Commonwealth Bank

Profit Announcement

For the half year ended 31 December 2021

ASX Appendix 4D
Results for announcement to the market [1]
Report for the half year ended 31 December 2021

	$M	
Revenue from ordinary activities [2, 3]	**12,265**	**up 3%**
Profit/(loss) from ordinary activities after tax attributable to Equity holders	**5,870**	**up 21%**
Net profit/(loss) for the period attributable to Equity holders	**5,870**	**up 21%**
Dividends (distributions)		
Interim dividend - fully franked (cents per share)		**175**
Record date for determining entitlements to the dividend		**17 February 2022**

1 Australian Securities Exchange (ASX) Listing Rule 4.2A.3.
2 Information has been presented on a continuing operations basis.
3 Represents total net operating income before operating expenses and impairment.

This announcement has been authorised for release by the Board.

Commonwealth Bank of Australia I Media Release 013/2022 I ACN 123 123 124 I Ground Floor Tower 1, 201 Sussex Street, Sydney NSW 2000
9 February 2022.

This half year report is provided to the ASX under Rule 4.2A. Refer to Appendix 4.2 ASX Appendix 4D for disclosures required under ASX Listing Rules.

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

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

Important dates for shareholders

Half year results announcement	**9 February 2022**
Ex-dividend date	**16 February 2022**
Record date	**17 February 2022**
Last date to change participation in DRP	**18 February 2022**
Interim dividend payment date	**30 March 2022**
Full Year Results Announcement	**10 August 2022**

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ASX Announcement

1H22 Results

For the half year ended 31 December 2021[1]

Strong financial and operational performance delivered in a low rate environment through continued customer focus, disciplined execution and investment.

Commonwealth Bank

Net profit after tax

$4,741m

Statutory NPAT

▲ 26% on 1H21

$4,746m

Cash NPAT

▲ 23% on 1H21

NPAT was supported by strong business outcomes, reduced remediation costs and lower loan loss provisions due to an improved economic outlook but impacted by lower margins.

Dividend

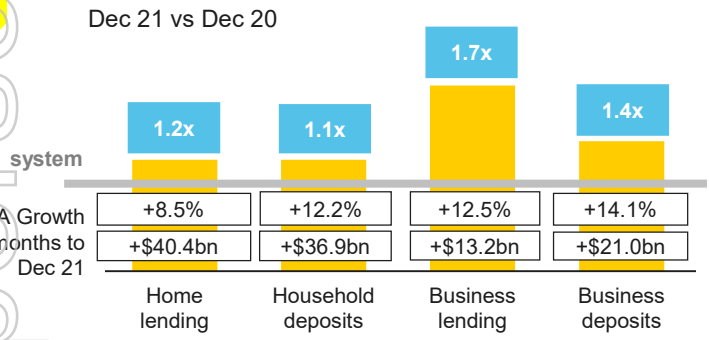
$1.75

Per share, fully franked

▲ 17% on 1H21

The interim dividend was $1.75 per share, fully franked. This represents a normalised cash payout ratio of ~70%, in line with the Board's interim target payout ratio normalised for long run loan loss rates.

Volume growth in core businesses[2]



Net interest margin

1.92%

▼ 17bpts on 2H21

▼ 14bpts on 1H21

▼ 9bpts excl. liquids on 2H21

▼ 5bpts excl. liquids on 1H21

Excluding the impact from increased lower yielding liquid assets, the Bank's net interest margin (NIM) decreased 5bpts due to increased switching to lower margin fixed home loans, the impact of the rising swap rates due to market expectations of higher interest rates, and continued pressure from home loan competition.

Common Equity Tier 1 capital ratio

11.8%

APRA, Level 2[3]

▼ 130bpts on Jun 21

Maintained strong capital surplus post the successful completion of a $6bn off-market share buy-back. CET1 of 18.4% on an internationally comparable basis.

Operating performance[4]

$6,617m

▲ 4% on 1H21

Strong operating performance driven by above system volume growth and lower remediation costs.

For footnotes see page vii of this ASX Announcement.

Results overview

Building tomorrow's bank today Chief Executive Officer, Matt Comyn

The Bank has delivered a strong financial result in a low rate environment. This has been achieved through continued customer focus and disciplined operational execution.

Higher cash profits were a result of continued volume growth across the business in home lending, business lending and deposits, flat operating costs and significantly lower loan impairment expense due to the improving economic outlook.

We have continued to invest in operational execution and the ongoing strengthening of our business, consistent with our strategic priorities.

A highlight of the result is our continued capital and balance sheet strength. Our disciplined and balanced approach to capital optimises growth, reinvestment and shareholder returns. This has allowed us to return excess capital to our shareholders and lower our share count while remaining strongly capitalised and provisioned. We retain flexibility to provide further support to our customers and communities. As a result, an interim dividend of $1.75 per share, fully franked, has been determined and we continue capital management actions with a $2bn on-market share buy-back.

Key financials

For the half year ended 31 December 2021[1].

- **Statutory NPAT** was $4,741m up 26%.
- **Cash NPAT** of $4,746m was 23% higher due to above system growth in all core markets, lower collective provisions from an improvement in economic outlook and a reduction in remediation expenses.
- **Operating income** was $12,205m up 2%, driven by continued core volume growth and improved volume driven fee income, partly offset by reduced net interest margin.
- **Net interest margin** was 1.92% down by 14bpts. Excluding the impact from increased lower yielding liquid assets, margin reduced by 5bpts mainly driven by switching to fixed rate home loans, the impact of rising swap rates and continued pressure from home loan competition.
- **Operating expenses** were flat at $5,588m, driven by increased staff costs to support higher volumes and delivery of strategic investment initiatives; offset by lower occupancy, IT and remediation costs.
- **Loan impairment expense** decreased $957m to a benefit of $75m reflecting an improved economic outlook. Loan loss provisions remain significantly higher than the expected losses under the central economic scenario.
- **Deposit funding** of 73%, as the Group maintained a significant portion of its funding requirements from customer deposits.
- **Common Equity Tier 1** (CET1) capital ratio of 11.8% (Level 2, APRA).
- **Interim dividend** of $1.75 per share, fully franked.

Outlook Chief Executive Officer, Matt Comyn

Building a brighter future for all.

We expect the Australian economy to have a strong year in 2022 despite early challenges from the Omicron strain of COVID-19. Both the unemployment rate and the underemployment rate are at the lowest since 2008, with high participation rates.

Australian households have accumulated savings and stronger wage growth is expected. An increase in demand for goods relative to services, supply-chain constraints and tightening labour markets will likely lead to a further increase in the rate of inflation.

While the inflationary risk does not currently appear as high in Australia, relative to global peer nations, the RBA has announced the end of quantitative easing in February. The CBA Economics team's forecast is for a modest monetary policy tightening cycle through FY23, with the first official interest rate increase forecast for August 2022.

Non-mining investment is strong, confidence has held up reasonably well, and both exports and infrastructure investment are providing good support.

Looking ahead, we will continue to invest in the business to extend our product offering to our retail and business customers and extend our digital leadership. We are well positioned to support business investment to build Australia's future economy.

Through disciplined execution and our people's care and commitment, we will continue to deliver for our customers, community and our shareholders as we build tomorrow's bank today.

Operating performance

Our banking businesses continued to perform well in a low rate environment, delivering above market growth in home lending, business lending and deposits through customer focus and disciplined execution. Strong volume growth supported operating income and offset the impact of home loan competition and switching.

Operating income

Operating income
Cash basis

$12,205m

1H21 $11,961m ▲ 2%

Net interest margin

1.92%

1H21 2.06% ▼ 14bpts
(excl. liquids ▼ 5bpts)

2H21 2.09% ▼ 17bpts
(excl. liquids ▼ 9bpts)

Net interest income increased 1.5%, driven by above system volume growth in home and business lending, and deposits, partly offset by a decrease in net interest margin.

Net interest margin (NIM) was down 14 basis points. Excluding the impact from increased lower yielding liquid assets, NIM reduced by 5 basis points mainly driven by customers switching to fixed rate home loans, the impact of rising swap rates, and continued pressure from home loan competition.

Looking ahead, we expect home loan price competition and switching to continue to weigh on margins in the second half.

Non-interest income increased 4.1%.

The key drivers were:

- Improved volume related lending and deposit fee income.
- Non-recurrence of prior period aircraft impairments and higher net profits from minority interests.

These increases were partly offset by:

- Lower Global Markets and equities trading income.
- Decreased merchant income mainly due to the impact of COVID-19 including fee waivers.
- Lower insurance income mainly driven by increased weather event claims.

Operating expenses

Operating expenses
Cash basis

$5,588m

1H21 $5,591m ▼ 0.1%

Investment spend

$945m **(total spend)**

1H21 $856m ▲ 10%

Cost-to-income ratio
Cash basis

45.8% **(headline)**

1H21 46.7%

Operating expenses were flat, driven by higher staff costs, offset by lower occupancy, IT and remediation costs.

Staff expenses increased 13% mainly driven by increased full-time equivalent staff and wage inflation, partly offset by ongoing business simplification initiatives.

The staff increases were due to:

- Increased loan application processing and higher financial crime assessment volumes.
- Delivery of our strategic investment priorities.
- Increased frontline and technology resources to help our customers and uplift our cyber security and data management capabilities.

Occupancy and equipment expenses decreased 16% reflecting benefits from branch and ATM optimisations, and exiting commercial office space as we continue to consolidate our property footprint.

Information technology expenses decreased 5% due to lower amortisation and business simplification initiatives. This was partly offset by increased IT infrastructure and maintenance costs including higher cloud computing and storage volumes and higher software licence costs.

Remediation costs were significantly lower, primarily driven by reduced Aligned Advice related costs.

The **cost-to-income** ratio (cash basis) was 45.8%.

Provisions and credit quality

Loan impairment expense

Loan impairment expense

-$75m

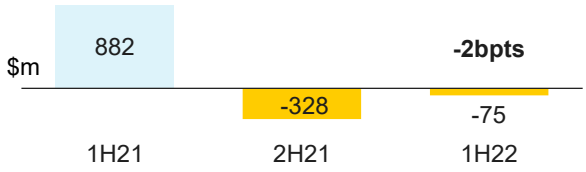
1H21 $882m

Loan impairment expense decreased $957m as a result of lower collective provisions reflecting an improvement in economic outlook and higher collective provision charges in the prior comparative period from the impact of COVID-19.

The loan loss rate reduced to -2 basis points, down from 22 basis points in 1H21.

Loan Loss Rate (bpts)[1]

bpts	1H21	2H21	**1H22**
Consumer	14	-6	**0**
Corporate	44	-13	**-7**
Total	**22**	**-8**	**-2**



Portfolio credit quality

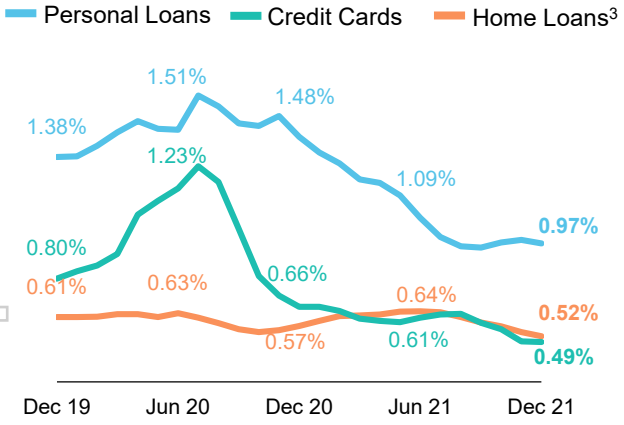
Arrears on home loans and consumer finance remain low. Home loan arrears reduced primarily due to low interest rates, improvement in economic conditions, a strong property market and customer origination quality.

Credit card and personal loan arrears remain low due to improved economic conditions and customer origination quality.

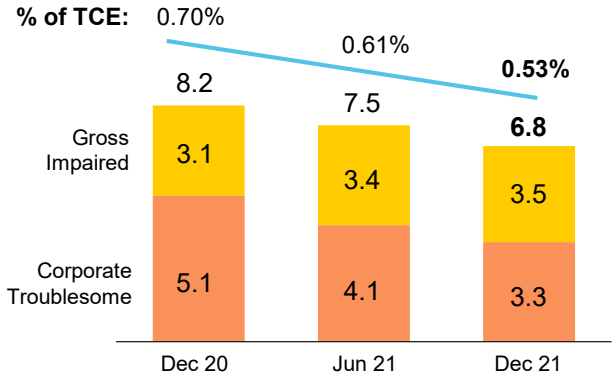
Troublesome and impaired assets decreased to $6.8bn from $7.5bn in 2H21. Corporate troublesome assets decreased by $0.8bn on the prior half, mainly driven by refinancing, repayments and upgrades supported by improved economic conditions, partly offset by the downgrade of a small number of larger exposures into the troublesome portfolio across a range of sectors.

Gross impaired assets increased by $73m on the prior half, mainly driven by an increase in restructured home loans in New Zealand and the impairment of a small number of single name exposures in the corporate portfolio.

Consumer arrears[2] > 90 days (%)



Troublesome and impaired assets ($bn)

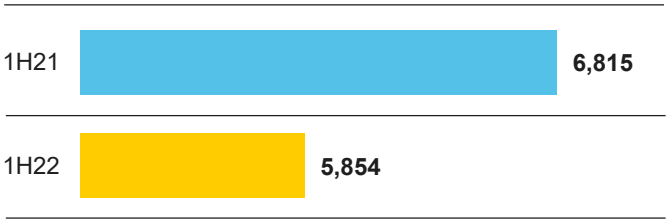


Loan impairment provisions

Our total impairment provisions were $5,854m, a decrease of $961m against 1H21 reflecting an improvement in the economic outlook and lower consumer finance balances, partly offset by increased forward looking adjustments reflecting uncertainties due to higher inflation and interest rate expectations.

Provisioning coverage remains strong with the provision coverage ratio[4] at 1.50%.

Total impairment provisions ($m)



Balance sheet strength

Our capital, liquidity and funding metrics remained strong during 1H22. The strength of our balance sheet means the Bank is well positioned to continue supporting our customers as the Australian economy recovers.

Funding and liquidity

Deposit funding ratio

73%

Dec 20 75%

Liquidity coverage ratio[1]

134%

Dec 20 143%

Net stable funding ratio

131%

Dec 20 123%

Balance sheet settings remain strong. The Bank continued to satisfy a significant portion of its funding requirements from customer deposits with the deposit funding ratio being 73%. Customer deposits increased by $59.2bn during the year.

The Bank remains well positioned from a wholesale funding perspective, with long term wholesale funding accounting for 67% of total wholesale funding.

The Bank's Term Funding Facility (TFF) was fully drawn as at 30 June 2021, with maturities commencing from June 2023. The average tenor of the long term wholesale funding portfolio was 5.0 years (6.5 years excluding the TFF).

In September 2021, APRA announced a sector-wide phased reduction in the reliance on the Committed Liquidity Facility to zero by the end of 2022.

The Bank is well placed to manage the liquidity and funding impacts of both these changes.

The liquidity coverage ratio for the quarter ended 31 December 2021 was 134% which remains significantly above the minimum regulatory requirement of 100%.

The net stable funding ratio as at 31 December 2021 was 131%, well above the regulatory minimum of 100%. The increase in the ratio was due to the growth in customer deposits, the benefit of the TFF and our strong capital position.

Capital

Common Equity Tier 1 capital ratio

11.8%

APRA (Level 2)

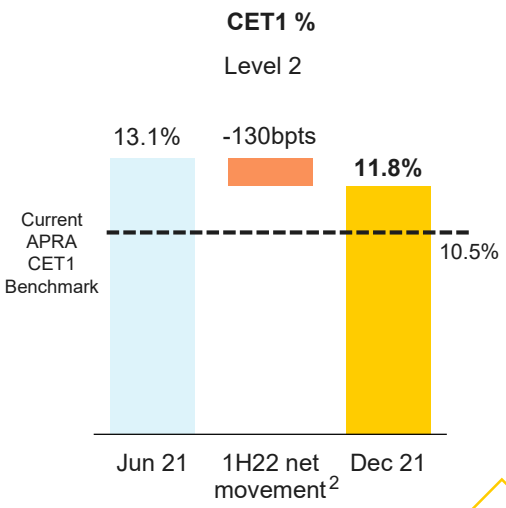
Jun 21 13.1%

The Group has a strong capital position with a CET1 capital ratio as at 31 December 2021 of 11.8%.

During the first half, the Group successfully completed the $6bn off-market share buy-back that reduced CET1 capital by 133 basis points. Also reducing capital was the 2021 final dividend payment, 79 basis points, and higher risk weighted assets, 54 basis points. The Group's CET1 capital was supported by strong profit generation from the core banking businesses of 98 basis points, and the benefits of proceeds received from the majority sale of Colonial First State of 32 basis points.

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

In November 2021 APRA announced revisions to implement Basel III reforms, effective from 1 January 2023. APRA has stated that the new framework does not require banks to raise additional capital.



Delivering for shareholders

Dividend

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

An interim dividend of $1.75 per share, fully franked, was determined. The interim dividend payout ratio was 62% of the Bank's cash earnings, or ~70% after normalising for long run loan loss rates.

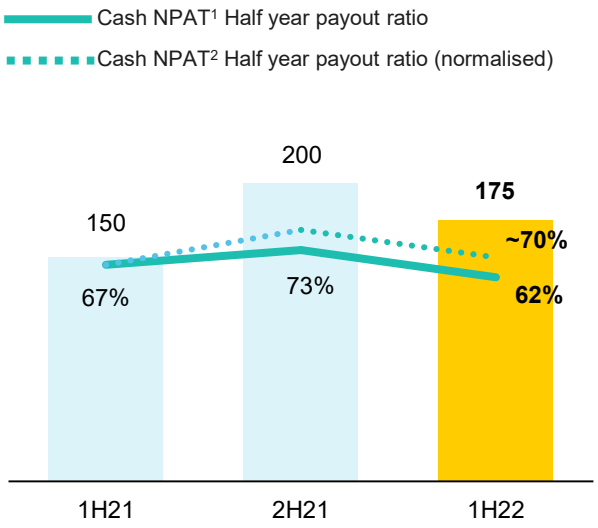
The Bank will continue to target a full year payout ratio of 70-80% of cash NPAT and an interim payout ratio of ~70% of cash NPAT. In considering the sustainability of dividends, the Board will continue to take into account a number of factors, including long term average loss rates.

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

The ex-dividend date is 16 February 2022, the record date is 17 February 2022, the interim DRP participation date is 18 February 2022 and the interim dividend will be paid on 30 March 2022.

Sustainable returns

Dividend per share (cents)



Capital management

Our disciplined and balanced approach to capital optimises growth, reinvestment, shareholder returns and flexibility. CBA's strong capital position creates flexibility to support our customers and manage ongoing uncertainties, while continuing to return surplus capital to shareholders.

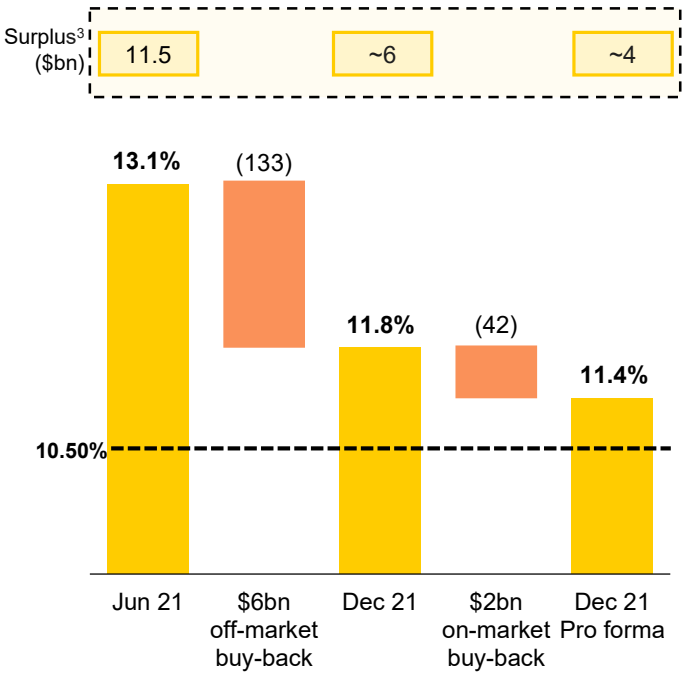
Capital management in 2021 included a $6bn off-market share buy-back and continued neutralisation of the DRP. CBA now intends to undertake further capital management via an on-market buy-back of up to $2bn[4].

The buy-back is expected to reduce the CET1 capital ratio by approximately 42 basis points (Dec 21 pro-forma CET1 of 11.4%). Post the buy-back, CBA will remain well placed to accommodate changes under APRA's new capital framework effective 1 January 23.

CBA expects to commence the buy-back after the completion of the on-market share purchase associated with neutralising the impact of 1H22 DRP.

The timing and actual number of shares purchased under the buy-back will depend on markets conditions, available trading windows, the prevailing share price and other considerations.

Pro-forma CET1 (APRA, Level 2)



Footnotes

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1. All information in this section is presented on a continuing operations basis, unless stated otherwise. Comparative information has been restated to conform to presentation in the current period. Unless otherwise stated all figures relate to the half year ended 31 December 2021 and comparisons are to the prior comparative period, the half year ended 31 December 2020.
2. As reported in RBA Lending and Credit Aggregates (Home Lending) and APRA Monthly Authorised Deposit-taking Institution Statistics (MADIS) (Household Deposits). CBA Business Lending multiple estimate is based on Business Banking growth rate (excluding Institutional Banking and Markets) over published APRA and RBA Total Business Lending Data (excluding estimated Institutional Lending balances). CBA business deposits multiple estimate is based on Total CBA Non-Financial business deposit growth rate over Market Non-Financial Business Deposit growth rate, as published by APRA.
3. Includes discontinued operations.
4. Operating income less operating expenses.

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1. For an explanation of and reconciliation between statutory and cash NPAT refer to page 3 of the Profit Announcement for the half year ended 31 December 2021.

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1. Loan Impairment Expense as a percentage of average Gross Loans and Acceptances (GLAA) (bpts) annualised.
2. Group consumer arrears including New Zealand. APRA's prudential relief for customers on eligible COVID-19 loan repayment deferral arrangements has effectively "stopped the clock" on home loan and personal loan arrears.
3. Excludes Reverse Mortgage, Commonwealth Portfolio Loan and Residential Mortgage Group loans.
4. Total loan impairment provisions as a percentage of credit risk weighted assets.

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1. Quarterly average.
2. Inclusive of share buyback (-133bpts), capital generated from earnings (+98bpts), payment of the 2H21 dividend (-79bpts), benefit from CFS divestment (+32bpts), higher Risk Weighted Assets (-54bpts) and other movements in capital (+6bpts).

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1. Cash NPAT inclusive of discontinued operations.
2. Cash NPAT and dividend payout ratio normalised to reflect a long run loan loss rate.
3. Capital surplus above APRA's 10.5% current CET1 benchmark, incorporates impact of buy-backs as well as other capital and RWA movements.
4. CBA reserves the right to vary, suspend or terminate the buy-back at any time.

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This announcement has been authorised for release by the Board.

Key financial information

Group performance summary (continuing operations)	Half year ended [1] ("cash basis") 31 Dec 21 $m	30 Jun 21 $m	31 Dec 20 $m	Dec 21 v Jun 21 %	Dec 21 v Dec 20 %
Net interest income	9,748	9,702	9,600	-	2
Other banking income	2,359	2,354	2,190	-	8
Total banking income	12,107	12,056	11,790	-	3
Funds management income	80	85	80	(6)	-
Insurance income	18	54	91	(67)	(80)
Total operating income	12,205	12,195	11,961	-	2
Operating expenses	(5,588)	(5,768)	(5,591)	(3)	-
Operating Performance	6,617	6,427	6,370	3	4
Loan impairment benefit/(expense)	75	328	(882)	77	(large)
Net profit before tax	6,692	6,755	5,488	(1)	22
NPAT from continuing operations	4,746	4,785	3,868	(1)	23
NPAT from discont'd operations [2]	100	49	99	large	1
NPAT from continuing operations ("statutory basis")	4,741	5,084	3,759	(7)	26

Cash net profit after tax, by division (continuing operations)					
Retail Banking Services[3]	2,331	2,541	2,155	(8)	8
Business Banking	1,489	1,471	1,369	1	9
Institutional Banking and Markets	587	500	426	17	38
New Zealand	679	625	536	9	27
Corporate Centre and Other	(340)	(352)	(618)	(3)	(45)
NPAT from continuing operations	4,746	4,785	3,868	(1)	23

Shareholder ratios & performance indicators (continuing operations unless otherwise stated)					
Earnings per share – "cash basis" – basic (cents)	272.8	270.0	218.5	1	25
Return on equity – "cash basis" (%)	12.3	12.6	10.5	(30)bpts	180bpts
Dividends per share – fully franked (cents)	175	200	150	(13)	17
Dividend payout ratio – "cash basis" (%) [4]	62	73	67	(large)	(large)
Average interest earning assets ($M) [5]	1,008,070	936,883	922,924	8	9
Net interest margin (%)	1.92	2.09	2.06	(17)bpts	(14)bpts
Operating expenses to total operating income (%)	45.8	47.3	46.7	(150)bpts	(90)bpts

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 primarily includes Colonial First State (CFS).
3. Retail Banking Services including Mortgage Broking and General Insurance.
4. Includes discontinued operations.
5. Average interest earning assets are net of average mortgage offset balances.

Highlights

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2. Highlights

Highlights

Group Performance Summary

Group Performance Summary	Half Year Ended ("statutory basis") 31 Dec 21 $M	Dec 21 vs Dec 20 %	Half Year Ended [1] ("cash basis") 31 Dec 21 $M	30 Jun 21 $M	31 Dec 20 $M	Dec 21 vs Jun 21 %	Dec 21 vs Dec 20 %
Net interest income	**9,748**	2	**9,748**	9,702	9,600	–	2
Other banking income	**2,419**	14	**2,359**	2,354	2,190	–	8
Total banking income	**12,167**	4	**12,107**	12,056	11,790	–	3
Funds management income	**80**	–	**80**	85	80	(6)	–
Insurance income	**18**	(80)	**18**	54	91	(67)	(80)
Total operating income	**12,265**	3	**12,205**	12,195	11,961	–	2
Operating expenses	**(5,694)**	1	**(5,588)**	(5,768)	(5,591)	(3)	–
Loan impairment benefit/(expense)	**75**	(large)	**75**	328	(882)	77	(large)
Net profit before tax	**6,646**	24	**6,692**	6,755	5,488	(1)	22
Corporate tax expense	**(1,905)**	19	**(1,946)**	(1,970)	(1,620)	(1)	20
Net profit after tax from continuing operations	**4,741**	26	**4,746**	4,785	3,868	(1)	23
Net profit after tax from discontinued operations [2]	**1,129**	2	**100**	49	99	large	1
Net profit after tax	**5,870**	21	**4,846**	4,834	3,967	–	22
Gain on acquisition, disposal, closure and demerger of businesses	**n/a**	n/a	**1,040**	463	910	large	14
Hedging and IFRS volatility	**n/a**	n/a	**(16)**	15	(8)	(large)	large
Net profit after tax ("statutory basis")	**5,870**	21	**5,870**	5,312	4,869	11	21
Cash net profit after tax, by division							
Retail Banking Services (excl. Mortgage Broking and General Insurance)			**2,361**	2,532	2,120	(7)	11
Mortgage Broking and General Insurance			**(30)**	9	35	(large)	(large)
Retail Banking Services			**2,331**	2,541	2,155	(8)	8
Business Banking			**1,489**	1,471	1,369	1	9
Institutional Banking and Markets			**587**	500	426	17	38
New Zealand			**679**	625	536	9	27
Corporate Centre and Other			**(340)**	(352)	(618)	(3)	(45)
Net profit after tax from continuing operations ("cash basis")			**4,746**	4,785	3,868	(1)	23

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 are reported as a single cash net profit after tax line item. Discontinued operations includes Colonial First State (CFS), CommInsure Life, BoCommLife and Colonial First State Global Asset Management (CFSGAM).

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 gains or losses on acquisition, disposal, closure, capital repatriation 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.

	Half Year Ended				
	31 Dec 21	30 Jun 21	31 Dec 20	Dec 21 vs	Dec 21 vs
Non-Cash Items Included in Statutory Profit	**$M**	$M	$M	Jun 21 %	Dec 20 %
Gain/(loss) on acquisition, disposal, closure and demerger of businesses	**1,040**	463	910	large	14
Hedging and IFRS volatility	**(16)**	15	(8)	(large)	large
Total non-cash items (after tax)	**1,024**	478	902	large	14

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

	Half Year Ended				
	31 Dec 21	30 Jun 21	31 Dec 20	Dec 21 vs	Dec 21 vs
Non-Cash Items Included in Statutory Profit	**$M**	$M	$M	Jun 21 %	Dec 20 %
Gain/(loss) on acquisition, disposal, closure and demerger of businesses [1]	**11**	284	(101)	(96)	(large)
Hedging and IFRS volatility	**(16)**	15	(8)	(large)	large
Non-cash items (after tax) from continuing operations	**(5)**	299	(109)	(large)	(95)
Gain/(loss) on acquisition, disposal, closure and demerger of businesses [2]	**1,029**	179	1,011	large	2
Non-cash items (after tax) from discontinued operations	**1,029**	179	1,011	large	2
Total non-cash items (after tax)	**1,024**	478	902	large	14

1 Includes gains and losses net of transaction and separation costs associated with disposal of AUSIEX, Aussie Home Loans, CommInsure General Insurance, and other businesses, and the derecognition and closure of Commonwealth Financial Planning.

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

Highlights (continued)

Key Performance Indicators

Key Performance Indicators [2]	Half Year Ended [1] 31 Dec 21	30 Jun 21	31 Dec 20	Dec 21 vs Jun 21 %	Dec 21 vs Dec 20 %
Group Performance from continuing operations					
Statutory net profit after tax ($M)	**4,741**	5,084	3,759	(7)	26
Cash net profit after tax ($M)	**4,746**	4,785	3,868	(1)	23
Net interest margin (%)	**1. 92**	2. 09	2. 06	(17)bpts	(14)bpts
Operating expenses to total operating income (%)	**45. 8**	47. 3	46. 7	(150)bpts	(90)bpts
Spot number of full-time equivalent staff (FTE)	**47,532**	44,375	42,720	7	11
Average number of FTE	**46,075**	43,663	42,185	6	9
Effective corporate tax rate (%)	**29. 1**	29. 2	29. 5	(10)bpts	(40)bpts
Profit after capital charge (PACC) ($M) [3]	**2,006**	2,024	1,799	(1)	12
Average interest earning assets ($M) [4]	**1,008,070**	936,883	922,924	8	9
Average interest bearing liabilities ($M) [4]	**827,648**	777,564	776,381	6	7
Assets under management (AUM) - average ($M)	**21,084**	19,630	18,179	7	16
Group Performance including discontinued operations					
Statutory net profit after tax ($M)	**5,870**	5,312	4,869	11	21
Cash net profit after tax ($M)	**4,846**	4,834	3,967	–	22
Net interest margin (%)	**1. 92**	2. 09	2. 06	(17)bpts	(14)bpts
Operating expenses to total operating income (%)	**46. 0**	48. 4	47. 2	(240)bpts	(120)bpts
Spot number of full-time equivalent staff (FTE)	**47,549**	46,189	44,548	3	7
Average number of FTE	**47,629**	45,463	44,007	5	8
Effective corporate tax rate (%)	**29. 1**	29. 2	29. 5	(10)bpts	(40)bpts
Profit after capital charge (PACC) ($M) [3]	**2,108**	2,053	1,897	3	11
Average interest earning assets ($M) [4]	**1,008,697**	937,170	923,211	8	9
Assets under management (AUM) - average ($M)	**21,084**	19,630	18,179	7	16

1 Comparative information has been restated to conform to presentation in the current period.
2 Presented on a "cash basis" unless stated otherwise.
3 The Bank uses PACC as a key measure of risk-adjusted profitability. It takes into account the profit achieved, the risk to capital that was taken to achieve it, and other adjustments.
4 Average interest earning assets are net of average mortgage offset balances. Average interest bearing liabilities exclude average mortgage and other offset balances.

