11,552	16,485	(30)	4,956	6,596	(25)
Hedging and IFRS volatility	–	–	–	–	–	–
Total interest expense - "statutory basis"	11,552	16,485	(30)	4,956	6,596	(25)

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

Appendices (continued)

1.2 Net Interest Margin (continuing operations basis)

	Full Year Ended ¹		Half Year Ended ¹	
	30 Jun 20 %	30 Jun 19 %	30 Jun 20 %	31 Dec 19 %
Australia				
Interest spread ^{2, 3}	1.96	1.90	1.96	1.98
Benefit of interest-free liabilities, provisions and equity ⁴	0.21	0.28	0.17	0.22
Net interest margin ^{3, 5}	2.17	2.18	2.13	2.20
New Zealand				
Interest spread ^{2, 3}	1.60	1.67	1.60	1.60
Benefit of interest-free liabilities, provisions and equity ⁴	0.28	0.34	0.26	0.29
Net interest margin ^{3, 5}	1.88	2.01	1.86	1.89
Other Overseas				
Interest spread ^{2, 3}	0.39	0.41	0.37	0.40
Benefit of interest-free liabilities, provisions and equity ⁴	0.09	0.12	0.07	0.12
Net interest margin ^{3, 5}	0.48	0.53	0.44	0.52
Total Group				
Interest spread ²	1.86	1.81	1.85	1.88
Benefit of interest-free liabilities, provisions and equity ⁴	0.21	0.28	0.19	0.23
Net interest margin ⁵	2.07	2.09	2.04	2.11

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

2 Difference between the average interest rate earned and the average interest rate paid on funds.

3 Interest spread and margin calculations have been adjusted to include intragroup borrowings to more appropriately reflect the overseas cost of funds.

4 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.

5 Net interest income divided by average interest earning assets for the full year or the half year annualised.

Appendices (continued)

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 2020 and 30 June 2019. Averages used were predominantly daily averages. Interest is accounted for based on product yield.

Where assets or liabilities are hedged, the interest amounts are shown net of the hedge, however individual items not separately hedged may be affected by movements in exchange rates.

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

Non-accrual loans are included in interest earning assets under loans, bills discounted and other receivables.

During the financial year ended 30 June 2020 the official cash rate in Australia has decreased 100 basis points on a spot basis, while in New Zealand the official cash rate has decreased 125 basis points on a spot basis.

	Full Year Ended 30 Jun 20			Full Year Ended 30 Jun 19 ¹		
	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
	\$M	\$M	%	\$M	\$M	%
Interest Earning Assets						
Home loans ²	484,553	18,070	3.73	466,057	20,089	4.31
Consumer finance ³	20,497	2,342	11.43	22,491	2,629	11.69
Business and corporate loans	217,961	7,732	3.55	220,986	8,731	3.95
Loans, bills discounted and other receivables	723,011	28,144	3.89	709,534	31,449	4.43
Cash and other liquid assets	54,888	466	0.85	46,547	753	1.62
Assets at fair value through Income Statement (excluding life insurance)	36,307	436	1.20	32,717	620	1.90
Investment securities:						
At amortised cost	6,278	114	1.82	6,892	199	2.89
At fair value through other comprehensive income	76,925	1,002	1.30	75,728	1,688	2.23
Non-lending interest earning assets	174,398	2,018	1.16	161,884	3,260	2.01
Total interest earning assets⁴	897,409	30,162	3.36	871,418	34,709	3.98
Non-interest earning assets ²	96,634			87,171		
Assets held for sale	5,734			16,957		
Total average assets	999,777			975,546		

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

2 Net of average mortgage offset balances which are included in non-interest earning assets. Gross average home loans balance in the full year ended 30 June 2020, excluding mortgage offset accounts was \$533,360 million (full year ended 30 June 2019: \$511,232 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.

3 Consumer finance includes personal loans, credit cards and margin loans.

4 Used for calculating net interest margin.

Appendices (continued)

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

	Full Year Ended 30 Jun 20			Full Year Ended 30 Jun 19 ¹		
	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
	\$M	\$M	%	\$M	\$M	%
Interest Bearing Liabilities						
Transaction deposits ²	91,977	333	0.36	83,793	608	0.73
Savings deposits ²	200,600	1,168	0.58	179,974	2,006	1.11
Investment deposits	201,120	4,279	2.13	213,490	5,537	2.59
Certificates of deposit and other	67,524	1,524	2.26	62,308	1,814	2.91
Total interest bearing deposits	561,221	7,304	1.30	539,565	9,965	1.85
Payables to financial institutions	24,917	391	1.57	21,561	464	2.15
Liabilities at fair value through Income Statement	5,790	74	1.28	10,426	172	1.65
Debt issues	152,960	2,529	1.65	167,123	4,563	2.73
Loan capital	24,505	825	3.37	22,440	951	4.24
Lease liabilities ³	2,589	71	2.74	–	–	–
Bank levy	–	358	–	–	370	–
Total interest bearing liabilities	771,982	11,552	1.50	761,115	16,485	2.17
Non-interest bearing liabilities ²	151,889			131,175		
Liabilities held for sale	5,017			14,880		
Total average liabilities	928,888			907,170		

	Full Year Ended 30 Jun 20			Full Year Ended 30 Jun 19 ¹		
	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
	\$M	\$M	%	\$M	\$M	%
Net Interest Margin						
Total interest earning assets	897,409	30,162	3.36	871,418	34,709	3.98
Total interest bearing liabilities	771,982	11,552	1.50	761,115	16,485	2.17
Net interest income and interest spread		18,610	1.86		18,224	1.81
Benefit of free funds			0.21			0.28
Net interest margin			2.07			2.09

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

2 Net of average mortgage offset balances which are included in Non-interest bearing liabilities.

3 Current period amounts reflect the adoption of AASB 16 Leases on 1 July 2019. As permitted by AASB 16 comparative information has not been restated. For details on the adoption of AASB 16 refer to Note 1.1 of the 2020 Annual Report.

Appendices (continued)

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

Geographical Analysis of Key Categories	Full Year Ended 30 Jun 20			Full Year Ended 30 Jun 19 ¹		
	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
	\$M	\$M	%	\$M	\$M	%
Loans, bills discounted and other receivables						
Australia	614,980	23,563	3.83	603,394	26,524	4.40
New Zealand ²	87,903	3,813	4.34	82,828	3,984	4.81
Other Overseas ²	20,128	768	3.82	23,312	941	4.04
Total	723,011	28,144	3.89	709,534	31,449	4.43
Non-lending interest earning assets						
Australia	123,367	1,534	1.24	116,380	2,556	2.20
New Zealand ²	12,579	145	1.15	11,235	231	2.06
Other Overseas ²	38,452	339	0.88	34,269	473	1.38
Total	174,398	2,018	1.16	161,884	3,260	2.01
Total interest bearing deposits						
Australia	479,057	5,447	1.14	462,629	7,920	1.71
New Zealand ²	60,094	1,347	2.24	56,692	1,457	2.57
Other Overseas ²	22,070	510	2.31	20,244	588	2.90
Total	561,221	7,304	1.30	539,565	9,965	1.85
Other interest bearing liabilities						
Australia	165,508	3,362	2.03	174,326	5,267	3.02
New Zealand ²	27,503	671	2.44	25,946	845	3.26
Other Overseas ²	17,750	215	1.21	21,278	408	1.92
Total	210,761	4,248	2.02	221,550	6,520	2.94

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.

Appendices (continued)

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

Interest Earning Assets	Half Year Ended 30 Jun 20			Half Year Ended 31 Dec 19 ¹			Half Year Ended 30 Jun 19 ¹		
	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
	\$M	\$M	%	\$M	\$M	%	\$M	\$M	%
Home loans ²	489,014	8,680	3.57	480,140	9,390	3.89	470,493	10,012	4.29
Consumer finance ³	19,735	1,111	11.32	21,250	1,231	11.52	22,275	1,279	11.58
Business and corporate loans	220,060	3,585	3.28	215,886	4,147	3.82	219,367	4,284	3.94
Loans, bills discounted and other receivables	728,809	13,376	3.69	717,276	14,768	4.10	712,135	15,575	4.41
Cash and other liquid assets	63,177	179	0.57	46,690	287	1.22	44,573	352	1.59
Assets at fair value through Income Statement (excluding life insurance)	37,905	209	1.11	34,727	227	1.30	31,979	294	1.85
Investment securities:									
At amortised cost	5,727	44	1.55	6,822	70	2.04	6,792	94	2.79
At fair value through other comprehensive income	77,521	408	1.06	76,335	594	1.55	75,433	816	2.18
Non-lending interest earning assets	184,330	840	0.92	164,574	1,178	1.42	158,777	1,556	1.98
Total interest earning assets ⁴	913,139	14,216	3.13	881,850	15,946	3.60	870,912	17,131	3.97
Non-interest earning assets ²	102,033			91,293			84,367		
Assets held for sale	1,172			10,246			17,965		
Total average assets	1,016,344			983,389			973,244		

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

2 Net of average mortgage offset balances which are included in non-interest earning assets. Gross average home loans balance for half year ended June 2020, excluding mortgage offset accounts is \$539,132 million (half year ended 31 December 2019: \$527,650 million; half year ended 30 June 2019: \$516,493 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.

3 Consumer finance includes personal loans, credit cards and margin loans.

4 Used for calculating net interest margin.

Appendices (continued)

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

Interest Bearing Liabilities	Half Year Ended 30 Jun 20			Half Year Ended 31 Dec 19 ¹			Half Year Ended 30 Jun 19 ¹		
	Avg Bal \$M	Interest \$M	Yield %	Avg Bal \$M	Interest \$M	Yield %	Avg Bal \$M	Interest \$M	Yield %
Transaction deposits ²	96,542	128	0.27	87,462	205	0.47	82,937	300	0.73
Savings deposits ²	211,325	509	0.48	189,991	659	0.69	179,841	973	1.09
Investment deposits	195,242	1,865	1.92	206,933	2,414	2.32	213,107	2,728	2.58
Certificates of deposit and other	68,703	638	1.87	66,359	886	2.66	63,111	930	2.97
Total interest bearing deposits	571,812	3,140	1.10	550,745	4,164	1.50	538,996	4,931	1.84
Payables to financial institutions	24,427	153	1.26	25,402	238	1.86	20,770	236	2.29
Liabilities at fair value through Income Statement	4,951	26	1.06	6,619	48	1.44	11,514	84	1.47
Debt issues	151,611	1,031	1.37	154,297	1,498	1.93	164,044	2,192	2.69
Loan capital	25,708	398	3.11	23,314	427	3.64	22,194	468	4.25
Lease liabilities ³	2,528	34	2.70	2,648	37	2.78	–	–	–
Bank levy	–	174	–	–	184	–	–	184	–
Total interest bearing liabilities	781,037	4,956	1.28	763,025	6,596	1.72	757,518	8,095	2.15
Non-interest bearing liabilities ²	163,093			140,807			130,665		
Liabilities held for sale	758			9,229			16,038		
Total average liabilities	944,888			913,061			904,221		

Net Interest Margin	Half Year Ended 30 Jun 20			Half Year Ended 31 Dec 19 ¹			Half Year Ended 30 Jun 19 ¹		
	Avg Bal \$M	Interest \$M	Yield %	Avg Bal \$M	Interest \$M	Yield %	Avg Bal \$M	Interest \$M	Yield %
Total interest earning assets	913,139	14,216	3.13	881,850	15,946	3.60	870,912	17,131	3.97
Total interest bearing liabilities	781,037	4,956	1.28	763,025	6,596	1.72	757,518	8,095	2.15
Net interest income and interest spread		9,260	1.85		9,350	1.88		9,036	1.82
Benefit of free funds			0.19			0.23			0.27
Net interest margin			2.04			2.11			2.09

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

2 Net of average mortgage offset balances which are included in non-interest bearing liabilities.

3 Current period amounts reflect the adoption of AASB 16 Leases on 1 July 2019. As permitted by AASB 16 comparative information has not been restated. For details on the adoption of AASB 16 refer to Note 1.1 of the 2020 Annual Report.

Appendices (continued)

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

Geographical Analysis of Key Categories	Half Year Ended 30 Jun 20			Half Year Ended 31 Dec 19 ¹			Half Year Ended 30 Jun 19 ¹		
	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
	\$M	\$M	%	\$M	\$M	%	\$M	\$M	%
Loans, bills discounted and other receivables									
Australia	619,613	11,176	3.63	610,398	12,387	4.04	604,877	13,103	4.37
New Zealand ²	89,087	1,846	4.17	86,732	1,967	4.51	85,323	2,013	4.76
Other Overseas ²	20,109	354	3.54	20,146	414	4.09	21,935	459	4.22
Total	728,809	13,376	3.69	717,276	14,768	4.10	712,135	15,575	4.41
Non-lending interest earning assets									
Australia	127,040	643	1.02	119,735	891	1.48	115,345	1,215	2.12
New Zealand ²	13,676	60	0.88	11,493	85	1.47	11,214	113	2.03
Other Overseas ²	43,614	137	0.63	33,346	202	1.20	32,218	228	1.43
Total	184,330	840	0.92	164,574	1,178	1.42	158,777	1,556	1.98
Total interest bearing deposits									
Australia	487,177	2,292	0.95	471,024	3,155	1.33	462,197	3,915	1.71
New Zealand ²	61,645	624	2.04	58,561	723	2.46	57,667	721	2.52
Other Overseas ²	22,990	224	1.96	21,160	286	2.69	19,132	295	3.11
Total	571,812	3,140	1.10	550,745	4,164	1.50	538,996	4,931	1.84
Other interest bearing liabilities									
Australia	163,653	1,445	1.78	167,343	1,917	2.28	172,105	2,539	2.97
New Zealand ²	27,471	304	2.23	27,535	367	2.65	26,710	431	3.25
Other Overseas ²	18,101	67	0.74	17,402	148	1.69	19,707	194	1.99
Total	209,225	1,816	1.75	212,280	2,432	2.28	218,522	3,164	2.92

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.

Appendices (continued)

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 20 vs Jun 19 ¹			Full Year Ended Jun 19 vs Jun 18 ¹		
	Volume \$M	Rate \$M	Total \$M	Volume \$M	Rate \$M	Total \$M
Interest Earning Assets ²						
Home loans	690	(2,709)	(2,019)	623	(357)	266
Consumer finance	(228)	(59)	(287)	(90)	(74)	(164)
Business and corporate loans	(107)	(892)	(999)	(160)	192	32
Loans, bills discounted and other receivables	525	(3,830)	(3,305)	427	(293)	134
Cash and other liquid assets	71	(358)	(287)	4	150	154
Assets at fair value through Income Statement (excluding life insurance)	43	(227)	(184)	5	(14)	(9)
Investment securities: ³				(14)	172	158
At fair value through other comprehensive income	16	(702)	(686)	–	–	–
At amortised cost	(11)	(74)	(85)	–	–	–
Non-lending interest earning assets	145	(1,387)	(1,242)	(2)	305	303
Total interest earning assets	874	(5,421)	(4,547)	380	57	437

	Full Year Ended Jun 20 vs Jun 19 ¹			Full Year Ended Jun 19 vs Jun 18 ¹		
	Volume \$M	Rate \$M	Total \$M	Volume \$M	Rate \$M	Total \$M
Interest Bearing Liabilities ²						
Transaction deposits	30	(305)	(275)	85	(33)	52
Savings deposits	120	(958)	(838)	(28)	(247)	(275)
Investment deposits	(263)	(995)	(1,258)	(179)	460	281
Certificates of deposit and other	118	(408)	(290)	35	24	59
Total interest bearing deposits	282	(2,943)	(2,661)	64	53	117
Payables to financial institutions	53	(126)	(73)	(116)	162	46
Liabilities at fair value through Income Statement	(59)	(39)	(98)	25	(20)	5
Debt issues	(234)	(1,800)	(2,034)	–	394	394
Loan capital	70	(196)	(126)	80	35	115
Lease liabilities	71	–	71	–	–	–
Bank levy	–	(12)	(12)	–	1	1
Total interest bearing liabilities	163	(5,096)	(4,933)	33	645	678

	Full Year Ended ¹	
	Jun 20 vs Jun 19 Increase/(Decrease) \$M	Jun 19 vs Jun 18 Increase/(Decrease) \$M
Change in Net Interest Income		
Due to changes in average volume of interest earning assets	489	199
Due to changes in interest margin	(153)	(440)
Due to variation in time period	50	–
Change in net interest income	386	(241)

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

2 "Rate" reflects change due to movements in yield assuming average volume is consistent across the two periods, "Volume" reflects change due to balance growth assuming 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).