Highlights (continued)

Key Performance Indicators (continued)

Key Performance Indicators	Half Year Ended [1] 31 Dec 21	30 Jun 21	31 Dec 20	Dec 21 vs Jun 21 %	Dec 21 vs Dec 20 %
Shareholder Returns from continuing operations					
Earnings Per Share (EPS) (cents) [2]					
Statutory basis - basic	**272. 5**	286. 8	212. 3	(5)	28
Cash basis - basic	**272. 8**	270. 0	218. 5	1	25
Return on equity (ROE) (%) [2]					
Statutory basis	**12. 3**	13. 4	10. 2	(110)bpts	210 bpts
Cash basis	**12. 3**	12. 6	10. 5	(30)bpts	180 bpts
Shareholder Returns including discontinued operations					
Earnings Per Share (EPS) (cents) [2]					
Statutory basis - basic	**337. 4**	299. 7	275. 0	13	23
Cash basis - basic	**278. 5**	272. 7	224. 1	2	24
Return on equity (ROE) (%) [2]					
Statutory basis	**15. 2**	14. 0	13. 2	120 bpts	200 bpts
Cash basis	**12. 5**	12. 7	10. 7	(20)bpts	180 bpts
Dividends per share - fully franked (cents)	**175**	200	150	(13)	17
Dividend cover - "cash basis" (times)	**1. 6**	1. 4	1. 5	14	7
Dividend payout ratio (%) [2]					
Statutory basis	**51**	67	55	(large)	(380)bpts
Cash basis	**62**	73	67	(large)	(large)
Capital including discontinued operations					
Common Equity Tier 1 (Internationally Comparable) (%) [3]	**18. 4**	19. 4	18. 7	(100)bpts	(30)bpts
Common Equity Tier 1 (APRA) (%)	**11. 8**	13. 1	12. 6	(130)bpts	(80)bpts
Risk weighted assets (RWA) ($M)	**471,927**	450,680	453,616	5	4
Leverage Ratio including discontinued operations					
Leverage Ratio (Internationally Comparable) (%) [3]	**6. 2**	6. 9	6. 8	(70)bpts	(60)bpts
Leverage Ratio (APRA) (%)	**5. 3**	6. 0	6. 0	(70)bpts	(70)bpts
Funding and Liquidity Metrics including discontinued operations					
Liquidity Coverage Ratio (%) [4]	**134**	129	143	500 bpts	(900)bpts
Weighted Average Maturity of Long Term Debt (years) [5]	**5. 0**	5. 1	5. 2	(10)bpts	(20)bpts
Customer Deposit Funding Ratio (%)	**73**	73	75	–	(200)bpts
Net Stable Funding Ratio (%)	**131**	129	123	200 bpts	800 bpts
Credit Quality Metrics including discontinued operations					
Loan impairment expense ("cash basis") annualised as a % of average GLAAs	**(0. 02)**	(0. 08)	0. 22	6 bpts	(24)bpts
Gross impaired assets as a % of GLAAs	**0. 41**	0. 42	0. 39	(1)bpt	2 bpts
Credit risk weighted assets (RWA) ($M)	**390,687**	381,550	376,900	2	4

1 Comparative information has been restated to conform to presentation in the current period.
2 For definitions refer to Appendix 4.7.
3 Analysis aligns with the 13 July 2015 APRA study titled “International capital comparison study”.
4 Quarterly average.
5 Represents the weighted average maturity (WAM) of outstanding long-term wholesale debt with a residual maturity greater than 12 months including drawdown of the RBA Term Funding Facility (TFF). WAM as at 31 December 2021 excluding the TFF drawdown is 6.5 years (30 June 2021: 6.4 years; 31 December 2020: 5.7 years).

Highlights (continued)

Key Performance Indicators (continued)

Key Performance Indicators	Half Year Ended [1] 31 Dec 21	30 Jun 21	31 Dec 20	Dec 21 vs Jun 21 %	Dec 21 vs Dec 20 %
Retail Banking Services [2]					
Cash net profit after tax ($M)	**2,361**	2,532	2,120	(7)	11
Net interest margin (%)	**2. 44**	2. 60	2. 61	(16)bpts	(17)bpts
Average interest earning assets (AIEA) ($M) [3]	**395,594**	380,816	370,314	4	7
Operating expenses to total operating income (%) [4]	**40. 1**	38. 4	39. 7	170 bpts	40 bpts
Risk weighted assets ($M) [5]	**163,020**	156,927	155,175	4	5
Business Banking					
Cash net profit after tax ($M)	**1,489**	1,471	1,369	1	9
Net interest margin (%)	**2. 98**	3. 09	3. 14	(11)bpts	(16)bpts
Average interest earning assets ($M) [3]	**190,795**	182,752	176,711	4	8
Operating expenses to total banking income (%) [4]	**38. 2**	40. 8	35. 8	(260)bpts	240 bpts
Risk weighted assets ($M)	**141,509**	136,006	134,166	4	5
Institutional Banking and Markets					
Cash net profit after tax ($M)	**587**	500	426	17	38
Net interest margin (%)	**1. 19**	1. 17	1. 05	2 bpts	14 bpts
Average interest earning assets ($M)	**130,687**	131,362	144,518	(1)	(10)
Operating expenses to total banking income (%) [4]	**42. 8**	46. 4	38. 9	(360)bpts	390 bpts
Risk weighted assets ($M)	**82,122**	82,171	85,933	–	(4)
New Zealand					
Cash net profit after tax (A$M)	**679**	625	536	9	27
Risk weighted assets (A$M) [6]	**56,445**	53,311	51,943	6	9
Net interest margin (ASB) (%) [7]	**2. 19**	2. 31	2. 12	(12)bpts	7 bpts
Average interest earning assets (ASB) (NZ$M) [7]	**115,124**	110,183	104,904	4	10
Operating expenses to total operating income (ASB) (%) [4,7]	**35. 3**	40. 1	37. 7	(480)bpts	(240)bpts
AUM - average (ASB) (NZ$M) [7]	**22,209**	21,040	19,469	6	14

1 Comparative information has been restated to conform to presentation in the current period.
2 Excludes Mortgage Broking and General Insurance.
3 Net of average mortgage offset balances.
4 Presented on a “cash basis”.
5 Includes Mortgage Broking and General Insurance.
6 Risk weighted assets (A$M) calculated in accordance with APRA requirements.
7 Key financial metrics represent ASB only and are calculated in New Zealand dollar terms.

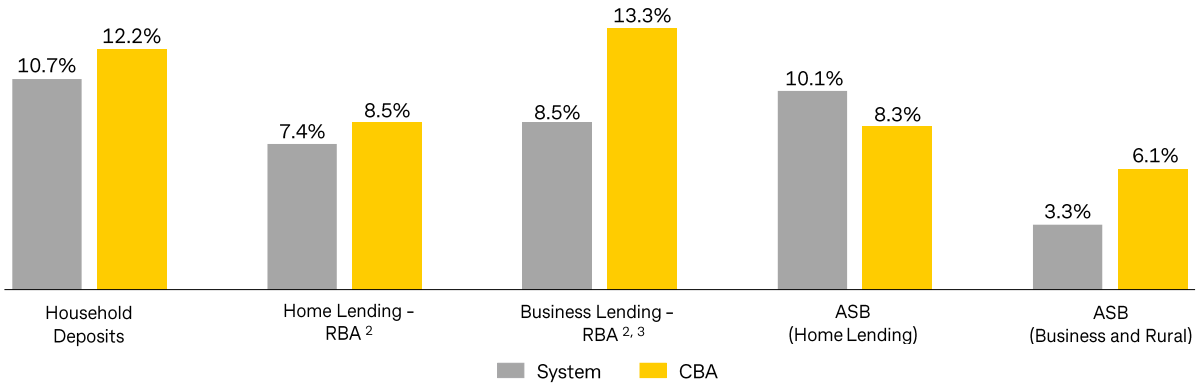
Highlights (continued)

Market Share

Market Share	As at [1] 31 Dec 21 %	30 Jun 21 %	31 Dec 20 %	Dec 21 vs Jun 21	Dec 21 vs Dec 20
Home loans - RBA [2]	**25. 5**	25. 3	25. 2	20 bpts	30 bpts
Home loans - APRA [3]	**26. 2**	26. 0	25. 9	20 bpts	30 bpts
Credit cards - APRA [3]	**28. 2**	27. 4	27. 5	80 bpts	70 bpts
Other household lending - APRA [3, 4]	**18. 1**	18. 6	18. 6	(50)bpts	(50)bpts
Household deposits - APRA [3]	**27. 6**	27. 4	27. 2	20 bpts	40 bpts
Business lending - RBA [2]	**15. 7**	15. 7	15. 1	–	60 bpts
Business lending - APRA [3]	**17. 7**	17. 7	17. 3	–	40 bpts
Business deposits - APRA [3]	**22. 1**	21. 8	21. 4	30 bpts	70 bpts
Equities trading [5]	**4. 9**	5. 4	4. 8	(50)bpts	10 bpts
NZ home loans	**21. 4**	21. 6	21. 8	(20)bpts	(40)bpts
NZ customer deposits	**18. 3**	18. 2	18. 0	10 bpts	30 bpts
NZ business lending	**17. 0**	17. 3	16. 6	(30)bpts	40 bpts

1 Comparatives have been updated to reflect market restatements.
2 System source: RBA Lending and Credit Aggregates.
3 System source: APRA's Monthly Authorised Deposit-taking Institution Statistics (MADIS) publication.
4 Other Household Lending market share includes personal loans, margin loans and other forms of lending to individuals.
5 Represents CommSec traded value (excluding AUSIEX) as a percentage of total Australian Equities markets, on a 12 month rolling average basis.

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



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

Credit Ratings

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

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Group Performance Analysis

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Contents

3. Group Performance Analysis

Group Performance Analysis

Financial Performance and Business Review

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

The Bank's statutory net profit after tax (NPAT) from continuing operations for the half year ended 31 December 2021 increased $982 million or 26.1% on the prior comparative period to $4,741 million. The Bank's statutory NPAT (including discontinued operations) for the half year ended 31 December 2021 increased $1,001 million or 20.6% on the prior comparative period to $5,870 million.

Cash net profit after tax ("cash NPAT" or "cash profit") from continuing operations increased $878 million or 22.7% on the prior comparative period to $4,746 million. The result was driven by a 2.0% increase in operating income, a 0.1% decrease in operating expenses and a $957 million decrease in loan impairment expense.

Operating income increased 2.0% on the prior comparative period. Key movements included:

- Net interest income increased 1.5% primarily driven by a 9.2% or $85 billion increase in average interest earning assets (AIEA), mainly due to above system growth in home loans and business loans, and higher liquid assets. Excluding the increase in liquid assets, AIEA increased by 5.0%. This was partly offset by a 14 basis point reduction in Net Interest Margin (NIM). Excluding the 9 basis points reduction in margin from increased lower yielding liquid assets, NIM decreased by 5 basis points, primarily driven by continued pressure on the home lending margin from the impact of swap rates on fixed rate loans, customers switching to lower margin fixed rate loans, and competition, as well as the impact from the low-rate environment, partly offset by the benefit of deposit repricing and favourable portfolio mix.
- Other banking income increased 7.7%, primarily driven by improved retail and business lending volume related fees, increased retail deposits income from higher spend and transaction volumes, the non-recurrence of prior period aircraft operating lease impairment, and higher net profit from minority investments. This was partly offset by decreased Global Markets trading gains, lower equities income from reduced trading volumes and reduced merchants income mainly due to the impact of COVID-19 including fee waivers.
- Funds management and Insurance income decreased $73 million primarily driven by lower Insurance income due to higher claims net of reinsurance recoveries, mainly due to increased weather event related claims.

Operating expenses decreased 0.1%. Excluding remediation costs and other [2], operating expenses increased 2.7%, due to higher staff costs mainly driven by wage inflation and additional resources to support higher loan processing and financial crime assessment volumes, the delivery of strategic investment initiatives and frontline resources, partly offset by benefits from business simplification initiatives and lower occupancy costs from the consolidation of our property footprint.

Loan impairment expense (LIE) decreased $957 million, primarily driven by lower collective provisions reflecting an improvement in economic outlook, and higher collective provision charges in the prior comparative period from the impact of COVID-19.

CET1 decreased by 130 basis points from 30 June 2021 to 11.8%, well above APRA's 'unquestionably strong' benchmark of 10.5%. The decrease was primarily driven by the completion of the Group's $6 billion off-market share buy-back in October 2021 (-133bps), the FY21 final dividend payment (-79bps) and higher RWAs (-54bps). This was partly offset by capital generated from earnings (+98bps), the benefit from the divestment of Colonial First State (+32bps) and other movements (+6bps).

Earnings per share ("cash basis") increased 24.9% on the prior comparative period to 272.8 cents per share, primarily driven by the increase in cash profit and the reduction in the number of shares on issue as a result of the share buy-back.

Return on equity ("cash basis") increased 180 basis points to 12.3% due to the impact of higher cash profit (approximately 230 basis points), partly offset by an increase in average capital levels, net of the completion of the share buy-back, reflecting organic capital generation and the benefits of divestments over the period (approximately -50 basis points).

The interim dividend determined was $1.75 per share, which is equivalent to 61.6% 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 with customer deposits, accounting for 73% of total funding at 31 December 2021 (down 2% from 75% at 31 December 2020 primarily due to the drawdown of the RBA's $51 billion Term Funding Facility, or TFF);
- Issued new long-term wholesale funding of $14.9 billion. Including the TFF, the portfolio WAM [3] was 5.0 years (down from 5.2 years at 31 December 2020);
- Maintained its strong funding position, with long-term wholesale funding accounting for 67% of total wholesale funding (down 3% from 70% at 31 December 2020); and
- Appropriately managed the level of liquid assets and customer deposit growth to maintain our strong funding and liquidity positions, as illustrated by the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) being well above the regulatory minimum.

1 The financial results of discontinued operations are excluded from the individual account lines of the Bank's performance and are reported as a single cash net profit after tax line item. Discontinued operations primarily include Colonial First State (CFS).

2 For further details on remediation costs refer to page 11.

3 The portfolio WAM excluding the TFF was 6.5 years (up from 5.7 years as at 31 December 2020).

Group Performance Analysis (continued)

Financial Performance and Business Review (continued)

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

	Half Year Ended [1] ("cash basis")				
Group Performance Summary	**31 Dec 21 $M**	30 Jun 21 $M	31 Dec 20 $M	Dec 21 vs Jun 21 %	Dec 21 vs Dec 20 %
Total operating income	**12,205**	12,195	11,961	–	2
Operating expenses excluding remediation costs and other	**(5,495)**	(5,435)	(5,349)	1	3
Remediation costs and other [2]	**(93)**	(333)	(242)	(72)	(62)
Total operating expenses	**(5,588)**	(5,768)	(5,591)	(3)	–
Loan impairment benefit/(expense)	**75**	328	(882)	77	(large)
Net profit before tax	**6,692**	6,755	5,488	(1)	22
Corporate tax expense	**(1,946)**	(1,970)	(1,620)	(1)	20
Net profit after tax from continuing operations ("cash basis")	**4,746**	4,785	3,868	(1)	23
Non-cash items - continuing operations [3]	**(5)**	299	(109)	(large)	(95)
Net profit after tax from continuing operations ("statutory basis")	**4,741**	5,084	3,759	(7)	26
Net profit after tax from discontinued operations ("cash basis")	**100**	49	99	large	1
Non-cash items - discontinued operations [3]	**1,029**	179	1,011	large	2
Net profit after tax ("statutory basis")	**5,870**	5,312	4,869	11	21

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

2 The half year ended 31 December 2021 includes $50 million for Banking, other Wealth and employee related remediation and litigation costs (half year ended 30 June 2021: $156 million; half year ended 31 December 2020: $93 million) and $43 million of additional costs, including provisions, for historical Aligned Advice remediation issues and associated program costs (half year ended 30 June 2021: $177 million; half year ended 31 December 2020: $149 million).

3 Refer to page 3 for further information.

Group Performance Analysis (continued)

Net Interest Income (continuing operations basis)

	Half Year Ended [1]				
	31 Dec 21	30 Jun 21	31 Dec 20	Dec 21 vs	Dec 21 vs
	$M	$M	$M	Jun 21 %	Dec 20 %
Net interest income - "cash basis"	**9,748**	9,702	9,600	–	2
Average interest earning assets					
Home loans [2]	**530,226**	509,032	494,736	4	7
Consumer finance	**16,276**	17,054	17,257	(5)	(6)
Business and corporate loans	**225,502**	216,219	216,472	4	4
Total average lending interest earning assets	**772,004**	742,305	728,465	4	6
Non-lending interest earning assets (excl. liquid assets)	**57,483**	54,203	61,275	6	(6)
Total average interest earning assets (excl. liquid assets)	**829,487**	796,508	789,740	4	5
Liquid assets [3]	**178,583**	140,375	133,184	27	34
Total average interest earning assets	**1,008,070**	936,883	922,924	8	9
Net interest margin (%)	**1. 92**	2. 09	2. 06	(17)bpts	(14)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 $593,214 million for the half year ended 31 December 2021 ($567,368 million for the half year ended 30 June 2021; $549,776 million for the half year ended 31 December 2020). While these balances are required to be grossed up under accounting standards, they are netted down for the calculation of customer interest payments and the Bank's net interest margin.

3 Average external non-lending interest earning assets held by the Group for liquidity purposes and included in LCR liquid assets.

Half Year Ended December 2021 versus December 2020

Net interest income was $9,748 million, an increase of $148 million or 2% on the prior comparative period. The result was driven by an $85 billion or 9% increase in average interest earning assets to $1,008 billion, partly offset by a 14 basis point or 7% decrease in net interest margin to 1.92%. Excluding the impact of higher liquid assets in the current half, average interest earning assets increased by $40 billion or 5%, and the net interest margin reduced by 5 basis points on the prior comparative period.

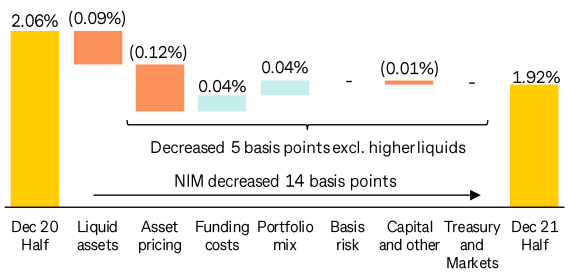
Average Interest Earning Assets

Average interest earning assets increased $85 billion or 9% on the prior comparative period to $1,008 billion.

- Home loan average balances increased $35 billion or 7% on the prior comparative period to $530 billion. Proprietary mix for CBA branded home loans has increased from 57% to 58% of new business flows with higher new business application volumes and a continued focus on credit decisioning turn-around times;
- Consumer finance average balances decreased $1 billion or 6% on the prior comparative period to $16 billion, driven by lower consumer demand for unsecured lending;
- Business and corporate loan average balances increased $9 billion or 4% on the prior comparative period to $226 billion, driven by an increase in Business Bank business lending across a number of industries, partly offset by a decline in institutional lending balances mainly due to a reduction in pooled facilities;
- Non-lending interest earning asset (excl. liquids) average balances decreased $4 billion or 6% on the prior comparative period to $57 billion, primarily driven by a decrease in the inventory of government bonds within Global Markets; and
- Liquid asset average balances increased $45 billion or 34% on the prior comparative period to $179 billion due to strong customer deposit growth.

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

NIM movement since December 2020



Net Interest Margin

The Bank's net interest margin decreased 14 basis points on the prior comparative period to 1.92%. Excluding a 9 basis point reduction in margin from increased lower yielding liquid assets, net interest margin reduced by 5 basis points. The key drivers of the movement were:

Asset pricing: Decreased margin by 12 basis points driven by reduced home lending and business lending pricing. Decreased home lending pricing (down 11 basis points) reflects the impact of swap rates on fixed rate loans (down 3 basis points), unfavourable portfolio mix from customers switching to lower margin fixed rate loans (down 6 basis points), and increased competition (down 5 basis points), partly offset by repricing (up 3 basis points). Lower business lending pricing (down 1 basis point) reflects price reductions to support our customers on the path to economic recovery.

Group Performance Analysis (continued)

Net Interest Income (continued)

Funding costs: Increased margin by 4 basis points driven by the net benefit of deposit repricing (up 5 basis points), and lower wholesale funding costs (up 1 basis point), partly offset by lower earnings from the replicating portfolio due to the low interest rate environment (down 2 basis points).

Portfolio Mix: Increased margin by 4 basis points driven by favourable asset mix from a reduction in lower margin trading asset balances and pooled facilities (up 2 basis points), and favourable funding mix (up 2 basis points) due to the drawdown of RBA Term Funding Facility (TFF) and strong growth in at-call deposits.

Basis Risk: Basis Risk arises from the spread between the 3 month bank bill swap rate and the 3 month overnight index swap rate. The average spread and exposure remained broadly flat on the prior comparative period.

Capital and other: Decreased margin by 1 basis point driven by lower earnings on capital due to the low interest rate environment (down 2 basis points), partly offset by increased contribution from New Zealand (up 1 basis point) reflecting lower wholesale funding costs and higher deposit margins.

Treasury and Markets: Flat.

Half Year Ended December 2021 versus June 2021

Net interest income increased $46 million on the prior half, driven by a $71 billion or 8% increase in average interest earning assets and the benefit of three additional calendar days in the current half, partly offset by a 17 basis point or 8% decrease in net interest margin. Excluding the impact of higher liquid assets in the current half, average interest earning assets increased by $33 billion or 4%, and the net interest margin reduced by 9 basis points on the prior half.

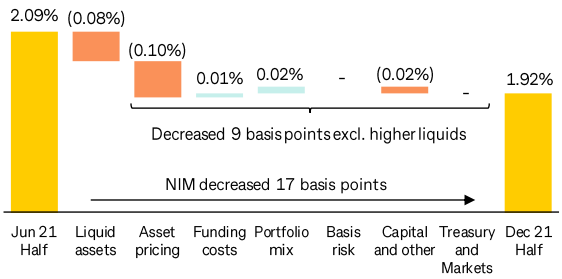
Average Interest Earning Assets

Average interest earning assets increased $71 billion or 8% on the prior half.

- Home loan average balances increased $21 billion or 4% on the prior half, due to higher new business application volumes and a continued focus on credit decisioning turn-around times. Proprietary mix for CBA branded home loans decreased from 62% to 58%, due to stronger broker flows;
- Consumer finance average balances decreased $1 billion or 5% on the prior half, driven by lower consumer demand for unsecured lending;
- Business and corporate loan average balances increased $9 billion or 4% on the prior half, driven by an increase in Business Bank business lending across a number of industries, and an increase in institutional lending balances mainly in the Funds Financing and Securitisation portfolios, partly offset by a reduction in pooled facilities;
- Non-lending interest earning asset (excl. liquids) average balances increased $3 billion or 6% on the prior half, primarily driven by higher reverse sale and repurchase agreements, partly offset by reduction in the inventory of government bonds in Global Markets; and
- Liquid asset average balances increased $38 billion or 27% on the prior half due to strong customer deposit growth.

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

NIM movement since June 2021



Net Interest Margin

The Bank's net interest margin decreased 17 basis points on the prior half. Excluding an 8 basis point reduction from increased lower yielding liquid assets, net interest margin reduced by 9 basis points. The key drivers of the movement were:

Asset pricing: Decreased margin by 10 basis points mainly driven by decreased home lending pricing (down 9 basis points) reflecting the impact of swap rates on fixed rate loans (down 2 basis points), unfavourable portfolio mix from customers switching to lower margin fixed rate loans (down 4 basis points), and increased competition (down 3 basis points). Lower business lending pricing (down 1 basis point) reflects price reductions to support our customers on the path to economic recovery.

Funding costs: Increased margin by 1 basis point driven by the benefit of savings and investment deposit repricing (up 2 basis points), partly offset by lower earnings from the replicating portfolio due to the low interest rate environment (down 1 basis point).

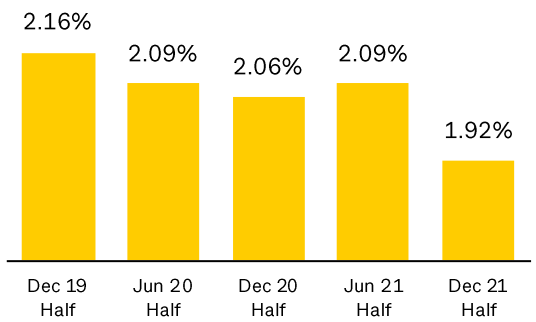
Portfolio Mix: Increased margin by 2 basis points driven by favourable funding mix from the drawdown of TFF (up 1 basis point) and strong growth in at-call deposits (up 1 basis point).

Basis Risk: Basis Risk arises from the spread between the 3 month bank bill swap rate and the 3 month overnight index swap rate. The average spread and exposure remained broadly flat on the prior half.

Capital and other: Decreased margin by 2 basis points driven by lower earnings on capital due to the low interest rate environment (down 1 basis point) and reduced contribution from New Zealand (down 1 basis point) mainly due to lower home lending margins from competition.

Treasury and Markets: Flat.

NIM (Half Year Ended)



Group Performance Analysis (continued)

Other Banking Income (continuing operations basis)

	Half Year Ended [1]				
	31 Dec 21	30 Jun 21	31 Dec 20	Dec 21 vs	Dec 21 vs
	$M	$M	$M	Jun 21 %	Dec 20 %
Commissions	**1,176**	1,265	1,299	(7)	(9)
Lending fees	**377**	369	296	2	27
Trading income	**368**	317	535	16	(31)
Other income	**438**	403	60	9	large
Other banking income - "cash basis"	**2,359**	2,354	2,190	–	8

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

Half Year Ended December 2021 versus December 2020

Other banking income was $2,359 million, an increase of $169 million or 8% on the prior comparative period.

Commissions decreased by $123 million or 9% to $1,176 million, mainly due to the divestment of Aussie Home Loans (AHL) and AUSIEX on 3 May 2021, lower equities income from reduced trading volumes, and decreased merchant income mainly reflecting the impact from COVID-19 including fee waivers. This was partly offset by higher retail deposit income from improved spend and transaction volumes.

Lending fees increased by $81 million or 27% to $377 million, mainly driven by higher retail and business lending volume growth, and increased institutional lending syndication and commitment fees.

Trading income decreased by $167 million or 31% to $368 million, mainly driven by lower Global Markets trading gains from precious metal inventory financing and the Fixed Income and Rates portfolios.

Other income increased by $378 million to $438 million, mainly driven by the non-recurrence of impairment of aircraft operating leases, higher net profits from minority investments including a reversal of historical impairment, and higher Treasury income.

Half Year Ended December 2021 versus June 2021

Other banking income increased by $5 million on the prior half.

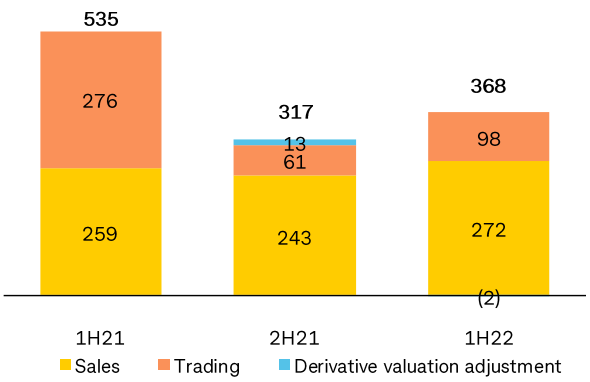
Commissions decreased by $89 million or 7%, mainly due to the divestment of AHL and AUSIEX on 3 May 2021, lower equities income from reduced trading volumes, and reduced merchant income mainly reflecting the impact from COVID-19 including fee waivers.

Lending fees increased by $8 million or 2%, mainly driven by higher retail and business lending volume growth, and increased institutional lending syndication and commitment fees. This was partly offset by lower retail volume based fees, including reduced retail overdrawn account fees, reflecting increased deposit balances.

Trading income increased by $51 million or 16%, driven by higher Global Markets sales and trading income from Foreign Exchange and Fixed Income and Rates portfolios.

Other income increased by $35 million or 9%, mainly driven by higher Treasury income and receipt of the final AIA partnership milestone payment. This was partly offset by the non-recurrence of gains on minority investments from the reversal of historical impairment in the prior half.

Trading Income ($M)



Group Performance Analysis (continued)

Funds Management Income (continuing operations basis)

	Half Year Ended [1]				
	31 Dec 21	30 Jun 21	31 Dec 20	Dec 21 vs	Dec 21 vs
	$M	$M	$M	Jun 21 %	Dec 20 %
Retail Banking Services [2]	**10**	16	16	(38)	(38)
New Zealand & Other	**70**	69	64	1	9
Funds management income - "cash basis"	**80**	85	80	(6)	–
Assets Under Management (AUM) - average ($M) [3]	**21,084**	19,630	18,179	7	16

1 Comparative information has been restated to conform to presentation in the current period.
2 Retail Banking Services incorporates the results of Commonwealth Financial Planning and the Aligned Advice businesses.
3 All average AUM balances relate to New Zealand.

Half Year Ended December 2021 versus December 2020

Funds management income was $80 million, flat to the prior comparative period. The key drivers were:

- An increase in New Zealand & Other of $6 million or 9% to $70 million, mainly driven by higher average AUM (up 16%) reflecting favourable investment markets and higher net inflows, and improved margins, partly offset by the removal of administration fees on KiwiSaver accounts; partly offset by
- A decrease in Retail Banking Services of $6 million or 38% to $10 million, mainly due to the closure of the Commonwealth Financial Planning business.

Half Year Ended December 2021 versus June 2021

Funds management income decreased $5 million or 6% on the prior half. This is mainly due to the closure of Commonwealth Financial Planning business in Retail Banking Services. New Zealand & Other increased by $1 million or 1%, driven by higher average AUM (up 7%) due to favourable investment markets and net inflows, partly offset by the removal of administration fees on KiwiSaver accounts.

Insurance Income (continuing operations basis)

	Half Year Ended				
	31 Dec 21	30 Jun 21	31 Dec 20	Dec 21 vs	Dec 21 vs
	$M	$M	$M	Jun 21 %	Dec 20 %
Insurance income - "cash basis"	**18**	54	91	(67)	(80)

Half Year Ended December 2021 versus December 2020

Insurance income was $18 million, a decrease of $73 million or 80% on the prior comparative period, driven by higher claims net of reinsurance recoveries, mainly due to increased weather and earthquake event related claims.

Half Year Ended December 2021 versus June 2021

Insurance income decreased $36 million or 67% on the prior half due to higher claims net of reinsurance recoveries, mainly due to increased weather and earthquake event related claims, partly offset by lower working claims experience.

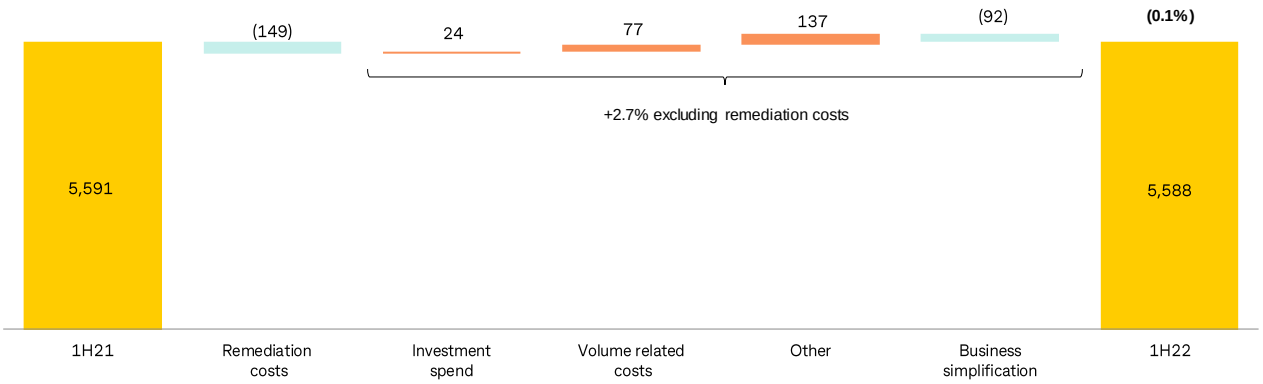
Group Performance Analysis (continued)

Operating Expenses (continuing operations basis)

	Half Year Ended [1]				
	31 Dec 21	30 Jun 21	31 Dec 20	Dec 21 vs	Dec 21 vs
	$M	$M	$M	Jun 21 %	Dec 20 %
Staff expenses	**3,358**	3,022	2,963	11	13
Occupancy and equipment expenses	**486**	578	576	(16)	(16)
Information technology services expenses	**960**	1,023	1,009	(6)	(5)
Other expenses	**691**	812	801	(15)	(14)
Operating expenses excluding remediation costs and other - "cash basis"	**5,495**	5,435	5,349	1	3
Remediation costs and other [2]	**93**	333	242	(72)	(62)
Operating expenses including remediation costs and other - "cash basis"	**5,588**	5,768	5,591	(3)	–
Operating expenses to total operating income excluding remediation costs and other (%)	**45. 0**	44. 6	44. 7	40 bpts	30 bpts
Operating expenses to total operating income (%)	**45. 8**	47. 3	46. 7	(150)bpts	(90)bpts
Average number of full-time equivalent staff (FTE)	**46,075**	43,663	42,185	6	9
Spot number of full-time equivalent staff (FTE)	**47,532**	44,375	42,720	7	11

1 Comparative Information has been restated to conform to presentation in the current period.
2 For further details on remediation costs and other refer to page 11.

Operating Expenses



Half Year Ended December 2021 versus December 2020

Operating expenses excluding remediation costs and other were $5,495 million, an increase of $146 million or 3% on the prior comparative period.

Staff expenses increased by $395 million or 13% to $3,358 million, mainly driven by increased full-time equivalent staff (FTE) and wage inflation. The average number of FTE increased by 3,890 or 9% from 42,185 to 46,075, primarily to support increased loan application processing and higher financial crime assessment volumes, and the delivery of our strategic investment priorities. In addition, the bank has increased its frontline and technology resources to help our customers and uplift our cyber security and data management capabilities, partly offset by business simplification initiatives.

Occupancy and equipment expenses decreased by $90 million or 16% to $486 million, primarily reflecting benefits from branch and ATM optimisation, and exiting commercial office space as we continue to consolidate our property footprint.

Information technology services expenses decreased by $49 million or 5% to $960 million, primarily driven by lower amortisation and business simplification initiatives. This was partly offset by increased IT infrastructure and maintenance costs including higher cloud computing and storage volumes, and higher software licence costs.

Other expenses decreased by $110 million or 14% to $691 million, primarily driven by business simplification initiatives and reduced credit card loyalty redemptions.

Operating expenses to total operating income ratio excluding remediation costs and other increased 30 basis points from 44.7% to 45.0%.

Group Performance Analysis (continued)

Operating Expenses (continued)

Half Year Ended December 2021 versus June 2021

Operating expenses excluding remediation costs and other increased $60 million or 1% on the prior half.

Staff expenses increased by $336 million or 11%, mainly driven by increased FTE and wage inflation. The average number of FTE increased by 2,412 or 6% from 43,663 to 46,075, primarily to support increased loan application processing, higher financial crime assessment volumes and the delivery of our strategic investment priorities. In addition, the bank has increased its frontline and technology resources to help our customers and uplift our cyber security and data management capabilities, partly offset by business simplification initiatives.

Occupancy and equipment expenses decreased by $92 million or 16%, primarily reflecting benefits from branch and ATM optimisation, and exiting commercial office space as we continue to consolidate our property footprint.

Information technology services expenses decreased by $63 million or 6%, primarily due to reduced IT vendor spend, business simplification benefits and lower amortisation. This was partly offset by increased IT infrastructure and maintenance costs including higher cloud computing and storage volumes, and higher software licence costs.

Other expenses decreased by $121 million or 15%, primarily driven by business simplification initiatives, lower discretionary spend and reduced credit card loyalty redemptions.

Operating expenses to total operating income ratio excluding remediation costs and other increased 40 basis points from 44.6% to 45.0%.

Investment Spend (continuing operations basis)

	Half Year Ended				
	31 Dec 21	30 Jun 21	31 Dec 20	Dec 21 vs	Dec 21 vs
	$M	$M	$M	Jun 21 %	Dec 20 %
Expensed investment spend [1]	**513**	537	489	(4)	5
Capitalised investment spend [2]	**432**	416	367	4	18
Investment spend	**945**	953	856	(1)	10
Comprising:					
Risk and compliance	**392**	423	415	(7)	(6)
Productivity and growth	**366**	334	234	10	56
Infrastructure and branch refurbishment	**187**	196	207	(5)	(10)
Investment spend	**945**	953	856	(1)	10

1 Included within the operating expenses disclosure on page 16.

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

Half Year Ended December 2021 versus December 2020

The Bank has continued to invest in our strategy of building tomorrow's bank today for our customers with $945 million of investment spend incurred in the half year ended 31 December 2021, an increase of $89 million or 10% on the prior comparative period. This is primarily driven by an increase of $132 million in productivity and growth initiatives partly offset by a reduction of $23 million in risk and compliance spend.

In the current half, productivity and growth initiatives accounted for 39% of investment spend, an increase of 12% from 27% in the prior comparative period. The Bank has increased focus on strengthening capabilities and extending our leadership in digital, technology and customer-centric product offerings through the ongoing modernisation of our platforms to provide integrated and personalised experiences for our customers. The Bank is also innovating for the future through initiatives such as the simplification of our technology platforms, uplifting our payments capabilities, including our new Smart EFTPOS terminal and the New Payments Platform, and ongoing advancement of the digital interface for our home loan and everyday banking customers.

Risk and compliance projects accounted for 41% of investment spend, a decrease of 8% from 49% in the prior comparative period. Risk and compliance initiatives continue to be a priority for the Bank as we continue to build simpler and better foundations.

Infrastructure and branch refurbishment initiatives accounted for 20% of investment spend, with the Bank continuing to uplift cyber security and enhance IT infrastructure.

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

Risk and Compliance

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

- Anti-money laundering and counter-terrorism financing (AML/CTF) compliance, including upgrading AML/CTF technology, updating policies and procedures, investing in further capability and improving training of our personnel;

Investment Spend (continued)

- Strengthening the Bank's operating model and processes for monitoring, managing, reporting and controlling financial crime across all of its operations, including how the Bank engages with and informs AUSTRAC and other regulators;
- Enhancing Customer Risk Assessment capability, and strengthening data controls and processes; and
- Improving processes and systems for additional functionality, improved operational excellence, protection of privacy, and compliance with new regulations including the Comprehensive Credit Reporting Regime, Banking Code of Practice and Open Banking.

Productivity and Growth

The Bank has continued to invest in the following:

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

Infrastructure and Branch Refurbishment

The Bank has continued to invest in the following:

- Protecting customers and the Bank against cyber security risks and data breaches;
- Improving the resilience and simplicity of the Bank's IT infrastructure and data centres;
- Retail branch refurbishment as our branch design continues to evolve to reflect changes in customer preferences; and
- Development of two sustainably designed, 6 Stars corporate office buildings to replace existing offices as leases expire.

Capitalised Software

	Half Year Ended				
	31 Dec 21	30 Jun 21	31 Dec 20	Dec 21 vs	Dec 21 vs
	$M	$M	$M	Jun 21 %	Dec 20 %
Opening Balance	**1,427**	1,334	1,296	7	10
Additions	**318**	277	276	15	15
Amortisation and write-offs	**(160)**	(184)	(238)	(13)	(33)
Closing balance	**1,585**	1,427	1,334	11	19

Half Year Ended December 2021 versus December 2020

Capitalised software balance increased $251 million or 19% to $1,585 million.

Additions increased by $42 million or 15% to $318 million, due to higher capitalised investment spend, particularly in relation to productivity and growth initiatives as the Bank continues to enhance its product offering and customer experiences, strengthen its digital capabilities, modernise technology platforms and innovate for future growth.

Amortisation and write-offs decreased by $78 million or 33% to $160 million, mainly driven by a higher work in progress balances and investment in productivity and growth initiatives with longer amortisation periods.

Half Year Ended December 2021 versus June 2021

Capitalised software balance increased $158 million or 11% on the prior half.

Additions increased by $41 million or 15%, due to higher capitalised investment spend, particularly in relation to productivity and growth initiatives as the Bank continues to enhance its product offering and customer experiences, strengthen its digital capabilities, modernise technology platforms and innovate for future growth.

Amortisation and write-offs decreased by $24 million or 13%, mainly driven by a higher work in progress balances and investment in productivity and growth initiatives with longer amortisation periods.

Group Performance Analysis (continued)

Loan Impairment Expense (continuing operations basis)

	Half Year Ended [1]				
	31 Dec 21	30 Jun 21	31 Dec 20	Dec 21 vs	Dec 21 vs
	$M	$M	$M	Jun 21 %	Dec 20 %
Retail Banking Services	**(5)**	(165)	304	97	(large)
Business Banking	**44**	(62)	290	large	(85)
Institutional Banking and Markets	**(125)**	(81)	177	(54)	(large)
New Zealand	**(12)**	(32)	27	63	(large)
Corporate Centre and Other	**23**	12	84	92	(73)
Loan impairment (benefit)/expense - "cash basis"	**(75)**	(328)	882	77	(large)

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

Half Year Ended December 2021 versus December 2020

Loan impairment expense was a benefit of $75 million, a decrease of $957 million on the prior comparative period. This was driven by:

- A decrease in Retail Banking Services of $309 million to a benefit of $5 million, driven by lower collective provisions reflecting an improvement in the economic outlook;
- A decrease in Institutional Banking and Markets of $302 million to a benefit of $125 million, driven by lower collective provisions reflecting decreased forward looking adjustments in the aviation sector and an improvement in the economic outlook, and lower individually assessed provisions;
- A decrease in Business Banking of $246 million or 85% to $44 million, driven by lower collective provision charges reflecting an improvement in the economic outlook, and lower individually assessed provision charges;
- A decrease in Corporate Centre and Other of $61 million or 73% to $23 million, driven by the non-recurrence of a central management overlay taken in the prior comparative period, partly offset by higher individually assessed provision charges in PTBC; and
- A decrease in New Zealand of $39 million to a benefit of $12 million, driven by lower collective provisions reflecting an improvement in the economic outlook.

Loan impairment expense annualised as a percentage of average gross loans and acceptances (GLAAs) decreased 24 basis points to -2 basis points.

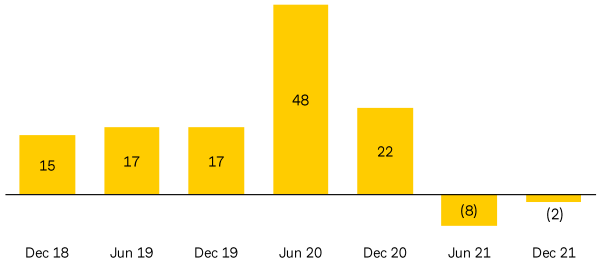
Half Year Ended December 2021 versus June 2021

Loan impairment expense increased $253 million or 77% on the prior half. This was driven by:

- An increase in Retail Banking Services of $160 million or 97%, mainly driven by higher collective provision releases in the prior half;
- An increase in Business Banking of $106 million, mainly driven by higher collective provision releases in the prior half, partly offset by lower individually assessed provisions;
- An increase in New Zealand of $20 million or 63%, mainly driven by higher collective provision releases in the prior half; and
- An increase in Corporate Centre and Other of $11 million or 92%, driven by the non-recurrence of the benefit from the release of a central management overlay in the prior half, partly offset by lower collective provision charges in PTBC; partly offset by
- A decrease in Institutional Banking and Markets of $44 million or 54%, mainly driven by lower collective provisions reflecting decreased forward looking adjustments in the aviation sector and an improvement in the economic outlook.

Loan impairment expense annualised as a percentage of average gross loans and acceptances (GLAAs) increased 6 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)

	Half Year Ended				
	31 Dec 21	30 Jun 21	31 Dec 20	Dec 21 vs	Dec 21 vs
	$M	$M	$M	Jun 21 %	Dec 20 %
Corporate tax expense ($M)	**1,946**	1,970	1,620	(1)	20
Effective tax rate - "cash basis" (%)	**29. 1**	29. 2	29. 5	(10)bpts	(40)bpts

Half Year Ended December 2021 versus December 2020

Corporate tax expense for the half year ended 31 December 2021 was $1,946 million, an increase of $326 million or 20% on the prior comparative period, reflecting a 29.1% effective tax rate.

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

The 40 basis points decrease in effective tax rate from 29.5% to 29.1% was primarily due to higher net profits from minority investments in the current period.

Half Year Ended December 2021 versus June 2021

Corporate tax expense decreased $24 million or 1% on the prior half.

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

Group Performance Analysis (continued)

Group Assets and Liabilities

	As at [1]				
Total Group Assets and Liabilities	**31 Dec 21 $M**	30 Jun 21 $M	31 Dec 20 $M	Dec 21 vs Jun 21 %	Dec 21 vs Dec 20 %
Interest earning assets					
Home loans [2]	**605,910**	579,756	559,318	5	8
Consumer finance	**16,675**	16,997	17,449	(2)	(4)
Business and corporate loans	**226,042**	219,653	215,340	3	5
Loans, bills discounted and other receivables [3]	**848,627**	816,406	792,107	4	7
Non-lending interest earning assets [4]	**247,911**	219,473	201,833	13	23
Total interest earning assets	**1,096,538**	1,035,879	993,940	6	10
Other assets [3, 4]	**52,224**	54,895	63,676	(5)	(18)
Assets held for sale [4]	**1,051**	1,201	1,617	(12)	(35)
Total assets	**1,149,813**	1,091,975	1,059,233	5	9
Interest bearing liabilities					
Transaction deposits [5]	**182,425**	173,626	169,342	5	8
Savings deposits [5]	**266,661**	259,244	249,999	3	7
Investment deposits	**156,103**	154,252	167,904	1	(7)
Other demand deposits	**74,113**	64,843	66,845	14	11
Total interest bearing deposits	**679,302**	651,965	654,090	4	4
Debt issues	**117,466**	103,003	122,548	14	(4)
Term funding from central banks [6]	**52,828**	51,856	19,146	2	large
Other interest bearing liabilities	**60,106**	59,945	49,945	–	20
Total interest bearing liabilities	**909,702**	866,769	845,729	5	8
Non-interest bearing transaction deposits	**134,398**	112,537	91,013	19	48
Other non-interest bearing liabilities [4]	**30,098**	33,576	46,946	(10)	(36)
Liabilities held for sale [4]	**952**	405	655	large	45
Total liabilities	**1,075,150**	1,013,287	984,343	6	9

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

2 Home loans are presented gross of $66,167 million of mortgage offset balances (30 June 2021: $57,813 million; 31 December 2020: $57,479 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 21 June 2021, CBA announced that it has entered into an agreement to sell its Australian general insurance business (CommInsure General Insurance) to Hollard Group, the sale is subject to Australian regulatory approvals and other conditions, and is expected to complete in the second half of calendar year 2022. As at 31 December 2021, $377 million of non-lending interest earning assets and $668 million of other assets have been reclassified to assets held for sale, and $952 million of other non-interest bearing liabilities have been reclassified to liabilities held for sale in relation to this business.

On 1 December 2021, CBA completed the sale of a 55% interest in Colonial First State (CFS) to KKR. The assets and liabilities held for sale in relation to this business have therefore been deconsolidated during the six months ended 31 December 2021, resulting in a decrease in the assets held for sale of $1,199 million and a decrease in the liabilities held for sale of $405 million.

5 Transaction and savings deposits includes $66,167 million of mortgage offset balances (30 June 2021: $57,813 million; 31 December 2020: $57,479 million).

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

Half Year Ended December 2021 versus December 2020

Total assets were $1,150 billion, an increase of $91 billion or 9% on the prior comparative period, driven by an increase in home loans, non-lending interest earning assets, and business and corporate loans, partly offset by lower other assets, consumer finance balances and assets held for sale.

Total liabilities were $1,075 billion, an increase of $91 billion or 9% on the prior comparative period, driven by an increase in transaction and savings deposits, term funding from central banks, other demand deposits, and other interest bearing liabilities, partly offset by a decrease in investment deposits, other non-interest bearing liabilities and debt issues.

The Bank continued to fund a significant portion of lending growth from customer deposits. Customer deposits represented 73% of total funding (31 December 2020: 75%).

Home loans

Home loan balances increased $47 billion to $606 billion, reflecting an 8% increase on the prior comparative period. The increase was driven by growth in Retail Banking Services, New Zealand and Business Banking. Domestic home loan growth of 9% was above system growth. Proprietary mix for CBA branded home loans increased from 57% to 58% of new business flows, with higher new business application volumes and a continued focus on credit decisioning turn-around times.

Australian home loans amount to $539 billion (31 December 2020: $498 billion) of which 71% were owner occupied, 28% were investment home loans and 1% were lines of credit (31 December 2020: 69% were owner occupied, 29% were investment home loans and 2% were lines of credit).

Group Assets and Liabilities (continued)

Consumer finance

Consumer finance balances decreased $1 billion to $17 billion, a 4% decrease on the prior comparative period, broadly in line with system. The decrease was driven by lower consumer demand for unsecured lending.

Business and corporate loans

Business and corporate loans increased $11 billion to $226 billion, a 5% increase on the prior comparative period. This was driven by a $12 billion or 13% increase in Business Banking (above system growth) reflecting growth primarily across the Property, Agriculture and Wholesale Trade industries. New Zealand business and rural lending increased $2 billion or 7% (excluding the impact of FX). Growth in Business Banking and New Zealand was partly offset by a $3 billion or 3% decline in institutional lending balances primarily due to a reduction in pooled facilities.

Domestic business lending (excluding institutional lending) increased 12%, above system growth.

Non-lending interest earning assets

Non-lending interest earning assets increased $46 billion to $248 billion, a 23% increase on the prior comparative period. This was mainly driven by an increase in liquid asset balances due to strong customer deposit growth, partly offset by a decrease in the inventory of government bonds.

Other assets

Other assets, including derivative assets, property, plant and equipment and intangibles, decreased $11 billion to $52 billion, an 18% decline on the prior comparative period. The decrease was driven by lower derivative assets due to foreign currency and interest rate movements, and lower commodities inventory balances in Institutional Banking and Markets.

Total interest bearing deposits

Total interest bearing deposits increased $25 billion to $679 billion, a 4% increase on the prior comparative period. This was primarily driven by growth in transaction, savings and other demand deposits, partly offset by lower investment deposits. The growth in transaction and savings deposits was driven by increased domestic money supply, growth in mortgage offsets, and greater demand for at-call deposits in the low-rate environment.

Domestic household deposits grew 12%, above system growth.

Debt issues

Debt issues decreased $5 billion to $117 billion, a 4% decrease on the prior comparative period, reflecting lower wholesale funding requirements due to the growth in customer deposit funding and drawdown of the RBA's Term Funding Facility (TFF).

Deposits satisfied the majority of the Bank's funding requirements, however the Group remained active in both domestic and international wholesale debt markets.

Refer to page 37-38 for further information on debt programs and issuance for the half year ended 31 December 2021.

Term funding from central banks

Term funding from central banks includes the drawn balance of the RBA Term Funding Facility and the RBNZ Funding for Lending Programme and Term Lending Facility. Term funding from central banks increased $34 billion to $53 billion on the prior comparative period, predominately driven by additional drawdown of the RBA Term Funding Facility in the prior half ended June 2021.

Other interest bearing liabilities

Other interest bearing liabilities, including loan capital, liabilities at fair value through income statement and amounts due to other financial institutions, increased $10 billion to $60 billion, a 20% increase on the prior comparative period. The increase was mainly driven by higher central bank deposits, deposits from other banks and foreign currency term deposits.

Non-interest bearing transaction deposits

Non-interest bearing transaction deposits increased $43 billion to $134 billion, a 48% increase on the prior comparative period. The growth was driven by increased domestic money supply and higher demand for at-call deposits in the low-rate environment.

Other non-interest bearing liabilities

Other non-interest bearing liabilities, including derivative liabilities, decreased $17 billion to $30 billion, a 36% decrease on the prior comparative period. The decrease was mainly driven by lower derivative liabilities primarily due to foreign currency and interest rate movements.

Half Year Ended December 2021 versus June 2021

Total assets increased $58 billion or 5% on the prior half, primarily driven by increased home loans, non-lending interest earning assets and business and corporate loans, partly offset by lower other assets and consumer finance balances.

Total liabilities increased $62 billion or 6% on the prior half, reflecting an increase in deposits, debt issues, liabilities held for sale and other interest bearing liabilities, partly offset by a decline in other non-interest bearing liabilities.

Customer deposits represented 73% of total funding (30 June 2021: 73%).

Home loans

Home loan balances increased $26 billion or 5% on the prior half driven by growth in Retail Banking Services, New Zealand and Business Banking. Domestic home loan growth of 5% was above system growth. Proprietary mix for CBA branded home loans decreased from 62% to 58% of new business flows due to stronger broker flows, with higher new business application volumes and a continued focus on credit decisioning turn-around times.

Consumer finance

Consumer finance balances decreased 2% on the prior half to $17 billion, broadly in line with system. The decrease was driven by lower consumer demand for unsecured lending.

Group Assets and Liabilities (continued)

Business and corporate loans

Business and corporate loans increased $6 billion or 3% on the prior half, driven by $6 billion or 5% growth in Business Banking reflecting growth primarily across the Property, Wholesale Trade and Health industries, and New Zealand business and rural lending increased 2% (excluding the impact of FX).

Domestic business lending (excluding institutional lending, which was flat) increased 5%, above system growth.

Non-lending interest earning assets

Non-lending interest earning assets increased $28 billion or 13% on the prior half. This was mainly driven by an increase in liquid asset balances due to strong customer deposit growth, partly offset by a decrease in the inventory of government bonds.

Other assets

Other assets, including derivative assets, property, plant and equipment and intangibles, decreased $3 billion or 5% on the prior half, driven by lower derivative assets primarily due to foreign currency and interest rate movements.

Total interest bearing deposits

Total interest bearing deposits increased $27 billion or 4% on the prior half. This was driven by growth in transaction, savings and other demand deposits due to increased domestic money supply and demand for at-call deposits in the low-rate environment.

Domestic household deposits grew 10%, above system growth.

Debt issues

Debt issues increased $14 billion or 14% on the prior half to meet the Group's future funding requirements.

Refer to page 37-38 for further information on debt programs and issuance for the half year ended 31 December 2021.

Term funding from central banks

Term funding from central banks includes the drawn balance of the RBA Term Funding Facility and the RBNZ Funding for Lending Programme and Term Lending Facility. Term funding from central banks increased $1 billion or 2% to $53 billion on the prior half, driven by additional drawdown of the RBNZ Funding for Lending Programme and Term Lending Facility.

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 was flat on the prior half.

Non-interest bearing transaction deposits

Non-interest bearing transaction deposits increased $22 billion or 19% on the prior half. The growth was driven by increased domestic money supply and higher demand for at-call deposits in the low-rate environment.

Other non-interest bearing liabilities

Other non-interest bearing liabilities, including derivative liabilities, decreased $3 billion or 10% on the prior half, driven by lower unsettled trades balances.

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Group Operations & Business Settings

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Contents

4. Group Operations & Business Settings

Group Operations and Business Settings

Loan Impairment Provisions and Credit Quality

Provisions for Impairment

	As at				
	31 Dec 21	30 Jun 21	31 Dec 20	Dec 21 vs	Dec 21 vs
	$M	$M	$M	Jun 21 %	Dec 20 %
Provisions for impairment losses					
Collective provisions	**5,062**	5,311	5,943	(5)	(15)
Individually assessed provisions	**792**	900	872	(12)	(9)
Total provisions for impairment losses	**5,854**	6,211	6,815	(6)	(14)
Less: Provision for off Balance Sheet exposures	**(100)**	(111)	(137)	(10)	(27)
Total provisions for loan impairment	**5,754**	6,100	6,678	(6)	(14)

Half Year Ended December 2021 versus December 2020

Total provisions for impairment losses as at 31 December 2021 were $5,854 million, a decrease of $961 million or 14% on the prior comparative period.

Collective provisions

- Corporate collective provisions decreased $474 million or 18% to $2,098 million. This mainly reflects an improvement in the economic outlook and lower forward looking adjustments in sectors of concern, in particular aviation.
- Consumer collective provisions decreased $407 million or 12% to $2,964 million. This primarily reflects an improvement in the economic outlook and lower consumer finance balances with reduced arrears, partly offset by increased forward looking adjustments reflecting uncertainties due to COVID-19.

Individually assessed provisions

- Consumer individually assessed provisions decreased $55 million or 26% to $153 million. This was mainly driven by lower impairments in the Australian home lending portfolio reflecting growth in house prices over the period.
- Corporate individually assessed provisions decreased $25 million or 4% to $639 million. This was mainly driven by write-offs and write-backs across various industry sectors, partly offset by the impairment of a small number of large exposures.

Half Year Ended December 2021 versus June 2021

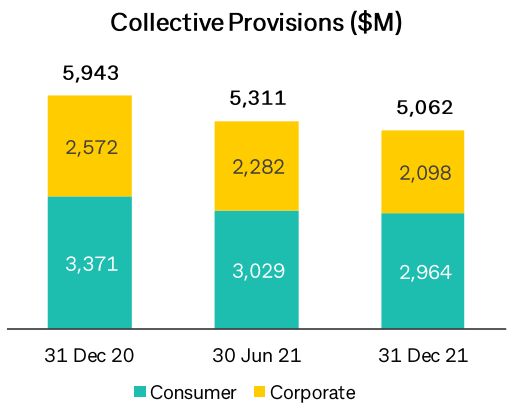
Total provisions for impairment losses decreased $357 million or 6% on the prior half.

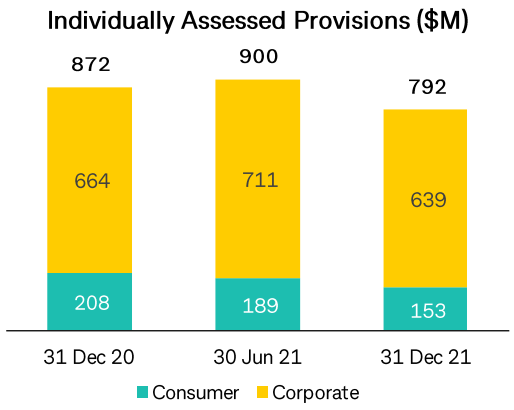
Collective provisions

- Corporate collective provisions decreased $184 million or 8%. This mainly reflects an improvement in the economic outlook and lower forward looking adjustments in sectors of concern, in particular aviation.
- Consumer collective provisions decreased $65 million or 2%. This primarily reflects an improvement in the economic outlook, and lower consumer finance balances with reduced arrears, partly offset by increased forward looking adjustments reflecting uncertainties due to COVID-19.

Individually assessed provisions

- Corporate individually assessed provisions decreased $72 million or 10%. This was mainly driven by write-offs and write-backs across various industry sectors, partly offset by the impairment of a small number of large exposures.
- Consumer individually assessed provisions decreased $36 million or 19%. This was mainly driven by lower impairments in the Australian home lending portfolio reflecting growth in house prices over the period.





Group Operations and Business Settings (continued)

Loan Impairment Provisions and Credit Quality (continued)

Credit Quality

Credit Quality Metrics	Half Year Ended 31 Dec 21	30 Jun 21	31 Dec 20	Dec 21 vs Jun 21 %	Dec 21 vs Dec 20 %
Gross loans and acceptances (GLAA) ($M)	**850,509**	818,266	794,473	4	7
Risk weighted assets (RWA) ($M)	**471,927**	450,680	453,616	5	4
Credit RWA ($M)	**390,687**	381,550	376,900	2	4
Gross impaired assets ($M)	**3,482**	3,409	3,100	2	12
Net impaired assets ($M)	**2,435**	2,250	1,920	8	27
Provision Ratios					
Collective provision as a % of credit RWA	**1. 30**	1. 39	1. 58	(9)bpts	(28)bpts
Total provisions as a % of credit RWA	**1. 50**	1. 63	1. 81	(13)bpts	(31)bpts
Total provisions for impaired assets as a % of gross impaired assets	**30. 07**	33. 99	38. 07	(392)bpts	(large)
Total provisions for impaired assets as a % of gross impaired assets (corporate)	**47. 99**	49. 52	48. 42	(153)bpts	(43)bpts
Total provisions for impaired assets as a % of gross impaired assets (consumer)	**17. 71**	22. 04	29. 09	(433)bpts	(large)
Total provisions for impairment losses as a % of GLAAs	**0. 69**	0. 76	0. 86	(7)bpts	(17)bpts
Asset Quality Ratios					
Gross impaired assets as a % of GLAAs	**0. 41**	0. 42	0. 39	(1)bpt	2 bpts
Loans 90+ days past due but not impaired as a % of GLAAs	**0. 39**	0. 46	0. 39	(7)bpts	–
Loan impairment expense ("cash basis") annualised as a % of average GLAAs	**(0. 02)**	(0. 08)	0. 22	6 bpts	(24)bpts
Net write-offs annualised as a % of GLAAs	**0. 08**	0. 07	0. 11	1 bpt	(3)bpts
Non-retail total committed exposures rated investment grade (%) [1]	**68. 97**	68. 30	65. 90	67 bpts	307 bpts
Australian Home Loan Portfolio					
Portfolio dynamic LVR (%) [2]	**46. 22**	48. 96	51. 45	(274)bpts	(large)
Customers in advance (%) [3]	**78. 31**	78. 49	79. 82	(18)bpts	(151)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

As at 31 December 2021, total provisions as a proportion of credit RWA decreased 13 basis points on the prior half to 1.50%. This was driven by lower collective provisions, mainly reflecting an improvement in the economic outlook, and lower individually assessed provisions, reflecting corporate write-offs and write-backs, and lower Australian home lending impairments.