3 Investment securities at fair value through other comprehensive income and investment securities at amortised cost have been compared to available-for-sale investments in the prior periods.

Appendices (continued)

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

	Full Year Ended Jun 20 vs Jun 19 ¹			Full Year Ended Jun 19 vs Jun 18 ¹		
	Volume	Rate	Total	Volume	Rate	Total
Geographical Analysis of Key Categories ²	\$M	\$M	\$M	\$M	\$M	\$M
Loans, bills discounted and other receivables						
Australia	444	(3,405)	(2,961)	266	(453)	(187)
New Zealand	220	(391)	(171)	281	(60)	221
Other Overseas	(121)	(52)	(173)	(92)	192	100
Total	525	(3,830)	(3,305)	427	(293)	134
Non-lending interest earning assets						
Australia	87	(1,109)	(1,022)	8	134	142
New Zealand	15	(101)	(86)	29	6	35
Other Overseas	37	(171)	(134)	(26)	152	126
Total	145	(1,387)	(1,242)	(2)	305	303
Total interest bearing deposits						
Australia	187	(2,660)	(2,473)	7	(62)	(55)
New Zealand	76	(186)	(110)	122	(67)	55
Other Overseas	42	(120)	(78)	(48)	165	117
Total	282	(2,943)	(2,661)	64	53	117
Other interest bearing liabilities						
Australia	(179)	(1,726)	(1,905)	122	420	542
New Zealand	38	(212)	(174)	38	4	42
Other Overseas	(43)	(150)	(193)	(137)	114	(23)
Total	(218)	(2,054)	(2,272)	(58)	619	561

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

² "Rate" reflects the change due to movements in yield assuming average volume is consistent across the two periods, "Volume" reflects change due to balance growth assuming 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).

Appendices (continued)

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

	Half Year Ended Jun 20 vs Dec 19 ¹			Half Year Ended Jun 20 vs Jun 19 ¹		
	Volume	Rate	Total	Volume	Rate	Total
	\$M	\$M	\$M	\$M	\$M	\$M
Interest Earning Assets ²						
Home loans	55	(765)	(710)	357	(1,689)	(1,332)
Consumer finance	(99)	(21)	(120)	(139)	(29)	(168)
Business and corporate loans	23	(585)	(562)	23	(722)	(699)
Loans, bills discounted and other receivables	51	(1,443)	(1,392)	349	(2,548)	(2,199)
Cash and other liquid assets	44	(152)	(108)	54	(227)	(173)
Assets at fair value through Income Statement (excluding life insurance)	15	(33)	(18)	33	(118)	(85)
Investment securities:						
At fair value through other comprehensive income	–	(186)	(186)	13	(421)	(408)
At amortised cost	(9)	(17)	(26)	(8)	(42)	(50)
Non-lending interest earning assets	77	(415)	(338)	121	(837)	(716)
Total interest earning assets	314	(2,044)	(1,730)	705	(3,620)	(2,915)

	Half Year Ended Jun 20 vs Dec 19 ¹			Half Year Ended Jun 20 vs Jun 19 ¹		
	Volume	Rate	Total	Volume	Rate	Total
	\$M	\$M	\$M	\$M	\$M	\$M
Interest Bearing Liabilities ²						
Transaction deposits	10	(87)	(77)	19	(191)	(172)
Savings deposits	44	(194)	(150)	79	(543)	(464)
Investment deposits	(138)	(411)	(549)	(163)	(700)	(863)
Certificates of deposit and other	12	(260)	(248)	55	(347)	(292)
Total interest bearing deposits	70	(1,094)	(1,024)	194	(1,985)	(1,791)
Payables to financial institutions	(9)	(76)	(85)	24	(107)	(83)
Liabilities at fair value through Income Statement	(9)	(13)	(22)	(34)	(24)	(58)
Debt issues	(35)	(432)	(467)	(78)	(1,083)	(1,161)
Loan capital	32	(61)	(29)	56	(126)	(70)
Lease liabilities	(2)	(1)	(3)	34	–	34
Bank levy	–	(10)	(10)	–	(10)	(10)
Total interest bearing liabilities	43	(1,683)	(1,640)	171	(3,310)	(3,139)

	Half Year Ended ¹	
	Jun 20 vs Dec 19	Jun 20 vs Jun 19
	Increase/(Decrease) \$M	Increase/(Decrease) \$M
Change in Net Interest Income		
Due to changes in average volume of interest earning assets	318	403
Due to changes in interest margin	(306)	(229)
Due to variation in time periods	(102)	50
Change in net interest income	(90)	224

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

² "Rate" reflects the change due to movements in yield assuming average volume is consistent across the two periods, "Volume" reflects change due to balance growth assuming 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).

Appendices (continued)

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

	Half Year Ended Jun 20 vs Dec 19 ¹			Half Year Ended Jun 20 vs Jun 19 ¹		
	Volume	Rate	Total	Volume	Rate	Total
Geographical Analysis of Key Categories ²	\$M	\$M	\$M	\$M	\$M	\$M
Loans, bills discounted and other receivables						
Australia	32	(1,243)	(1,211)	302	(2,229)	(1,927)
New Zealand	27	(148)	(121)	84	(251)	(167)
Other Overseas	(5)	(55)	(60)	(31)	(74)	(105)
Total	51	(1,443)	(1,392)	349	(2,548)	(2,199)
Non-lending interest earning assets						
Australia	27	(275)	(248)	63	(635)	(572)
New Zealand	9	(34)	(25)	11	(64)	(53)
Other Overseas	30	(95)	(65)	36	(127)	(91)
Total	77	(415)	(338)	121	(837)	(716)
Total interest bearing deposits						
Australia	42	(905)	(863)	128	(1,751)	(1,623)
New Zealand	23	(122)	(99)	42	(139)	(97)
Other Overseas	15	(77)	(62)	38	(109)	(71)
Total	70	(1,094)	(1,024)	194	(1,985)	(1,791)
Other interest bearing liabilities						
Australia	(53)	(419)	(472)	(68)	(1,026)	(1,094)
New Zealand	(5)	(58)	(63)	10	(137)	(127)
Other Overseas	1	(82)	(81)	(5)	(122)	(127)
Total	(53)	(563)	(616)	(72)	(1,276)	(1,348)

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

² "Rate" reflects the change due to movements in yield assuming average volume is consistent across the two periods, "Volume" reflects change due to balance growth assuming 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).

Appendices (continued)

1.5 Other Banking Income (continuing operations basis)

	Full Year Ended ¹			Half Year Ended ¹		
	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %	30 Jun 20	31 Dec 19	Jun 20 vs Dec 19 %
	\$M	\$M		\$M	\$M	
Commissions	2,557	2,677	(4)	1,236	1,321	(6)
Lending fees	986	992	(1)	503	483	4
Trading income	940	853	10	432	508	(15)
Net gain/(loss) on non-trading financial instruments ²	139	(113)	large	94	45	large
Net gain/(loss) on sale of property, plant and equipment	32	(9)	large	14	18	(22)
Net (loss)/gain from hedging ineffectiveness	(14)	13	large	(32)	18	large
Dividends	3	5	(40)	1	2	(50)
Share of profit of associates and joint ventures net of impairment	170	296	(43)	74	96	(23)
Other ³	189	163	16	86	103	(17)
Total other banking income - "statutory basis"	5,002	4,877	3	2,408	2,594	(7)

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 \$83 million for the full year ended 30 June 2020 (30 June 2019: \$72 million) and \$43 million for the half year ended 30 June 2020 (31 December 2019: \$40 million) in relation to assets held for lease as lessor by the Group. Other banking income also includes a \$92 million impairment loss recognised in the half year ended 30 June 2020 in relation to certain aircraft owned by the Group and leased to various airlines. The impairment loss was driven by the impact of COVID-19 on the aviation sector and includes a loss of \$11 million that was reclassified from the cash flow hedge reserve. 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 ¹			Half Year Ended ¹		
	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %	30 Jun 20	31 Dec 19	Jun 20 vs Dec 19 %
	\$M	\$M		\$M	\$M	
Other banking income - "cash basis"	4,837	4,951	(2)	2,294	2,543	(10)
Revenue hedge of New Zealand operations - unrealised	124	(134)	large	105	19	large
Hedging and IFRS volatility	12	18	(33)	(23)	35	large
Gain/(loss) on disposal and acquisition of entities net of transaction costs	29	42	(31)	32	(3)	large
Other banking income - "statutory basis"	5,002	4,877	3	2,408	2,594	(7)

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

Appendices (continued)

1.6 Operating Expenses (continuing operations basis)

	Full Year Ended ¹			Half Year Ended ¹		
	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %	30 Jun 20	31 Dec 19	Jun 20 vs Dec 19 %
	\$M	\$M		\$M	\$M	
Staff expenses						
Salaries and related on-costs	5,239	5,224	–	2,640	2,599	2
Share-based compensation	103	96	7	55	48	15
Superannuation	409	385	6	210	199	6
Total staff expenses	5,751	5,705	1	2,905	2,846	2
Occupancy and equipment expenses						
Lease expenses ²	163	639	(74)	80	83	(4)
Depreciation of property, plant and equipment	726	270	large	368	358	3
Other occupancy expenses	167	173	(3)	112	55	large
Total occupancy and equipment expenses	1,056	1,082	(2)	560	496	13
Information technology services						
Application, maintenance and development	567	586	(3)	276	291	(5)
Data processing	182	183	(1)	94	88	7
Desktop	118	142	(17)	69	49	41
Communications	192	217	(12)	102	90	13
Amortisation of software assets ³	925	585	58	363	562	(35)
Software write-offs	14	13	8	3	11	(73)
IT equipment depreciation	133	93	43	64	69	(7)
Total information technology services	2,131	1,819	17	971	1,160	(16)
Other expenses						
Postage and stationery	148	156	(5)	78	70	11
Transaction processing and market data	135	146	(8)	71	64	11
Fees and commissions:						
Professional fees	404	492	(18)	234	170	38
Other	262	232	13	140	122	15
Advertising, marketing and loyalty	424	443	(4)	217	207	5
Amortisation of intangible assets (excluding software and merger related amortisation)	5	10	(50)	2	3	(33)
Non-lending losses ⁴	563	615	(8)	495	68	large
Other	16	124	(87)	16	–	n/a
Total other expenses	1,957	2,218	(12)	1,253	704	78
Operating expenses before restructuring, separation and transaction costs	10,895	10,824	1	5,689	5,206	9
Restructuring, separation and transaction costs	34	104	(67)	29	5	large
Total operating expenses ⁵	10,929	10,928	–	5,718	5,211	10

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

2 The full year ended 30 June 2020 includes rentals of \$86 million in relation to short-term leases and low value leases, and variable lease payments based on usage or performance of \$44 million.

3 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 life of certain technology assets (\$220 million for the half year ended 31 December 2019). The year ended 30 June 2020 also includes \$170 million of amortisation of prepaid software licenses (\$161 million for the year ended 30 June 2019, \$83 million for the half year ended 30 June 2020, \$87 million for the half year ended 31 December 2019).

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

5 The full year ended 30 June 2020 includes additional provisions for historical Aligned Advice remediation issues and associated program costs of \$300 million (\$534 million for the full year ended 30 June 2019, \$300 million for the half year ended 30 June 2020), Wealth and Banking customer refunds and associated program costs of \$94 million (\$301 million for the full year ended 30 June 2019, \$94 million for the half year ended 30 June 2020) and other remediation of \$60 million (\$60 million for the half year ended 30 June 2020).

Appendices (continued)

1.7 Income Tax Expense (continuing operations basis)

	Full Year Ended ¹		Half Year Ended ¹	
	30 Jun 20	30 Jun 19	30 Jun 20	31 Dec 19
	\$M	\$M	\$M	\$M
Profit before income tax	10,479	11,376	4,265	6,214
Prima facie income tax at 30%	3,144	3,413	1,280	1,864
Effect of amounts which are non-deductible/(assessable) in calculating taxable income:				
Offshore tax rate differential	(16)	(40)	(5)	(11)
Offshore banking unit	(19)	(32)	(3)	(16)
Effect of changes in tax rates	–	1	–	–
Income tax over provided in previous years	(53)	(101)	(17)	(36)
(Loss)/gain on disposals	(74)	–	(8)	(66)
Other	38	34	11	27
Total income tax expense	3,020	3,275	1,258	1,762
Effective tax rate (%)	28. 8	28. 8	29. 5	28. 4

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

Appendices (continued)

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 borrowers will fail to meet their obligations in accordance with agreed lending terms.

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

2.1 Loans, Bills Discounted and Other Receivables

	As at ¹		
	30 Jun 20 \$M	31 Dec 19 \$M	30 Jun 19 \$M
Australia			
Overdrafts	27,593	26,762	26,297
Home loans ^{2, 3}	485,795	477,701	467,361
Credit card outstandings	9,005	10,942	11,271
Lease financing	4,073	4,258	4,410
Bills discounted	354	1,061	1,955
Term loans and other lending	146,225	142,214	141,727
Total Australia	673,045	662,938	653,021
New Zealand			
Overdrafts	1,024	1,132	1,265
Home loans ^{2, 3}	56,361	56,555	54,679
Credit card outstandings	911	1,106	1,069
Lease financing	6	7	8
Term loans and other lending	29,416	30,414	29,814
Total New Zealand	87,718	89,214	86,835
Other Overseas			
Overdrafts	457	537	577
Home loans ^{2, 3}	724	834	902
Term loans and other lending	16,731	17,860	19,678
Total Other Overseas	17,912	19,231	21,157
Gross loans, bills discounted and other receivables	778,675	771,383	761,013
Less:			
Provisions for loan impairment			
Collective provisions	(5,277)	(3,980)	(3,820)
Individually assessed provisions	(967)	(959)	(895)
Unearned income:			
Term loans	(627)	(667)	(739)
Lease financing	(257)	(313)	(386)
	(7,128)	(5,919)	(5,840)
Net loans, bills discounted and other receivables	771,547	765,464	755,173

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

2 Home loans balance includes residential mortgages that have been assigned to securitisation vehicles and covered bond trusts. Further detail on these residential mortgages is disclosed in Appendix 5.2.

3 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.

Appendices (continued)

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 are recognised on settlement date, when funding is advanced to the borrowers. They are initially recognised at their fair value plus directly attributable transaction costs such as broker fees. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method and are presented net of provisions for impairment. For the accounting policy for provisions for impairment, refer to 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.

Appendices (continued)

2.2 Provisions for Impairment and Asset Quality

	As at 30 June 2020				
	Home	Other	Asset	Other	Total
	Loans ¹	Personal ²	Financing	Commercial	
	\$M	\$M	\$M	\$M	\$M
Loans which were neither past due nor impaired					
Investment Grade	316,878	4,095	1,793	93,837	416,603
Pass Grade	209,952	12,988	8,698	103,537	335,175
Weak	4,118	1,370	302	4,534	10,324
Total loans which were neither past due nor impaired	530,948	18,453	10,793	201,908	762,102
Loans which were past due but not impaired ³					
Past due 1 - 29 days	4,343	484	171	829	5,827
Past due 30 - 59 days	1,964	152	78	258	2,452
Past due 60 - 89 days	1,246	160	45	100	1,551
Past due 90 - 179 days	1,369	29	3	158	1,559
Past due 180 days or more	1,341	16	1	444	1,802
Total loans past due but not impaired	10,263	841	298	1,789	13,191

	As at 30 June 2019 ⁴				
	Home	Other	Asset	Other	Total
	Loans ⁵	Personal ²	Financing	Commercial	
	\$M	\$M	\$M	\$M	\$M
Loans which were neither past due nor impaired					
Investment Grade	305,519	4,848	1,734	93,039	405,140
Pass Grade	191,301	15,242	8,831	102,614	317,988
Weak	12,187	1,848	329	4,114	18,478
Total loans which were neither past due nor impaired	509,007	21,938	10,894	199,767	741,606
Loans which were past due but not impaired ³					
Past due 1 - 29 days	6,158	809	164	1,507	8,638
Past due 30 - 59 days	2,113	228	36	214	2,591
Past due 60 - 89 days	1,096	138	17	136	1,387
Past due 90 - 179 days	1,358	16	2	191	1,567
Past due 180 days or more	1,410	11	–	349	1,770
Total loans past due but not impaired	12,135	1,202	219	2,397	15,953

1 During the year ended 30 June 2020, the Group revised the Australian residential mortgage regulatory capital models which resulted in movements of credit exposures across PD bands. There was a reduction in weak grade and an increase in pass grade home loans exposures as a result of this change.