Gross impaired assets were $3,482 million, an increase of $73 million or 2% on the prior half, mainly driven by an increase in restructured home loans within ASB and the impairment of a small number of single name exposures in the corporate portfolio. Gross impaired assets as a proportion of GLAAs were 0.41%, a decrease of 1 basis point on the prior half. Provision coverage for the impaired asset portfolio was 30.07%, a decrease of 392 basis points on the prior half, mainly driven by an increase in gross impaired assets and a reduction in individually assessed provisions, primarily reflecting write-offs and write-backs across various industry sectors and growth in house prices over the period.

COVID-19 Support

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

By December 2021, the vast majority of customers on repayment deferral arrangements had returned to regular repayments on their loans. The Group's remaining support measures have been extended to February 2022.

For further details on loan modifications relating to COVID-19, refer to page 94.

Loan Impairment Provisions and Credit Quality (continued)

Retail Portfolio Asset Quality

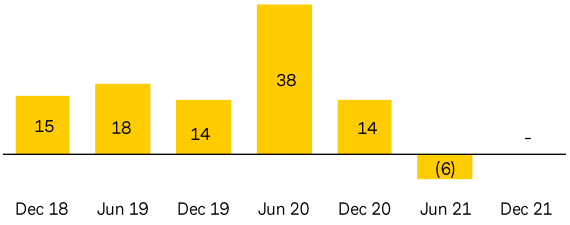
Consumer loan impairment expense (LIE) as a percentage of average gross loans and acceptances (GLAAs) was nil, an increase of 6 basis points on the prior half, mainly reflecting higher collective provision releases in the prior half and increased forward looking adjustments reflecting uncertainties due to COVID-19.

Home loan 90+ days arrears were 0.52%, a decrease of 12 basis points on the prior half, mainly driven by an improvement in economic conditions and customer origination quality, and balance growth. Credit cards and Personal loans 90+ days arrears were 0.49% and 0.97% respectively, a decrease of 12 basis points for both on the prior half, driven by an improvement in customer origination quality and economic conditions.

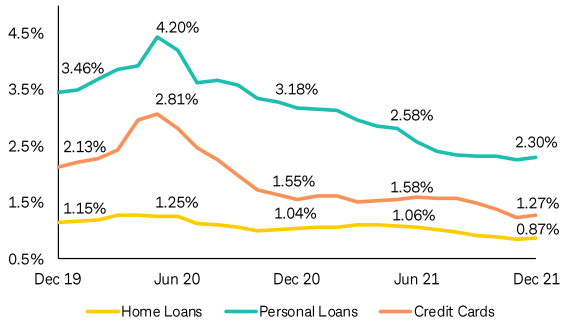
The home loan dynamic LVR was 46.22%, a decrease of 274 basis points on the prior half, driven by growth in house prices over the period. The home lending book remains well secured and the majority of home lending customers remain in advance of scheduled repayments.

Consumer LIE

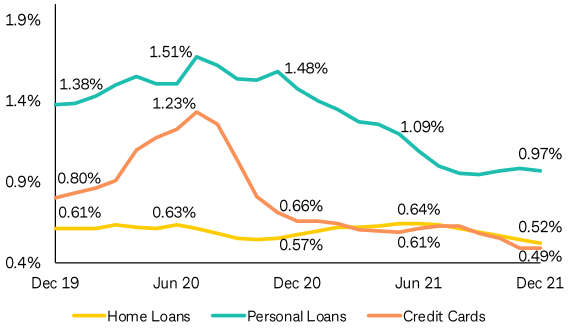
Half Year Loan impairment expense ("cash basis") annualised as percentage of average GLAAs (bpts)



30+ Days Arrears Ratios (%) [1]



90+ Days Arrears Ratios (%) [1]



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

Group Operations and Business Settings (continued)

Loan Impairment Provisions and Credit Quality (continued)

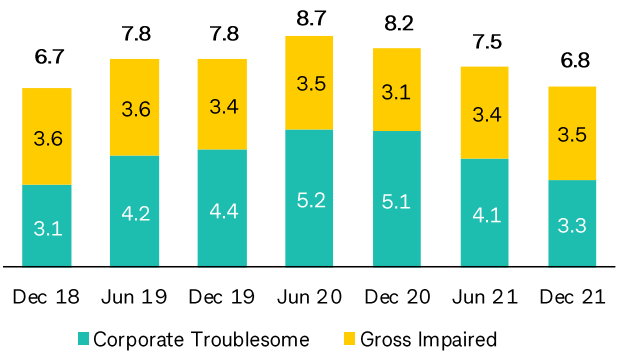
Corporate Portfolio Asset Quality

Corporate troublesome exposures were $3.3 billion, a decrease of $0.8 billion or 20% on the prior half, mainly driven by refinancing, repayments and upgrades supported by improved economic conditions, partly offset by the downgrade of a small number of larger exposures into the troublesome portfolio across a range of sectors.

Investment grade rated exposures increased 70 basis points on the prior half to 69.0% of overall portfolio risk graded counterparties, reflecting the impact of upgrades and increased exposures to the government sector.

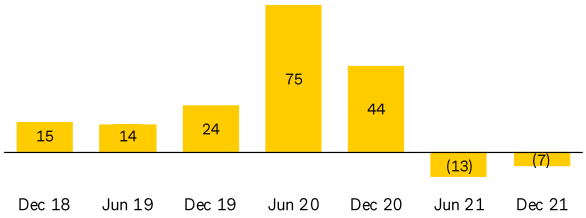
Corporate LIE as a percentage of gross loans and acceptances was -7 basis points, an increase of 6 basis points on the prior half, mainly reflecting higher collective provision releases in the prior half.

Troublesome and Impaired Assets ($B)



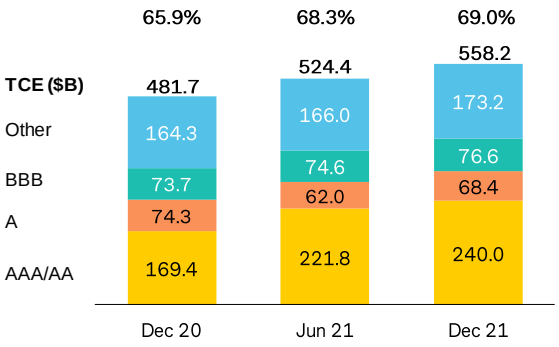
Corporate LIE

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



Corporate Portfolio Quality

% of book rated investment grade [1]



1 CBA grades in S&P equivalents.

Loan Impairment Provisions and Credit Quality (continued)

Industry Exposure and Asset Quality

The distribution of the Bank's credit exposures by sector remained relatively consistent during the half. The largest movement was an increase in the Government, Administration & Defence sector of 60 basis points, from 15.3% to 15.9% of the Bank's total committed exposure, driven by an increase in central bank cash holdings as the Bank re-weighted its portfolio as part of ongoing liquidity management activities.

Movements in troublesome and impaired assets (TIA) were mixed across sectors, as total TIA decreased $692 million on the prior half to $6,831 million.

TIA as a percentage of total committed exposures (TCE) was 0.53%, a decrease of 8 basis points on the prior half reflecting:

- Entertainment, Leisure & Tourism (down 202 basis points) mainly driven by the refinancing of a small number of single name exposures;
- Personal & Other Services (down 116 basis points) driven by the reduction of a single name impaired exposure;
- Transport & Storage (down 92 basis points) mainly driven by the refinancing and upgrade of a small number of single name exposures;
- Retail Trade (down 83 basis points) mainly driven by the upgrade of a single name exposure;
- Manufacturing (down 74 basis points) mainly driven by the write-off of a single name exposure;
- Electricity, Water & Gas (down 70 basis points) mainly driven by the upgrade of a single name exposure;
- Agriculture & Forestry (down 63 basis points) driven by refinancing, repayments and upgrade of a small number of single name exposures;
- Education (down 37 basis points) mainly driven by the upgrade of a small number of single name exposures;
- Business Services (down 32 basis points) mainly driven by the upgrade of a single name exposure; and
- Construction (down 31 basis points) mainly driven by the reduction of a single name impaired exposure; partly offset by
- Health & Community Services (up 116 basis points) mainly driven by the downgrade of a single name exposure; and
- Mining, Oil & Gas (up 64 basis points) mainly driven by the downgrade of a single name exposure.

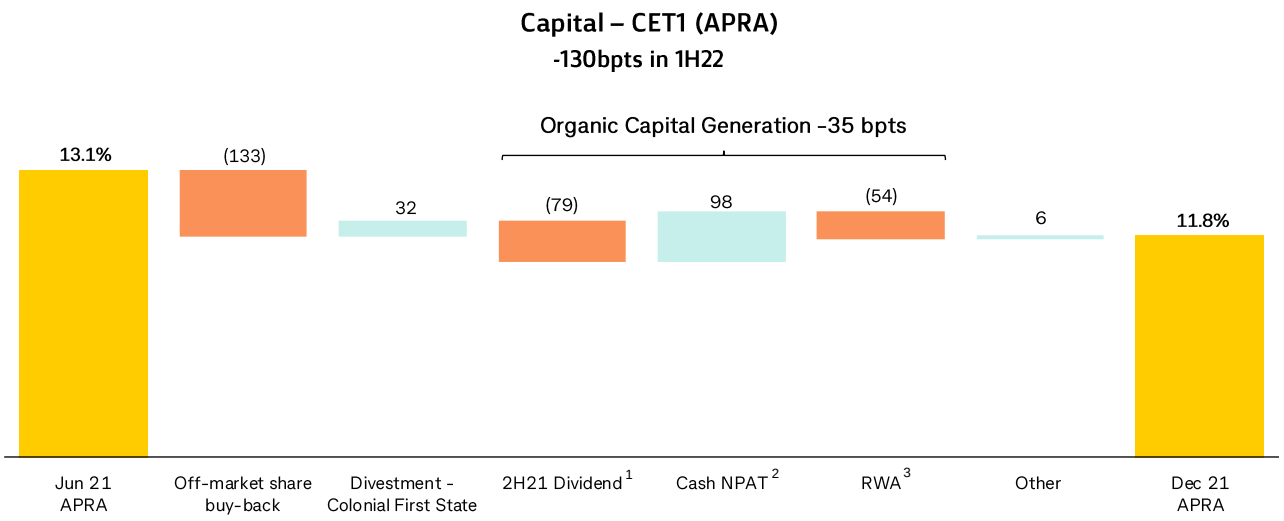
	Total Committed Exposures (TCE)		Troublesome and Impaired Assets (TIA)		TIA % of TCE	
	31 Dec 21	30 Jun 21	**31 Dec 21**	30 Jun 21	**31 Dec 21**	30 Jun 21
Sector	**%**	%	**$M**	$M	**%**	%
Consumer	**56. 9**	57. 5	**2,082**	1,982	**0. 28**	0. 28
Government, Admin. & Defence	**15. 9**	15. 3	**–**	–	**–**	–
Finance & Insurance	**6. 7**	6. 5	**51**	16	**0. 06**	0. 02
Commercial Property	**6. 5**	6. 5	**537**	653	**0. 64**	0. 82
Agriculture & Forestry	**2. 1**	2. 1	**677**	797	**2. 51**	3. 14
Transport & Storage	**2. 0**	2. 1	**453**	714	**1. 77**	2. 69
Manufacturing	**1. 3**	1. 3	**421**	512	**2. 48**	3. 22
Entertainment, Leisure & Tourism	**1. 1**	1. 0	**704**	914	**5. 04**	7. 06
Retail Trade	**1. 0**	1. 0	**261**	345	**1. 95**	2. 78
Health & Community Services	**1. 0**	0. 9	**225**	74	**1. 85**	0. 69
Business Services	**1. 0**	0. 9	**330**	348	**2. 71**	3. 03
Electricity, Water & Gas	**0. 9**	1. 0	**77**	172	**0. 65**	1. 35
Wholesale Trade	**0. 9**	0. 9	**257**	238	**2. 18**	2. 23
Construction	**0. 8**	0. 8	**279**	295	**2. 57**	2. 88
Mining, Oil & Gas	**0. 6**	0. 7	**108**	66	**1. 40**	0. 76
Media & Communications	**0. 4**	0. 4	**70**	72	**1. 27**	1. 32
Personal & Other Services	**0. 3**	0. 3	**71**	111	**2. 19**	3. 35
Education	**0. 2**	0. 3	**16**	27	**0. 49**	0. 86
Other	**0. 4**	0. 5	**212**	187	**3. 96**	3. 25
Total	**100. 0**	100. 0	**6,831**	7,523	**0. 53**	0. 61

Group Operations and Business Settings (continued)

Capital

Summary Group Capital Adequacy Ratios	As at 31 Dec 21 %	30 Jun 21 %	31 Dec 20 %	Dec 21 vs Jun 21 %	Dec 21 vs Dec 20 %
Common Equity Tier 1	**11. 8**	13. 1	12. 6	(130)bpts	(80)bpts
Tier 1	**14. 0**	15. 7	15. 0	(170)bpts	(100)bpts
Tier 2	**4. 0**	4. 1	3. 9	(10)bpts	10 bpts
Total Capital (APRA)	**18. 0**	19. 8	18. 9	(180)bpts	(90)bpts
Common Equity Tier 1 (Internationally Comparable) [1]	**18. 4**	19. 4	18. 7	(100)bpts	(30)bpts

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



1 The 2021 final dividend included the on-market purchase of $570 million of shares (CET1 impact of 12 basis points) in respect of the Dividend Reinvestment Plan.
2 Excludes net equity accounted profits from associates as they are capital neutral with offsetting increases in regulatory capital deductions.
3 Excludes impact of FX movements.

Capital Position

The Group's CET1 ratio (APRA) was 11.8% as at 31 December 2021, a decrease of 130 basis points from 30 June 2021 and a decrease of 80 basis points from 31 December 2020. The CET1 ratio was above APRA's 'unquestionably strong' benchmark of 10.5% and consistently well in excess of regulatory minimum capital adequacy requirements at all times throughout the half year ended 31 December 2021.

Key drivers of the change in CET1 for the 6 months ended 31 December 2021 were the completion of the $6 billion off-market share buy-back in October 2021 (-133 basis points), the 2021 final dividend (-79 basis points) in which the DRP was satisfied in full by the on-market purchase of shares and higher total RWA (-54 basis points), partly offset by capital generated from earnings (+98 basis points), the completion of the majority sale of Colonial First State (CFS) (+32 basis points) on 1 December 2021 and other regulatory adjustments (+6 basis points).

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

Internationally Comparable Capital Position

The Group's CET1 ratio as measured on an internationally comparable basis was 18.4% as at 31 December 2021, placing it amongst the top quartile of international peer banks.

Capital Initiatives

In addition to the off-market share buy-back, the following significant capital initiatives were undertaken during the half year ended 31 December 2021:

Common Equity Tier 1 Capital

- The DRP in respect of the 2021 final dividend was satisfied in full by the on-market purchase of shares. The participation rate for the final dividend was 16.1%.

Additional Tier 1 Capital

- In October 2021, the Bank redeemed AUD1,450 million CommBank PERLS VIII Capital Notes that are Basel III compliant Additional Tier 1 capital.

Tier 2 Capital

The Group issued the following Basel III compliant subordinated notes:

- AUD1,500 million and AUD135 million in August 2021; and
- AUD136 million and JPY14 billion in September 2021.

The Group redeemed the following Basel III compliant subordinated notes:

- USD750 million in October 2021;
- JPY20 billion and two JPY10 billion in December 2021; and
- ASB redeemed NZD400 million in December 2021.

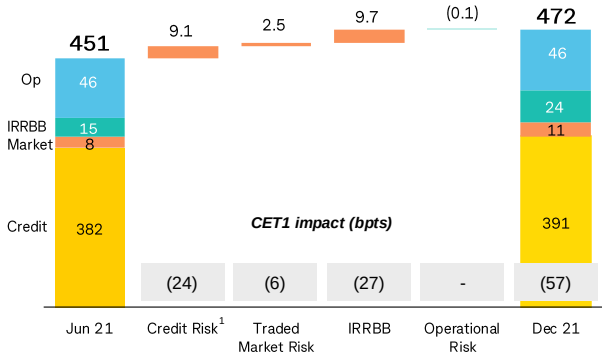
Capital (continued)

Risk Weighted Assets (RWA)

Total Group Risk Weighted Assets

Total RWA increased $21.2 billion or 5% on the prior half to $471.9 billion driven by growth in Interest Rate Risk in the Banking Book (IRRBB) RWA, Credit Risk RWA and Traded Market Risk RWA.

Total Risk Weighted Assets ($B)



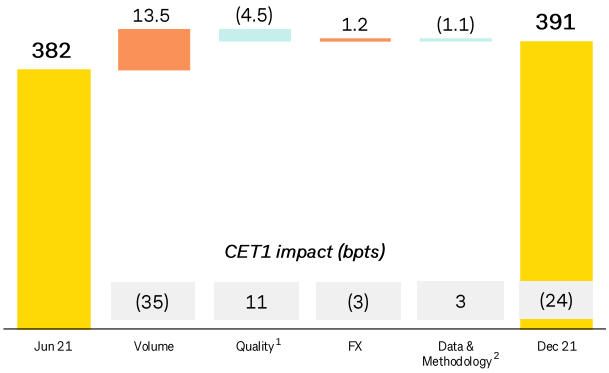
1 Includes -3 basis points impact from FX movement, which is capital neutral with offsetting impact in regulatory capital deductions.

Credit Risk Weighted Assets

Credit Risk RWA increased $9.1 billion or 2% on the prior half to $390.7 billion. Key drivers include:

- Volume growth (increase of $13.5 billion) across commercial portfolios, residential mortgages, sovereign and securitisation exposures, partly offset by a reduction in unsecured retail portfolios, bank exposures and derivatives; and
- Foreign currency movements (increase of $1.2 billion); partly offset by
- Credit quality movement (decrease of $4.5 billion) driven by improvements across non-retail portfolios, partly offset by an increase in residential mortgage risk weights due to lower proportion of customers in advance; and
- Data and methodology, credit risk estimates and other changes (decrease of $1.1 billion).

Credit Risk Weighted Assets ($B)



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

Traded Market Risk Weighted Assets

Traded Market Risk RWA increased $2.5 billion or 30% on the prior half to $10.8 billion. This was driven by an APRA capital overlay to be held until modelling work is completed by the Group and approved by APRA in relation to the revised Risks-Not-In-VaR (RNIV) framework.

Interest Rate Risk Weighted Assets

IRRBB RWA increased $9.7 billion or 67% on the prior half to $24.4 billion. In order to avoid significant earnings volatility through a rate cycle, the Group's equity is invested over a three year investment term (known as "the duration of equity"). Due to the increased market rate volatility in the current half, in particular the significant increase in two and three year market swap rates in recent months, the amount of IRRBB capital recognised has increased, mainly reflecting the valuation differences to equity invested over a one year term.

Operational Risk Weighted Assets

Operational Risk RWA decreased $0.1 billion on the prior half to $46.1 billion. As at 31 December 2021, the Operational Risk RWA includes a $6.25 billion add-on required by APRA.

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

Basel Regulatory Framework

Background

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

1 In December 2021, APRA announced that the CCyB for Australian exposures will remain at 0%. The Bank has limited exposures to those offshore jurisdictions in which a CCyB in excess of 0% has been imposed.

Capital (continued)

Unquestionably Strong Capital Ratios

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

Under the existing capital framework, APRA's expectation is that the Australian major banks will operate for the majority of the year with a CET1 ratio of 10.5% or more. As at 31 December 2021, the Group's CET1 ratio was 11.8%, and was above the 10.5% benchmark for the entire 2021 calendar year.

In November 2021, APRA finalised the revisions to the overall design of the capital framework, to be implemented on 1 January 2023. These revisions will result in changes to the calculation of RWA and will therefore result in changes to the presentation of bank capital ratios. APRA expects that capital ratios will increase, as the amount of RWA will likely fall.

Regulator COVID-19 capital announcements

Capital Announcements

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

In April 2020, the Reserve Bank of New Zealand (RBNZ) also issued guidance restricting the distribution of dividends by banks in New Zealand due to COVID-19. On 31 March 2021, the RBNZ announced that this guidance has been eased, allowing banks to pay up to a maximum of 50% of their earnings as dividends. This restriction will remain in place until 1 July 2022, at which point, the RBNZ has stated that it intends to normalise the dividend settings by removing the restrictions entirely, subject to no significant worsening in economic conditions. Dividends from the Bank's New Zealand subsidiary, ASB, only affect the Group's Level 1 CET1 capital ratio. As at 31 December 2021, the Group's Level 1 CET1 capital ratio was 12.0%, well above regulatory requirements, and as such, the Group is well placed to absorb the restriction of dividends.

COVID-19 Customer Support Measures

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

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

The Group's temporary loan deferral programs concluded in November 2021, with the vast majority of customers returning to regular repayments on their loans. For eligible borrowers, this was not treated as a period of arrears or a loan restructuring.

Pillar 3 Disclosures

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

www.commbank.com.au/regulatorydisclosures

Regulatory Reforms

APRA

Implementation of revised regulatory capital framework

From 1 January 2023, APRA will implement its revisions to the ADI capital framework. The objectives of these revisions are to increase the risk sensitivity within the capital framework, to enhance the ability of ADIs to respond flexibly to future stress events, and to improve the comparability of the Australian framework with international standards.

APRA's revisions, which were finalised in November 2021, include the following changes with respect to major Internal Ratings-based (IRB) ADIs such as CBA:

- A minimum CET1 Capital Ratio of 10.25%, which is comprised of a minimum PCR of 4.5% and a CCB of 5.75%, which includes a D-SIB buffer of 1% and a baseline CCyB set at 1%. The CCyB, which may be varied by APRA in the range of 0-350 basis points, can be released in times of systemic stress and post-stress recovery;
- Enhancing risk sensitivity in the residential mortgage and commercial property portfolio, through greater allowance of an ADI's own models to measure credit risk capital, and higher capital requirements for high-risk segments such as interest only and investor mortgages;
- Implementing a 72.5% output floor to limit the gap in capital requirements between standardised and IRB ADIs; and
- Further aligning the RWA of New Zealand banking subsidiaries at the consolidated group level by adopting a revised version of the RBNZ capital framework.

Capital (continued)

Further APRA Revisions

In January 2022, APRA changed its approach on equity exposures to banking and insurance subsidiaries of ADIs under the revised APS 111 "Capital Adequacy: Measurement of Capital". The revised standard requires each individual equity exposure to be risk-weighted at 250% up to 10% of the ADI's Level 1 CET1 capital, with any excess above that threshold to be deducted from Level 1 CET1 capital. The revision will result in an uplift to the Group's Level 1 CET1 December 2021 capital ratio of 20 basis points. There is no impact to the Group's Level 2 CET1 capital ratio.

From 1 January 2022, the APRA requirements released under the final APS 222 "Associations with Related Entities" will come into effect. The revised standard is intended to strengthen the ability of ADIs to monitor, limit and control risk arising from transactions and other associations with related entities.

From 1 January 2022, the APRA requirements released under the final APS 220 "Credit Risk Management" will come into effect. The revised standard is broader in application covering credit standards as well as the ongoing monitoring and management of credit portfolios.

From 1 January 2024, D-SIBs, including CBA, will be required to hold an additional Total Capital requirement of 3% of RWA to satisfy APRA's loss-absorbing capital requirements. This will increase to 4.5% from 1 January 2026.

In January 2024, changes to APS 117 "Capital Adequacy: Interest Rate Risk in the Banking Book" will be implemented by APRA. This is expected to be followed by changes to APS 116 "Capital Adequacy: Market Risk", also known as the Fundamental Review of the Trading Book, and APS 180 "Capital Adequacy: Counterparty Credit Risk" in 2025. APRA is yet to commence consultation on the changes to APS 116 and APS 180.

Reserve Bank of New Zealand (RBNZ)

In June 2021, the RBNZ finalised its bank capital adequacy requirements. These requirements include the RWA of New Zealand internal ratings-based (IRB) banks, such as ASB Bank Limited, increasing to approximately 90% of that required under a standardised approach. In addition, for those banks deemed systemically important, including ASB, the Tier 1 capital requirement will increase to 16% of RWA, of which 13.5% must be in the form of CET1 capital. Tier 2 capital will remain in the framework, and can contribute up to 2% of the 18% minimum Total Capital ratio. Existing Additional Tier 1 and Tier 2 instruments issued by New Zealand banks will no longer be eligible under RBNZ's new capital criteria.

These reforms have been phased in from 1 October 2021 with full implementation on 1 July 2028.

Group Operations and Business Settings (continued)

Leverage Ratio

	As at [1]				
	31 Dec 21	30 Jun 21	31 Dec 20	Dec 21 vs	Dec 21 vs
Summary Group Leverage Ratio	**$M**	$M	$M	Jun 21 %	Dec 20 %
Tier 1 Capital ($M)	**66,027**	70,874	67,927	(7)	(3)
Total Exposures ($M) [2]	**1,240,349**	1,178,061	1,126,562	5	10
Leverage Ratio (APRA) (%)	**5. 3**	6. 0	6. 0	(70)bpts	(70)bpts
Leverage Ratio (Internationally Comparable) (%) [3]	**6. 2**	6. 9	6. 8	(70)bpts	(60)bpts

1 Comparative information has been restated to conform to presentation in the current period.
2 Total exposures is the sum of on Balance Sheet exposures, derivatives, Securities Financing Transactions (SFTs), and off Balance Sheet exposures, net of any Tier 1 regulatory deductions, as outlined in APS 110 "Capital Adequacy".
3 The Tier 1 Capital included in the calculation of the internationally comparable leverage ratio aligns with the 13 July 2015 APRA study titled "International capital comparison study", and includes Basel III non-compliant Tier 1 instruments that are currently subject to transitional rules.

The Group's Leverage Ratio, defined as Tier 1 Capital as a percentage of total exposures, was 5.3% at 31 December 2021 on an APRA basis and 6.2% on an internationally comparable basis. The ratio decreased 70 basis points on both an APRA and internationally comparable basis from 30 June 2021, driven by lower Tier 1 Capital primarily reflecting the impact of the off-market share buy-back and the redemption of PERLS VIII, and a 5% growth in exposures driven by increases in liquid assets and lending volumes.

In November 2021, APRA released final prudential standards, which included changes to the definition of exposures related to derivatives and off Balance Sheet items and a minimum leverage ratio requirement of 3.5% for IRB banks, applicable from 1 January 2023.

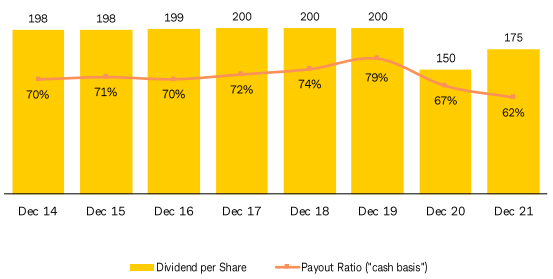
Dividends

Interim dividend for the Half Year Ended 31 December 2021

The interim dividend determined was $1.75 per share, an increase of 25 cents on the prior comparative period. The dividend payout ratio ("cash basis") for the half year ended 31 December 2021 was 62% (51% on a "statutory basis").

The interim dividend will be fully franked and will be paid on 30 March 2022 to owners of ordinary shares at the close of business on 17 February 2022 (record date). Shares will be quoted ex-dividend on 16 February 2022.

Interim Dividend History (cents per share)



Dividend Reinvestment Plan (DRP)

The DRP will continue to be offered to shareholders, and no discount will be applied to shares allocated under the plan for the interim dividend. The DRP for the 2022 interim dividend is anticipated to be satisfied in full by an on-market purchase of shares.

Dividend Policy

The Bank will seek to:

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

Liquidity

Level 2	Quarterly Average Ended [1] 31 Dec 21 $M	30 Jun 21 $M	31 Dec 20 $M	Dec 21 vs Jun 21 %	Dec 21 vs Dec 20 %
Liquidity Coverage Ratio (LCR) Liquid Assets					
High Quality Liquid Assets (HQLA) [2]	**169,750**	126,827	120,730	34	41
Committed Liquidity Facility (CLF) [3]	**30,000**	48,650	62,425	(38)	(52)
Total LCR liquid assets	**199,750**	175,477	183,155	14	9
Net Cash Outflows (NCO)					
Customer deposits	**110,647**	102,915	97,779	8	13
Wholesale funding	**16,513**	11,631	10,834	42	52
Other net cash outflows [4]	**22,485**	21,424	19,720	5	14
Total NCO	**149,645**	135,970	128,333	10	17
Liquidity Coverage Ratio (%)	**134**	129	143	500 bpts	(900)bpts
LCR surplus	**50,105**	39,507	54,822	27	(9)

1 The averages presented are calculated as simple averages of daily observations over the quarter. Spot LCR for 31 December 2021 was 130% (30 June 2021: 127%; 31 December 2020: 127%).

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

3 Committed Liquidity Facility (CLF) includes CLF of $30.0 billion (30 June 2021: $30.0 billion; 31 December 2020: $30.0 billion) and the Group's average undrawn TFF allowance of nil (30 June 2021: $18.7 billion; 31 December 2020: $21.8 billion) as per APRA guidance.

4 Includes cash inflows.

Liquidity Coverage Ratio (LCR)

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

In September 2021, APRA announced a sector-wide phased reduction in the reliance on the CLF to zero by the end of 2022, subject to financial market conditions, as APRA and the RBA expect there will be sufficient HQLA for ADIs to meet their LCR requirements without the need to utilise the CLF.

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

The Group's December 2021 quarterly average LCR was 134%, an increase of 5% compared to the quarterly average ended 30 June 2021, and a decrease of 9% from the quarterly average ended 31 December 2020. The LCR remains well above the regulatory minimum of 100%. Effective from 1 January 2022, the Group's access to CLF reduced to $22.5bn, and the LCR has been managed accordingly.