2 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.

3 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.

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

5 During the year ended 30 June 2019, the Group implemented new Australian residential mortgage regulatory capital models which resulted in movements of credit exposures across PD bands. There was a reduction in investment grade and an increase in pass and weak grade home loan exposures as a result of this change.

Appendices (continued)

2.2 Provisions for Impairment and Asset Quality (continued)

Movement in impaired assets

	Full Year Ended		Half Year Ended	
	30 Jun 20	30 Jun 19	30 Jun 20	31 Dec 19
	\$M	\$M	\$M	\$M
Movement in gross impaired assets				
Gross impaired assets - opening balance	3,622	3,179	3,383	3,622
New and increased	2,631	2,289	1,299	1,332
Balances written off	(1,054)	(1,245)	(579)	(475)
Returned to performing or repaid	(2,221)	(1,328)	(879)	(1,342)
Portfolio managed - new/increased/return to performing/repaid	570	727	324	246
Gross impaired assets - closing balance ^{1,2}	3,548	3,622	3,548	3,383

Impaired assets by size

	As at	
	30 Jun 20	30 Jun 19
	\$M	\$M
Impaired assets by size of asset		
Less than \$1 million	1,846	1,964
\$1 million to \$10 million	790	775
Greater than \$10 million	912	883
Gross impaired assets ^{1,2}	3,548	3,622
Less total provisions for impaired assets ³	(1,255)	(1,187)
Net impaired assets	2,293	2,435

1 As at 30 June 2020, impaired assets include those assets in Stage 3 that are considered impaired, as well as \$77 million of restructured assets in Stage 2 (30 June 2019: \$139 million). Stage 3 assets include impaired assets and those that are defaulted but not impaired as they are well secured.

2 Includes \$3,382 million of loans and advances and \$166 million of other financial assets (31 December 2019: \$3,295 million of loans and advances and \$88 million of other financial assets; 30 June 2019: \$3,454 million of loans and advances and \$168 million of other financial assets).

3 Includes \$967 million of individually assessed provisions and \$288 million of collective provisions (30 June 2019: \$895 million of individually assessed provisions and \$292 million of collective provisions).

Appendices (continued)

2.2 Provisions for Impairment and Asset Quality (continued)

	Full Year Ended		Half Year Ended	
	30 Jun 20	30 Jun 19	30 Jun 20	31 Dec 19
	\$M	\$M	\$M	\$M
Provision for impairment losses				
Collective provisions				
Opening balance	3,904	2,763	4,067	3,904
Change on adoption of AASB 9	–	1,055	–	–
Net collective provision funding	2,043	724	1,597	446
Impairment losses written off	(763)	(901)	(357)	(406)
Impairment losses recovered	185	206	84	101
Other	27	57	5	22
Closing balance	5,396	3,904	5,396	4,067
Individually assessed provisions				
Opening balance	895	870	959	895
Net new and increased individual provisioning	658	619	371	287
Write-back of provisions no longer required	(183)	(142)	(99)	(84)
Discount unwind to interest income	(16)	(23)	(5)	(11)
Impairment losses written off	(444)	(500)	(281)	(163)
Other	57	71	22	35
Closing balance	967	895	967	959
Total provisions for impairment losses	6,363	4,799	6,363	5,026
Less: off Balance Sheet provisions	(119)	(84)	(119)	(87)
Total provisions for loan impairment	6,244	4,715	6,244	4,939

	Full Year Ended		Half Year Ended	
	30 Jun 20	30 Jun 19	30 Jun 20	31 Dec 19
	%	%	%	%
Provision ratios				
Total provisions for impaired assets as a % of gross impaired assets	35.37	32.77	35.37	36.12
Total provisions for impairment losses as a % of gross loans and acceptances	0.82	0.63	0.82	0.65

	Full Year Ended		Half Year Ended	
	30 Jun 20	30 Jun 19	30 Jun 20	31 Dec 19
	\$M	\$M	\$M	\$M
Loan impairment expense				
Net collective provision funding	2,043	724	1,597	446
Net new and increased individual provisioning	658	619	371	287
Write-back of individually assessed provisions	(183)	(142)	(99)	(84)
Total loan impairment expense	2,518	1,201	1,869	649

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 2020 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, and term funds raised in domestic and offshore wholesale markets via issuing debt securities and loan capital. The Group also relies on repurchase agreements as a source of short-term wholesale funding. Refer to Note 9.4 of the 2020 Annual Report for the Group's management of liquidity and funding risk.

3.1 Deposits and Other Public Borrowings

	As at		
	30 Jun 20 \$M	31 Dec 19 \$M	30 Jun 19 \$M
Australia			
Certificates of deposit ¹	30,126	26,067	30,924
Term deposits	129,338	146,168	148,313
On-demand and short-term deposits	371,165	326,839	308,299
Deposits not bearing interest	69,143	56,261	49,274
Securities sold under agreements to repurchase	14,717	19,580	19,099
Total Australia	614,489	574,915	555,909
New Zealand			
Certificates of deposit ¹	3,758	3,235	3,229
Term deposits	30,717	32,498	32,537
On-demand and short-term deposits	27,406	23,531	22,167
Deposits not bearing interest	7,588	6,326	5,286
Securities sold under agreements to repurchase	93	381	–
Total New Zealand	69,562	65,971	63,219
Other Overseas			
Certificates of deposit ¹	9,911	13,895	8,915
Term deposits	4,691	6,531	6,610
On-demand and short-term deposits	1,090	1,087	1,324
Deposits not bearing interest	189	40	63
Securities sold under agreements to repurchase	2,067	385	–
Total Other Overseas	17,948	21,938	16,912
Total deposits and other public borrowings	701,999	662,824	636,040

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

ACCOUNTING POLICIES

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

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

4. 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 2020 together with prior period comparatives.

	As at		
	30 Jun 20	31 Dec 19	30 Jun 19
	%	%	%
Risk Weighted Capital Ratios			
Common Equity Tier 1	11.6	11.7	10.7
Tier 1	13.9	14.1	12.7
Tier 2	3.6	3.3	2.8
Total Capital	17.5	17.4	15.5

	As at		
	30 Jun 20	31 Dec 19	30 Jun 19
	\$M	\$M	\$M
Ordinary share capital and treasury shares			
Ordinary share capital	38,131	38,126	38,020
Treasury shares ¹	51	54	194
Ordinary share capital and treasury shares	38,182	38,180	38,214
Reserves			
Reserves	2,666	1,910	3,092
Reserves related to non-consolidated subsidiaries ²	2	(7)	52
Total Reserves	2,668	1,903	3,144
Retained earnings and current period profits			
Retained earnings and current period profits	31,211	31,066	28,482
Retained earnings adjustment from non-consolidated subsidiaries ³	(325)	(258)	(437)
Net retained earnings	30,886	30,808	28,045
Non-controlling interests			
Non-controlling interests ⁴	5	51	55
Less other non-controlling interests not eligible for inclusion in regulatory capital	(5)	(51)	(55)
Non-controlling interests	-	-	-
Common Equity Tier 1 Capital before regulatory adjustments	71,736	70,891	69,403

1 Represents eligible employee share scheme trusts. The June 2019 balance also includes treasury shares held within the life insurance statutory funds.

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.

Appendices (continued)

4.1 Capital (continued)

	As at		
	30 Jun 20 \$M	31 Dec 19 \$M	30 Jun 19 \$M
Common Equity Tier 1 regulatory adjustments			
Goodwill ¹	(5,988)	(6,007)	(7,680)
Other intangibles (including software) ²	(1,594)	(1,665)	(2,013)
Capitalised costs and deferred fees	(765)	(768)	(720)
Defined benefit superannuation plan surplus ³	(476)	(244)	(324)
General reserve for credit losses ⁴	–	–	(360)
Deferred tax asset	(3,176)	(2,463)	(2,581)
Cash flow hedge reserve	(1,513)	(548)	(787)
Employee compensation reserve	(138)	(96)	(161)
Equity investments ⁵	(3,648)	(3,579)	(3,088)
Equity investments in non-consolidated subsidiaries ⁶	(1,429)	(2,685)	(2,906)
Unrealised fair value adjustments ⁷	(16)	(34)	(52)
Other	(420)	(422)	(364)
Common Equity Tier 1 regulatory adjustments	(19,163)	(18,511)	(21,036)
Common Equity Tier 1	52,573	52,380	48,367
Additional Tier 1 Capital			
Basel III complying instruments ⁸	10,695	10,695	9,045
Basel III non-complying instruments net of transitional amortisation ⁹	146	143	143
Holding of Additional Tier 1 Capital ¹⁰	–	–	(200)
Additional Tier 1 Capital	10,841	10,838	8,988
Tier 1 Capital	63,414	63,218	57,355
Tier 2 Capital			
Basel III complying instruments ¹¹	14,552	13,986	11,368
Basel III non-complying instruments net of transitional amortisation ¹²	296	288	613
Holding of Tier 2 Capital	(16)	(21)	(30)
Prudential general reserve for credit losses ¹³	1,597	482	799
Total Tier 2 Capital	16,429	14,735	12,750
Total Capital	79,843	77,953	70,105

1 Includes goodwill from discontinued operations.

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

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

4 Adjustment to ensure the Group has sufficient provisions and capital to cover credit losses estimated to arise over the full life of individual facilities, as required by APRA Prudential Standard APS 220. From December 2019, the General Reserve for Credit Losses (GRCL) is lower than the provisions recognised for accounting purposes resulting in no additional GRCL requirement.

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

6 Non-consolidated subsidiaries primarily represent the insurance and funds management companies operating in the Colonial Group.

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

8 As at 30 June 2020, comprises PERLS XII \$1,650 million (November 2019), PERLS XI \$1,590 million (December 2018), PERLS X \$1,365 million (April 2018), PERLS IX \$1,640 million (March 2017), PERLS VIII \$1,450 million (March 2016), and PERLS VII \$3,000 million (October 2014).

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

10 Represents holdings of Additional Tier 1 capital instruments issued by the Colonial Mutual Life Assurance Society Limited.

11 In the half year ended 30 June 2020, the Group issued a AUD280 million and a AUD210 million subordinated note, that were Basel III compliant. In the half year ended 31 December 2019, the Group issued two USD1.25 billion subordinated notes and a AUD100 million subordinated note that were Basel III compliant.

12 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.

13 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.

Appendices (continued)

4.1 Capital (continued)

Risk Weighted Assets (RWA)	As at		
	30 Jun 20	31 Dec 19	30 Jun 19
	\$M	\$M	\$M
Credit Risk			
Subject to AIRB approach ¹			
Corporate	69,577	67,236	64,683
SME Corporate	30,890	31,560	30,478
SME retail	6,665	5,976	6,896
SME retail secured by residential mortgage	3,360	3,314	3,335
Sovereign	1,838	1,682	2,456
Bank	6,667	7,964	9,451
Residential mortgage	148,294	147,865	147,956
Qualifying revolving retail	6,697	7,802	8,486
Other retail	12,126	13,490	13,990
Total RWA subject to AIRB approach	286,114	286,889	287,731
Specialised lending exposures subject to slotting criteria	58,611	56,024	53,796
Subject to Standardised approach			
Corporate	957	1,309	1,590
SME corporate	742	756	822
SME retail	2,929	4,586	4,628
Sovereign	267	218	233
Bank	68	66	66
Residential mortgage	6,635	6,478	6,732
Other retail	1,132	1,225	1,256
Other assets	10,281	9,752	8,854
Total RWA subject to Standardised approach	23,011	24,390	24,181
Securitisation	3,015	3,191	2,905
Credit valuation adjustment	3,057	4,358	2,932
Central counterparties	386	365	1,029
Total RWA for Credit Risk Exposures	374,194	375,217	372,574
Traded market risk	12,457	5,428	10,485
Interest rate risk in the banking book	11,085	8,998	9,898
Operational risk	57,212	59,511	59,805
Total risk weighted assets	454,948	449,154	452,762

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

Appendices (continued)

4.2 Shareholders' Equity

	Full Year Ended		Half Year Ended	
	30 Jun 20	30 Jun 19	30 Jun 20	31 Dec 19
	\$M	\$M	\$M	\$M
Ordinary Share Capital				
Shares on issue:				
Opening balance	38,283	37,535	38,282	38,283
Dividend reinvestment plan (net of issue costs) ^{1,2}	(1)	748	-	(1)
	38,282	38,283	38,282	38,282
Less treasury shares:				
Opening balance	(263)	(265)	(156)	(263)
Purchase of treasury shares ^{3,4}	(65)	(93)	(11)	(54)
Decrease in treasury shares on sale of CommInsure Life	79	-	-	79
Sale and vesting of treasury shares ^{3,4}	98	95	16	82
Movement in treasury shares	(151)	(263)	(151)	(156)
Closing balance	38,131	38,020	38,131	38,126
Retained Profits				
Opening balance	28,482	28,360	31,066	28,482
Changes on adoption of AASB 16 ⁵	(146)	-	-	(146)
Changes on adoption of AASB 9 and AASB 15	-	(955)	-	-
Restated opening balance	28,336	27,405	31,066	28,336
Actuarial gains/(losses) from defined benefit superannuation plans	116	(49)	210	(94)
Losses on liabilities at fair value due to changes in own credit risk	-	-	-	-
Realised gains and dividend income on treasury shares	13	12	-	13
Net profit attributable to equity holders of the Bank	9,634	8,571	3,473	6,161
Total available for appropriation	38,099	35,939	34,749	34,416
Transfers from general reserve ⁶	733	126	-	733
Transfers from asset revaluation reserve	8	23	2	6
Interim dividend - cash component	(3,021)	(2,949)	(3,021)	-
Interim dividend - dividend reinvestment plan ¹	(519)	(592)	(519)	-
Final dividend - cash component	(3,474)	(3,316)	-	(3,474)
Final dividend - dividend reinvestment plan ^{1,2}	(615)	(749)	-	(615)
Closing balance	31,211	28,482	31,211	31,066

1 The DRP in respect of the interim 2019/2020, final 2018/2019 and interim 2018/2019 dividends were satisfied in full through the on-market purchase and transfer of 7,080,363 shares at \$73.37, 7,810,285 shares at \$78.61 and 8,080,558 shares at \$73.21, respectively to participating shareholders.

2 The determined dividend includes an amount attributable to the final 2017/18 dividend reinvestment plan of \$749 million. The value of shares issued under plan rules net of issue costs was \$748 million.

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

4 Movement in treasury shares includes 649,480 shares acquired at an average price of \$79.62 for satisfying the Company's obligations under various equity settled share plans. Other than shares purchased as part of the Non-Executive Director fee sacrifice arrangements disclosed in Note 10.3 of the 2020 Annual Report, shares purchases were not on behalf of or initially allocated to a director (30 June 2019: 1,178,102 shares acquired at an average price of \$69.95).

5 The Group adopted AASB 16 Leases on 1 July 2019. As permitted by AASB 16, the Group recognised the cumulative effect of initially applying the new requirements as an adjustment to opening retained profits at 1 July 2019. Comparative information has not been restated. For details on the adoption of AASB 16 refer to Note 1.1 of the 2020 Annual Report.

6 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.