Compared to the quarterly average ended 30 June 2021, the Group's LCR liquid assets and 30 day modelled NCOs increased by $24.3 billion and $13.7 billion respectively, driven by the strong growth in customer deposits, in particular, at-call deposits.

Group Operations and Business Settings (continued)

Funding

Group Funding [1]	As at 31 Dec 21 $M	30 Jun 21 $M	31 Dec 20 $M	Dec 21 vs Jun 21 %	Dec 21 vs Dec 20 %
Customer deposits	**741,046**	702,215	681,848	6	9
Short-term wholesale funding [2]	**86,760**	64,228	65,501	35	32
Long-term wholesale funding - less than or equal to one year residual maturity [3]	**28,233**	35,129	30,326	(20)	(7)
Long-term wholesale funding - more than one year residual maturity [3]	**147,293**	143,086	119,739	3	23
IFRS MTM and derivative FX revaluations	**2,569**	3,445	5,270	(25)	(51)
Total wholesale funding	**264,855**	245,888	220,836	8	20
Short-term collateral deposits [4]	**6,369**	13,436	8,329	(53)	(24)
Total funding	**1,012,270**	961,539	911,013	5	11

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

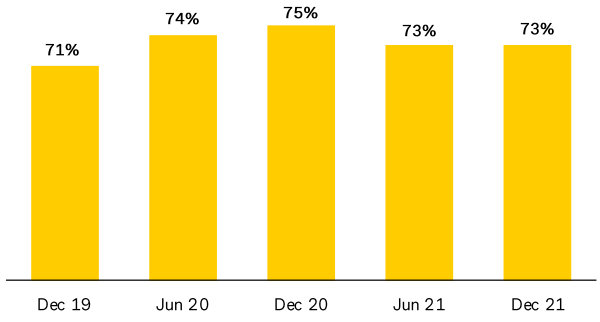
Customer Deposits

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

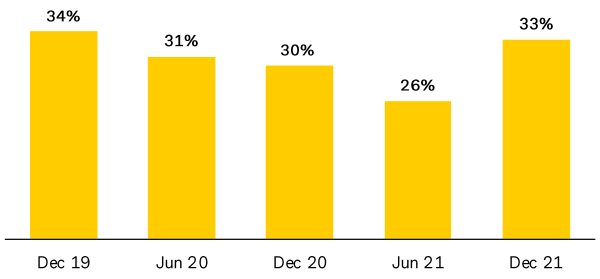
Short-Term Wholesale Funding

Short-term wholesale funding accounted for 33% of total wholesale funding at 31 December 2021 (30 June 2021: 26%, 31 December 2020: 30%). The Group continues to maintain a conservative funding mix.

Customers Deposits to Total Funding Ratio



Short-Term to Total Wholesale Funding Ratio



Funding (continued)

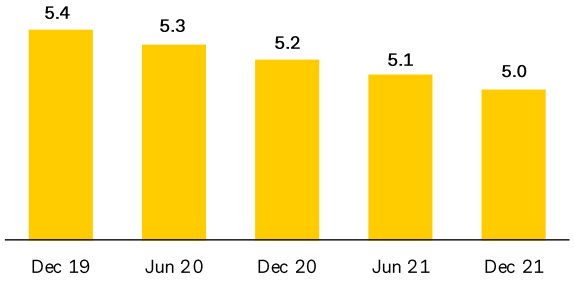
Long-Term Wholesale Funding

Long-term wholesale funding (including IFRS MTM and derivative FX revaluations) accounted for 67% of total wholesale funding at 31 December 2021 (30 June 2021: 74%, 31 December 2020: 70%).

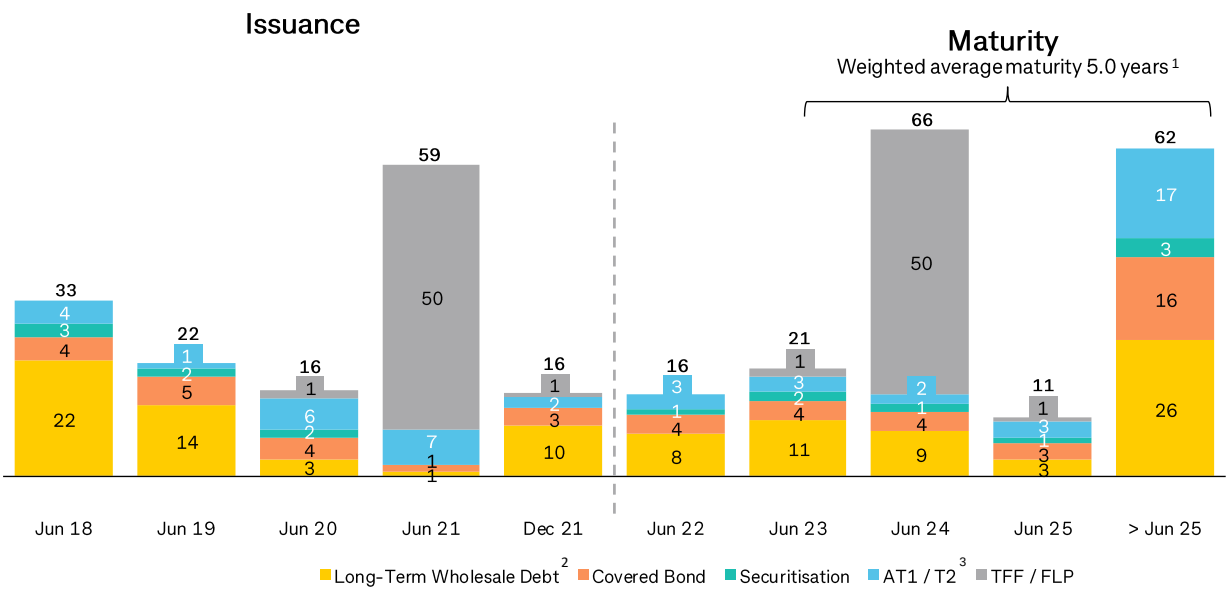
During the half year to 31 December 2021, the Group raised $14.9 billion of long-term wholesale funding, across various instruments. During the half, the Group also accessed $1.0 billion of long-term wholesale funding through drawdowns on the Reserve Bank of New Zealand's Funding for Lending Programme. The Group will be actively managing the maturity profile of the TFF across the 2023 – 2025 financial years through a range of funding sources.

The Weighted Average Maturity (WAM) of outstanding long-term wholesale debt with a residual maturity greater than 12 months at 31 December 2021 was 5.0 years (6.5 years excluding the TFF).

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



Long-Term Wholesale Funding Profile ($B)



1 Represents the weighted average maturity of outstanding long-term wholesale debt with a residual maturity greater than 12 months at 31 December 2021 including the TFF drawdown. WAM as at 31 December 2021 excluding TFF drawdowns is 6.5 years (30 June 2021: 6.4 years; 31 December 2020: 5.7 years).

2 Includes Senior Bonds and Structured MTN.

3 Additional Tier 1 and Tier 2 Capital.

Group Operations and Business Settings (continued)

Net Stable Funding Ratio (NSFR)

Level 2	As at 31 Dec 21 $M	30 Jun 21 $M	31 Dec 20 $M	Dec 21 vs Jun 21 %	Dec 21 vs Dec 20 %
Required Stable Funding					
Residential Mortgages ≤35% [1,2]	**295,637**	275,208	269,535	7	10
Other Loans	**251,753**	249,616	243,543	1	3
Liquid and Other Assets	**71,856**	69,408	69,627	4	3
Total Required Stable Funding	**619,246**	594,232	582,705	4	6
Available Stable Funding					
Capital	**104,034**	108,719	103,281	(4)	1
Retail/SME Deposits	**467,757**	430,483	423,891	9	10
Wholesale Funding & Other	**240,777**	226,408	191,112	6	26
Total Available Stable Funding	**812,568**	765,610	718,284	6	13
Net Stable Funding Ratio (NSFR) (%)	**131**	129	123	200 bpts	800 bpts

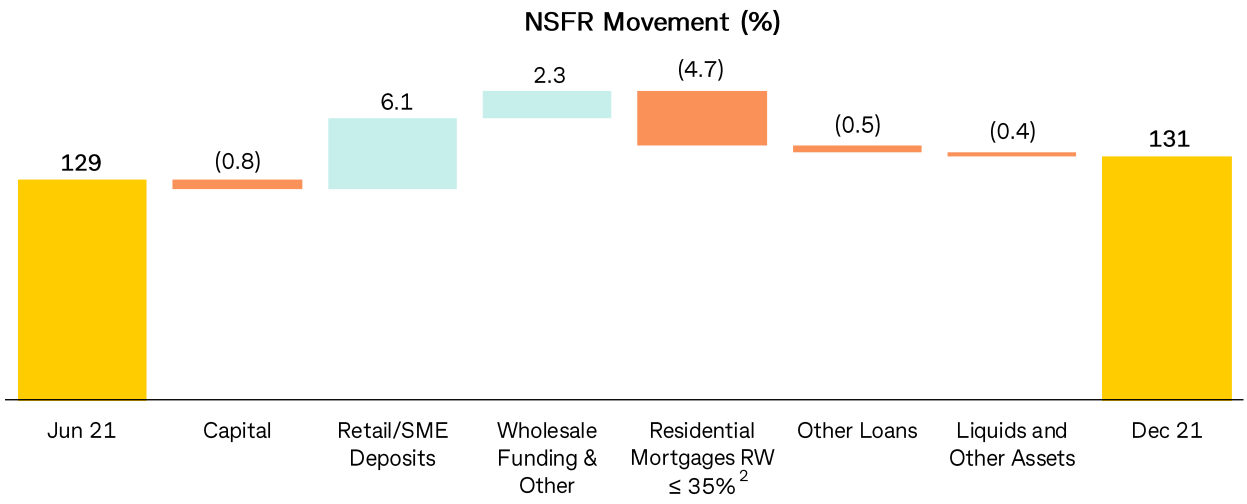
Net Stable Funding Ratio (NSFR)

The Net Stable Funding Ratio (NSFR) requirement is 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 131% at 31 December 2021, an increase of 2% from 129% at 30 June 2021 and an increase of 8% from 123% at 31 December 2020. The NSFR remains well above the regulatory minimum of 100%.

The 4% increase in Required Stable Funding (RSF) over the half primarily reflects strong growth in residential mortgage and business lending.

The 6% increase in Available Stable Funding (ASF) over the half was driven by strong growth in Retail and SME deposits and the Group's return to long-term wholesale funding issuance. This was partly offset by a reduction in capital, following the completion of the off-market share buy-back and payment of the FY21 final dividend.



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

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

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Divisional Performance

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Contents

5. Divisional Performance

Divisional Performance

Divisional Summary

Divisional Summary	Half Year Ended 31 December 2021					
	Retail Banking Services [1] $M	Business Banking $M	Institutional Banking and Markets $M	New Zealand $M	Corporate Centre and Other $M	Total $M
Net interest income	4,857	2,870	787	1,174	60	**9,748**
Other banking income	715	646	359	212	427	**2,359**
Total banking income	5,572	3,516	1,146	1,386	487	**12,107**
Funds management income	10	–	–	76	(6)	**80**
Insurance income	18	–	–	–	–	**18**
Total operating income	5,600	3,516	1,146	1,462	481	**12,205**
Operating expenses	(2,295)	(1,343)	(490)	(531)	(929)	**(5,588)**
Loan impairment benefit/(expense)	5	(44)	125	12	(23)	**75**
Net profit/(loss) before tax	3,310	2,129	781	943	(471)	**6,692**
Corporate tax (expense)/benefit	(979)	(640)	(194)	(264)	131	**(1,946)**
Net profit/(loss) after tax from continuing operations - "cash basis"	2,331	1,489	587	679	(340)	**4,746**

	Half Year Ended 31 December 2021 vs Half Year Ended 31 December 2020 [2]					
	Retail Banking Services [1] %	Business Banking %	Institutional Banking and Markets %	New Zealand %	Corporate Centre and Other %	Total %
Net interest income	–	3	2	16	(62)	**2**
Other banking income	(5)	(8)	(24)	14	large	**8**
Total banking income	(1)	1	(7)	16	large	**3**
Funds management income	(38)	–	–	12	50	**–**
Insurance income	(80)	–	–	–	(large)	**(80)**
Total operating income	(2)	1	(7)	15	large	**2**
Operating expenses	(3)	7	2	7	(8)	**–**
Loan impairment expense	(large)	(85)	(large)	(large)	(73)	**(large)**
Net profit before tax	8	9	35	26	(45)	**22**
Corporate tax expense	7	9	26	26	(47)	**20**
Net profit after tax from continuing operations - "cash basis"	8	9	38	27	(45)	**23**

1 Retail Banking Services including Mortgage Broking and General Insurance.
2 Comparative information has been restated to conform to presentation in the current period.

Divisional Performance (continued)

Divisional Summary (continued)

	Half Year Ended 31 December 2021 vs Half Year Ended 30 June 2021 [1]					
	Retail Banking Services [2] %	Business Banking %	Institutional Banking and Markets %	New Zealand %	Corporate Centre and Other %	Total %
Net interest income	(1)	3	3	3	(39)	**–**
Other banking income	(9)	(4)	19	2	11	**–**
Total banking income	(2)	1	8	3	–	**–**
Funds management income	(38)	–	–	6	large	**(6)**
Insurance income	(67)	–	–	–	–	**(67)**
Total operating income	(3)	1	8	3	–	**–**
Operating expenses	–	(5)	(1)	(8)	(6)	**(3)**
Loan impairment expense	97	large	(54)	63	92	**77**
Net profit before tax	(9)	–	20	8	(9)	**(1)**
Corporate tax expense	(10)	(1)	28	7	(22)	**(1)**
Net profit after tax from continuing operations - "cash basis"	(8)	1	17	9	(3)	**(1)**

1 Comparative information has been restated to conform to presentation in the current period.
2 Retail Banking Services including Mortgage Broking and General Insurance.

Retail Banking Services

Overview

Retail Banking Services provides simple, convenient and affordable banking and general insurance products and services to personal and private bank customers, helping them manage their everyday banking needs, buy a home, protect their assets, or invest for the future. We support our customers through an extensive network of more than 800 branches and 2,000 ATMs, Australian-based customer call centres, leading online services and apps, as well as mobile banking specialists, private bankers and support teams. Retail Banking Services also include the financial results of retail banking activities conducted under the Bankwest brand.

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

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

On 26 October 2021, the Group announced it will close the remaining Commonwealth Financial Planning (CFP) business, after a partial transfer to AIA Financial Services Limited was announced on 28 July 2021. The Group ceased to provide financial advice services under the CFP licence on 30 November 2021. This component of Commonwealth Financial Planning does not constitute a major line of the Group's business, and as such the financial results are treated as continuing operations and included in the account lines of Retail Banking Services' performance.

	Half Year Ended [1]					
	Retail Banking (excl. Mortgage Broking and General Insurance)					Total RBS [2]
	31 Dec 21	30 Jun 21	31 Dec 20	Dec 21 vs	Dec 21 vs	**31 Dec 21**
	$M	$M	$M	Jun 21 %	Dec 20 %	**$M**
Net interest income	**4,857**	4,903	4,866	(1)	–	**4,857**
Other banking income	**726**	683	626	6	16	**715**
Total banking income	**5,583**	5,586	5,492	–	2	**5,572**
Funds management income	**10**	16	16	(38)	(38)	**10**
Insurance income	**–**	–	–	–	–	**18**
Total operating income	**5,593**	5,602	5,508	–	2	**5,600**
Operating expenses	**(2,245)**	(2,149)	(2,184)	4	3	**(2,295)**
Loan impairment benefit/(expense)	**5**	165	(304)	97	(large)	**5**
Net profit before tax	**3,353**	3,618	3,020	(7)	11	**3,310**
Corporate tax expense	**(992)**	(1,086)	(900)	(9)	10	**(979)**
Cash net profit after tax	**2,361**	2,532	2,120	(7)	11	**2,331**
Cash net (loss)/profit after tax from Mortgage Broking and General Insurance	**(30)**	9	35	(large)	(large)	**n/a**
Total cash net profit after tax	**2,331**	2,541	2,155	(8)	8	**2,331**

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)

	Half Year Ended [1]					
	Retail Banking (excl. Mortgage Broking and General Insurance)					Total RBS [2]
	31 Dec 21	30 Jun 21	31 Dec 20	Dec 21 vs	Dec 21 vs	**31 Dec 21**
Income analysis	**$M**	$M	$M	Jun 21 %	Dec 20 %	**$M**
Net interest income						
Home loans	**3,136**	3,236	3,134	(3)	–	**3,136**
Consumer finance & other [3]	**565**	603	633	(6)	(11)	**565**
Deposits	**1,156**	1,064	1,099	9	5	**1,156**
Total net interest income	**4,857**	4,903	4,866	(1)	–	**4,857**
Other banking income						
Home loans	**144**	132	126	9	14	**144**
Consumer finance [4]	**219**	215	218	2	–	**219**
Deposits	**226**	262	155	(14)	46	**226**
Distribution & other [5]	**137**	74	127	85	8	**126**
Total other banking income	**726**	683	626	6	16	**715**
Total banking income	**5,583**	5,586	5,492	–	2	**5,572**

	As at [1]				
Balance Sheet	**31 Dec 21**	30 Jun 21	31 Dec 20	Dec 21 vs	Dec 21 vs
(excl. Mortgage Broking and General Insurance)	**$M**	$M	$M	Jun 21 %	Dec 20 %
Home loans [6]	**444,500**	423,113	407,396	5	9
Consumer finance [4]	**10,949**	11,172	11,546	(2)	(5)
Other interest earning assets	**2,114**	1,902	1,772	11	19
Total interest earning assets	**457,563**	436,187	420,714	5	9
Other assets	**6,936**	6,778	4,177	2	66
Total assets	**464,499**	442,965	424,891	5	9
Transaction deposits [7]	**51,408**	44,963	43,630	14	18
Savings deposits [7]	**156,111**	143,818	138,829	9	12
Investment deposits & other	**62,033**	64,422	70,248	(4)	(12)
Total interest bearing deposits	**269,552**	253,203	252,707	6	7
Non-interest bearing transaction deposits	**52,434**	44,598	39,398	18	33
Other non-interest bearing liabilities	**3,745**	4,009	3,137	(7)	19
Total liabilities	**325,731**	301,810	295,242	8	10

1 Comparative information has been restated to conform to presentation in the current period.
2 RBS including Mortgage Broking and General Insurance.
3 Consumer finance and other includes personal loans, credit cards and business lending.
4 Consumer finance includes personal loans and credit cards.
5 Distribution includes income associated with the sale of foreign exchange and wealth products. Other includes asset finance, merchants and business lending.
6 Home loans are presented gross of $52,708 million of mortgage offset balances (30 June 2021: $46,566 million; 31 December 2020: $45,562 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 $52,708 million of mortgage offset balances (30 June 2021: $46,566 million; 31 December 2020: $45,562 million).

Retail Banking Services (continued)

Key Financial Metrics (excl. Mortgage Broking and General Insurance)	Half Year Ended [1] 31 Dec 21	30 Jun 21	31 Dec 20	Dec 21 vs Jun 21 %	Dec 21 vs Dec 20 %
Performance indicators					
Net interest margin (%)	**2. 44**	2. 60	2. 61	(16)bpts	(17)bpts
Return on assets (%)	**1. 0**	1. 2	1. 0	(20)bpts	–
Operating expenses to total operating income (%)	**40. 1**	38. 4	39. 7	170 bpts	40 bpts
Impairment expense annualised as a % of average GLAAs (%)	**–**	(0. 08)	0. 14	8 bpts	(14)bpts
Other information					
Average interest earning assets ($M) [2]	**395,594**	380,816	370,314	4	7
Risk weighted assets ($M) [3]	**163,020**	156,927	155,175	4	5
90+ days home loan arrears (%)	**0. 54**	0. 68	0. 59	(14)bpts	(5)bpts
90+ days consumer finance arrears (%)	**0. 67**	0. 82	0. 96	(15)bpts	(29)bpts
Number of full-time equivalent staff (FTE)	**16,434**	16,053	15,839	2	4

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

Financial Performance and Business Review [1]

Half Year Ended December 2021 versus December 2020

Retail Banking Services cash net profit after tax for the half year ended 31 December 2021 was $2,361 million, an increase of $241 million or 11% on the prior comparative period. The result reflected a 2% increase in operating income, a 3% increase in operating expenses and a $309 million decrease in loan impairment expense.

Net Interest Income

Net interest income was $4,857 million, a decrease of $9 million on the prior comparative period. This was driven by a 7% decrease in net interest margin, offset by a 7% increase in average interest earning assets.

Net interest margin decreased by 17 basis points on the prior comparative period, reflecting:

- Lower home lending margins (down 24 basis points) reflecting the impact of swap rates on fixed rate loans (down 6 basis points), unfavourable home loan portfolio mix (down 14 basis points) with a shift to lower margin loans (primarily variable to fixed), and increased competition (down 11 basis points), partly offset by repricing (up 7 basis points);
- Unfavourable portfolio mix (down 3 basis points) due to a reduction in higher margin consumer finance balances, more than offsetting the mix benefit from customers switching to at-call deposits from investment deposits;
- Lower earnings on equity due to the falling interest rate environment (down 3 basis points); partly offset by
- Lower wholesale funding costs (up 8 basis points); and
- Improved deposit margins (up 5 basis points) due to repricing, partly offset by the continued impact of the low-rate environment on transaction and saving deposit earnings.

Other Banking Income

Other banking income was $726 million, an increase of $100 million or 16% on the prior comparative period, due to:

- Higher deposit income from improved spend volumes and higher volume based fees; and
- Higher home loan wealth package fees.

Funds Management Income

Funds management income was $10 million, a decrease of $6 million or 38% on the prior comparative period. This was primarily driven by the wind-down and closure of the Commonwealth Financial Planning (CFP) business.

Operating Expenses

Operating expenses were $2,245 million, an increase of $61 million or 3% on the prior comparative period. This was primarily driven by inflation, increased investment spend, higher customer remediation and additional staff to support increased operational and risk assessment volumes, partly offset by productivity initiatives including workforce and branch optimisation.

The number of full-time equivalent staff (FTE) increased by 595 FTE or 4% on the prior comparative period, from 15,839 to 16,434. This was driven by additional resources to support increased loan application processing and call centre volumes, and investment in lenders and private bankers, partly offset by the closure of the CFP business, decreased financial assistance resourcing and frontline optimisation.

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

Retail Banking Services (continued)

Financial Performance and Business Review (continued)

Investment spend increased on the prior comparative period, driven by productivity and growth initiatives including digital enhancements and integration, and home buying process optimisation. We have also continued to invest in risk and compliance initiatives.

The operating expenses to operating income ratio was 40.1%, an increase of 40 basis points on the prior comparative period, mainly driven by higher operating expenses.

Loan Impairment Expense

Loan impairment expense was a benefit of $5 million, a decrease of $309 million on the prior comparative period. The result was driven by lower collective provision charges reflecting an improvement in economic outlook, and lower losses.

Loan impairment expense as a percentage of average gross loans and acceptances decreased 14 basis points on the prior comparative period to nil.

Home loan 90+ days arrears decreased by 5 basis points on the prior comparative period from 0.59% to 0.54%, driven by the improving economic environment and strong origination quality.

Consumer finance 90+ days arrears decreased by 29 basis points from 0.96% to 0.67%, driven by the improving economic environment and strong origination quality.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of $37.1 billion or 9%, above system growth of 7% due to higher new business application volumes and a continued focus on credit decisioning turn-around times. Proprietary mix for CBA branded home loans has increased from 57% to 58% of new business flows;
- Consumer finance decrease of $0.6 billion or 5%, broadly in line with system. The decrease in balances was driven by lower consumer demand for unsecured lending; and
- Total deposits growth of $29.9 billion or 10% (interest and non-interest bearing). Growth was driven by transaction deposits (up 25% including non-interest bearing balances) primarily in existing customer balances and mortgage offset accounts, and savings deposits (up 12%), partly offset by a decline in investment deposits (down 12%), reflecting increased domestic money supply and greater demand for at-call deposits in the low-rate environment.

Risk Weighted Assets

Risk weighted assets were $163.0 billion, an increase of $7.8 billion or 5% on the prior comparative period.

- Credit risk weighted assets increased $10.7 billion or 8% driven by home loan volume growth, partly offset by a reduction in consumer finance volumes; partly offset by
- Operational risk weighted assets decreased $2.9 billion or 12%, due to improvements in the operational risk profile from enhanced management of conduct risk and strengthening of the control environment.

Retail Banking Services generated $1,536 million of organic capital [1] for the Group in the current half. This contributed 34 basis points to the Group's CET1 ratio.

General Insurance and Mortgage Broking

Cash net loss after tax was $30 million, a decrease of $65 million on the prior comparative period. The result was driven by the General Insurance business, with higher claims experience net of reinsurance recoveries, mainly due to increased weather and earthquake event related claims.

Half Year Ended December 2021 versus June 2021

Cash net profit after tax decreased $171 million or 7% on the prior half. The result was driven by flat operating income, a 4% increase in operating expenses and a lower loan impairment benefit.

Net Interest Income

Net interest income decreased by $46 million or 1% on the prior half. This was driven by a 6% decrease in net interest margin, partly offset by a 4% increase in average interest earning assets, and the benefit of three additional calendar days in the current half.

Net interest margin decreased by 16 basis points on the prior half, reflecting:

- Lower home lending margins (down 19 basis points) due to the impact of swap rates on fixed rate loans (down 5 basis points), unfavourable home loan portfolio mix (down 8 basis points) with a shift to lower margin loans (primarily variable to fixed), and increased competition (down 6 basis points);
- Lower earnings on equity due to the falling interest rate environment (down 2 basis points); and
- Unfavourable portfolio mix (down 1 basis point) due to a reduction in higher margin consumer finance balances, more than offsetting the mix benefit from customers switching to at-call deposits from investment deposits; partly offset by
- Lower wholesale funding costs (up 3 basis points); and
- Higher deposit margins (up 3 basis points) reflecting the benefit of repricing, partly offset by the continued impact of the low-rate environment on transaction and savings deposit earnings.

Other Banking Income

Other banking income increased by $43 million or 6% on the prior half, reflecting:

- Higher AIA partnership payments received in the current half;
- Higher home loan wealth package fees; and
- Improved credit and debit card spend volumes; partly offset by
- Lower volume based deposit fees, including reduced overdrawn account fees mainly due to increased deposit balances.

1 Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets (excluding FX as it is capital neutral with offsetting impacts in regulatory capital deductions) used to generate those profits. Amounts quoted exclude the payment of dividends and the allocation of Operational RWA from the Enforceable Undertaking with APRA.

Retail Banking Services (continued)

Financial Performance and Business Review (continued)

Funds Management Income

Funds management income decreased by $6 million or 38% on the prior half driven by the wind-down and closure of the CFP business.

Operating Expenses

Operating expenses increased by $96 million or 4% on the prior half. This was driven by inflation, higher investment spend, customer remediation, additional staff to support increased operational and risk assessment volumes, and the impact of three additional working days, partly offset by productivity initiatives.

The number of FTE increased by 381 or 2% on the prior half, from 16,053 to 16,434 FTE, driven by additional resources to support increased loan application processing and call centre volumes, and investment in lenders and private bankers, partly offset by the closure of the CFP business and frontline optimisation.

The operating expenses to total operating income ratio increased by 170 basis points on the prior half, mainly driven by higher operating expenses.

Loan Impairment Expense

Loan impairment benefit reduced by $160 million on the prior half. This was driven by higher collective provision releases in the prior half.

Loan impairment expense as a percentage of average gross loans and acceptances increased by 8 basis points on the prior half.

Home loan 90+ days arrears decreased by 14 basis points from 0.68% to 0.54%, driven by the improving economic environment and strong origination quality.

Consumer finance 90+ days arrears decreased by 15 basis points from 0.82% to 0.67%, driven by the improving economic environment and strong origination quality.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of $21.4 billion or 5%, above system growth of 4%, due to higher new business application volumes and a continued focus on credit decisioning turn-around times. Proprietary mix for CBA branded home loans decreased from 62% to 58%, due to stronger broker flows;
- Consumer finance decrease of $0.2 billion or 2%, broadly in line with system. The decrease in balances was driven by lower consumer demand for unsecured lending; and
- Total deposit growth of $24.2 billion or 8% (interest and non-interest bearing). Growth was driven by transaction deposits (up 16% including non-interest bearing balances) primarily in existing customer balances and mortgage offset accounts, and savings deposits (up 9%), partly offset by a decline in investment deposits (down 4%) reflecting higher demand for at-call deposits in the low-rate environment.

Risk Weighted Assets

Risk weighted assets increased $6.1 billion or 4% on the prior half.

- Credit risk weighted assets increased $6.0 billion or 4% driven by home loan volume growth, partly offset by a reduction in consumer finance volumes; and
- Operational risk weighted assets increased $0.1 billion.

General Insurance and Mortgage Broking

Cash net profit after tax decreased by $39 million on the prior half. This result was driven by the General Insurance business, with higher claims experience net of reinsurance recoveries, mainly due to increased weather and earthquake event related claims, partly offset by lower working claims.