Appendices (continued)

4.2 Shareholders' Equity (continued)

	Full Year Ended		Half Year Ended	
	30 Jun 20	30 Jun 19	30 Jun 20	31 Dec 19
	\$M	\$M	\$M	\$M
Reserves				
General Reserve				
Opening balance	733	859	–	733
Transfer to retained profits ¹	(733)	(126)	–	(733)
Closing balance	–	733	–	–
Asset Revaluation Reserve				
Opening balance	246	235	242	246
Revaluation of properties	24	38	24	–
Transfer to retained profits	(8)	(23)	(2)	(6)
Income tax effect	(5)	(4)	(7)	2
Closing balance	257	246	257	242
Foreign Currency Translation Reserve				
Opening balance	912	448	883	912
Currency translation adjustments of foreign operations	(237)	491	(202)	(35)
Currency translation of net investment hedge	(5)	(20)	(8)	3
Income tax effect	8	(7)	5	3
Closing balance	678	912	678	883
Cash Flow Hedge Reserve ²				
Opening balance	787	(160)	548	787
Gains/(losses) on cash flow hedging instruments:				
Recognised in other comprehensive income	1,243	1,603	1,524	(281)
Transferred to Income Statement:				
Interest income	(2,008)	(859)	(1,091)	(917)
Interest expense	1,854	1,044	1,027	827
Other banking income	(44)	(433)	(61)	17
Income tax effect	(319)	(408)	(434)	115
Closing balance	1,513	787	1,513	548
Employee Compensation Reserve				
Opening balance	161	145	96	161
Current period movement	(23)	16	42	(65)
Closing balance	138	161	138	96

1 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.

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

Appendices (continued)

4.2 Shareholders' Equity (continued)

	Full Year Ended		Half Year Ended	
	30 Jun 20	30 Jun 19	30 Jun 20	31 Dec 19
	\$M	\$M	\$M	\$M
Investment Securities Revaluation Reserve				
Opening balance	253	–	141	253
Change on adoption of AASB 9	–	149	–	–
Restated opening balance	253	149	141	253
Net gains / (losses) on revaluation of investment securities	(200)	140	(107)	(93)
Net gains on investment securities transferred to Income Statement on disposal	(49)	(42)	(5)	(44)
Income tax effect	76	6	51	25
Closing balance	80	253	80	141
Total Reserves	2,666	3,092	2,666	1,910
Shareholders' Equity attributable to Equity holders of the Bank	72,008	69,594	72,008	71,102
Shareholders' Equity attributable to Non-controlling interests	5	55	5	51
Total Shareholders' Equity	72,013	69,649	72,013	71,153

ACCOUNTING POLICIES

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

Ordinary share capital:

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

Retained profits:

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

Reserves:

General reserve

In prior periods general reserve was derived from profits and was available for dividend payments except for undistributable profits in respect of the Group's life insurance business. Following deconsolidation of CommInsure Life on 1 November 2019, the Group is no longer required to quarantine undistributable profits in general reserve. As a result, general reserve was reclassified to retained profits.

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 20 Number	30 Jun 19 Number	30 Jun 20 Number	31 Dec 19 Number
Shares on Issue				
Opening balance (excluding Treasury Shares deduction)	1,770,239,507	1,759,842,930	1,770,239,507	1,770,239,507
Issue of shares	–	–	–	–
Dividend reinvestment plan issues:				
2017/2018 Final dividend fully paid ordinary shares \$72.05	–	10,396,577	–	–
2018/2019 Interim dividend fully paid ordinary shares \$73.21 ¹	–	–	–	–
2018/2019 Final dividend fully paid ordinary shares \$78.61 ¹	–	–	–	–
2019/2020 Interim dividend fully paid ordinary shares \$73.37 ¹	–	–	–	–
Closing balance (excluding Treasury Shares deduction)	1,770,239,507	1,770,239,507	1,770,239,507	1,770,239,507
Less: Treasury Shares ^{2, 3}	(2,095,440)	(3,503,541)	(2,095,440)	(2,140,454)
Closing balance	1,768,144,067	1,766,735,966	1,768,144,067	1,768,099,053

1 The DRP in respect of the interim 2019/2020, final 2018/2019 and interim 2018/2019 dividends were satisfied in full through the on-market purchase and transfer of 7,080,363 shares at \$73.37, 7,810,285 shares at \$78.61 and 8,080,558 shares at \$73.21, respectively to participating shareholders.

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

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

Dividend Franking Account

After fully franking the final dividend to be paid for the full year, the amount of credits available at the 30% tax rate as at 30 June 2020 to frank dividends for subsequent financial years is \$2,007 million (December 2019: \$1,255 million; June 2019: \$1,190 million). This figure is based on the franking accounts of the Bank at 30 June 2020, adjusted for franking credits that will arise from the payment of income tax payable on profits for the year and prior years, franking debits that will arise from the payment of dividends proposed, and franking credits that may not be available to be distributed in subsequent financial periods.

The Bank expects that future tax payments will generate sufficient franking credits for the Bank to be able to continue to fully frank future dividend payments. These calculations have been based on the taxation law as at 30 June 2020.

Dividends

The Directors have determined a fully franked final dividend of 98 cents per share amounting to \$1,735 million. There is no foreign conduit income attributed to the final dividend. The dividend will be payable on 30 September 2020 to shareholders on the register at 5:00pm AEST on 20 August 2020.

The Board determines the dividend per share based on net profit after tax ("cash basis") per share, having regard to a range of factors including:

- Current and expected rates of business growth and the mix of business;
- Capital needs to support economic, regulatory and credit ratings requirements;

- Investments and/or divestments to support business development;
- Competitors comparison and market expectations; and
- Earnings per share growth.

Dividend Reinvestment Plan

The Group has a Dividend Reinvestment Plan (DRP) that is available to shareholders in Australia and certain other jurisdictions. Shareholders can elect to participate to acquire fully paid ordinary shares instead of receiving a cash dividend payment. Shares issued under DRP rank equally with ordinary shares on issue. The DRP for the 2020 interim dividend, 2019 final dividend and 2019 interim dividend were satisfied in full by the on-market purchase and transfer of shares, and had participation rates of 14.7%, 15.0% and 16.7%, respectively.

Record Date

The register closes for determination of dividend entitlement at 5:00pm AEST on 20 August 2020. The deadline for notifying a change to participation in the DRP is 5:00pm AEST on 21 August 2020.

Ex-Dividend Date

The ex-dividend date is 19 August 2020.

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 2020 Annual Report.

5.1 Integrated Risk Management

The Group's approach to risk management is described in the Notes to the Financial Statements in the 2020 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 ²		
	30 Jun 20	31 Dec 19	30 Jun 19
By Industry ¹	%	%	%
Consumer	58.8	60.0	58.6
Sovereign	11.7	9.9	9.7
Property	6.6	6.5	6.3
Finance - Other	4.7	4.9	4.9
Banks	2.8	3.0	4.5
Transport & Storage	2.1	2.0	2.1
Agriculture	2.0	2.1	2.1
Retail & Wholesale Trade	1.8	1.9	1.9
Manufacturing	1.3	1.3	1.4
Business services	1.0	1.1	1.1
Energy	0.9	0.9	0.9
Mining	0.9	1.0	1.1
Construction	0.8	0.7	0.8
Health & Community Services	0.8	0.8	0.8
Culture & Recreational	0.6	0.6	0.6
Other	3.2	3.3	3.2
Total	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).

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

Appendices (continued)

5.1 Integrated Risk Management (continued)

	As at		
	30 Jun 20	31 Dec 19	30 Jun 19
By Region ¹	%	%	%
Australia	79.8	79.5	78.4
New Zealand	10.6	10.8	10.6
Americas	4.4	4.4	4.9
Europe	3.0	2.8	3.5
Asia	2.0	2.3	2.4
Other	0.2	0.2	0.2
	100.0	100.0	100.0

	As at		
	30 Jun 20	31 Dec 19	30 Jun 19
Commercial Portfolio Quality ¹	%	%	%
AAA/AA	36.1	33.4	33.9
A	14.9	16.2	17.4
BBB	16.3	16.8	16.1
Other	32.7	33.6	32.6
	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 67.3% (December 2019: 66.4%; June 2019: 67.4%) of commercial exposures at investment grade quality.

Appendices (continued)

5.1 Integrated Risk Management (continued)

Market Risk

Market risk in the Balance Sheet is discussed within Note 9.3 of the 2020 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 and non-traded equity risk.

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 20	31 Dec 19	30 Jun 19	31 Dec 18
	\$M	\$M	\$M	\$M
Traded Market Risk (10-day 99.0% confidence)				
Risk Type				
Interest rate risk	26.5	21.2	18.3	36.0
Foreign exchange risk	33.2	9.4	6.5	5.3
Equities risk	0.3	0.4	–	–
Commodities risk	7.9	9.2	9.2	10.4
Credit spread risk	31.5	7.6	6.6	6.9
Other market risk ²	52.0	30.2	15.3	7.6
Diversification benefit	(89.9)	(50.4)	(33.1)	(27.8)
Total general market risk	61.5	27.6	22.8	38.4
Undiversified risk	8.6	5.7	8.1	8.4
ASB and PTBC Banks	0.5	0.8	0.4	2.2
Total	70.6	34.1	31.3	49.0

¹ Average VaR is calculated for each 6 month period.

² Includes volatility risk and basis risk.

Market risk in insurance business

The Group deconsolidated and derecognised CommInsure Life (excluding BoCommLife) on 1 November 2019. The following is the Group's exposure to market risk in insurance business as at 30 June 2019.

	Average June 2019 ¹
	\$M
Non-Traded VaR in Australian Life Insurance Business (20-day 97.5% confidence)	
Shareholder funds ²	1.1
Guarantees (to Policyholders) ³	22.8

¹ Average VaR calculated for the 12 month period.

² VaR in relation to the investment of shareholder funds.

³ VaR in relation to product portfolios where the Group has a guaranteed liability to policyholders.

Non-Traded Equity

Non-traded equity includes all equity instruments outside the trading portfolio with the exception of the Group's structural and strategic holdings.

A 20-day 97.5% VaR measure is used to capture the non-traded market risk exposure.

	As at			
	30 Jun 20	31 Dec 19	30 Jun 19	31 Dec 18
	\$M	\$M	\$M	\$M
Non-Traded Equity Risk VaR (20-day 97.5% confidence) ¹				
VaR	13.4	11.3	22.4	23.3

¹ The Group deconsolidated CFSGAM on 2 August 2019. Excluding CFSGAM Non-Traded Equity VaR as at 30 June 2019 and 31 December 2018 was \$9.8 million and \$8.8 million, respectively.

Appendices (continued)

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 2020 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 0.25% as at 30 June 2020, a downward rate shock of 100 basis points implies a 0.75% negative interest rate. The analysis does not take into account management actions that may be taken to mitigate the unfavourable impact of falling interest rates.

		30 Jun 20	31 Dec 19	30 Jun 19	31 Dec 18
		\$M	\$M	\$M	\$M
Net Interest Earnings at Risk ¹					
Average monthly exposure	AUD	1,230.2	787.2	468.9	375.0
	NZD	5.6	5.3	6.1	10.0
High month exposure	AUD	1,682.0	1,038.0	558.0	457.6
	NZD	19.9	10.7	9.7	15.5
Low month exposure	AUD	812.0	506.7	403.5	217.8
	NZD	0.1	0.3	1.1	1.9

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

Net interest earnings at risk increased during the period due to decreases in the official cash rate, which resulted in additional deposit balances becoming subject to interest rate floors.

(b) Economic Value

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.

		30 Jun 20	31 Dec 19	30 Jun 19	31 Dec 18
		\$M	\$M	\$M	\$M
Non-Traded Interest Rate Risk VaR (20-day 99.0% confidence) ¹					
Average daily exposure		493.3	242.4	189.8	199.7
High daily exposure		804.2	271.0	202.2	214.3
Low daily exposure		258.7	224.1	178.6	186.1

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				
	30 Jun 20 \$M	31 Dec 19 \$M	30 Jun 19 \$M	Jun 20 vs Dec 19 %	Jun 20 vs Jun 19 %
Transaction deposits	145,316	128,294	121,747	13	19
Savings deposits	236,339	201,930	190,397	17	24
Investment deposits	181,483	204,875	205,622	(11)	(12)
Other customer deposits ¹	77,831	65,357	61,020	19	28
Total customer deposits	640,969	600,456	578,786	7	11
Wholesale funding					
Short-term					
Certificates of deposit ²	42,456	41,330	39,370	3	8
Euro commercial paper programme	63	402	244	(84)	(74)
US commercial paper programme	12,914	16,179	20,474	(20)	(37)
Euro medium-term note programme	5,442	4,450	4,425	22	23
Central Bank deposits	8,437	14,127	15,332	(40)	(45)
Other ³	1,879	5,030	5,725	(63)	(67)
Total short-term wholesale funding	71,191	81,518	85,570	(13)	(17)
Net collateral received	(1,795)	153	313	large	large
Internal RMBS sold under agreement to repurchase with RBA	5,413	5,370	5,416	1	-
Total short-term collateral deposits	3,618	5,523	5,729	(34)	(37)
Total long-term funding - less than or equal to one year residual maturity ⁴	22,147	26,032	32,434	(15)	(32)
Long-term - greater than one year residual maturity					
Domestic debt program	16,118	18,616	19,813	(13)	(19)
Euro medium-term note programme	21,543	22,663	22,587	(5)	(5)
US medium-term note programme ⁵	19,686	20,712	24,892	(5)	(21)
Covered bond programme	31,430	31,660	31,197	(1)	1
Securitisation	8,790	10,063	9,537	(13)	(8)
Loan capital	24,823	24,770	19,497	-	27
RBA Term Funding Facility (TFF)	1,500	-	-	n/a	n/a
Other	1,673	2,780	2,886	(40)	(42)
Total long-term funding - greater than one year residual maturity	125,563	131,264	130,409	(4)	(4)
IFRS MTM and derivative FX revaluations	7,241	3,012	3,424	large	large
Total funding	870,729	847,805	836,352	3	4
Reported as					
Deposits and other public borrowings	701,999	662,824	636,040	6	10
Payables to financial institutions	16,429	23,822	23,370	(31)	(30)
Liabilities at fair value through Income Statement	4,397	4,752	8,520	(7)	(48)
Debt issues	142,503	153,327	164,022	(7)	(13)
Loan capital	27,357	25,425	22,966	8	19
Loans and other receivables - collateral posted	(1,155)	(975)	(2,632)	18	(56)
Receivables from financial institutions - collateral posted	(6,057)	(4,218)	(3,202)	44	89
Securities purchased under agreements to resell	(14,744)	(17,151)	(12,732)	(14)	16
Total funding	870,729	847,806	836,352	3	4

1 Other customer deposits primarily consist of non-interest bearing deposits and deposits held at fair value through the Income Statement.

2 Includes Bank acceptances.

3 Includes net securities sold under agreement to repurchase and purchased under agreement to resell and interbank borrowings.

4 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.

5 Includes notes issued under the Bank's 3(a)(2) program.

Appendices (continued)

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 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 required stable funding to available stable funding which must be greater than 100%;
- Additional internal funding and liquidity metrics are calculated and stress tests in addition to the LCR are run;

- Short and long-term wholesale funding limits are established, monitored and reviewed regularly;
- The Group's wholesale funding market capacity is regularly assessed and used as a factor in funding strategies;
- Balance Sheet assets that cannot be liquidated quickly are funded with stable deposits or term borrowings that meet minimum maturity requirements with appropriate liquidity buffers;
- Liquid assets are held in Australian dollar and foreign currency denominated securities in accordance with expected requirements;
- The Group has three categories of liquid assets within its domestic liquid assets portfolio. The first includes cash, and Government and Australian semi-government securities. The second includes Negotiable Certificates of Deposit, bank term securities, supranational bonds, Australian Residential Mortgage Backed Securities (RMBS) and other securities that meet the RBA criteria for purchases under repurchase agreements. The final category is internal RMBS, being mortgages that have been securitised but retained by the Bank, that are repo-eligible with the RBA using the Committed Liquidity Facility (CLF) and the Term Funding Facility (TFF); and
- Offshore branches and subsidiaries adhere to liquidity policies and hold appropriate foreign currency liquid assets to meet required regulations.

The Group's key funding tools include:

- Consumer retail funding base, which includes a wide range of retail transaction accounts, savings accounts and term deposits for individual consumers;
- Small business customer and institutional deposit base;
- Wholesale domestic and international funding programmes, which include Australian dollar Negotiable Certificates of Deposit, US and Euro Commercial Paper programmes, Australian dollar Domestic Debt Programme, US Extendible Notes programmes, US Medium-Term Note programmes, Euro Medium-Term Note Programme, multi jurisdiction Covered Bond Programme and Medallion securitisation programmes; and
- Access to the RBA Term Funding Facility (TFF).

The Group's key liquidity tools include:

- A regulatory liquidity management reporting system delivering granular customer and product type information to inform business decision making, and product development, resulting in a greater awareness of the liquidity risk-adjusted value of banking products;
- A liquidity management model that allows forecasting of liquidity needs on a daily basis;
- An additional liquidity management model that implements the established prudential liquidity requirements. This model is calibrated with a series of 'stress' liquidity crisis scenarios, incorporating both systemic and idiosyncratic crisis assumptions, such that the Group will have sufficient liquid assets available to ensure it meets all of its obligations as and when they fall due;
- Central bank repurchase agreement facilities including the RBA's CLF that provide the Group with the ability to borrow funds on a secured basis, even when normal funding markets are unavailable; and
- A robust Contingency Funding Plan that is regularly tested so that it can be quickly activated when required.

5.2 Counterparty and Other Credit Risk Exposures

Securitisation and Covered Bond Vehicles

Reason for establishment: The Group conducts an asset securitisation program that transfers assets to Special Purpose Vehicles (SPV) and issues asset-backed securities to investors. The Group securitises modest amounts of residential home loans to issue residential mortgage-backed securities and also issues covered bonds to diversify the Group's wholesale funding.

Control factors: The Group manages these SPVs, services assets in the SPVs, provides interest rate and currency hedging, or provides other facilities such as liquidity facilities. The Group retains the risks associated with the provision of these services. The Group is also entitled to any residual income from the SPVs after all payments due to investors and costs of the program have been met, where the Group is the income unitholder.

Asset-backed Securities

Asset-backed securities are debt securities where the cash flow is dependent on the performance of the assets assigned to SPVs, which may consist of residential mortgages, commercial mortgages or other types of receivables. The Group has acquired asset-backed securities primarily as part of its trading activities (classified as Trading assets), liquidity management (classified as Amortised Cost investments), and balance sheet holdings (classified as Fair Value Through Other Comprehensive Income investments).

The primary source of repayment of the debt instruments is the cash flow from the underlying assets. Investors in the debt instruments have no recourse to the general assets of the sponsor (except in the case of covered bonds where investors have recourse to both the underlying pool and the sponsor for repayment of principal and interest). The majority of the Group's asset-backed securities portfolio consists of notes externally rated AAA.

Special Purpose Vehicles

The Group invests in or establishes SPVs in the ordinary course of business, primarily to provide funding and financial services for its customers. These SPVs are consolidated in the Financial Statements whenever they meet the criteria of control as outlined in Note 4.4 to the Financial Statements of the 2020 Annual Report.

The definition of control depends upon substance rather than form and accordingly, determination of the existence of control involves management judgement. The Group assesses, at inception and periodically, whether an SPV should be consolidated based on the power the Group has over relevant activities of the entity, and the significance of the Group's exposure to variable returns of the structured entity.

The lending and investment arrangements are entered into under the Group's approved lending criteria and are subject to appropriate credit approval processes. The assets arising from these financing activities are generally included in receivables from financial institutions, investment securities or Loans, bills discounted and other receivables. Exposures in the form of guarantees or undrawn credit lines are included within contingent liabilities and credit related commitments.

Control factors: The Group may manage these vehicles, hold minor amounts of capital, provide financing or transact derivatives with these entities. These entities may be consolidated by the Group.

Other Exposures

Leveraged Finance

The Group provides leveraged finance to companies. This can include companies acquired or owned by private equity sponsors which are highly leveraged, primarily domiciled in Australia and New Zealand and exhibit stable and established earnings providing the ability to reduce borrowing levels.

The Group's exposure to firms owned by private equity sponsors is well diversified across industries and private equity sponsors. All highly leveraged debt facilities provided to private equity sponsors are 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.

Appendices (continued)

5.2 Counterparty and Other Credit Risk Exposures (continued)

Securitisation and Covered Bond Vehicles

An analysis of the assets of, and exposures to, consolidated securitisation and covered bond vehicles which the Group has established or manages is outlined in the table below.

	Covered Bonds		Securitisation	
	30 Jun 20 \$M	30 Jun 19 \$M	30 Jun 20 \$M	30 Jun 19 \$M
Carrying amount of transferred assets	43,190	39,129	12,791	13,521
Carrying amount of associated liabilities	37,456	33,313	11,677	12,177
Net position	5,734	5,816	1,114	1,344

Asset-backed Securities

An analysis of the exposure to non-Group originated asset-backed securities and related facilities is outlined in the table below.

Summary of Asset-backed Securities	Carrying Amount	
	30 Jun 20 \$M	30 Jun 19 \$M
Commercial mortgage-backed securities	64	72
Residential mortgage-backed securities	5,751	7,618
Other asset-backed securities	222	404
Total	6,037	8,094

Asset-backed Securities by Underlying Asset

	Trading Portfolio		Investment securities at FVOCI ¹		Other ²		Total	
	30 Jun 20 \$M	30 Jun 19 \$M	30 Jun 20 \$M	30 Jun 19 \$M	30 Jun 20 \$M	30 Jun 19 \$M	30 Jun 20 \$M	30 Jun 19 \$M
Non-conforming	–	–	683	500	–	–	683	500
Prime mortgages	–	–	72	91	4,996	7,027	5,068	7,118
Commercial Mortgages	–	–	64	72	–	–	64	72
Other assets	–	–	59	126	163	278	222	404
Total	–	–	878	789	5,159	7,305	6,037	8,094

1 Fair value through other comprehensive income.

2 Includes investment securities at amortised cost.

Appendices (continued)

5.2 Counterparty and Other Credit Risk Exposures (continued)

Asset-backed Securities by Credit Rating and Geography

	AAA & AA		A		BBB		BB and below including not rated		Total	
	30 Jun 20	30 Jun 19	30 Jun 20	30 Jun 19	30 Jun 20	30 Jun 19	30 Jun 20	30 Jun 19	30 Jun 20	30 Jun 19
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Australia	6,034	8,091	–	–	3	3	–	–	6,037	8,094
Total	6,034	8,091	–	–	3	3	–	–	6,037	8,094

Warehousing Financing Facilities	Funded Commitments		Unfunded Commitments		Total	
	30 Jun 20	30 Jun 19	30 Jun 20	30 Jun 19	30 Jun 20	30 Jun 19
	\$M	\$M	\$M	\$M	\$M	\$M
Australia	6,388	2,801	2,705	3,137	9,093	5,938
New Zealand	452	531	141	143	593	674
UK	–	247	–	3	–	250
Total	6,840	3,579	2,846	3,283	9,686	6,862

Appendices (continued)

6. Other Information

6.1 General Insurance Sources of Profit

Source of Profit from General Insurance	Full Year Ended			Half Year Ended		
	30 Jun 20	30 Jun 19	Jun 20 vs Jun 19 %	30 Jun 20	31 Dec 19	Jun 20 vs Dec 19 %
	\$M	\$M		\$M	\$M	
General insurance operating margins	17	27	(37)	35	(18)	large
Investment experience after tax	4	8	(50)	2	2	–
Cash net profit after tax	21	35	(40)	37	(16)	large

6.2 Intangible Assets (continuing operations basis)

	As at		
	30 Jun 20	31 Dec 19	30 Jun 19
	\$M	\$M	\$M
Goodwill			
Purchased goodwill at cost	5,284	5,997	5,974
Closing balance	5,284	5,997	5,974
Computer Software Costs			
Cost	4,438	4,898	4,837
Accumulated amortisation	(3,089)	(3,480)	(3,125)
Closing balance	1,349	1,418	1,712
Brand Names ¹			
Cost	201	201	203
Accumulated amortisation	–	–	(2)
Closing balance	201	201	201
Other Intangibles ²			
Cost	267	319	351
Accumulated amortisation	(157)	(206)	(273)
Closing balance	110	113	78
Total intangible assets	6,944	7,729	7,965

- 1 Brand names predominantly represent the value of royalty costs foregone by the Group through acquiring the Bankwest brand name. The royalty costs that would have been incurred by an entity using the Bankwest brand name are based on an annual percentage of income generated by Bankwest. The Bankwest brand name has an indefinite useful life, as there is no foreseeable limit to the period over which the brand name is expected to generate cash flows. This balance also includes the Aussie Home Loans brand name (\$16 million) which has an indefinite useful life. They are not subject to amortisation, but require annual impairment testing. No impairment was recognised during the year. The Count Financial brand name of \$3 million was impaired during the year ended 30 June 2019.
- 2 Other intangibles include the value of customer and credit card relationships acquired from Bankwest and Aussie Home Loans. This value represents future net income generated from the relationships that existed at Balance Sheet date. The assets have a useful life of between 6 and 10 years based on the attrition rates of customers. Other intangibles also include prepaid software licenses with a net book value of \$99 million (30 June 2019: \$54 million). Customer relationship intangibles in relation to Count Financial of \$13 million were impaired during the year ended 30 June 2019.

Appendices (continued)

6.3 ASX Appendix 4E

Cross Reference Index	Page
Details of Reporting Period and Previous Period (Rule 4.3A Item No. 1)	Inside Front Cover
Results for Announcement to the Market (Rule 4.3A Item No. 2)	Inside Front Cover
Income Statement and Statement of Comprehensive Income (Rule 4.3A Item No. 3)	74, 75
Balance Sheets (Rule 4.3A Item No. 4)	76
Statement of Cash Flows (Rule 4.3A Item No. 5)	78
Statement of Changes in Equity (Rule 4.3A Item No. 6)	77
Consolidated Retained Profits Reconciliation (Rule 4.3A Item No. 6)	107
Dividends (Rule 4.3A Item No. 7)	110
Dividend Dates (Rule 4.3A Item No. 7)	Inside Front Cover
Dividend Reinvestment Plan (Rule 4.3A Item No. 8)	110
Net Tangible Assets per Security (Rule 4.2A.3 Item No. 9)	135
Details of Entities over which Control was Gained or Lost during the Year (Rule 4.3A Item No. 10)	123
Details of Associates and Joint Ventures (Rule 4.3A Item No. 11)	122
Other Significant Information (Rule 4.3A Item No. 12)	123-128
Foreign Entities (Rule 4.3A Item No. 13)	128
Commentary on Results (Rule 4.3A Item No. 14)	Section 3 to 5

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

As at 30 June 2020	Ownership Interest Held (%)
Digital Wallet Pty Ltd	52%
Aegis Correctional Partnership Pty Limited	50%
Aegis Correctional Partnership Trust	50%
Aegis Securitisation Nominees Pty Limited	50%
Aegis Securitisation Trust	50%
First State Cinda Fund Management Co., Ltd.	46%
BoCommLife Insurance Company Limited	38%
Countplus Limited	36%
BPAY Group Holding Pty Ltd	25%
Trade Window Limited	22%
Vietnam International Commercial Joint Stock Bank	20%
Payments NZ Limited	19%
Silicon Quantum Computing Investment	19%
Qilu Bank Co., Ltd.	18%
Torrens Group Holdings Pty Ltd	16%
Bank of Hangzhou Co., Ltd.	16%

Appendices (continued)

6.3 ASX Appendix 4E (continued)

Details of entities over which control was gained and lost during the period (Rule 4.3A Item No. 10)

On 2 August 2019, the Group lost control over the following entities: Colonial First State Managed Infrastructure Limited, First State Investments (US) LLC, Colonial First State Asset Management (Australia) Limited, CFSGAM Services Pty Ltd, Realindex Investments Pty Limited, First State Investment Managers (Asia) Ltd, FSIB Ltd, First State Investments Holdings (Singapore) Ltd, First State Investments (Singapore) Ltd, First State Investments (Hong Kong) Ltd, First State Investments (Japan) Ltd, Total Keen Investment Limited, First State Nominees (Hong Kong) Ltd, First State Investments (UK Holdings) Ltd, Colonial First State Investment Managers (UK) Ltd, First State Investments (UK) Limited, First State Investment Services (UK) Ltd, First State Investments International Inc., SI Holdings Limited, First State Investment Management (UK) Limited, First State Investments International Limited, Colonial First State Infrastructure Holdings Limited, Colonial First State Infrastructure Managers (Australia) Pty Ltd, First State Infrastructure Managers (International) Limited, CFSPA Europe HoldCo Limited, CFSPA Europe Co Limited, First State Investments Fund Management S.a.r.l, First State Investments GIP Management S.a.r.l, First State European Diversified Infrastructure S.a.r.l, EDIF II GP S.a.r.l, CFSGAM IP Holdings Pty Limited, and First Gas Limited.

On 1 October 2019, the Group lost control over Count Financial Limited.

On 1 November 2019, the Group lost control over the following entities: The Colonial Mutual Life Assurance Society Limited, Jacques Martin Pty Ltd, CMLA Services Pty Ltd, and Jacques Martin Administration & Consulting Pty Ltd.

On 2 December 2019, the Group lost control over Aegis Limited and Investment Custodial Services Limited.

On 4 June 2020, the Group lost control over PT Commonwealth Life and PT First State Investments Indonesia.

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

The Bank expects the DRP for the final dividend for the year ended 30 June 2020 will be satisfied by the issuance of shares.

Completion of sale of Life insurance business in New Zealand

On 21 September 2017, the Group announced the sale of 100% of its New Zealand life insurance business (Sovereign) to AIA Group Limited (AIA) for \$1.3 billion. The sale agreement includes a long-term partnership with AIA for the provision of life insurance products to customers in New Zealand. The sale of Sovereign completed on 2 July 2018, resulting in a total post-tax gain of \$117 million (net of transaction and separation costs). This includes \$135 million post-tax gain net of transaction and separation costs recognised during the year ended 30 June 2019, and \$18 million post-tax transaction and separation costs recognised during the year ended 30 June 2018.

Completion of sale of 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.

Completion of sale of 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.

Completion of sale of 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 2020 Annual Report for further information. As Count Financial did not constitute a major line of the Group's business, it was not classified as a discontinued operation.

Completion of sale of 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.

Update on Aligned Advice businesses

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.

Appendices (continued)

6.3 ASX Appendix 4E (continued)

Sale of Australian Investment Exchange Limited (AUSIEX)

On 28 April 2020, the Group announced the sale of its subsidiary, Australian Investment Exchange Limited (AUSIEX), to Nomura Research Institute (NRI). AUSIEX trades under the brand name CommSec Advisor Services. On completion, the Group is expected to receive proceeds of approximately \$85 million, subject to completion adjustments. The sale is subject to Australian regulatory approvals and other conditions, and is expected to complete in the first half of calendar year 2021. As AUSIEX did not constitute a major line of the Group's business, it was not classified as a discontinued operation.

Sale of interest in Colonial First State

On 13 May 2020, the Group entered into an agreement to sell a 55% interest in Colonial First State (CFS) to KKR. On completion, the Group is expected to receive proceeds of approximately \$1.7 billion, subject to completion adjustments. The sale is subject to Australian regulatory approvals, and is expected to complete in the first half of calendar year 2021.

Sale of Life insurance business in Australia and BoCommLife

On 21 September 2017, the Group entered into an agreement to sell 100% of its life insurance businesses in Australia (CommInsure Life) and New Zealand (Sovereign) to AIA Group Limited (AIA). On 23 May 2018, the Group announced the sale of its 37.5% equity interest in BoCommLife Insurance Company Limited (BoCommLife) to MS&AD Insurance Group Holdings (MS&AD)¹, which is subject to Chinese regulatory approvals. The sale is expected to be completed in the second half of calendar year 2020.