Divisional Performance (continued)

Business Banking

Overview

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

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

	Half Year Ended [1]				
	31 Dec 21	30 Jun 21	31 Dec 20	Dec 21 vs	Dec 21 vs
	$M	$M	$M	Jun 21 %	Dec 20 %
Net interest income	**2,870**	2,800	2,797	3	3
Other banking income	**646**	675	701	(4)	(8)
Total banking income	**3,516**	3,475	3,498	1	1
Operating expenses	**(1,343)**	(1,417)	(1,252)	(5)	7
Loan impairment (expense)/benefit	**(44)**	62	(290)	large	(85)
Net profit before tax	**2,129**	2,120	1,956	–	9
Corporate tax expense	**(640)**	(649)	(587)	(1)	9
Cash net profit after tax	**1,489**	1,471	1,369	1	9
Income analysis					
Net interest income					
Small Business Banking	**1,232**	1,248	1,275	(1)	(3)
Commercial Banking	**792**	755	745	5	6
Regional and Agribusiness	**417**	396	389	5	7
Major Client Group	**338**	310	289	9	17
CommSec	**91**	91	99	–	(8)
Total net interest income	**2,870**	2,800	2,797	3	3
Other banking income					
Small Business Banking	**224**	224	230	–	(3)
Commercial Banking	**123**	114	117	8	5
Regional and Agribusiness	**50**	47	43	6	16
Major Client Group	**58**	56	55	4	5
CommSec	**191**	234	256	(18)	(25)
Total other banking income	**646**	675	701	(4)	(8)
Total banking income	**3,516**	3,475	3,498	1	1
Income by product					
Business products	**2,093**	2,008	2,012	4	4
Retail products	**1,189**	1,189	1,186	–	–
Equities and Margin Lending	**234**	278	300	(16)	(22)
Total banking income	**3,516**	3,475	3,498	1	1

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

Divisional Performance (continued)

Business Banking (continued)

Balance Sheet	As at [1] 31 Dec 21 $M	30 Jun 21 $M	31 Dec 20 $M	Dec 21 vs Jun 21 %	Dec 21 vs Dec 20 %
Home loans [2]	**95,171**	93,077	90,897	2	5
Business loans [3]	**108,978**	103,371	96,509	5	13
Margin loans	**2,363**	2,383	2,252	(1)	5
Consumer finance	**1,823**	1,854	1,946	(2)	(6)
Total interest earning assets	**208,335**	200,685	191,604	4	9
Non-lending interest earning assets	**111**	73	141	52	(21)
Other assets	**773**	969	793	(20)	(3)
Total assets	**209,219**	201,727	192,538	4	9
Transaction deposits [3,4]	**36,994**	34,411	39,800	8	(7)
Savings deposits [4]	**74,931**	70,290	68,410	7	10
Investment deposits and other	**34,641**	34,218	34,013	1	2
Total interest bearing deposits	**146,566**	138,919	142,223	6	3
Non-interest bearing transaction deposits	**68,329**	56,976	42,897	20	59
Other non-interest bearing liabilities	**1,160**	1,369	1,379	(15)	(16)
Total liabilities	**216,055**	197,264	186,499	10	16

Key Financial Metrics	Half Year Ended [1] 31 Dec 21	30 Jun 21	31 Dec 20	Dec 21 vs Jun 21 %	Dec 21 vs Dec 20 %
Performance indicators					
Net interest margin (%)	**2. 98**	3. 09	3. 14	(11)bpts	(16)bpts
Return on assets (%)	**1. 4**	1. 5	1. 4	(10)bpts	–
Operating expenses to total banking income (%)	**38. 2**	40. 8	35. 8	(260)bpts	240 bpts
Impairment expense annualised as a % of average GLAAs (%)	**0. 04**	(0. 06)	0. 31	10 bpts	(27)bpts
Other information					
Average interest earning assets ($M) [5]	**190,795**	182,752	176,711	4	8
Risk weighted assets ($M)	**141,509**	136,006	134,166	4	5
Troublesome and impaired assets ($M) [6]	**3,513**	3,947	4,640	(11)	(24)
Troublesome and impaired assets as a % of TCE (%) [6]	**2. 46**	2. 98	3. 63	(52)bpts	(117)bpts
Number of full-time equivalent staff (FTE)	**5,686**	5,316	5,147	7	10

1 Comparative information has been restated to conform to presentation in the current period.
2 Home loans are presented gross of $13,459 million of mortgage offset balances (30 June 2021: $11,247 million; 31 December 2020: $11,917 million). These balances are required to be grossed up under accounting standards, but are netted down for the calculation of customer interest payments.
3 Business loans include $268 million of Cash Management Pooling Facilities (CMPF) (30 June 2021: $234 million; 31 December 2020: $242 million). Transaction Deposits include $785 million of CMPF liabilities (30 June 2021: $1,253 million; 31 December 2020: $1,258 million). These balances are required to be grossed up under accounting standards, but are netted down for the calculation of customer interest payments and risk weighted assets.
4 Transaction and Savings deposits include $13,459 million of mortgage offset balances (30 June 2021: $11,247 million; 31 December 2020: $11,917 million).
5 Average interest earning assets are presented net of mortgage offset balances, which reduce customer interest payments. Average interest earning assets are also used in the calculation of divisional net interest margin.
6 Commercial troublesome and impaired assets only.

Business Banking (continued)

Financial Performance and Business Review

Half Year Ended December 2021 versus December 2020

Business Banking cash net profit after tax for the half year ended 31 December 2021 was $1,489 million, an increase of $120 million or 9% on the prior comparative period. The result was driven by a 1% increase in total banking income, a 7% increase in operating expenses and an 85% decrease in loan impairment expense.

Net Interest Income

Net interest income was $2,870 million, an increase of $73 million or 3% on the prior comparative period. This was driven by an 8% increase in average interest earning assets, partly offset by a 5% decline in net interest margin.

Net interest margin decreased 16 basis points on the prior comparative period, reflecting:

- Lower deposit margins (down 10 basis points) due to the continued impact from the low-rate environment, partly offset by repricing;
- The impact on home lending margins (down 9 basis points) from swap rates on fixed rate loans and increased competition (down 7 basis points) and unfavourable home loan portfolio mix (down 5 basis points), with a shift to lower margin loans (variable to fixed), partly offset by repricing (up 3 basis points); and
- Lower earnings on equity due to the falling interest rate environment (down 5 basis points); partly offset by
- Favourable portfolio mix (up 4 basis points) from strong growth in business lending and transaction and savings deposits, partly offset by a decline in higher margin consumer finance balances; and
- Higher business lending margins (up 4 basis points) reflecting lower funding costs, partly offset by price reductions to support our customers on the path to economic recovery.

Other Banking Income

Other banking income was $646 million, a decrease of $55 million or 8% on the prior comparative period, reflecting:

- Lower equities income due to lower trading volumes and the divestment of AUSIEX on 3 May 2021; and
- Lower merchant income mainly due to the impact from COVID-19 related restrictions and fee waivers; partly offset by
- Higher business lending fee income reflecting volume growth.

Operating Expenses

Operating expenses were $1,343 million, an increase of $91 million or 7% on the prior comparative period. This was primarily driven by continued investment in Business Banking product offerings and distribution capabilities, inflation, and risk and compliance related spend.

The number of full-time equivalent staff (FTE) increased by 539 or 10% on the prior comparative period, from 5,147 to 5,686 FTE, primarily driven by investment in product and customer facing staff, partly offset by the divestment of AUSIEX.

Investment spend was primarily focused on further enhancing the customer experience through reimagining products and services, system modernisation, digitisation and automation, as well as investment in regulatory, risk and compliance initiatives.

The operating expenses to total banking income ratio was 38.2%, an increase of 240 basis points on the prior comparative period, mainly driven by higher operating expenses.

Loan Impairment Expense

Loan impairment expense was $44 million, a decrease of $246 million or 85% on the prior comparative period. This was driven by lower collective provision charges reflecting an improvement in the economic outlook, and lower individually assessed provision charges.

Loan impairment expense as a percentage of average gross loans and acceptances decreased 27 basis points on the prior comparative period to 0.04%.

Troublesome and impaired assets as a percentage of total committed exposure decreased 117 basis points to 2.46% driven by a combination of good quality volume growth and active management of troublesome and impaired assets.

Balance Sheet

Key spot balance sheet movements included:

- Business loan growth of $12.5 billion or 13%, above system growth, reflecting increases primarily across the Property, Agriculture and Wholesale Trade industries, while continuing to support our customers on the path to economic recovery;
- Home loan growth of $4.3 billion or 5%, below system growth of 7%, reflecting growth in owner occupied home loans and subdued investor loan growth; and
- Total deposits growth (interest and non-interest bearing) of $29.8 billion or 16%, above system growth. Growth was driven by higher transaction (up 27% including non-interest bearing balances), savings (up 10%) and investment deposits (up 2%), reflecting increased domestic money supply and higher demand for at-call deposits in the low-rate environment.

Business Banking (continued)

Financial Performance and Business Review (continued)

Risk Weighted Assets

Risk weighted assets were $141.5 billion, an increase of $7.3 billion or 5% on the prior comparative period.

- Credit risk weighted assets increased $8.4 billion or 7% driven by lending volume growth, partly offset by improved credit quality and methodology changes; partly offset by
- Operational risk weighted assets decreased $1.1 billion or 8%, due to improvements in the operational risk profile from enhanced management of conduct risk and strengthening of the control environment.

Business Banking generated $774 million of organic capital [1] for the Group in the current half. This contributed 17 basis points to the Group's CET1 ratio.

Half Year Ended December 2021 versus June 2021

Cash net profit after tax increased $18 million or 1% on the prior half. The result was driven by a 1% increase in total banking income, a 5% decrease in operating expenses and a $106 million increase in loan impairment expense.

Net Interest Income

Net interest income increased $70 million or 3% on the prior half. This was driven by a 4% increase in average interest earning assets and the benefit of three additional calendar days in the current half, partly offset by a 4% decline in net interest margin.

Net interest margin decreased 11 basis points, reflecting:

- The impact on home lending margins (down 7 basis points) from swap rates on fixed rate loans and increased competition (down 4 basis points) and unfavourable home loan portfolio mix (down 3 basis points), with a shift to lower margin loans (variable to fixed);
- Lower earnings on equity due to the falling interest rate environment (down 3 basis points);
- Lower deposit margins (down 2 basis points) due to the continued impact from the low-rate environment, partly offset by repricing; and
- Flat business lending margins reflecting lower funding costs, offset by price reductions to support our customers on the path to economic recovery; partly offset by
- Favourable portfolio mix (up 1 basis point) from strong growth in business lending and transaction deposits, partly offset by a decline in higher margin consumer finance balances.

Other Banking Income

Other banking income decreased $29 million or 4% on the prior half, driven by:

- Lower equities income due to lower trading volumes and the divestment of AUSIEX on 3 May 2021; and
- Lower merchant income mainly due to the impact from COVID-19 related restrictions and fee waivers; partly offset by
- Higher business lending fee income reflecting volume growth.

Operating Expenses

Operating expenses decreased $74 million or 5% on the prior half. This was primarily driven by lower remediation provisions, partly offset by the continued investment in Business Banking product offerings and distribution capabilities, inflation, and increased risk and compliance related spend.

The number of FTE increased by 370 or 7% on the prior half, from 5,316 to 5,686 FTE, primarily driven by investment in product and customer facing staff.

The operating expenses to total banking income ratio decreased 260 basis points on the prior half mainly due to lower expenses.

Loan Impairment Expense

Loan impairment expense increased $106 million on the prior half, primarily driven by higher collective provision releases in the prior half, partly offset by lower individually assessed provisions in the current half.

Loan impairment expense as a percentage of average gross loans and acceptances increased 10 basis points on the prior half to 0.04%.

Troublesome and impaired assets as a percentage of total committed exposure decreased 52 basis points driven by a combination of good quality volume growth and active management of troublesome and impaired assets.

Balance Sheet

Key spot balance sheet movements included:

- Business loan growth of $5.6 billion or 5%, above system growth, reflecting growth primarily across the Property, Wholesale Trade and Health industries, while continuing to support our customers on the path to economic recovery;
- Home loan growth of $2.1 billion or 2%, below system growth of 4%, reflecting growth in owner occupied home loans and subdued investor loan growth; and
- Total deposits growth (interest and non-interest bearing) of $19.0 billion or 10%, above system growth. Growth was driven by higher transaction (up 15% including non-interest bearing balances), savings (up 7%) and investment deposits (up 1%), reflecting increased domestic money supply and higher demand for at-call deposits in the low-rate environment.

Risk Weighted Assets

Risk weighted assets increased $5.5 billion or 4% on the prior half.

- Credit risk weighted assets increased $5.6 billion or 5% driven by lending volume growth, partly offset by improved credit quality; partly offset by
- Operational risk weighted assets decreased $0.1 billion.

1 Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets (excluding FX as it is capital neutral with offsetting impacts in regulatory capital deductions) 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.

	Half Year Ended [1]				
	31 Dec 21	30 Jun 21	31 Dec 20	Dec 21 vs	Dec 21 vs
	$M	$M	$M	Jun 21 %	Dec 20 %
Net interest income	**787**	764	768	3	2
Other banking income	**359**	302	470	19	(24)
Total banking income	**1,146**	1,066	1,238	8	(7)
Operating expenses	**(490)**	(495)	(481)	(1)	2
Loan impairment benefit/(expense)	**125**	81	(177)	(54)	(large)
Net profit before tax	**781**	652	580	20	35
Corporate tax expense	**(194)**	(152)	(154)	28	26
Cash net profit after tax	**587**	500	426	17	38
Income analysis					
Net interest income					
Institutional Banking	**608**	583	588	4	3
Markets	**179**	181	180	(1)	(1)
Total net interest income	**787**	764	768	3	2
Other banking income					
Institutional Banking	**167**	138	111	21	50
Markets	**192**	164	359	17	(47)
Total other banking income	**359**	302	470	19	(24)
Total banking income	**1,146**	1,066	1,238	8	(7)
Income by product					
Institutional products	**704**	661	682	7	3
Asset leasing	**71**	60	17	18	large
Markets (excluding derivative valuation adjustments)	**377**	338	542	12	(30)
Total banking income excluding derivative valuation adjustments	**1,152**	1,059	1,241	9	(7)
Derivative valuation adjustments [2]	**(6)**	7	(3)	(large)	large
Total banking income	**1,146**	1,066	1,238	8	(7)

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] 31 Dec 21 $M	30 Jun 21 $M	31 Dec 20 $M	Dec 21 vs Jun 21 %	Dec 21 vs Dec 20 %
Interest earning lending assets [2]	**84,799**	84,755	87,668	–	(3)
Non-lending interest earning assets	**52,000**	41,949	52,638	24	(1)
Other assets [3]	**26,129**	27,126	35,505	(4)	(26)
Total assets	**162,928**	153,830	175,811	6	(7)
Transaction deposits [2]	**83,431**	84,186	76,927	(1)	8
Savings deposits	**11,327**	15,193	13,327	(25)	(15)
Investment deposits	**33,426**	30,096	34,485	11	(3)
Certificates of deposit and other	**18,214**	15,477	22,121	18	(18)
Total interest bearing deposits	**146,398**	144,952	146,860	1	–
Due to other financial institutions	**16,542**	14,057	6,774	18	large
Debt issues and other [4]	**4,160**	2,805	3,043	48	37
Non-interest bearing liabilities [3]	**16,153**	17,885	25,680	(10)	(37)
Total liabilities	**183,253**	179,699	182,357	2	–

Key Financial Metrics	Half Year Ended [1] 31 Dec 21	30 Jun 21	31 Dec 20	Dec 21 vs Jun 21 %	Dec 21 vs Dec 20 %
Performance indicators					
Net interest margin (%)	**1. 19**	1. 17	1. 05	2 bpts	14 bpts
Return on assets (%)	**0. 7**	0. 7	0. 5	–	20 bpts
Operating expenses to total banking income (%)	**42. 8**	46. 4	38. 9	(360)bpts	390 bpts
Impairment expense annualised as a % of average GLAAs (%)	**(0. 28)**	(0. 19)	0. 38	(9)bpts	(66)bpts
Other information					
Average interest earning assets ($M)	**130,687**	131,362	144,518	(1)	(10)
Risk weighted assets ($M)	**82,122**	82,171	85,933	–	(4)
Troublesome and impaired assets ($M)	**606**	890	1,175	(32)	(48)
Total committed exposures rated investment grade (%)	**87. 9**	87. 0	86. 7	90 bpts	120 bpts
Number of full-time equivalent staff (FTE)	**1,453**	1,431	1,419	2	2

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

2 Interest earning lending assets include $13,854 million of Cash Management Pooling Facilities (CMPF) (30 June 2021: $17,814 million; 31 December 2020: $22,886 million). Transaction deposits include $34,920 million of CMPF liabilities (30 June 2021: $43,462 million; 31 December 2020: $41,096 million). These balances are required to be grossed up under accounting standards, but are netted down for the calculation of customer interest payments and risk weighted assets.

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

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

Institutional Banking and Markets (continued)

Financial Performance and Business Review

Half Year Ended December 2021 versus December 2020

Institutional Banking and Markets cash net profit after tax for the half year ended 31 December 2021 was $587 million, an increase of $161 million or 38% on the prior comparative period. The result was driven by a 7% decrease in total banking income, a 2% increase in operating expenses and a $302 million decrease in loan impairment expense.

Net Interest Income

Net interest income was $787 million, a $19 million increase on the prior comparative period. The result was driven by a 13% increase in net interest margin, partly offset by a 10% decrease in average interest earning assets.

Net interest margin increased 14 basis points, reflecting:

- Increased Institutional lending margin (up 7 basis points) due to lower funding costs with client pricing remaining flat;
- Favourable assets mix from reduction of lower margin pooled facilities and non-lending interest earning assets (up 7 basis points);
- Increased earnings from Markets including commodities (up 3 basis points); and
- Higher Structured Asset Finance revenue driven by an increase in the residual value of shipping vessels under finance leases (up 3 basis points); partly offset by
- Reduced deposit revenue reflecting the continued impact of the low-rate environment (down 3 basis points); and
- Lower earnings on equity due to the low rate environment (down 3 basis points).

Other Banking Income

Other banking income was $359 million, a decrease of $111 million or 24% on the prior comparative period, reflecting:

- Lower Global Markets trading income from precious metal inventory financing, and the Fixed Income and Rates portfolios;
- Unfavourable derivative valuation adjustments; partly offset by
- Higher Structured Asset Finance revenue mainly due to the non-recurrence of impairment of aircraft operating leases; and
- Higher lending fees due to repricing and increased volume.

Operating Expenses

Operating expenses were $490 million, an increase of $9 million or 2% on the prior comparative period. This was driven by higher investment and risk and compliance spend, partly offset by lower amortisation and productivity initiatives.

The number of full-time equivalent staff (FTE) increased by 34 or 2% on the prior comparative period, from 1,419 to 1,453 FTE.

Investment spend focused on upgrading system infrastructure and continuing to strengthen the operational risk and compliance framework.

The operating expenses to total banking income ratio was 42.8%, an increase of 390 basis points on the prior comparative period, mainly driven by lower total banking income.

Loan Impairment Expense

Loan impairment expense was a benefit of $125 million, a decrease of $302 million on the prior comparative period. This was driven by lower collective provisions reflecting a decrease in forward looking adjustments for the aviation sector and improvement in the economic outlook, and lower individually assessed provisions.

Loan impairment expense as a percentage of average gross loans and acceptances decreased 66 basis points on the prior comparative period to -0.28%.

Asset quality of the portfolio has improved, with the percentage of the book rated as investment grade increasing 120 basis points to 87.9%.

Balance Sheet

Key spot balance sheet movements included:

- Lending balance decrease of $2.9 billion or 3%, primarily driven by reduction in pooled facilities, partly offset by growth in the Funds Financing, Real Estate and Securitisation portfolios;
- Non-lending interest earning assets decline of $0.6 billion or 1%, driven by a reduction in the inventory of government bonds, partly offset by an increase in reverse sale and repurchase agreements in Global Markets;
- Other assets and non-interest bearing liabilities decline of $9.4 billion or 26% and $9.5 billion or 37% 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 decline of $0.5 billion mainly driven by a decrease in sale and repurchase agreements in Global Markets due to lower funding requirements for government securities, and lower investment and savings deposits; partly offset by an increase from transaction deposits, reflecting increased liquidity in the economy and customer preference for at-call deposits in the low-rate environment; and
- Due to other financial institutions increase of $9.8 billion driven by higher central bank and foreign currency term deposits, and deposits from other banks.

Institutional Banking and Markets (continued)

Financial Performance and Business Review (continued)

Risk Weighted Assets

Risk weighted assets were $82.1 billion, a decrease of $3.8 billion or 4% on the prior comparative period.

- Credit risk weighted assets decreased $3.3 billion or 5%, primarily driven by improved credit quality, methodology changes and lower derivatives;
- Traded market risk weighted assets decreased $0.3 billion or 3%; and
- Operational risk weighted assets decreased $0.2 billion or 4%.

Institutional Banking and Markets generated $679 million of organic capital [1] for the Group in the current half. This contributed 15 basis points to the Group's CET1 ratio.

Half Year Ended December 2021 versus June 2021

Cash net profit after tax increased $87 million or 17% on the prior half. The result was driven by an 8% increase in total banking income, a 1% decrease in operating expenses, and a 54% decrease in loan impairment expense.

Net Interest Income

Net interest income increased $23 million or 3% on the prior half. The result was driven by a 2% increase in net interest margin and the benefit of three additional calendar days in the current half, partly offset by a 1% decrease in average interest earning assets.

Net interest margin increased 2 basis points, reflecting:

- Favourable asset mix from reduction of lower margin pooled facilities and non-lending interest earning assets (up 4 basis points);
- Higher Structured Asset Finance revenue driven by an increase in the residual value of shipping vessels under finance leases (up 3 basis points); and
- Higher Institutional lending margins (up 1 basis point) due to lower funding costs; partly offset by
- Reduced deposit revenue reflecting the continued impact of the low-rate environment (down 2 basis points);
- Lower margins in Fixed Income (down 2 basis points); and
- Lower earnings on equity due to the low rate environment (down 2 basis points).

Other Banking Income

Other banking income increased $57 million or 19% on the prior half, reflecting:

- Higher Global Markets sales and trading performance mainly from Foreign Exchange, and Fixed Income and Rates portfolios;
- Higher Structured Asset Finance revenue mainly due to the non-recurrence of impairment of aircraft operating leases; and
- Higher lending fees due to repricing and increased volume; partly offset by
- Unfavourable derivative valuation adjustments.

Operating Expenses

Operating expenses decreased $5 million or 1% on the prior half. This was primarily driven by productivity initiatives and lower amortisation, partly offset by higher risk and compliance and operations costs.

The number of FTE increased by 2% on the prior half, from 1,431 to 1,453 FTE.

The operating expenses to total banking income ratio decreased by 360 basis points from 46.4% in the prior half, mainly driven by higher total banking income.

Loan Impairment Expense

Loan impairment expense decreased $44 million on the prior half. This was driven by lower collective provisions reflecting a decrease in forward looking adjustments for the aviation sector and improvement in the economic outlook, partly offset by higher individually assessed provisions due to lower write-backs in the current half.

Loan impairment expense as a percentage of average gross loans and acceptances decreased 9 basis points on the prior half to -0.28%.

Asset quality of the portfolio has improved, with the percentage of the book rated as investment grade increasing 90 basis points to 87.9%.

Balance Sheet

Key spot balance sheet movements included:

- Non-lending interest earning assets growth of $10.1 billion or 24%, driven by higher reverse sale and repurchase agreements, partly offset by reduction in the inventory of government bonds in Global Markets;
- Total interest bearing deposits increase of $1.4 billion or 1% mainly driven by growth in investment deposits, and higher sale and repurchase agreements in Global Markets, partly offset by lower savings deposits; and
- Due to other financial institutions increase of $2.5 billion or 18% mainly due to higher central bank deposits and deposits from other banks.

Risk Weighted Assets

Risk weighted assets were flat on the prior half.

- Credit risk weighted assets decreased $2.2 billion or 3%, primarily driven by improved credit quality, methodology changes and lower derivatives; and
- Operational risk weighted assets decreased $0.3 billion or 5%; partly offset by
- Traded market risk weighted assets increased $2.5 billion or 35%, driven by an APRA capital overlay to be held until modelling work is completed by the Group and approved by APRA in relation to the revised Risks-Not-In-VaR (RNIV) framework.

1 Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets (excluding FX as it is capital neutral with offsetting impacts in regulatory capital deductions) used to generate those profits. Amounts quoted exclude the payment of dividends, the allocation of Operational RWA from the Enforceable Undertaking with APRA.

Divisional Performance (continued)

New Zealand

Overview

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

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

	Half Year Ended [1]				
New Zealand (A$M)	**31 Dec 21 A$M**	30 Jun 21 A$M	31 Dec 20 A$M	Dec 21 vs Jun 21 %	Dec 21 vs Dec 20 %
Net interest income	**1,174**	1,136	1,014	3	16
Other banking income [2]	**212**	208	186	2	14
Total banking income	**1,386**	1,344	1,200	3	16
Funds management income	**76**	72	68	6	12
Total operating income	**1,462**	1,416	1,268	3	15
Operating expenses	**(531)**	(576)	(495)	(8)	7
Loan impairment benefit/(expense)	**12**	32	(27)	63	(large)
Net profit before tax	**943**	872	746	8	26
Corporate tax expense	**(264)**	(247)	(210)	7	26
Cash net profit after tax	**679**	625	536	9	27

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$M)	Half Year Ended [1] 31 Dec 21 NZ$M	30 Jun 21 NZ$M	31 Dec 20 NZ$M	Dec 21 vs Jun 21 %	Dec 21 vs Dec 20 %
Net interest income	**1,227**	1,221	1,086	–	13
Other banking income	**224**	203	209	10	7
Total banking income	**1,451**	1,424	1,295	2	12
Funds management income	**80**	77	73	4	10
Total operating income	**1,531**	1,501	1,368	2	12
Operating expenses	**(556)**	(618)	(530)	(10)	5
Loan impairment benefit/(expense)	**13**	35	(30)	63	(large)
Net profit before tax	**988**	918	808	8	22
Corporate tax expense	**(277)**	(259)	(228)	7	21
Net profit after tax ("cash basis")	**711**	659	580	8	23
Represented by:					
ASB	**742**	689	607	8	22
Other [2]	**(31)**	(30)	(27)	3	15
Cash net profit after tax	**711**	659	580	8	23

Key Financial Metrics [3]	Half Year Ended 31 Dec 21	30 Jun 21	31 Dec 20	Dec 21 vs Jun 21 %	Dec 21 vs Dec 20 %
Performance indicator					
Operating expenses to total operating income (%)	**36. 3**	41. 2	38. 7	(490)bpts	(240)bpts

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

Financial Performance and Business Review

Half Year Ended December 2021 versus December 2020

New Zealand cash net profit after tax [1] for the half year ended 31 December 2021 was NZD711 million, an increase of NZD131 million or 23% on the prior comparative period. The result was driven by a 12% increase in total operating income, a 5% increase in operating expenses and a NZD43 million decrease in loan impairment expense.

New Zealand generated AUD332 million of organic capital [2] for the Group in the current half. This contributed 8 basis points to the Group's CET1 ratio.

Half Year Ended December 2021 versus June 2021

New Zealand cash net profit after tax [1] for the half year ended 31 December 2021 increased NZD52 million or 8% on the prior half. The result was driven by a 2% increase in total operating income, a 10% decrease in operating expenses and a NZD22 million increase in loan impairment expense.

1 The New Zealand result incorporates ASB and allocated CBA capital charges and costs. The CBA Branch results relating to the Institutional Banking and Markets business in New Zealand are not included.
2 Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets (excluding FX as it is capital neutral with offsetting impacts in regulatory capital deductions and in accordance with APRA requirements) used to generate those profits. Amounts quoted exclude the payment of dividends.

Divisional Performance (continued)

New Zealand (continued)

ASB (NZ$M)	Half Year Ended [1] 31 Dec 21 NZ$M	30 Jun 21 NZ$M	31 Dec 20 NZ$M	Dec 21 vs Jun 21 %	Dec 21 vs Dec 20 %
Net interest income	**1,270**	1,261	1,122	1	13
Other banking income	**224**	203	209	10	7
Total banking income	**1,494**	1,464	1,331	2	12
Funds management income	**80**	77	73	4	10
Total operating income	**1,574**	1,541	1,404	2	12
Operating expenses	**(556)**	(618)	(530)	(10)	5
Loan impairment benefit/(expense)	**13**	35	(30)	63	(large)
Net profit before tax	**1,031**	958	844	8	22
Corporate tax expense	**(289)**	(269)	(237)	7	22
Cash net profit after tax	**742**	689	607	8	22

ASB Balance Sheet (NZ$M)	As at [1] 31 Dec 21 NZ$M	30 Jun 21 NZ$M	31 Dec 20 NZ$M	Dec 21 vs Jun 21 %	Dec 21 vs Dec 20 %
Home loans	**69,875**	67,679	64,453	3	8
Business lending	**19,863**	19,311	18,132	3	10
Rural lending	**11,236**	11,146	11,013	1	2
Other interest earning assets	**1,671**	1,758	1,875	(5)	(11)
Total lending interest earning assets	**102,645**	99,894	95,473	3	8
Non-lending interest earning assets	**12,833**	11,188	12,174	15	5
Other assets	**1,361**	1,509	1,569	(10)	(13)
Total assets	**116,839**	112,591	109,216	4	7
Interest bearing customer deposits	**62,502**	59,929	59,918	4	4
Debt issues	**22,498**	22,936	21,651	(2)	4
Other demand deposits [2]	**4,676**	4,626	3,722	1	26
Other interest bearing liabilities	**1,190**	1,491	1,367	(20)	(13)
Total interest bearing liabilities	**90,866**	88,982	86,658	2	5
Non-interest bearing customer deposits	**13,906**	11,651	10,470	19	33
Other non-interest bearing liabilities	**987**	997	1,336	(1)	(26)
Total liabilities	**105,759**	101,630	98,464	4	7

1 Comparative information has been restated to conform to presentation in the current period.
2 Other demand deposits include certificate of deposits, repurchase agreements and funding from RBNZ Funding for Lending Programme and Term Lending Facility.

Divisional Performance (continued)

New Zealand (continued)

ASB Key Financial Metrics [2]	Half Year Ended [1] 31 Dec 21	30 Jun 21	31 Dec 20	Dec 21 vs Jun 21 %	Dec 21 vs Dec 20 %
Performance indicators					
Net interest margin (%)	**2. 19**	2. 31	2. 12	(12)bpts	7 bpts
Return on assets (%)	**1. 3**	1. 2	1. 1	10 bpts	20 bpts
Operating expenses to total operating income (%)	**35. 3**	40. 1	37. 7	(480)bpts	(240)bpts
Impairment expense annualised as a % of average GLAAs (%)	**(0. 03)**	(0. 07)	0. 06	4 bpts	(9)bpts
Other information					
Average interest earning assets (NZ$M)	**115,124**	110,183	104,904	4	10
Risk weighted assets (NZ$M) [3]	**61,465**	61,252	61,354	–	–
Risk weighted assets (A$M) [4]	**56,445**	53,311	51,943	6	9
AUM - average (NZ$M)	**22,209**	21,040	19,469	6	14
AUM - spot (NZ$M)	**22,328**	21,750	20,616	3	8
90+ days home loan arrears (%)	**0. 17**	0. 18	0. 18	(1)bpt	(1)bpt
90+ days consumer finance arrears (%)	**0. 55**	0. 36	0. 74	19 bpts	(19)bpts
Number of full-time equivalent staff (FTE)	**5,817**	5,722	5,505	2	6

1 Comparative information has been restated to conform to presentation in the current period.
2 Key financial metrics are calculated in New Zealand dollar terms unless otherwise stated.
3 Risk weighted assets calculated in accordance with RBNZ requirements.
4 Risk weighted assets (A$M) calculated in accordance with APRA requirements.

New Zealand (continued)

Financial Performance and Business Review

Half Year Ended December 2021 versus December 2020

ASB cash net profit after tax for the half year ended 31 December 2021 was NZD742 million, an increase of NZD135 million or 22% on the prior comparative period. The result was driven by a 12% increase in total operating income, a 5% increase in operating expenses and a NZD43 million decrease in loan impairment expense.

Net Interest Income

Net interest income was NZD1,270 million, an increase of NZD148 million or 13% on the prior comparative period. The increase was driven by a 10% growth in average interest earning assets and a 3% increase in net interest margin.