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

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

The aggregate proceeds, which will be received in instalments under the JCA, are \$2,375 million, before completion account adjustments, and includes four partnership milestone payments of \$50 million each. The Group recognised a total post-tax loss of \$316 million on the deconsolidation and planned divestment of CommInsure Life. This includes a \$116 million post-tax loss on deconsolidation, net of transaction and separation costs recognised during the half year ended 31 December 2019. Post-tax transaction and separation costs of \$82 million and \$118 million were recognised during the years ended 30 June 2019 and 30 June 2018, respectively. As at 30 June 2020, the Group has received total proceeds of \$1,608 million, including partnership milestone payments of \$100 million.

Customer remediation

Provisions for customer remediation require significant levels of estimation and judgement. The amount raised depends on a number of different assumptions, such as the number of years impacted, the forecast refund rate and the average cost per case. The Group is committed to comprehensively and efficiently addressing the full range of remediation issues impacting customers of the Banking and Wealth Management businesses. Significant resources have been committed to a comprehensive program of work, to ensure that all issues are identified and addressed.

Aligned Advice remediation – ongoing service fees

Aligned advisors were not employed by the Group but were representatives authorised to provide financial advice under the licences of the Group's subsidiaries, Financial Wisdom Limited (FWL), Count Financial Limited (Count Financial) and Commonwealth Financial Planning Limited-Pathways (CFP-Pathways).

The Group completed the sale of Count Financial to CountPlus Limited (CountPlus) on 1 October 2019, and ceased providing licensee services through CFP-Pathways and Financial Wisdom in March and June 2020, respectively. The Bank entered into reimbursement agreements with Financial Wisdom and CFP-Pathways, and an indemnity deed with CountPlus, to cover potential remediation of past issues including ongoing service fees. For details on the reimbursement agreements and the indemnity deed, refer to Note 11.2 of the 2020 Annual Report.

During the year ended 30 June 2020, the Group raised a net increase in the provision for Aligned Advice remediation issues and program costs of \$300 million, including ongoing service fees charged where no service was provided. As at 30 June 2020, the provision held by the Group in relation to Aligned Advice remediation was \$804 million (30 June 2019: \$534 million). The provision includes \$418 million for customer fee refunds (30 June 2019: \$251 million), \$280 million for interest on fees subject to refunds (30 June 2019: \$123 million) and \$106 million for costs to implement the remediation program (30 June 2019: \$160 million).

The Group's estimate of the proportion of fees to be refunded is based on sample testing and assumes a refund rate of 37% (30 June 2019: 24%). This compares to a refund rate of 22%, which was paid for our salaried advisors. An increase/(decrease) in the failure rate by 1% would result in an increase/(decrease) in the provision of approximately \$20 million (30 June 2019: \$15 million).

The Group is continuing to engage with ASIC in relation to its remediation approach.

Banking and other Wealth customer remediation

During the year ended 30 June 2020, the Group raised an additional \$94 million provision for Banking and other Wealth customer remediation programs (30 June 2019: \$384 million). As at 30 June 2020, the provision held by the Group in relation to Banking and other Wealth customer remediation was \$227 million (30 June 2019: \$384 million).

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

6.3 ASX Appendix 4E (continued)

The provision for banking remediation includes an estimate of refunds (including interest) to customers relating to business banking products (including bank guarantees, cash deposit accounts, merchants billing and certain commercial lending products), retail banking products (including home loans and other retail products), and the related program costs.

The Wealth remediation provision includes an estimate of refunds (including interest) relating to advice quality, transactions with deceased estates, the Loan Protection Insurance product, certain superannuation and other products, and the related program costs.

Litigation, investigations and reviews

The Group is party to a number of legal proceedings, and the subject of various investigations and reviews. Provisions have been raised where indicated in accordance with the principles outlined in the accounting policy section of this note.

Litigation

The main litigated claims against the Group as at 30 June 2020 are summarised below.

Shareholder class actions

In October 2017 and June 2018 two separate shareholder class action proceedings were filed against CBA in the Federal Court of Australia, alleging breaches of CBA's continuous disclosure obligations and misleading and deceptive conduct in relation to the subject matter of the civil penalty proceedings brought against CBA by the Australian Transaction Reports and Analysis Centre (AUSTRAC). The AUSTRAC proceedings concerned contraventions of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)*.

The resolution of the AUSTRAC civil penalty proceedings was approved by the Federal Court of Australia 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 action

The Group is also defending four class action claims in relation to superannuation products.

On 9 October 2018, a class action was filed against Colonial First State Investments Limited (CFSIL) and CBA in the Federal Court of Australia. The claim initially related to investment in cash and deposit options (which are cash and deposit products provided by CBA) in the Colonial First State First Choice Superannuation Trust and Commonwealth Essential Super. A second further amended statement of claim and amended application was filed on 2 June 2020, joining Avanteos Investments Limited (AIL) as a party in respect of claims regarding the FirstWrap Pooled Cash Account and expanding the existing claims made against CFSIL and CBA. The main claims are that members invested in these cash and deposit options received lower interest rates than they could have received had CFSIL/AIL offered similar products made available in the market by another bank with comparable risk

and that CFSIL/AIL retained the margin that arises through the internal transfer pricing process in respect of deposits made with CBA, for their own benefit. It is claimed CFSIL/AIL breached their duties as a trustee of the funds, CFSIL breached its duties as a Responsible Entity of the underlying managed investment schemes and that CBA was involved in CFSIL/AIL's breaches. CBA, CFSIL and AIL deny the allegations and are defending the proceedings. The Court has ordered the parties to participate in a mediation of this matter, which is scheduled to take place on 3 September 2020.

On 18 October 2019 another class action was commenced against CFSIL in the Federal Court of Australia. The claim relates to certain fees charged to members of the Colonial First State First Choice Superannuation Trust. It is alleged that CFSIL breached its duties as trustee and acted unconscionably because it failed, between 2013 and 2019, to take steps to avoid the payment of grandfathered commissions to financial advisers, which would have resulted in a reduction of the fees paid by members in respect of whom those commissions were paid. CFSIL denies the allegations and is defending the proceedings. The Court has ordered the parties to participate in a mediation of this matter by 18 December 2020.

On 24 October 2019 a third class action was filed against CFSIL and a former executive director of CFSIL in the Federal Court of Australia, relating to alleged contraventions of statutory obligations under superannuation law and trustee breaches in the period 2013 to 2017. The class action relates to the transfer of certain default balances held by members of FirstChoice Employer Super to a MySuper product. The key allegation is that members should have been transferred to a MySuper product earlier than they were, and that the alleged failure to effect the transfer as soon as reasonably practical caused affected members to pay higher fees and receive lower investment returns during the point of delay. The allegations are denied and CFSIL and its former director are defending the class action. The Court has ordered the parties to participate in a mediation which will take place on 20 November 2020.

On 22 January 2020, a fourth class action was filed against CFSIL and The Colonial Mutual Life Assurance Society Limited (CMLA) in the Federal Court of Australia. The class action alleges that CFSIL did not act in the best interests of members and breached its trustee duties when taking out group insurance policies obtained from CMLA. The key allegation is that CFSIL entered into and maintained insurance policies with CMLA on terms that were less favourable to members than would have reasonably been available in the market. It is alleged that CMLA was knowingly involved in CFSIL's contraventions as trustee and profited from those contraventions. The allegations are denied and CFSIL and CMLA are defending the class action.

The Group has provided for the legal costs expected to be incurred in the defence of the claims.

US BBSW class action

In 2016 a class action was commenced in the United States District Court in New York against CBA, other banks and two brokers, claiming a conspiracy among competitors to manipulate the BBSW benchmark for mutual gain. The claims include allegations that United States racketeering and antitrust legislation have been contravened. In November 2018, the Court dismissed the claims against CBA and the

Appendices (continued)

6.3 ASX Appendix 4E (continued)

other foreign defendants, but in April 2019, an amended complaint was filed that included new allegations and added a new named plaintiff. The defendants applied to the Court to dismiss the amended complaint. In February 2020, the judge determined that the new named plaintiff's claims could proceed against CBA and nine other banks. CBA denies the allegations and will be defending the class action. The breadth of the putative class (if any) that may be allowed to claim against CBA will not be determined until at the earliest August 2021. The preparation of the substantive proceedings has now commenced.

It is currently not possible to determine the ultimate impact of this claim, if any, on the Group. The Group has provided for legal costs expected to be incurred in the defence of this class action.

Consumer credit insurance class action

On 10 June 2020 a class action was commenced against CBA and CMLA in the Federal Court of Australia. The claim relates to consumer credit insurance for credit cards and personal loans that was sold between 1 January 2010 and 7 March 2018. The class action alleges that CBA and CMLA engaged in unconscionable and misleading or deceptive conduct, failed to act in the best interests of customers and provided them with inappropriate advice. In particular, it is alleged that some customers were excluded from claiming certain benefits under the policies and the insurance was therefore unsuitable or of no value. Allegations are also made in relation to the manner in which the insurance was sold. The Court has made orders requiring CBA and CMLA to file their responses to the claim by 21 September 2020. It is currently not possible to determine the ultimate impact of this claim, if any, on the Group. The Group has provided for legal costs expected to be incurred in the defence of this class action.

ASIC regulatory enforcement proceedings

CFSIL My Super

On 17 March 2020 ASIC commenced civil penalty proceedings against CFSIL in the Federal Court of Australia for alleged breaches of the *Australian Securities and Investments Commission Act 2001* (Cth) and *Corporations Act 2001* (Cth) (Corporations Act) arising from communications with members of the FirstChoice Fund. In 2012, the Australian Government passed legislation requiring trustees, such as CFSIL to allocate member contributions to a default "MySuper" superannuation product in certain circumstances. ASIC alleges, amongst other things, that CFSIL communicated with members both in template letters and on telephone calls, in a misleading or deceptive manner regarding the provision of investment directions to stay with CFSIL's FirstChoice Fund rather than transitioning to CFSIL's MySuper product.

CFSIL filed its response to the claim on 17 July 2020. It is currently not possible to determine the ultimate impact of this claim. The Group has provided for legal costs expected to be incurred in the defence of this claim.

Commonwealth Essential Super

On 22 June 2020 ASIC commenced civil penalty proceedings against CFSIL and CBA in the Federal Court of Australia for alleged contraventions of the conflicted remuneration provisions in the Corporations Act relating to the arrangements between

CFSIL and CBA for the distribution of Commonwealth Essential Super (CES). CES is a superannuation product issued by CFSIL. It is currently not possible to determine the ultimate impact of this claim, if any, on the Group. The Group has provided for legal costs expected to be incurred in the defence of this claim.

Ongoing regulatory investigations and reviews

The Group undertakes ongoing compliance activities, including breach reporting, reviews of products, advice, conduct and services provided to customers, as well as interest, fees and premiums charged. Some of these activities have resulted in remediation programs and where required the Group consults with the relevant regulator on the proposed remediation action. Provisions have been recognised by the Group where the criteria outlined in the accounting policy section of this note are satisfied. Contingent liabilities exist with respect to these matters where it is not possible to determine the extent of any obligation to remediate or the potential liability cannot be reliably estimated. There are also a number of ongoing matters where regulators are investigating whether CBA or a Group entity has breached legal or regulatory obligations. Where a breach has occurred, regulators are likely to impose, or apply to a Court for, fines and/or other sanctions. These matters include investigations by APRA and ASIC of issues which were referred to them by the Financial Services Royal Commission, as well as a number of other matters notified to, or identified by, regulators.

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

These investigations include ASIC's investigation regarding the AUSTRAC proceedings noted above. In September 2017, following the commencement of the civil proceedings against CBA by AUSTRAC, ASIC launched an investigation in relation to the Group's disclosure concerning the matters the subject of the AUSTRAC proceedings. ASIC is also investigating, among other things, whether the directors and officers of CBA complied with other specific obligations under the Corporations Act. It is currently not possible to determine the ultimate impact of this investigation, if any, on the Group. The Group has provided for the legal costs expected to be incurred in relation to this investigation.

Fair Work Ombudsman (FWO) investigation

The FWO's investigation in relation to CBA's self-disclosure of discrepancies in employee arrangements and entitlements is ongoing, and CBA continues to engage with FWO and respond to its requests for information. It is currently not possible to determine the ultimate impact of this investigation on the Group.

CBA is continuing with its broad review of employee entitlements and is remediating impacted current and former employees as the review progresses. We continue to update both the FWO and the Finance Sector Union and will provide a broader update on progress in due course. The Group holds a provision for remediation and program costs related to this matter.

New Zealand compliance audit findings

The Labour Inspectorate in New Zealand is undertaking a programme of compliance audits on a number of organisations

Appendices (continued)

6.3 ASX Appendix 4E (continued)

in respect of the Holidays Act 2003 (Holidays Act). On 18 December 2018, ASB Bank Limited (ASB) received the Labour Inspectorate's report of its findings on ASB's compliance with the Holidays Act. The findings, based on a sample of employees, include that ASB has not complied with the requirements of the Holidays Act by not including certain incentive payments in ASB's calculation of gross earnings under the Holidays Act. ASB's position in relation to that finding is that the application of the law is yet to be finally determined. That finding, if extrapolated to ASB's entire workforce, would result in an estimated liability of NZD 33 million in total for the preceding six years' annual holiday payments. ASB continues to engage with the Labour Inspectorate on the matter. The Group holds a provision for this matter.

Home loan pricing inquiry

In October 2019, the ACCC commenced an industry-wide inquiry into home loan pricing. The inquiry involves consideration of a wide range of issues including the interest rates paid by new and existing customers, how the cost of financing for banks has affected bank decisions on interest rates and barriers to customers switching home loans with the focus on the period since 1 January 2019. CBA is co-operating with the ACCC in its requests for information. The ACCC published an interim report on 27 April 2020. The final report from the inquiry is due by 30 November 2020.

Other regulatory matters

The following matters were significant regulatory investigations and reviews, which have been completed, but have resulted in ongoing action required by the Group.

Enforceable undertaking to ASIC (foreign exchange)

In December 2016 CBA provided an enforceable undertaking (EU) to ASIC arising from an investigation into wholesale spot foreign exchange (FX) trading between 2008 and 2013. The EU included the engagement of an independent expert, to review and assess the changes we have made to our trading operating model in recent years, including in training, procedures and oversight.

It also included a voluntary contribution of \$2.5 million to support the further development of financial literacy education relating to changes to delivery of care in the aged care sector.

CBA provided details of the implementation of its Final FX EU Program to ASIC in March 2019. The independent expert conducted an assessment of CBA's implementation and submitted its final expert report on 31 May 2019. The report highlighted certain terms of the consolidated Final FX EU Program, which were yet to be implemented, certain matters that could not be assessed and some other areas for improvement. CBA has steps underway to address the matters raised in the independent expert's report and is having ongoing discussions with ASIC in respect of the FX EU Program.

Prudential inquiry into CBA and enforceable undertaking to APRA

On 28 August 2017 APRA announced it would establish an independent prudential inquiry (the Inquiry) into the Group focusing on the governance, culture and accountability frameworks and practices within the Group. The final report of the Inquiry was released on 1 May 2018 (the Final Report). The Final Report made a number of findings regarding the complex interplay of organisational and cultural factors within the Group

and the need for enhanced management of non-financial risks. In response to the Final Report, the Group acknowledged that it will implement all of the recommendations and agreed to adjust its minimum operational risk capital requirements by an additional \$1 billion (an impact to risk weighted assets of \$12.5 billion) until such time as the recommendations are implemented to APRA's satisfaction.

CBA has entered into an EU under which CBA's remedial action (Remedial Action Plan) in response to the Final Report would be agreed and monitored regularly by APRA. The Remedial Action Plan provides a detailed program of change outlining how CBA will improve the way it runs its business, manages risk, and works with regulators. The Remedial Action Plan also provides a comprehensive assurance framework, with Promontory Australasia (Sydney) Pty Ltd (Promontory) having been appointed as the independent reviewer, and which is required to report to APRA on the Group's progress against committed milestones every 3 months.

Promontory is continuing to provide APRA with quarterly progress reports, and CBA is committed to report publicly on its progress against the Remedial Action Plan twice a year. Six Promontory reports have been released by CBA. Promontory has noted that the Remedial Action Plan program of work remains on track and CBA's commitment to implementing the Inquiry's recommendations in a timely and comprehensive way continued to be strong with all 176 milestones on schedule to be delivered by the applicable due dates.

The Group has provided for costs associated with the implementation of the Remedial Action Plan.

Financial crime compliance

As noted above, in 2018 the Group resolved the AUSTRAC proceedings relating to contraventions of anti-money laundering/counter-terrorism financing (AML/CTF) laws.

Recognising the crucial role that the Group plays in fighting financial crime, it continues to strengthen and invest significantly in its financial crime capabilities, including in its AML/CTF Compliance team and through the Program of Action with coverage across all aspects of financial crime (including anti-money laundering/counter-terrorism financing, sanctions and anti-bribery and corruption) and all business units. The Group has provided for costs of running the Program of Action.

The Group provides updates to AUSTRAC and the Group's other regulators on the Program of Action implemented by the Group following the civil penalty proceedings commenced against it by AUSTRAC.

However, there is no assurance that AUSTRAC or the Group's other regulators will agree that the Group's Program of Action will be adequate or that the Program of Action will effectively enhance the Group's financial crime compliance programs across its business units and the jurisdictions in which it operates. While the Group is not currently aware of any other enforcement action by other domestic or foreign regulators in respect of its financial crime compliance, there can be no assurance that the Group will not be subject to such enforcement actions in the future.

Enforceable undertaking to ASIC (BBSW)

On 21 June 2018, the Federal Court approved an agreement between CBA and ASIC to resolve proceedings concerning

Appendices (continued)

6.3 ASX Appendix 4E (continued)

alleged market manipulation and unconscionable conduct in respect of the bank bill market. CBA paid a civil penalty of \$5 million and a community benefit payment of \$15 million to Financial Literacy Australia. It also agreed to pay ASIC's costs of the investigation and legal costs. The Group provided for these costs in an earlier period.

As part of the settlement CBA also entered into an EU with ASIC under which CBA undertook to engage an independent expert to assess changes it has made (and will make) to its policies, procedures, controls systems, training, guidance and framework for the monitoring and supervision of employees and trading in Prime Bank Bills and CBA's BBSW-referenced product businesses. On 5 October 2018, CBA appointed EY as the independent expert. CBA provided its BBSW Program of remediation work to ASIC and EY on 21 December 2018. EY reviewed the BBSW Program and provided certain recommendations in its report dated 23 April 2019. CBA considered those recommendations with ASIC and EY and delivered its Final BBSW Program to ASIC and EY on 23 July 2019.

EY delivered its report on CBA's Final BBSW Program on 30 August 2019. Once the terms of the Final BBSW Program are agreed to by ASIC, that program will be implemented. The Group has provided for costs associated with implementation of the BBSW program.

Enforceable undertaking to the Office of Australian Information Commissioner (OAIC)

In June 2019, the Australian Information Commissioner (Commissioner) accepted an EU offered by CBA, which requires further enhancements to the management and retention of customer personal information within CBA and certain subsidiaries.

The EU follows CBA's work to address two incidents: one relating to the disposal by a third party of magnetic data tapes containing historical customer statements and the other relating to potential unauthorised internal user access to certain systems and applications containing customer personal information. CBA reported the incidents to the Commissioner in 2016 and 2018 respectively and has since been working to address these incidents. CBA found no evidence that its customers' personal information was compromised by the incident reported in 2016, and has found no evidence to date that there have been any instances of unauthorised access by CBA employees or third parties as a result of the incident reported in 2018.

The Group has provided for certain costs associated with implementation and compliance with the EU provided to the Commissioner.

Other matters

Exposures to divested businesses

The Group has potential exposures to divested businesses, including through the provision of services, warranties and indemnities. These exposures may have an adverse impact on the Group's financial performance and position. The Group has recognised provisions where payments in relation to the exposures are probable.

Foreign Entities (Rule 4.3A Item No. 13)

Not applicable.

Compliance Statement

This preliminary final report for the year ended 30 June 2020 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.

The preliminary final report has been prepared in accordance with Accounting Standards in Australia.

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.

6.4 Profit Reconciliation

Non-cash items are excluded from net profit after tax ("cash basis"), which is management's preferred measure of the Group's financial performance, as they tend to be non-recurring in nature or are not considered representative of the Group's ongoing financial performance. The impact of these items on the Group's net profit after tax ("statutory basis") is outlined below and treated consistently with the prior financial year. A description of these items is provided below.

Profit Reconciliation	Full Year Ended 30 June 2020						
	Net profit after tax "cash basis" \$M	Gain/(loss) on disposal and acquisition of controlled entities ¹ \$M	Hedging and IFRS volatility \$M	Bankwest non-cash items \$M	Treasury shares valuation adjustment \$M	Investment experience \$M	Net profit after tax "statutory basis" \$M
Group							
Interest income ²	30,162	–	–	–	–	–	30,162
Interest expense	(11,552)	–	–	–	–	–	(11,552)
Net interest income	18,610	–	–	–	–	–	18,610
Other banking income	4,837	29	136	–	–	–	5,002
Total banking income	23,447	29	136	–	–	–	23,612
Funds management income	172	–	–	–	–	1	173
Insurance income	139	–	–	–	–	2	141
Total operating income	23,758	29	136	–	–	3	23,926
Investment experience	3	–	–	–	–	(3)	–
Total income	23,761	29	136	–	–	–	23,926
Operating expenses	(10,895)	(34)	–	–	–	–	(10,929)
Loan impairment expense	(2,518)	–	–	–	–	–	(2,518)
Net profit before tax	10,348	(5)	136	–	–	–	10,479
Corporate tax (expense)/benefit	(3,052)	75	(43)	–	–	–	(3,020)
Non-controlling interests	–	–	–	–	–	–	–
Net profit after income tax from continuing operations	7,296	70	93	–	–	–	7,459
Net profit after income tax from discontinued operations ³	153	2,022	–	–	–	–	2,175
Net profit after income tax	7,449	2,092	93	–	–	–	9,634

1 Continuing operations net profit after tax includes gains and losses net of transaction and separation costs associated with the disposal of Aegis, AUSIEX, Count Financial and other businesses, and the dilution of the Group's interest in Bank of Hangzhou. Discontinued operations net profit after tax includes gains and losses net of transaction and separation costs associated with the disposal of CFS, CFSGAM, PT Commonwealth Life, and other businesses, and the deconsolidation and divestment of Commlnsure Life.

2 Interest income includes total effective interest income and other interest income.

3 Statutory net profit after income tax from discontinued operations is presented net of non-controlling interests.

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

Gains and losses on these transactions are inclusive of foreign exchange impacts, impairments, restructuring, separation and 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.

Bankwest non-cash items

The acquisition of Bankwest resulted in the recognition of assets at fair value, some of which have been amortising over their useful life. The transaction was considered one-off in nature. Bankwest customer lists were fully amortised in the half year ended 31 December 2018.

Treasury shares valuation adjustment

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

Investment experience

Investment experience includes returns and revaluations on shareholder capital invested, in the wealth management businesses. It also includes changes in economic assumptions impacting the insurance businesses and investment profits on the annuity portfolio. This item is classified separately within cash profit.

Appendices (continued)

6.4 Profit Reconciliation (continued)

Full Year Ended 30 June 2019 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	Bankwest non-cash items ³ \$M	Treasury shares valuation adjustment \$M	Investment experience \$M	Net profit after tax "statutory basis" \$M	
Group								
Interest income ⁴	34,709	–	–	–	–	–	34,709	
Interest expense	(16,485)	–	–	–	–	–	(16,485)	
Net interest income	18,224	–	–	–	–	–	18,224	
Other banking income	4,951	42	(116)	–	–	–	4,877	
Total banking income	23,175	42	(116)	–	–	–	23,101	
Funds management income	255	–	–	–	–	(1)	254	
Insurance income	147	–	–	–	–	3	150	
Total operating income	23,577	42	(116)	–	–	2	23,505	
Investment experience	2	–	–	–	–	(2)	–	
Total income	23,579	42	(116)	–	–	–	23,505	
Operating expenses	(10,824)	(102)	–	(2)	–	–	(10,928)	
Loan impairment expense	(1,201)	–	–	–	–	–	(1,201)	
Net profit before tax	11,554	(60)	(116)	(2)	–	–	11,376	
Corporate tax (expense)/benefit	(3,321)	8	37	1	–	–	(3,275)	
Non-controlling interests	(12)	–	–	–	–	–	(12)	
Net profit after income tax from continuing operations	8,221	(52)	(79)	(1)	–	–	8,089	
Net profit after income tax from discontinued operations ⁵	485	(9)	–	–	6	–	482	
Net profit after income tax	8,706	(61)	(79)	(1)	6	–	8,571	

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

2 Continuing operations net profit after tax includes demerger costs for NewCo and impairment loss and transaction costs associated with the disposal of Count Financial, partly offset by a net gain on acquisition and disposals of other businesses. Discontinued operations net profit after tax includes gains and losses net of transaction and separation costs associated with the disposal of CommInsure Life, CFSGAM, Sovereign, TymeDigital SA and a net gain on acquisition and disposal of other businesses.

3 Includes merger related amortisation.

4 Interest income includes total effective interest income and other interest income.

5 Statutory net profit after income tax from discontinued operations is presented net of non-controlling interests.

Appendices (continued)

6.4 Profit Reconciliation (continued)

Profit Reconciliation	Half Year Ended 30 June 2020							Net profit after tax "statutory basis" \$M
	Net profit after tax "cash basis" \$M	Gain/(loss) on disposal and acquisition of controlled entities ¹ \$M	Hedging and IFRS volatility \$M	Bankwest non-cash items \$M	Treasury shares valuation adjustment \$M	Investment experience \$M		
Group								
Interest income ²	14,216	–	–	–	–	–	14,216	
Interest expense	(4,956)	–	–	–	–	–	(4,956)	
Net interest income	9,260	–	–	–	–	–	9,260	
Other banking income	2,294	32	82	–	–	–	2,408	
Total banking income	11,554	32	82	–	–	–	11,668	
Funds management income	73	–	–	–	–	2	75	
Insurance income	108	–	–	–	–	1	109	
Total operating income	11,735	32	82	–	–	3	11,852	
Investment experience	3	–	–	–	–	(3)	–	
Total income	11,738	32	82	–	–	–	11,852	
Operating expenses	(5,689)	(29)	–	–	–	–	(5,718)	
Loan impairment expense	(1,869)	–	–	–	–	–	(1,869)	
Net profit before tax	4,180	3	82	–	–	–	4,265	
Corporate tax (expense)/benefit	(1,240)	7	(25)	–	–	–	(1,258)	
Non-controlling interests	–	–	–	–	–	–	–	
Net profit after income tax from continuing operations	2,940	10	57	–	–	–	3,007	
Net profit after income tax from discontinued operations ³	15	451	–	–	–	–	466	
Net profit after income tax	2,955	461	57	–	–	–	3,473	

1 Continuing operations net profit after tax includes gains and losses net of transaction and separation costs associated with the disposal of Aegis, AUSIEX, Count Financial and other businesses, and the dilution of the Group's interest in Bank of Hangzhou. Discontinued operations net profit after tax includes gains and losses net of transaction and separation costs associated with the disposal of CFS, CFSGAM, PT Commonwealth Life and other businesses, and the deconsolidation and divestment of CommInsure Life.

2 Interest income includes total effective interest income and other interest income.

3 Statutory net profit after income tax from discontinued operations is presented net of non-controlling interests.

Appendices (continued)

6.5 Analysis Template

	Full Year Ended ^{1,2}		Half Year Ended ^{1,2}	
	30 Jun 20	30 Jun 19	30 Jun 20	31 Dec 19
	\$M	\$M	\$M	\$M
Ratios - Output Summary (continuing operations basis)				
Earnings Per Share (EPS)				
Net profit after tax - "cash basis"	7,296	8,221	2,940	4,356
Average number of shares (M) - "cash basis"	1,769	1,766	1,769	1,769
Earnings Per Share basic - "cash basis" (cents)	412.5	465.5	166.2	246.2
Net profit after tax - "statutory basis"	7,459	8,089	3,007	4,452
Average number of shares (M) - "statutory basis"	1,768	1,765	1,769	1,769
Earnings Per Share basic - "statutory basis" (cents)	421.8	458.3	170.0	251.7
Interest expense (after tax) - PERLS VI	–	38	–	–
Interest expense (after tax) - PERLS VII	59	74	28	31
Interest expense (after tax) - PERLS VIII	47	54	22	25
Interest expense (after tax) - PERLS IX	60	71	29	31
Interest expense (after tax) - PERLS X	43	52	20	23
Interest expense (after tax) - PERLS XI	53	34	25	28
Interest expense (after tax) - PERLS XII	28	–	22	6
Profit impact of assumed conversions (after tax)	290	323	146	144
Weighted average number of shares - PERLS VI (M)	–	13	–	–
Weighted average number of shares - PERLS VII (M)	37	43	38	38
Weighted average number of shares - PERLS VIII (M)	18	21	18	18
Weighted average number of shares - PERLS IX (M)	20	23	21	20
Weighted average number of shares - PERLS X (M)	17	19	17	17
Weighted average number of shares - PERLS XI (M)	20	12	20	20
Weighted average number of shares - PERLS XII (M)	13	–	21	5
Weighted average number of shares - Employee share plans (M)	2	1	2	1
Weighted average number of shares - dilutive securities (M)	127	132	137	119
Net profit after tax - "cash basis"	7,296	8,221	2,940	4,356
Add back profit impact of assumed conversions (after tax)	290	323	146	144
Adjusted diluted profit for EPS calculation	7,586	8,544	3,086	4,500
Average number of shares (M) - "cash basis"	1,769	1,766	1,769	1,769
Add back weighted average number of shares (M)	127	132	137	119
Diluted average number of shares (M)	1,896	1,898	1,906	1,888
Earnings Per Share diluted - "cash basis" (cents)	399.9	449.9	161.9	238.3
Net profit after tax - "statutory basis"	7,459	8,089	3,007	4,452
Add back profit impact of assumed conversions (after tax)	290	323	146	144
Adjusted diluted profit for EPS calculation	7,749	8,412	3,153	4,596
Average number of shares (M) - "statutory basis"	1,768	1,765	1,769	1,769
Add back weighted average number of shares (M)	127	132	137	119
Diluted average number of shares (M)	1,895	1,897	1,906	1,888
Earnings Per Share diluted - "statutory basis" (cents)	408.5	443.2	165.5	243.4

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.