Net interest margin increased 7 basis points, reflecting:

- Higher deposit margins (up 7 basis points) due to benefits from investment deposits repricing (up 11 basis points), partly offset by reduced earnings on transaction and savings deposits (down 4 basis points);
- Lower wholesale funding costs (up 6 basis points); and
- Favourable portfolio mix (up 1 basis point) driven by strong growth in transaction and savings deposits (up 4 basis points), partly offset by unfavourable lending mix driven by a higher proportion of lower margin home loan balances relative to higher margin consumer finance and business lending balances (down 3 basis points); partly offset by
- Unfavourable lending margins (down 4 basis points) reflecting lower home loan margins (down 7 basis points) due to increased competition, partly offset by higher business and rural lending margins (up 3 basis points); and
- Lower earnings on equity due to the low rate environment (down 3 basis points).

Other Banking Income

Other banking income was NZD224 million, an increase of NZD15 million or 7% on the prior comparative period, reflecting:

- Higher Markets revenue from increased sales and trading income; and
- Higher gains from the sale of government securities; partly offset by
- Lower fees due to the removal and reduction of various transaction service fees.

Funds Management Income

Funds management income was NZD80 million, an increase of NZD7 million or 10% on the prior comparative period, driven by higher average Assets Under Management (AUM) (up 14%), reflecting favourable net inflows and market performance, and improved margins, partly offset by the removal of administration fees on KiwiSaver accounts.

Operating Expenses

Operating expenses were NZD556 million, an increase of NZD26 million or 5% on the prior comparative period. The increase was primarily driven by staff costs due to higher FTE, salary increases and lower annual leave usage due to the impact of COVID-19, and growth in investment spend to deliver strategic priorities, partly offset by a release of the provision relating to historical holiday pay.

FTE increased by 312 or 6% on the prior comparative period from 5,505 to 5,817 FTE driven by growth to support investment in technology and the insurance and business bank distribution teams.

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

The operating expenses to total operating income ratio for ASB was 35.3%, a decrease of 240 basis points on the prior comparative period driven by growth in total operating income.

Loan Impairment Expense

Loan impairment expense was a benefit of NZD13 million, a decrease of NZD43 million on the prior comparative period. This was driven by collective provision releases reflecting an improvement in the economic outlook combined with lower write offs, partly offset by an increase in individually assessed provisions.

Home loan 90+ days arrears decreased 1 basis point, from 0.18% to 0.17%, and consumer finance 90+ days arrears decreased 19 basis points, from 0.74% to 0.55%, reflecting an improvement in economic conditions.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of NZD5.4 billion or 8%, below system growth of 10%[1], with continued customer preference for fixed rate loans in a competitive market;
- Business loan growth of NZD1.7 billion or 10%, above system growth of 6%[1], driven by strong growth in commercial property lending;
- Rural loan growth of NZD0.2 billion or 2%, above a system decline of 1%[1]; and
- Total customer deposit growth of NZD6.0 billion or 9% (interest bearing and non-interest bearing), above system growth of 5%[1,2], with a customer preference for at-call deposits.

1 System growth rates are based on the 12 months to December 2021.
2 RBNZ system data includes institutional deposits which are excluded from the ASB Management Balance Sheet.

New Zealand (continued)

Financial Performance and Business Review (continued)

Risk Weighted Assets [1]

Risk weighted assets were NZD61.5 billion, an increase of NZD0.1 billion on the prior comparative period.

- Operational risk weighted assets increased NZD2.0 billion or 37% following changes in the operational risk profile and methodology; partly offset by
- Credit risk weighted assets decreased NZD1.5 billion or 3%, driven by improved credit quality, partly offset by an increase in lending volumes and modelling changes for home loans; and
- Market risk weighted assets decreased NZD0.4 billion or 12%, primarily due to FX methodology changes and a reduction in NZD interest rate risk positions.

ASB generated AUD374 million of organic capital [2] for the Group in the current half. This contributed 8 basis points to the Group's CET1 ratio.

Half Year Ended December 2021 versus June 2021

Cash net profit after tax increased NZD53 million or 8% on the prior half. The result was driven by a 2% increase in total operating income, a 10% decrease in operating expenses and a 63% increase in loan impairment expense.

Net Interest Income

Net interest income increased NZD9 million or 1% on the prior half. This result was driven by a 4% growth in average interest earning assets and the benefit of three additional calendar days in the current half, partly offset by a 5% decrease in net interest margin.

Net interest margin decreased 12 basis points, reflecting:

- Unfavourable lending margins (down 14 basis points) mainly from increased competition in home lending;
- Unfavourable portfolio mix (down 2 basis points) driven by unfavourable lending mix due to a higher proportion of lower margin home loan balances relative to higher margin consumer finance and business lending balances (down 3 basis points), partly offset by strong growth in transaction and savings deposits (up 1 basis point); and
- Lower earnings on equity due to the low rate environment (down 1 basis point); partly offset by
- Higher deposit margins (up 5 basis points) due to benefits from investment and savings deposit repricing.

Other Banking Income

Other banking income increased NZD21 million or 10% on the prior half, reflecting:

- Higher gains from the sale of government securities; and
- Higher insurance commission income; partly offset by
- Lower fees due to the removal and reduction of various transaction service fees.

Funds Management Income

Funds management income increased NZD3 million or 4% on the prior half, driven by higher average AUM (up 6%) reflecting favourable net inflows and market performance, and improved margins, partly offset by the removal of administration fees on KiwiSaver accounts.

Operating Expenses

Operating expenses decreased NZD62 million or 10% on the prior half. The reduction was driven by lower staff costs primarily due to a release of the provision relating to historical holiday pay and reduced marketing spend, partly offset by higher FTE and IT expenses.

The number of FTE increased by 95 or 2% on the prior half from 5,722 to 5,817 FTE, to support investment in technology and the business bank distribution team.

The operating expenses to total operating income ratio decreased 480 basis points on the prior half mainly driven by lower operating expenses.

Loan Impairment Expense

Loan impairment expense increased NZD22 million or 63% on the prior half. This was primarily driven by higher collective provision releases in the prior half, partly offset by lower write offs in the current half reflecting a decrease in consumer finance balances, and lower individually assessed provisions.

Home loan 90+ days arrears decreased 1 basis point, from 0.18% to 0.17%. Consumer finance 90+ days arrears increased 19 basis points, from 0.36% to 0.55% driven by lower write offs.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of NZD2.2 billion or 3%, below system growth of 4%[3], with continued customer preference for fixed rate loans in a competitive market;
- Business loan growth of NZD0.6 billion or 3%, below system growth of 4%[3];
- Rural loan growth of NZD0.1 billion or 1%, above a system decline of 1%[3]; and
- Total customer deposit growth of NZD4.8 billion or 7% (interest bearing and non-interest bearing), above system growth of 5%[3,4], with a customer preference for at-call deposits.

Risk Weighted Assets [1]

Risk weighted assets increased NZD0.2 billion on the prior half.

- Operational risk weighted assets increased NZD1.2 billion or 20% due to a change in methodology; partly offset by
- Market risk weighted assets decreased NZD0.7 billion or 19% primarily due to a reduction in NZD interest rate risk positions and FX methodology changes; and
- Credit risk weighted assets decreased NZD0.3 billion or 1%, driven by improved credit quality, partly offset by an increase in lending volumes and modelling changes in home loans.

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 (excluding FX as it is capital neutral with offsetting impacts in regulatory capital deductions and in accordance with APRA requirements) used to generate those profits. Amounts quoted exclude the payment of dividends.

3 System growth rates are based on the 6 months to December 2021.

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

Divisional Performance (continued)

Corporate Centre and Other

Overview

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

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

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

The Treasury function includes:

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

	Half Year Ended [2]				
Corporate Centre and Other (continuing operations, including eliminations)	**31 Dec 21 $M**	30 Jun 21 $M	31 Dec 20 $M	Dec 21 vs Jun 21 %	Dec 21 vs Dec 20 %
Net interest income	**60**	99	157	(39)	(62)
Other banking income	**427**	386	77	11	large
Total banking income	**487**	485	234	–	large
Funds management income	**(6)**	(3)	(4)	large	50
Insurance income	**–**	–	(1)	–	(large)
Total operating income	**481**	482	229	–	large
Operating expenses	**(929)**	(990)	(1,009)	(6)	(8)
Loan impairment expense	**(23)**	(12)	(84)	92	(73)
Net loss before tax	**(471)**	(520)	(864)	(9)	(45)
Corporate tax benefit	**131**	168	246	(22)	(47)
Cash net loss after tax	**(340)**	(352)	(618)	(3)	(45)

1 Lendi Group represents the Group's 42% holding in the business after the completion of the merger between Aussie Home Loans and Lendi Pty Ltd on 3 May 2021. CFS represents the Group's 45% minority interest in Superannuation and Investment Holdings Pty Limited, the parent entity of the Colonial First State (CFS) business, which was a subsidiary of the Group until the disposal of a 55% interest on 1 December 2021.

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

Corporate Centre and Other (continued)

Financial Performance and Business Review

Half Year Ended December 2021 versus December 2020

Corporate Centre and Other cash net loss after tax for the half year ended 31 December 2021 was $340 million, a decrease of $278 million or 45% on the prior comparative period. The result was primarily driven by a $252 million increase in total operating income, an 8% decrease in operating expenses and a 73% decrease in loan impairment expense.

Net Interest Income

Net interest income was $60 million, a decrease of $97 million or 62% on the prior comparative period. This was primarily driven by lower Treasury income from reduced earnings on the liquids portfolio, interest rate risk management activities and lower earnings on equity in the low-rate environment.

Other Banking Income

Other banking income was $427 million, an increase of $350 million on the prior comparative period. This was mainly driven by the benefit from the non-recurrence of upfront costs related to the Group's term debt buyback program in the prior comparative period, higher gains from the sale of Treasury liquid assets and higher net profits from minority investments including gains from a reversal of historical impairment.

Operating Expenses

Operating expenses were $929 million, a decrease of $80 million or 8% on the prior comparative period. This was primarily driven by reduced occupancy expenses from the consolidation of our property footprint and lower Aligned Advice related remediation costs, partly offset by wage inflation, increased FTE and higher centrally held technology related investment spend.

Loan Impairment Expense

Loan impairment expense was $23 million, a decrease of $61 million or 73% on the prior comparative period. This was due to the non-recurrence of a central management overlay taken in the prior comparative period, partly offset by higher individually assessed provision charges in PTBC.

Risk Weighted Assets

Risk weighted assets were $28.8 billion, an increase of $2.5 billion or 9% on the prior comparative period.

- IRRBB risk weighted assets increased $4.8 billion or 35%, mainly due to APRA's required IRRBB capital increase to reflect the impact of the recent interest rate volatility on the Group's invested equity; partly offset by
- Credit risk weighted assets decreased $2.3 billion or 25%, mainly due to improved credit quality and methodology changes.

Corporate Centre consumed $5,001 million of organic capital [1] for the Group in the current half, largely due to the payment of the 2021 final dividend and increase in IRRBB RWA. This impacted the Group's CET1 ratio by 109 basis points.

Half Year Ended December 2021 versus June 2021

Cash net loss after tax for the half year ended 31 December 2021 decreased $12 million or 3% on the prior half. The result was primarily driven by flat total operating income, a 6% decrease in operating expenses and a 92% increase in loan impairment expense.

Net Interest Income

Net interest income decreased $39 million or 39% on the prior half. This was mainly driven by lower Treasury income from reduced earnings on interest rate risk management activities and the liquids portfolio.

Other Banking Income

Other banking income increased $41 million or 11% on the prior half. This was primarily driven by the non-recurrence of upfront break costs related to the Group's term debt buyback program in the prior half, and higher gains from the sale of Treasury liquid assets, partly offset by lower net profits from minority investments due to the non-recurrence of gains from a reversal of historical impairment in prior half.

Operating Expenses

Operating expenses decreased $61 million or 6% on the prior half. This was mainly driven by lower Aligned Advice related remediation costs, partly offset by wage inflation and increased FTE.

Loan Impairment Expense

Loan impairment expense increased $11 million or 92% on the prior half. This was due to the non-recurrence of the benefit from the release of a central management overlay in the prior half, partly offset by lower collective provision charges in PTBC.

Risk Weighted Assets

Risk weighted assets increased $6.6 billion or 30% on the prior half.

- IRRBB risk weighted assets increased $7.7 billion or 70%, mainly due to APRA's required IRRBB capital increase to reflect the impact of the recent interest rate volatility on the Group's invested equity; partly offset by
- Credit risk weighted assets decreased $1.1 billion or 14%.

1 Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets (excluding FX as it is capital neutral with offsetting impacts in regulatory capital deductions) used to generate those profits. Amounts quoted include discontinued operations and exclude the allocation of Operational RWA from the Enforceable Undertaking with APRA.

Financial Statements

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Contents

6. Directors' Report and Financial Statements

Directors' Report

The Directors of the Commonwealth Bank of Australia present their report, together with the financial statements of the Commonwealth Bank of Australia and its controlled entities (collectively referred to as 'the Group') for the half year ended 31 December 2021.

Directors

The names of the Directors holding office at any time during or since the end of the half year were:

Catherine Livingstone AO	Chairman
Matt Comyn	Managing Director and Chief Executive Officer
Shirish Apte	Director
Genevieve Bell AO	Director
Julie Galbo	Director (appointed 1 September 2021)
Peter Harmer	Director
Simon Moutter	Director
Paul O'Malley	Director
Mary Padbury	Director
Anne Templeman-Jones	Director
Robert Whitfield AM	Director

Review and Results of Operations

The Group's statutory net profit after tax for the half year ended 31 December 2021 was $5,870 million, an increase of $1,001 million or 21% on the prior comparative period. The increase was driven by higher net operating income, higher operating expenses, lower loan impairment expense and higher income tax expense.

On 21 June 2021, the Group announced the sale of CommInsure General Insurance to Hollard Insurance Company Pty Ltd (Hollard). The sale is subject to Australian regulatory approvals and other conditions, and is expected to complete in the second half of calendar year 2022.

On 28 July 2021, the Group entered into an agreement with AIA Australia for a partial transfer of the Commonwealth Financial Planning (CFP) business to AIA Financial Services Limited. On 26 October 2021, the Group announced its intent to close the remaining CFP business. The transfer completed on 30 November 2021.

On 1 December 2021, the Group completed the sale of a 55% interest in Colonial First State (CFS) to KKR.

CFS has been classified as a discontinued operation in the Group's financial statements for the half year ended 31 December 2021. The assets and liabilities of CommInsure General Insurance are classified as held for sale as at 31 December 2021.

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

The performance of the Group's business segments for the half year ended 31 December 2021 was as follows:

- The statutory net profit after tax from Retail Banking Services was $2,259 million, an increase of $111 million or 5% on the prior comparative period. The increase was driven by lower operating expenses and loan impairment expense, partly offset by a decrease in total operating income and costs associated with a partial transfer of the CFP business to AIA Financial Serviced Limited and the closure of the remaining CFP business.
- The statutory net profit after tax from Business Banking was $1,490 million, an increase of $135 million or 10% on the prior comparative period. The increase was driven by higher total operating income, lower loan impairment expense and the non-recurrence of separation and transaction costs associated with the disposal of AUSIEX, partly offset by higher operating expenses.
- The statutory net profit after tax from Institutional Banking and Markets was $587 million, an increase of $161 million or 38% on the prior comparative period. The increase was driven by lower loan impairment expense, partly offset by lower total operating income and higher operating expenses.
- The statutory net profit after tax from New Zealand was $611 million, an increase of $127 million or 26% on the prior comparative period. The increase was driven by higher total operating income and lower loan impairment expense, partly offset by higher operating expenses and an increase in hedging and IFRS volatility losses.
- The statutory net loss after tax including discontinued operations from Corporate Centre and Other was $197 million, a decrease of $82 million on the prior comparative period. The increase was driven by higher total operating income, lower operating expenses and loan impairment expense, partly offset by the non-recurrence of the net gain on disposal of BoCommLife.
- The statutory net profit after tax including discontinued operations from Wealth Management was $1,120 million, an increase of $385 million or 52% on the prior comparative period. The increase was primarily driven by the gain on disposal of CFS net of transaction and separation costs, and the non-recurrence of post-completion adjustments and transaction and separation costs associated with other previously announced divestments.

Additional analysis of operations for the half year ended 31 December 2021 is set out in the Highlights and Group and Divisional Performance Analysis sections.

The Board has received written statements from the Chief Executive Officer and Chief Financial Officer that the accompanying Financial Statements have been prepared in accordance with Australian Accounting Standards, Corporations Regulations 2001 and Corporations Act.

Directors' Report

Material Business risks

The Group recognises that risk is inherent in business and that effective risk management is a key component of sound corporate governance and is essential in delivering our business objectives.

The Group seeks to adopt a comprehensive approach to risk management through its Risk Management Framework. This framework covers the Group's systems, policies, processes and people who monitor, mitigate and report risk.

The Group's risk management framework, material risk types and approach to managing them during the period are described in the 2021 Annual Report on pages 42-47 and in Note 9 of the Financial report on pages 204-239.

In addition, commentary on the Group's ongoing litigations, investigations and reviews for half year ended 31 December 2021 is included in Note 7.2 of the Financial Statements for the half year ended 31 December 2021.

Rounding and Presentation of Amounts

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

Auditor's Independence Declaration

We have obtained the following independence declaration from the Group's auditors, PricewaterhouseCoopers:

pwc

Auditor's Independence Declaration

As lead auditor for the review of the Commonwealth Bank of Australia for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
9 February 2022

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Liability limited by a scheme approved under Professional Standards Legislation.

Signed in accordance with a resolution of the Directors.

Catherine Livingstone AO
Chairman
9 February 2022

Matt Comyn
Managing Director and Chief Executive Officer
9 February 2022

Financial Statements

Consolidated Income Statement

For the half year ended 31 December 2021

	Note	Half Year Ended [1] 31 Dec 21 $M	30 Jun 21 $M	31 Dec 20 $M
Interest income:				
Effective interest income	2.1	**11,874**	11,986	12,818
Other interest income	2.1	**125**	120	197
Interest expense	2.1	**(2,251)**	(2,404)	(3,415)
Net interest income		**9,748**	9,702	9,600
Other banking income [2]	2.2	**2,419**	2,677	2,125
Net banking operating income		**12,167**	12,379	11,725
Net funds management operating income	2.2	**80**	85	80
Net insurance operating income	2.2	**18**	54	91
Total net operating income before operating expenses and impairment		**12,265**	12,518	11,896
Operating expenses	2.3	**(5,694)**	(5,833)	(5,652)
Loan impairment benefit/(expense)	3.2	**75**	328	(882)
Net profit before income tax		**6,646**	7,013	5,362
Income tax expense	2.5	**(1,905)**	(1,929)	(1,603)
Net profit after income tax from continuing operations		**4,741**	5,084	3,759
Net profit after income tax from discontinued operations	7.3	**1,129**	228	1,110
Net profit after income tax		**5,870**	5,312	4,869

1 Comparative information has been restated to reflect the prior period adjustments detailed in Note 1.1.
2 Other banking income is presented net of directly associated depreciation and impairment charges.

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

Earnings per share attributable to equity holders of the Bank:

	Half Year Ended [1] 31 Dec 21	30 Jun 21	31 Dec 20
	Cents per Share		
Earnings per share from continuing operations:			
Basic	**272. 5**	286. 8	212. 3
Diluted	**262. 8**	272. 7	201. 4
Earnings per share:			
Basic	**337. 4**	299. 7	275. 0
Diluted	**323. 6**	284. 7	258. 9

1 Comparative information has been restated to reflect the prior period adjustments detailed in Note 1.1.

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2021

	Half Year Ended [1]		
	31 Dec 21	30 Jun 21	31 Dec 20
	$M	$M	$M
Net profit after income tax for the period from continuing operations	**4,741**	5,084	3,759
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit/(loss):			
Foreign currency translation reserve net of tax	**234**	84	(296)
Losses on cash flow hedging instruments net of tax	**(508)**	(527)	(519)
Gains on debt investment securities at fair value through other comprehensive income net of tax	**112**	59	463
Total of items that may be reclassified	**(162)**	(384)	(352)
Items that will not be reclassified to profit/(loss):			
Actuarial gains/(losses) from defined benefit superannuation plans net of tax	**24**	177	(272)
(Losses)/gains on equity investment securities at fair value through other comprehensive income net of tax	**(161)**	1,295	226
Revaluation of properties net of tax	**5**	17	1
Total of items that will not be reclassified	**(132)**	1,489	(45)
Other comprehensive income net of income tax from continuing operations	**(294)**	1,105	(397)
Total comprehensive income for the period from continuing operations	**4,447**	6,189	3,362
Net profit after income tax for the period from discontinued operations	**1,129**	228	1,110
Other comprehensive income for the period from discontinued operations net of income tax	**–**	–	33
Total comprehensive income for the period	**5,576**	6,417	4,505

1 Comparative information has been restated to reflect the prior period adjustments detailed in Note 1.1.

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

	Half Year Ended		
	31 Dec 21	30 Jun 21	31 Dec 20
	Cents per Share		
Dividends per share attributable to shareholders of the Bank:			
Ordinary shares	**175**	200	150

Consolidated Balance Sheet

As at 31 December 2021

		As at [1]		
		31 Dec 21 [2]	30 Jun 21	31 Dec 20
Assets	**Note**	**$M**	$M	$M
Cash and liquid assets		**134,355**	100,041	63,019
Receivables from financial institutions		**5,072**	5,085	7,280
Assets at fair value through Income Statement		**32,269**	36,970	50,702
Derivative assets		**19,904**	21,449	32,398
Investment securities:				
At amortised cost		**3,930**	4,278	4,391
At fair value through other comprehensive income		**85,406**	86,560	89,672
Assets held for sale	7.3	**1,051**	1,201	1,617
Loans, bills discounted and other receivables	3.1, 3.2	**843,950**	811,356	786,943
Property, plant and equipment		**4,999**	5,284	5,468
Investments in associates and joint ventures		**5,151**	3,941	2,865
Intangible assets		**7,073**	6,942	6,880
Deferred tax assets		**2,186**	2,080	2,570
Other assets		**4,467**	6,788	5,428
Total assets		**1,149,813**	1,091,975	1,059,233
Liabilities				
Deposits and other public borrowings	4.1	**815,124**	766,381	747,980
Payables to financial institutions		**21,487**	19,059	11,847
Liabilities at fair value through Income Statement		**7,444**	8,381	7,255
Derivative liabilities		**18,892**	18,486	33,482
Current tax liabilities		**112**	135	105
Deferred tax liabilities		**264**	228	224
Liabilities held for sale	7.3	**952**	405	655
Provisions		**3,776**	3,776	3,650
Term funding from central banks		**52,828**	51,856	19,146
Debt issues		**117,466**	103,003	122,548
Bills payable and other liabilities		**8,647**	12,217	9,843
		1,046,992	983,927	956,735
Loan capital		**28,158**	29,360	27,608
Total liabilities		**1,075,150**	1,013,287	984,343
Net assets		**74,663**	78,688	74,890
Shareholders' Equity				
Ordinary share capital	5.1	**36,949**	38,420	38,417
Reserves	5.1	**2,848**	3,249	2,287
Retained profits	5.1	**34,861**	37,014	34,181
Shareholders' Equity attributable to equity holders of the Bank		**74,658**	78,683	74,885
Non-controlling interests	5.1	**5**	5	5
Total Shareholders' Equity		**74,663**	78,688	74,890

1 Comparative information has been restated to reflect the prior period adjustments detailed in Note 1.1.

2 Current period balances have been impacted by the announced divestment of CommInsure General Insurance and the completed sale of a 55% interest in Colonial First State (CFS). For details on the Group's discontinued operations and businesses held for sale, refer to Note 7.3.

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

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2021

	Ordinary share capital $M	Reserves $M	Retained profits $M	Total $M	Non-controlling interests $M	Total Shareholders' Equity $M
As at 30 June 2020	38,131	2,666	31,211	**72,008**	5	**72,013**
Prior period restatements [1]	–	–	(105)	**(105)**	–	**(105)**
Restated opening balance	38,131	2,666	31,106	**71,903**	5	**71,908**
Net profit after income tax from continuing operations [1]	–	–	3,759	**3,759**	–	**3,759**
Net profit after income tax from discontinued operations [1]	–	–	1,110	**1,110**	–	**1,110**
Net other comprehensive income from continuing operations	–	(125)	(272)	**(397)**	–	**(397)**
Net other comprehensive income from discontinued operations	–	33	–	**33**	–	**33**
Total comprehensive income for the period	–	(92)	4,597	**4,505**	–	**4,505**
Transactions with Equity holders in their capacity as Equity holders:						
Dividends paid on ordinary shares	–	–	(1,735)	**(1,735)**	–	**(1,735)**
Dividend reinvestment plan (net of issue costs)	264	–	–	**264**	–	**264**
Share-based payments	–	(74)	–	**(74)**	–	**(74)**
Purchase of treasury shares	(57)	–	–	**(57)**	–	**(57)**
Sale and vesting of treasury shares	79	–	–	**79**	–	**79**
Other changes [2]	–	(213)	213	**–**	–	**–**
As at 31 December 2020	38,417	2,287	34,181	**74,885**	5	**74,890**
Net profit after income tax from continuing operations	–	–	5,084	**5,084**	–	**5,084**
Net profit after income tax from discontinued operations	–	–	228	**228**	–	**228**
Net other comprehensive income from continuing operations	–	928	177	**1,105**	–	**1,105**
Total comprehensive income for the period	–	928	5,489	**6,417**	–	**6,417**
Transactions with Equity holders in their capacity as Equity holders:						
Dividends paid on ordinary shares	–	–	(2,661)	**(2,661)**	–	**(2,661)**
Share-based payments	–	39	–	**39**	–	**39**
Purchase of treasury shares	(2)	–	–	**(2)**	–	**(2)**
Sale and vesting of treasury shares	5	–	–	**5**	–	**5**
Other changes	–	(5)	5	**–**	–	**–**
As at 30 June 2021	38,420	3,249	37,014	**78,683**	5	**78,688**
Net profit after income tax from continuing operations	–	–	4,741	**4,741**	–	**4,741**
Net profit after income tax from discontinued operations	–	–	1,129	**1,129**	–	**1,129**
Net other comprehensive income from continuing operations	–	(318)	24	**(294)**	–	**(294)**
Total comprehensive income for the period	–	(318)	5,894	**5,576**	–	**5,576**
Transactions with Equity holders in their capacity as Equity holders:						
Share buy-back [3]	(1,467)	–	(4,534)	**(6,001)**	–	**(6,001)**
Dividends paid on ordinary shares	–	–	(3,548)	**(3,548)**	–	**(3,548)**
Dividend reinvestment plan (net of issue costs)	(1)	–	–	**(1)**	–	**(1)**
Share-based payments	–	(48)	–	**(48)**	–	**(48)**
Purchase of treasury shares	(61)	–	–	**(61)**	–	**(61)**
Sale and vesting of treasury shares	58	–	–	**58**	–	**58**
Other changes	–	(35)	35	**–**	–	**–**
As at 31 December 2021	36,949	2,848	34,861	**74,658**	5	**74,663**

1 Comparative information has been restated to reflect the prior period adjustments detailed in Note 1.1.

2 Includes $207 million reclassification from foreign currency translation reserve to retained profits related to a historical restructuring where the Group no longer holds exposure to foreign exchange risk.

3 On 4 October 2021, the Group announced the successful completion of its $6 billion off-market buy-back of CBA ordinary shares. 67,704,807 ordinary shares were bought back at $88.62, and comprised a fully franked dividend component of $66.96 per share ($4,534 million) and a capital component of $21.66 per share ($1,466 million). The Group recognised $1 million transaction costs in relation to the capital return. The shares bought back were subsequently cancelled.

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

Condensed Consolidated Statement of Cash Flows [1,2]

For the half year ended 31 December 2021

	Half Year Ended [3]		
	31 Dec 21	30 Jun 21	31 Dec 20
	$M	$M	$M
Cash flows from operating activities before changes in operating assets and liabilities	**4,240**	5,824	4,317
Changes in operating assets and liabilities arising from cash flow movements	**10,434**	22,046	9,125
Net cash provided by operating activities	**14,674**	27,870	13,442
Net proceeds from disposal of entities and businesses (net of cash and cash equivalents disposed)	**1,937**	687	887
Other cash used in investing activities	**(566)**	(210)	(493)
Net cash provided by investing activities	**1,371**	477	394
Share buy-back	**(6,001)**	–	–
Dividends paid [4]	**(3,548)**	(2,661)	(1,471)
Proceeds from issuance of debt securities	**33,527**	7,669	10,133
Redemption of issued debt securities	**(19,048)**	(26,424)	(23,134)
Proceeds from drawing on term funding from central banks	**972**	32,694	17,663
Other cash (used in)/provided by financing activities	**(1,710)**	1,975	1,867
Net cash used in financing activities	**4,192**	13,253	5,058
Net increase in cash and cash equivalents	**20,237**	41,600	18,894
Effect of foreign exchange rates on cash and cash equivalents	**(52)**	1,458	(1,923)
Cash and cash equivalents at beginning of period	**87,380**	44,322	27,351
Cash and cash equivalents at end of period	**107,565**	87,380	44,322

1 It should be noted that the Group does not use this accounting Statement of Cash Flows in the internal management of its liquidity positions.
2 Includes discontinued operations.
3 Comparative information has been restated to conform to presentation in the current period.
4 Includes the dividend reinvestment plan (DRP) satisfied by on-market purchase and transfer of shares.

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

Notes to the Financial Statements

1. Overview

1.1 General Information, Basis of Accounting, Adoption of Amended Accounting Standards and Future Accounting Developments

General Information

Commonwealth Bank of Australia (the Bank) is Australia's leading provider of integrated financial services, including retail, business and institutional banking, funds management, superannuation, insurance, investment and share-broking products and services. The Bank has branches across Australia and New Zealand as well as Europe, North America and Asia.

The financial statements of the Bank and its subsidiaries (the Group) for the half year ended 31 December 2021, were approved and authorised for issue by the Board of Directors on 9 February 2022. The Directors have the power to amend and reissue the financial statements.

The financial report includes the consolidated financial statements of the Group, accompanying notes, Directors' Declaration and the Independent Auditor's Review Report.

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

On 21 June 2021, the Group announced the sale of CommInsure General Insurance to Hollard Insurance Company Pty Ltd (Hollard). The sale is subject to Australian regulatory approvals and other conditions, and is expected to complete in the second half of calendar year 2022.

On 28 July 2021, the Group entered into an agreement with AIA Australia for a partial transfer of the Commonwealth Financial Planning (CFP) business to AIA Financial Services Limited. On 26 October 2021, the Group announced its intent to close the remaining CFP business. The transfer completed on 30 November 2021.

On 1 December 2021, the Group completed the sale of a 55% interest in Colonial First State (CFS) to KKR.

CFS has been classified as a discontinued operation in the Group's financial statements for the half year ended 31 December 2021. The assets and liabilities of CommInsure General Insurance are classified as held for sale as at 31 December 2021.

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

Basis of Accounting

The general purpose financial report for the half year ended 31 December 2021 has been prepared in accordance with the requirements of the Corporations Act 2001 (Cth) and AASB 134 'Interim Financial Reporting' which ensures compliance with IAS 34 Interim Financial Reporting. The Group is a for-profit entity for the purpose of preparing this report.