Appendices (continued)

6.5 Analysis Template (continued)

	Full Year Ended ¹		Half Year Ended ¹	
	30 Jun 20	30 Jun 19	30 Jun 20	31 Dec 19
	\$M	\$M	\$M	\$M
Ratios - Output Summary (including discontinued operations)				
Earnings Per Share (EPS)				
Net profit after tax - "cash basis"	7,449	8,706	2,955	4,494
Average number of shares (M) - "cash basis"	1,769	1,766	1,769	1,769
Earnings Per Share basic - "cash basis" (cents)	421.1	493.0	167.1	254.0
Net profit after tax - "statutory basis"	9,634	8,571	3,473	6,161
Average number of shares (M) - "statutory basis"	1,768	1,765	1,769	1,769
Earnings Per Share basic - "statutory basis" (cents)	544.8	485.6	196.3	348.4
Interest expense (after tax) - PERLS VI	-	38	-	-
Interest expense (after tax) - PERLS VII	59	74	28	31
Interest expense (after tax) - PERLS VIII	47	54	22	25
Interest expense (after tax) - PERLS IX	60	71	29	31
Interest expense (after tax) - PERLS X	43	52	20	23
Interest expense (after tax) - PERLS XI	53	34	25	28
Interest expense (after tax) - PERLS XII	28	-	22	6
Profit impact of assumed conversions (after tax)	290	323	146	144
Weighted average number of shares - PERLS VI (M)	-	13	-	-
Weighted average number of shares - PERLS VII (M)	37	43	38	38
Weighted average number of shares - PERLS VIII (M)	18	21	18	18
Weighted average number of shares - PERLS IX (M)	20	23	21	20
Weighted average number of shares - PERLS X (M)	17	19	17	17
Weighted average number of shares - PERLS XI (M)	20	12	20	20
Weighted average number of shares - PERLS XII (M)	13	-	21	5
Weighted average number of shares - Employee share plans (M)	2	1	2	1
Weighted average number of shares - dilutive securities (M)	127	132	137	119
Net profit after tax - "cash basis"	7,449	8,706	2,955	4,494
Add back profit impact of assumed conversions (after tax)	290	323	146	144
Adjusted diluted profit for EPS calculation	7,739	9,029	3,101	4,638
Average number of shares (M) - "cash basis"	1,769	1,766	1,769	1,769
Add back weighted average number of shares (M)	127	132	137	119
Diluted average number of shares (M)	1,896	1,898	1,906	1,888
Earnings Per Share diluted - "cash basis" (cents)	407.9	475.4	162.7	245.6
Net profit after tax - "statutory basis"	9,634	8,571	3,473	6,161
Add back profit impact of assumed conversions (after tax)	290	323	146	144
Adjusted diluted profit for EPS calculation	9,924	8,894	3,619	6,305
Average number of shares (M) - "statutory basis"	1,768	1,765	1,769	1,769
Add back weighted average number of shares (M)	127	132	137	119
Diluted average number of shares (M)	1,895	1,897	1,906	1,888
Earnings Per Share diluted - "statutory basis" (cents)	523.2	468.6	189.9	334.0

¹ Calculations are based on actual numbers prior to rounding to the nearest million.

Appendices (continued)

6.5 Analysis Template (continued)

	Full Year Ended ¹		Half Year Ended ¹	
	30 Jun 20	30 Jun 19	30 Jun 20	31 Dec 19
Dividends Per Share (DPS)				
Dividends (including discontinued operations)	\$M	\$M	\$M	\$M
Dividends per share (cents) - fully franked	298	431	98	200
No. of shares at end of period excluding Treasury shares deduction (M)	1,770	1,770	1,770	1,770
Total dividends (\$M)	5,275	7,630	1,735	3,540
Dividend payout ratio - "cash basis"				
Net profit after tax - attributable to ordinary shareholders (\$M)	7,449	8,706	2,955	4,494
Total dividends (\$M)	5,275	7,630	1,735	3,540
Payout ratio - "cash basis" (%)	70.82	87.64	58.71	78.78
Dividend cover				
Net profit after tax - attributable to ordinary shareholders (\$M)	7,449	8,706	2,955	4,494
Total dividends (\$M)	5,275	7,630	1,735	3,540
Dividend cover - "cash basis" (times)	1.4	1.1	1.7	1.3

¹ 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 20	30 Jun 19	30 Jun 20	31 Dec 19
Ratios - Output Summary (continuing operations basis)	\$M	\$M	\$M	\$M
Return on Equity (ROE)				
Return on Equity - "cash basis"				
Average net assets	70,889	68,376	71,583	70,328
Less:				
Average non-controlling interests	(37)	(387)	(28)	(53)
Average equity	70,852	67,989	71,555	70,275
Add average treasury shares	28	86	-	43
Net average equity	70,880	68,075	71,555	70,318
Net profit after tax - "cash basis"	7,296	8,221	2,940	4,356
ROE - "cash basis" (%)	10.3	12.1	8.3	12.3
Return on Equity - "statutory basis"				
Average net assets	70,889	68,376	71,583	70,328
Average non-controlling interests	(37)	(387)	(28)	(53)
Average equity	70,852	67,989	71,555	70,275
Net profit after tax - "statutory basis"	7,459	8,089	3,007	4,452
ROE - "statutory basis" (%)	10.5	11.9	8.5	12.6

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.

Appendices (continued)

6.5 Analysis Template (continued)

	Full Year Ended ¹		Half Year Ended ¹	
	30 Jun 20	30 Jun 19	30 Jun 20	31 Dec 19
	\$M	\$M	\$M	\$M
Ratios - Output Summary (including discontinued operations)				
Return on Equity (ROE)				
Return on Equity - "cash basis"				
Average net assets	70,889	68,376	71,583	70,328
Less:				
Average non-controlling interests	(37)	(387)	(28)	(53)
Average equity	70,852	67,989	71,555	70,275
Add average treasury shares	28	86	–	43
Net average equity	70,880	68,075	71,555	70,318
Net profit after tax - "cash basis"	7,449	8,706	2,955	4,494
ROE - "cash basis" (%)	10.5	12.8	8.3	12.7
Return on Equity - "statutory basis"				
Average net assets	70,889	68,376	71,583	70,328
Average non-controlling interests	(37)	(387)	(28)	(53)
Average equity	70,852	67,989	71,555	70,275
Net profit after tax - "statutory basis"	9,634	8,571	3,473	6,161
ROE - "statutory basis" (%)	13.6	12.6	9.8	17.4
Net Tangible Assets per share				
Net assets	72,013	69,649	72,013	71,153
Less:				
Intangible assets	(7,649)	(10,014)	(7,649)	(7,739)
Non-controlling interests	(5)	(55)	(5)	(51)
Total net tangible assets	64,359	59,580	64,359	63,363
No. of shares at end of period excluding Treasury shares deduction (M)	1,770	1,770	1,770	1,770
Net Tangible Assets per share (\$)	36.36	33.66	36.36	35.79

¹ Calculations are based on actual numbers prior to rounding to the nearest million.

Appendices (continued)

6.6 Group Performance Summary

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")		
	30 Jun 20 \$M	30 Jun 19 \$M	Jun 20 vs Jun 19 %	30 Jun 20 \$M	31 Dec 19 \$M	Jun 20 vs Dec 19 %	30 Jun 20 \$M	30 Jun 19 \$M	Jun 20 vs Jun 19 %	30 Jun 20 \$M	31 Dec 19 \$M	Jun 20 vs Dec 19 %
Net interest income	18,610	18,224	2	9,260	9,350	(1)	18,645	18,328	2	9,269	9,376	(1)
Other banking income	4,837	4,951	(2)	2,294	2,543	(10)	4,875	4,946	(1)	2,333	2,542	(8)
Total banking income	23,447	23,175	1	11,554	11,893	(3)	23,520	23,274	1	11,602	11,918	(3)
Funds management income	172	255	(33)	73	99	(26)	1,040	2,061	(50)	442	598	(26)
Insurance income	139	147	(5)	108	31	large	169	221	(24)	121	48	large
Total operating income	23,758	23,577	1	11,735	12,023	(2)	24,729	25,556	(3)	12,165	12,564	(3)
Investment experience	3	2	50	3	–	n/a	28	87	(68)	5	23	(78)
Total income	23,761	23,579	1	11,738	12,023	(2)	24,757	25,643	(3)	12,170	12,587	(3)
Operating expenses	(10,895)	(10,824)	1	(5,689)	(5,206)	9	(11,669)	(12,207)	(4)	(6,092)	(5,577)	9
Loan impairment expense	(2,518)	(1,201)	large	(1,869)	(649)	large	(2,518)	(1,201)	large	(1,869)	(649)	large
Net profit before tax	10,348	11,554	(10)	4,180	6,168	(32)	10,570	12,235	(14)	4,209	6,361	(34)
Corporate tax expense	(3,052)	(3,321)	(8)	(1,240)	(1,812)	(32)	(3,118)	(3,510)	(11)	(1,254)	(1,864)	(33)
Non-controlling interests	–	(12)	large	–	–	–	(3)	(19)	(84)	–	(3)	large
Net profit after tax	7,296	8,221	(11)	2,940	4,356	(33)	7,449	8,706	(14)	2,955	4,494	(34)
Net profit after tax from discontinued operations	153	485	(68)	15	138	(89)	–	–	–	–	–	–
Net profit after tax including discontinued operations	7,449	8,706	(14)	2,955	4,494	(34)	7,449	8,706	(14)	2,955	4,494	(34)

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

Appendices (continued)

6.7 Foreign Exchange Rates

Exchange Rates Utilised ¹	Currency	As at			
		30 Jun 20	30 Jun 19	30 Jun 20	31 Dec 19
AUD 1.00 =	USD	0. 6854	0. 7013	0. 6854	0. 7004
	EUR	0. 6114	0. 6170	0. 6114	0. 6253
	GBP	0. 5584	0. 5533	0. 5584	0. 5341
	NZD	1. 0705	1. 0460	1. 0705	1. 0409
	JPY	73. 8002	75. 6460	73. 8002	76. 1235

¹ End of day, Sydney time.

Average Exchange Rates Utilised	Currency	Full Year Ended		Half Year Ended	
		30 Jun 20	30 Jun 19	30 Jun 20	31 Dec 19
AUD 1.00 =	USD	0. 6715	0. 7154	0. 6585	0. 6846
	EUR	0. 6071	0. 6270	0. 5972	0. 6170
	GBP	0. 5330	0. 5528	0. 5218	0. 5440
	NZD	1. 0544	1. 0668	1. 0497	1. 0589
	JPY	72. 6127	79. 5140	71. 2627	73. 9688

Appendices (continued)

6.8 Definitions

Glossary of Terms

Term	Description
Assets under management	Assets under management (AUM) represents the market value of assets for which the Group acts as appointed manager. Growth and volatility in this balance is a key performance indicator for the Wealth Management and New Zealand businesses.
Bankwest	Bankwest is active in all domestic market segments, with lending diversified between the business, rural, housing and personal markets, including a full range of deposit products. From 1 July 2018, the retail banking activities conducted under the Bankwest brand have been consolidated into Retail Banking Services, and the business banking activities conducted under the Bankwest brand have been consolidated into Business and Private Banking.
Business and Private Banking	Business and Private Banking serves the banking needs of business, corporate and agribusiness customers across the full range of financial services solutions, as well as providing banking and advisory services for high net worth individuals through Commonwealth Private, and equities trading and margin lending services through the CommSec business. Business and Private Banking also includes the financial results of business banking activities conducted under the Bankwest brand.
Corporate Centre (including eliminations)	Corporate Centre includes the results of unallocated Group support functions such as Treasury, Investor Relations, Group Strategy, Legal and Corporate Affairs. It also includes Group-wide elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses.
Corporations Act 2001	<i>Corporations Act 2001</i> (Cth).
Dividend payout ratio ("cash basis")	Dividends paid on ordinary shares divided by net profit after tax ("cash basis").
Dividend payout ratio ("statutory basis")	Dividends paid on ordinary shares divided by net profit after tax ("statutory basis").
DRP	Dividend reinvestment plan.
DRP participation	The percentage of total issued capital participating in the dividend reinvestment plan.
Earnings per share (basic)	Basic earnings per share is the net profit attributable to ordinary equity holders of the Bank, divided by the weighted average number of ordinary shares on issue during the period, per the requirements of relevant accounting standards.
Earnings per share (diluted)	Diluted earnings per share adjusts the net profit attributable to ordinary equity holders of the Bank and the weighted average number of ordinary shares on issue used in the calculation of basic earnings per share, for the effects of dilutive potential ordinary shares, per the requirements of relevant accounting standards.
Full-time equivalent staff	Includes all permanent full-time staff, part-time staff equivalents and external contractors employed through third-party agencies.
Funds under administration	Funds under administration (FUA) represents the market value of funds administered by the Group and excludes AUM. Growth and volatility in this balance is a key performance indicator for the Wealth Management and New Zealand businesses.
International Financial Services	International Financial Services (IFS) incorporates the Indonesian retail and business banking operations, and associate investments in China (Bank of Hangzhou and Qilu Bank) and Vietnam (Vietnam International Bank). It does not include the Business and Private Banking and Institutional Banking and Markets businesses in Asia.
Institutional Banking and Markets	Institutional Banking and Markets serves the commercial and wholesale banking needs of large corporate, institutional and government clients across a full range of financial services solutions including access to debt capital markets, transaction banking, working capital and risk management through dedicated product and industry specialists.
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.

Appendices (continued)

Term	Description
Net profit after tax ("cash basis")	Represents net profit after tax and non-controlling interests before non-cash items including, hedging and IFRS volatility, Bankwest non-cash items, treasury shares valuation adjustment, and losses or gains on acquisitions, disposal, closure and demerger of businesses. This is management's preferred measure of the Group's financial performance.
Net profit after tax ("statutory basis")	Represents net profit after tax and non-controlling interests, calculated in accordance with Australian Accounting Standards. This is equivalent to the statutory item "Net profit attributable to Equity holders of the Bank".
Net 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).
NewCo	NewCo represents the wealth management and Mortgage Broking businesses CBA intends to exit. NewCo includes Colonial First State, Financial Wisdom, Aussie Home Loans and CBA's minority shareholdings in ASX-listed companies CountPlus and Mortgage Choice.
New Zealand	New Zealand includes the banking and funds management businesses operating in New Zealand primarily under the ASB brand. ASB provides a range of banking, wealth and insurance products and services to its personal, business, rural and corporate customers in New Zealand.
Profit after capital charge (PACC)	The Group uses PACC, a risk-adjusted measure, as a key measure of financial performance. It takes into account the profit achieved, the risk to capital that was taken to achieve it, and other adjustments.
Operating expenses to total operating income	Represents operating expenses as a percentage of total operating income. The ratio is a key efficiency measure.
Other Overseas	Represents amounts booked in branches and controlled entities outside Australia and New Zealand.
Retail Banking Services	Retail Banking Services provides banking and general insurance products and services to personal customers. Retail Banking Services also includes the financial results of retail banking activities conducted under the Bankwest brand. From March 2020 the Aligned Advice related businesses were transferred out of the Wealth Management division and consolidated into the Retail Banking Services division.
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 investments in the Bank's shares held both by the life insurance statutory funds and by the employee share scheme trust.

Appendices (continued)

Market Share Definitions

Retail Banking Services

Home loans (APRA)	CBA Loans to individuals that are Securitised Owner Occupied and Investment Home Loans. APRA Monthly ADI Statistics back series.
Home Loans (RBA)	CBA Loans to individuals 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. RBA Financial Aggregates Owner Occupied and Investor Home Lending (includes ADIs and RFCs).
Credit cards (APRA)	CBA Personal Credit Card Lending (APRA). 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. 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). Deposits from Households (APRA Monthly ADI Statistics back series).

Business Banking

Business lending (APRA)	CBA Total Loans to residents as reported under APRA definitions for the Non-Financial Corporations sector (as per lending balances submitted to APRA in ARF720.1A ABS/RBA Loans and Finance Leases) (this includes some Housing Loans to Business). Loans to Non-Financial Corporations (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 Banks, ADIs and RFCs and governments. RBA Total Business Lending (adjusted for series breaks).
Business deposits (APRA)	Total CBA transaction and non-transaction account deposit balances from residents as reported under APRA definitions for the non-financial corporations sector (as per deposit balances submitted to APRA in ARF720.2A Deposits). Loans to Non-Financial Corporations (from APRA Monthly ADI Statistics back series).
Equities trading	Twelve months rolling average of total value of equities trades as measured by ASX. Twelve months rolling average of total value of equities market trades as measured by ASX.

Wealth Management

Australian Retail	Total funds in CBA Wealth Management retail investment products (including WM products badged by other parties). Total funds in retail investment products market (from Strategic Insight).
FirstChoice Platform	Total funds in FirstChoice platform. Total funds in platform/masterfund market (from Strategic Insight).

Appendices (continued)

Market Share Definitions (continued)

New Zealand

Home loans	All ASB residential mortgages for owner occupier and residential investor property use.
	Total New Zealand residential mortgages for owner occupier and residential investor property use of all New Zealand registered banks (from RBNZ).
Customer deposits	All resident and non-resident deposits on ASB Balance Sheet.
	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.
	Total New Zealand Dollar loans for business use of all New Zealand registered banks excluding agriculture loans (from RBNZ).
Retail AUM	Total ASB AUM.
	Total Market net Retail AUM (from Fund Source Research Limited).