This half year financial report does not include all notes of the type normally included within an Annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the Group as that given by the Annual Financial Report.

As a result, this half year financial report should be read in conjunction with the 30 June 2021 Annual Report of the Group and any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the Corporations Act 2001 (Cth) and the ASX Listing Rules.

The amounts contained in this half year financial report are presented in Australian dollars and rounded to the nearest million dollars unless otherwise stated, under the option available under ASIC Corporations Instrument 2016/191. For the purpose of this half year financial report, the half year has been treated as a discrete reporting period.

Except as discussed below, the accounting policies adopted in the preparation of the half year financial report are consistent with those adopted by the Group and disclosed in the Annual Financial Report for the year ended 30 June 2021.

Where necessary, comparative information has been restated to conform to presentation in the current period. All changes have been footnoted throughout the financial statements. Discontinued operations are excluded from the results of the continuing operations and are presented as a single line item "net profit after tax from discontinued operations" in the Consolidated Income Statement. Assets and liabilities of discontinued operations have been presented separately as held for sale on the Consolidated Balance Sheet.

1.1 General Information, Basis of Accounting, Adoption of Amended Accounting Standards and Future Accounting Developments (continued)

Impacts of coronavirus (COVID-19)

The Group has carefully considered the impact of COVID-19 in preparing its financial statements for the half year ended 31 December 2021, including the application of critical estimates and judgements. The key impacts on the financial statements are as follows:

- Provisions for impairment (refer to Note 3.2)
- Assessment of impairment of non-financial assets.

The Group assessed property, plant and equipment, right of use assets, and assets held as lessor for indicators of impairment. Due to the expected recoveries by global aviation and shipping industries from the impacts of COVID-19, impairment reversals of $8 million were recognised during the half year ended 31 December 2021, which are presented within other banking income. In determining the value in use of the aircraft, the Group incorporates the cash inflows over the lease term, as well as the expected selling price on expiry of the lease. Recovery from disruption across the aviation industry resulted in a partial recovery in the assets' expected recoverable values. There remains uncertainty regarding the aviation sector, and the duration of restrictions on domestic and international travel.

Adoption of Amended Accounting Standards and Future Accounting Developments

Future Accounting Developments

AASB 17 Insurance Contracts will replace AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts, with effect from 1 July 2023. On 30 July 2020, a number of amendments to AASB 17 were issued under AASB 2020-05 Amendments to Australian Accounting Standards – Insurance Contracts, including an additional scope exclusion for credit cards and similar contracts that provide insurance coverage, as well as an optional scope exclusion for loan contracts that transfer significant insurance risk. The sale of the Group's CommInsure General Insurance business is expected to complete in the second half of calendar 2022. As a result, the impact of AASB 17 is not expected to be material to the Group.

Other amendments that are not yet effective are not expected to result in significant changes to the Group's accounting policies.

Interest Rate Benchmark Reform

Background

Interbank Offered Rates (IBORs), such as the London Interbank Offered Rate (LIBOR), play a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and as parameters in the valuation of financial instruments. While many of these IBORs have been reformed, some are ceasing altogether. In March 2021, the UK Financial Conduct Authority (FCA) announced the date on which LIBOR will cease, after which representative LIBOR rates will no longer be available. The cessation date for all tenors of GBP, CHF, EUR and JPY LIBOR and the one-week and two-month tenors for USD LIBOR was 31 December 2021. The cessation date for the remaining USD LIBOR tenors is 30 June 2023. Market-led working groups in respective jurisdictions have recommended alternative risk-free reference rates (RFRs). The AUD Bank Bill Swap Rate (BBSW), Euro Interbank Offered Rate (EURIBOR) and NZ Bank Bill Market (BKBM) are not expected to be directly impacted by the interest rate benchmark reform (IBOR reform) and are not expected to be discontinued.

The Group is exposed to LIBORs through various financial instruments including loans, investment and trading securities, derivatives, debt issues, and deposits. Existing LIBOR-referencing contracts that mature beyond their respective LIBOR cessation dates are to be replaced with new contracts or to be amended to either reference an alternate RFR or include legal provisions that offer an unambiguous and predetermined path to interest rate benchmark replacement (fallback provisions), prior to LIBOR's cessation. Amongst the matters considered in the contractual transition are the fundamental differences between LIBORs and RFRs. RFRs are overnight rates, while LIBORs are available in multiple tenors. LIBORs also incorporate a bank credit risk premium while RFRs do not. As a result of these differences, both term and spread adjustments to the applicable fallback RFRs are required to ensure that contracts that reference LIBOR transition on an economically equivalent basis.

1.1 General Information, Basis of Accounting, Adoption of Amended Accounting Standards and Future Accounting Developments (continued)

Accounting amendments

In 2018, in response to the uncertain long-term viability of interest rate benchmarks, and LIBOR in particular, the International Accounting Standards Board (IASB) commenced a review of the financial reporting implications associated with IBOR reform. Resulting amendments to accounting standards were subsequently issued in two phases.

AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform* was issued by the Australian Accounting Standards Board (AASB) in October 2019 and amended hedge accounting requirements to provide relief from the potential effects of uncertainty caused by IBOR reform. The Group early adopted the amendments for the year ended 30 June 2020.

AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2* was issued by the AASB in September 2020. The amendments only apply to those changes to financial instruments and hedging relationships that are a direct consequence of IBOR reform and where cash flows are amended on an economically equivalent basis. The Group adopted these amendments during the current reporting period. The key changes include the following:

- A practical expedient for changes in contractual cash flows required by the reform – the Group does not have to derecognise or adjust the carrying amount of financial instruments for these changes, but instead updates the effective interest rate to reflect the change to the alternative benchmark rate;
- Hedge accounting – the Group does not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets all the other hedge accounting criteria; and
- Additional disclosures – the Group is required to disclose information, as contained in this note, about new risks arising from the reform as well as how the Group manages the transition to alternative benchmark rates.

IBOR reform program

In October 2018, the Group formed the Interest Rate Benchmark Reform Program (the Program) which has been tasked with addressing the impact to the Group resulting from the transition from IBORs to RFRs. The Program includes a formal governance structure to ensure clear accountability for all decisions, and incorporates the requisite risk, treasury, finance, legal, business, and support functions.

The transition from IBORs to RFRs has resulted in various risks to the Group, including operational, financial, legal, compliance and conduct risks. These risks have stemmed from, amongst others, the need for new products that incorporate RFRs, the impact of IBOR related changes on customers and financial instrument counterparties, as well as the need for different system and process capabilities. The Group under direction of the Program, has applied various means of eliminating and managing these risks, while ensuring that customer outcomes are appropriate and any disruption to business is minimized. No material changes have been made to the Group's risk management strategy.

The Group has been actively engaged in industry working groups and IBOR reform forums which has ensured the implementation has been consistent with the market and compliant to date.

The use of LIBOR in new products has been phased out in accordance with industry and supervisory guidance.

Financial instruments impacted by IBOR reform

The table below provides the Group's remaining material exposure to interest rate benchmarks that are subject to IBOR reform. More specifically, the table provides financial instrument exposures that currently mature after the relevant LIBOR cessation date and that are yet to transition to an alternative RFR. The vast majority of non-cleared derivatives are now subject to the ISDA Fallbacks Protocol for converting LIBORs to RFRs upon the occurrence of an index cessation event. Cleared derivatives will transition in accordance with the clearing house rulebook. In addition, the Group has been engaging with customers and counterparties in respect of non-derivative financial instruments to transition to an alternative RFR or include appropriate fallback provisions.

1.1 General Information, Basis of Accounting, Adoption of Amended Accounting Standards and Future Accounting Developments (continued)

	Gross carrying value at 31 Dec 21 of financial instruments yet to transition to RFRs		
	USD Libor	GBP Libor [1]	Total
	$M	$M	$M
Non-derivative financial assets [2]	7,515	228	**7,743**
Non-derivative financial liabilities	904	–	**904**
Derivative assets	4,842	2	**4,844**
Derivative liabilities	3,774	3	**3,777**
Loan commitments [3]	4,412	1,832	**6,244**

1 Financial Instruments are yet to transition where they reference GBP LIBOR, mature after 31 December 2022 (when synthetic GBP LIBOR is no longer available), and have not yet been restructured to transition to an alternative RFR on the next reset date which falls after the relevant LIBOR cessation date.
2 Excludes provisions for expected credit losses.
3 For the multi-currency facilities that reference a benchmark rate impacted by the IBOR reform, the undrawn balance has been allocated to the LIBOR currency with the earliest LIBOR cessation date where the facility is yet to transition to an alternative RFR for that currency.

Prior period restatements

During the half year ended 31 December 2021, the Group implemented the following changes that were applied retrospectively and impacted the prior periods' financial statements:

- The Group performed a review of the corporate and business credit limits utilisation data and identified products for which drawdowns were considered probable; facility and line fees on these products were reclassified from other banking income to net interest income;
- As part of its continued broad review of employee entitlements, the Group finalised remediation amounts required to be paid to impacted employees in relation to a number of historic employee entitlements calculations.

The impact of these changes on the prior periods' financial statements was as follows:

- an increase in net interest income and a decrease in other banking income for the half years ended 30 June 2021 and 31 December 2020 of $234 million and $229 million, respectively;
- an increase in provisions as at 30 June 2021 and 31 December 2020 of $43 million;
- an increase in deferred tax asset as at 30 June 2021 and 31 December 2020 of $13 million;
- a decrease in retained profits as at 1 July 2020 of $30 million.

Changes implemented during the year ended 30 June 2021

As disclosed in the Group's 30 June 2021 Annual Report, the following changes were implemented during the year ended 30 June 2021:

- the Group performed a review of the historic accounting treatment of a transaction product arrangement comprised of both loan and deposit balances and concluded that, under AASB 132 Financial Instruments: Presentation, the credit balances cannot be netted against the debit balances drawn under the arrangement;
- the Group revised its allocation approach for certain centrally incurred costs impacting continuing and discontinued operations;
- as part of its broad review of employee entitlements the Group determined remediation amounts required to be paid to impacted employees in relation to a number of historic employee entitlements calculations; and
- the Group revised its accounting policy in relation to configuration and customisation costs incurred in implementing software-as-a-service (SaaS) arrangements with cloud providers. The change in accounting policy resulted from the implementation of agenda decisions issued by the IFRS Interpretations Committee (IFRIC) clarifying its interpretation of how current accounting standards apply to these types of arrangements.

These changes were applied retrospectively and impacted the financial statements of the Group as follows:

- an increase in loans, bills discounted and other receivables and deposits and public borrowings as at 31 December 2020 of $1,514 million;
- an increase in provisions as at 31 December 2020 of $55 million;
- an increase in deferred tax asset as at 31 December 2020 of $35 million;
- a decrease in intangible assets as at 31 December 2020 of $63 million;
- an increase in operating expenses for the half year ended 31 December 2020 of $25 million;
- a decrease in income tax expense for the half year ended 31 December 2020 of $7 million;
- an increase in the Group's net profit from discontinued operations after tax for the half year ended 31 December 2020 of $10 million;
- a decrease in retained profits as at 1 July 2020 of $75 million.

2. Our Performance

Overview

The Group earns its returns from providing a broad range of banking 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.

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

2.1 Net Interest Income

	Half Year Ended [1]		
	31 Dec 21	30 Jun 21	31 Dec 20
	$M	$M	$M
Interest Income			
Effective interest income:			
Loans and bills discounted	**11,612**	11,758	12,517
Other financial institutions	**6**	5	11
Cash and liquid assets	**37**	23	36
Investment securities:			
At amortised cost	**20**	22	26
At fair value through Other Comprehensive Income	**199**	178	228
Total effective interest income	**11,874**	11,986	12,818
Other interest income:			
Assets at fair value through Income Statement	**71**	66	144
Other	**54**	54	53
Total interest income	**11,999**	12,106	13,015
Interest Expense			
Deposits	**1,202**	1,368	2,273
Term funding from central banks	**43**	26	17
Other financial institutions	**24**	19	38
Liabilities at fair value through Income Statement	**38**	21	16
Debt issues	**411**	455	505
Loan capital	**330**	318	343
Lease liabilities	**38**	40	42
Bank levy	**165**	157	181
Total interest expense	**2,251**	2,404	3,415
Net interest income	**9,748**	9,702	9,600

1 Comparative information has been restated to reflect the prior period adjustments detailed in Note 1.1.

2.1 Net Interest Income (continued)

ACCOUNTING POLICIES

Interest income and interest expense on financial assets and liabilities measured at amortised cost, and debt financial assets measured at fair value through OCI, are recognised using the effective interest method. Interest income recognition for these categories of financial assets depends on the expected credit losses (ECL) stage they are allocated to in accordance with the Group's ECL methodology. For financial assets classified within Stage 1 and Stage 2 interest income is calculated by applying the effective interest rate to the gross carrying amount of the assets. Interest income on financial assets in Stage 3 is recognised by applying the effective interest rate to the gross carrying amount net of provisions for impairment. For details on the Group's ECL methodology refer to Note 3.2.

Fees, transaction costs and issue costs integral to financial assets and liabilities are capitalised and included in the interest recognised over the expected life of the instrument. This includes fees for providing a loan or a lease arrangement. Facility and line fees in relation to commitments made under credit facilities where draw down is assessed as probable are considered an integral part of effective interest rate and recognised in net interest income.

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

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

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

2.2 Other Operating Income

	Half Year Ended [1]		
	31 Dec 21	30 Jun 21	31 Dec 20
	$M	$M	$M
Other Banking Income			
Commissions	**1,176**	1,265	1,299
Lending fees	**377**	369	296
Trading income	**368**	317	535
Net gain/(loss) on non-trading financial instruments [2]	**164**	167	(144)
Net gain/(loss) on sale of property, plant and equipment	**12**	(4)	–
Net (loss)/gain from hedging ineffectiveness	**(12)**	22	17
Dividends	**–**	1	1
Share of profit from associates and joint ventures net of impairment	**259**	468	131
Other [3,4]	**75**	72	(10)
Total other banking income	**2,419**	2,677	2,125
Net Funds Management Operating Income			
Funds management income	**90**	91	89
Claims, policyholder liability and commission expense	**(10)**	(6)	(9)
Net funds management operating income	**80**	85	80
Net Insurance Operating Income			
Premiums from insurance contracts	**348**	350	345
Claims, policyholder liability and commission expense from insurance contracts	**(330)**	(296)	(254)
Net insurance operating income	**18**	54	91
Total other operating income	**2,517**	2,816	2,296

1 Comparative information has been restated to reflect the prior period adjustments detailed in Note 1.1

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

3 The half year ended 31 December 2021 includes depreciation of $32 million in relation to assets held for lease as lessor by the Group (30 June 2021: $35 million; 31 December 2020: $40 million).

4 The half year ended 31 December 2021 includes a $8 million reversal of impairment loss in relation to certain aircraft owned by the Group and leased to various airlines (30 June 2021: $12 million impairment reversal; 31 December 2020: $124 million impairment loss).

2.2 Other Operating Income (continued)

ACCOUNTING POLICIES

Lending fees and commission income are accounted for as follows:

- facility fees earned for managing and administering credit and other facilities for customers are generally charged to the customer on a monthly or annual basis and are recognised as revenue over the service period. Annual fees are deferred on the Balance Sheet in Bills payable and other liabilities and recognised on a straight-line basis over the year. Transaction based fees are charged and recognised at the time of the transaction;
- commitment fees and fees in relation to guarantee arrangements are deferred and recognised over the life of the contractual arrangements;
- fee income is earned for providing advisory or arrangement services, placement and underwriting services. These fees are recognised and charged when the related service is completed which is typically at the time of the transaction.

Establishment fees on financing facilities are deferred and amortised to interest income over the expected life of the loan and are not recognised when the commitment is issued.

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

Net gain/(loss) on non-trading financial instruments includes realised gains and losses from non-trading financial assets and liabilities, as well as realised and unrealised gains and losses on non-trading derivatives that are held for risk management purposes.

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

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

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

Funds management fees are recognised over the service period as the performance obligation is met and when it is probable that the revenue will be received.

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

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

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

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

Critical accounting judgements and estimates

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

2.3 Operating Expenses

	Half Year Ended [1]		
	31 Dec 21	30 Jun 21	31 Dec 20
	$M	$M	$M
Staff Expenses			
Salaries and related on-costs	**3,027**	2,795	2,711
Share-based compensation	**55**	55	45
Superannuation	**264**	217	225
Total staff expenses	**3,346**	3,067	2,981
Occupancy and Equipment Expenses			
Lease expenses	**62**	79	87
Depreciation of property, plant and equipment	**330**	377	379
Other occupancy expenses	**96**	124	112
Total occupancy and equipment expenses	**488**	580	578
Information Technology Services			
System development and support	**488**	518	455
Infrastructure and support	**169**	173	163
Communications	**83**	87	87
Amortisation of software assets	**160**	175	238
Software write-offs	**–**	9	–
IT equipment depreciation	**61**	63	66
Total information technology services	**961**	1,025	1,009
Other Expenses			
Postage and stationery	**67**	70	66
Transaction processing and market data	**63**	69	69
Fees and commissions:			
Professional fees	**247**	276	252
Other	**65**	119	125
Advertising, marketing and loyalty	**183**	217	195
Amortisation of intangible assets (excluding software and merger related amortisation)	**–**	2	3
Non-lending losses	**143**	295	214
Other	**25**	48	99
Total other expenses	**793**	1,096	1,023
Operating expenses before restructuring, separation and transaction costs	**5,588**	5,768	5,591
Restructuring, separation and transaction costs	**106**	65	61
Total operating expenses [2]	**5,694**	5,833	5,652

1 Comparative information has been restated to conform to presentation in the current period and to reflect the prior period adjustments detailed in Note 1.1.

2 The half year ended 31 December 2021 includes $50 million of Banking, other Wealth and employee related remediation and litigation provisions (30 June 2021: $156 million; 31 December 2020: $93 million), and $43 million of additional costs, including provisions, for historical Aligned Advice remediation issues and associated program costs (30 June 2021: $177 million; 31 December 2020: $149 million).

2.3 Operating Expenses (continued)

ACCOUNTING POLICIES

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

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

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

Occupancy and equipment expenses include depreciation which is calculated using the straight-line method over the asset's estimated useful life. The right-of-use assets are depreciated over the shorter of the lease term or the useful life of the underlying asset, with the depreciation presented within depreciation of Property, plant and equipment.

IT services expenses are recognised as incurred when the related services are delivered, unless they qualify for capitalisation as computer software because they are identifiable and controlled in a way that allows future economic benefits to be obtained and others' access to those benefits can be restricted. Capitalised computer software assets are amortised over their estimated useful life.

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received. Some of these costs incurred are for the development of software code that enhances, modifies or creates additional capability to existing on-premise systems and meets the recognition criteria for an intangible asset.

The Group assesses, at each Balance Sheet date, useful lives and residual values and whether there is any objective evidence of impairment. If an asset's carrying value is greater than its recoverable amount, the carrying amount is written down immediately to its recoverable amount.

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

Critical accounting judgements and estimates

Actuarial valuations of the Group's defined benefit superannuation plans' obligations are dependent on a series of assumptions set out in Note 10.2 in the 2021 Annual Report including inflation rates, discount rates and salary growth rates. Changes in these assumptions impact the fair value of the plans' obligations, assets, superannuation expense and actuarial gains and losses recognised in other comprehensive income.

Measurement of the Group's share-based compensation is dependent on assumptions, including grant date fair values. Information on these is set out in Note 10.1 in the 2021 Annual Report.

Refer to note 6.2 in the 2021 Annual Report for more information on the judgements and estimates associated with goodwill.

2.4 Financial Reporting by Segments

The principal activities of the Group are carried out in the business segments below. These segments are based on the distribution channels through which customer relationships are managed. Business segments are managed on the basis of net profit after tax ("cash basis").

During the half year ended 31 December 2021, there were re-segmentations, allocations and reclassifications, including refinements to the allocation of support units and other costs. These changes have not impacted the Group's net profit, but have resulted in changes to the presentation of the Income Statement and the Balance Sheet of the affected segments. These changes have been applied retrospectively.

2.4 Financial Reporting by Segments (continued)

	Half Year Ended 31 December 2021						
	Retail Banking Services $M	Business Banking $M	Institutional Banking and Markets $M	New Zealand $M	Corporate Centre and Other $M	Wealth Management $M	Total $M
Net interest income	4,857	2,870	787	1,174	60	–	**9,748**
Other banking income:							
Commissions	528	416	66	133	33	–	**1,176**
Lending fees	105	119	135	19	(1)	–	**377**
Trading and other income	82	111	158	60	395	–	**806**
Total other banking income	715	646	359	212	427	–	**2,359**
Total banking income	5,572	3,516	1,146	1,386	487	–	**12,107**
Funds management income	10	–	–	76	(6)	–	**80**
Insurance income	18	–	–	–	–	–	**18**
Total operating income	5,600	3,516	1,146	1,462	481	–	**12,205**
Operating expenses	(2,295)	(1,343)	(490)	(531)	(929)	–	**(5,588)**
Loan impairment benefit/(expense)	5	(44)	125	12	(23)	–	**75**
Net profit/(loss) before tax	3,310	2,129	781	943	(471)	–	**6,692**
Corporate tax (expense)/benefit	(979)	(640)	(194)	(264)	131	–	**(1,946)**
Net profit after tax from continuing operations - "cash basis"	2,331	1,489	587	679	(340)	–	**4,746**
Net profit before tax from discontinued operations	–	–	–	–	4	96	**100**
Net profit after tax - "cash basis" [1]	2,331	1,489	587	679	(336)	96	**4,846**
(Loss)/gain on disposal of entities net of transaction costs	(72)	1	–	–	87	1,024	**1,040**
Hedging and IFRS volatility	–	–	–	(68)	52	–	**(16)**
Net profit/(loss) after tax - "statutory basis"	2,259	1,490	587	611	(197)	1,120	**5,870**
Additional information							
Amortisation and depreciation	(40)	(58)	(21)	(67)	(365)	–	**(551)**
Balance Sheet							
Total assets	465,943	209,219	162,928	110,197	201,526	–	**1,149,813**
Total liabilities	326,731	216,055	183,253	102,044	247,067	–	**1,075,150**

1 This balance excludes non-cash items, such as unrealised gains and losses relating to hedging and IFRS volatility, and gains and losses on previously announced divestments including post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency translation reserve recycling), and transaction and separation costs.

Notes to the Financial Statements (continued)

2.4 Financial Reporting by Segments (continued)

	Half Year Ended 30 June 2021 [1]						
	Retail Banking Services $M	Business Banking $M	Institutional Banking and Markets $M	New Zealand $M	Corporate Centre and Other $M	Wealth Management $M	Total $M
Net interest income	4,903	2,800	764	1,136	99	–	**9,702**
Other banking income:							
Commissions	588	473	72	128	4	–	**1,265**
Lending fees	123	109	116	19	2	–	**369**
Trading and other income	72	93	114	61	380	–	**720**
Total other banking income	783	675	302	208	386	–	**2,354**
Total banking income	5,686	3,475	1,066	1,344	485	–	**12,056**
Funds management income	16	–	–	72	(3)	–	**85**
Insurance income	54	–	–	–	–	–	**54**
Total operating income	5,756	3,475	1,066	1,416	482	–	**12,195**
Operating expenses	(2,290)	(1,417)	(495)	(576)	(990)	–	**(5,768)**
Loan impairment benefit/(expense)	165	62	81	32	(12)	–	**328**
Net profit/(loss) before tax	3,631	2,120	652	872	(520)	–	**6,755**
Corporate tax (expense)/benefit	(1,090)	(649)	(152)	(247)	168	–	**(1,970)**
Net profit after tax from continuing operations - "cash basis"	2,541	1,471	500	625	(352)	–	**4,785**
Net profit before tax from discontinued operations	–	–	–	–	8	41	**49**
Net profit/(loss) after tax - "cash basis" [2]	2,541	1,471	500	625	(344)	41	**4,834**
Gain on disposal of entities net of transaction costs	194	79	2	3	16	169	**463**
Hedging and IFRS volatility	–	–	–	(18)	33	–	**15**
Net profit/(loss) after tax - "statutory basis"	2,735	1,550	502	610	(295)	210	**5,312**
Additional information							
Amortisation and depreciation	(63)	(63)	(26)	(66)	(399)	–	**(617)**
Balance Sheet							
Total assets	444,380	201,727	153,830	105,121	185,096	1,821	**1,091,975**
Total liabilities	302,724	197,264	179,699	97,899	227,319	8,382	**1,013,287**

1 Comparative information has been restated to conform to presentation in the current period and to reflect the prior period adjustments detailed in Note 1.1.

2 This balance excludes non-cash items, such as unrealised gains and losses relating to hedging and IFRS volatility, and gains and losses on previously announced divestments including post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency translation reserve recycling), and transaction and separation costs.

2.4 Financial Reporting by Segments (continued)

	Half Year Ended 31 December 2020 [1]						
	Retail Banking Services $M	Business Banking $M	Institutional Banking and Markets $M	New Zealand $M	Corporate Centre and Other $M	Wealth Management $M	Total $M
Net interest income	4,864	2,797	768	1,014	157	–	**9,600**
Other banking income:							
Commissions	558	510	81	138	12	–	**1,299**
Lending fees	65	103	112	18	(2)	–	**296**
Trading and other income	133	88	277	30	67	–	**595**
Total other banking income	756	701	470	186	77	–	**2,190**
Total banking income	5,620	3,498	1,238	1,200	234	–	**11,790**
Funds management income	16	–	–	68	(4)	–	**80**
Insurance income	92	–	–	–	(1)	–	**91**
Total operating income	5,728	3,498	1,238	1,268	229	–	**11,961**
Operating expenses	(2,354)	(1,252)	(481)	(495)	(1,009)	–	**(5,591)**
Loan impairment expense	(304)	(290)	(177)	(27)	(84)	–	**(882)**
Net profit/(loss) before tax	3,070	1,956	580	746	(864)	–	**5,488**
Corporate tax (expense)/benefit	(915)	(587)	(154)	(210)	246	–	**(1,620)**
Net profit after tax from continuing operations - "cash basis"	2,155	1,369	426	536	(618)	–	**3,868**
Net profit before tax from discontinued operations	–	–	–	–	6	93	**99**
Net profit/(loss) after tax - "cash basis" [2]	2,155	1,369	426	536	(612)	93	**3,967**
(Loss)/gain on disposal of entities net of transaction costs	(7)	(14)	–	–	289	642	**910**
Hedging and IFRS volatility	–	–	–	(52)	44	–	**(8)**
Net profit/(loss) after tax - "statutory basis"	2,148	1,355	426	484	(279)	735	**4,869**
Additional information							
Amortisation and depreciation	(75)	(80)	(33)	(71)	(427)	–	**(686)**
Balance Sheet							
Total assets	427,055	192,538	175,811	102,649	159,363	1,817	**1,059,233**
Total liabilities	296,410	186,499	182,357	95,561	214,890	8,626	**984,343**

1 Comparative information has been restated to conform to presentation in the current period and to reflect the prior period adjustments detailed in Note 1.1.

2 This balance excludes non-cash items, such as unrealised gains and losses relating to hedging and IFRS volatility, and gains and losses on previously announced divestments including post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency translation reserve recycling), and transaction and separation costs.

2.4 Financial Reporting by Segments (continued)

Geographical Information Financial Performance and Position	Half Year Ended [1] 31 Dec 21 $M	31 Dec 21 %	30 Jun 21 $M	30 Jun 21 %	31 Dec 20 $M	31 Dec 20 %
Income						
Australia	**10,305**	**84. 0**	10,744	85. 8	10,200	85. 8
New Zealand	**1,516**	**12. 4**	1,422	11. 4	1,289	10. 8
Other locations [2]	**444**	**3. 6**	352	2. 8	407	3. 4
Total Income	**12,265**	**100. 0**	12,518	100. 0	11,896	100. 0
Non-Current Assets [3]						
Australia	**16,203**	**94. 0**	15,117	93. 5	14,183	92. 9
New Zealand	**785**	**4. 6**	806	5. 0	841	5. 5
Other locations [2]	**235**	**1. 4**	244	1. 5	252	1. 6
Total non-current assets	**17,223**	**100. 0**	16,167	100. 0	15,276	100. 0

1 Information is presented on a continuing operations basis. For details on the Group's discontinued operations refer to Note 7.3.
2 Other locations include: United Kingdom, the Netherlands, United States, Japan, Singapore, Malta, Hong Kong, Indonesia, China, Vietnam and India.
3 Non-current assets include Property, plant and equipment, Investments in associates and joint ventures, and Intangible assets.

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

ACCOUNTING POLICY

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

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

2.5 Income Tax Expense

	Half Year Ended [1]		
	31 Dec 21	30 Jun 21	31 Dec 20
	$M	$M	$M
Profit before income tax	**6,646**	7,013	5,362
Prima facie income tax at 30%	**1,994**	2,104	1,609
Effect of amounts which are non-deductible/(non-assessable) in calculating taxable income:			
Offshore tax rate differential	**(30)**	(23)	(20)
Offshore banking unit	**(13)**	1	(3)
Effect in Change in Tax Rates	**17**	11	–
Income tax over provided in previous years	**(2)**	24	–
Gains/(losses) on disposals	**–**	(126)	4
Other	**(61)**	(62)	13
Total income tax expense	**1,905**	1,929	1,603
Effective tax rate (%)	**28. 7**	27. 5	29. 9

1 Comparative information has been restated to reflect the prior period adjustments detailed in Note 1.1

ACCOUNTING POLICY

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

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

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

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

The Group recognised and disclosed separate deferred tax assets and deferred tax liabilities arising from arrangements where the Group is lessee. Deferred tax assets and liabilities are offset where they relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities within the same taxable group.

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

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

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

Critical accounting judgements and estimates

Provisions for taxation require significant judgement with respect to outcomes that are uncertain. For such uncertainties, the Group has estimated the tax provisions based on the expected outcomes. A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available for it to be used against.

3. Our Lending Activities

Overview

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

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

3.1 Loans, Bills Discounted and Other Receivables

	As at [1]		
	31 Dec 21	30 Jun 21	31 Dec 20
	$M	$M	$M
Australia			
Overdrafts	**17,070**	21,466	26,519
Home loans [2]	**539,690**	516,217	498,305
Credit card outstandings	**8,658**	8,640	8,998
Lease financing	**3,473**	3,731	3,891
Term loans and other lending	**164,724**	155,541	148,373
Total Australia	**733,615**	705,595	686,086
New Zealand			
Overdrafts	**845**	959	948
Home loans [2]	**65,748**	63,017	60,421
Credit card outstandings	**905**	909	973
Term loans and other lending	**32,300**	31,142	30,133
Total New Zealand	**99,798**	96,027	92,475
Other Overseas			
Overdrafts	**213**	296	358
Home loans	**472**	522	592
Term loans and other lending	**16,411**	15,826	14,962
Total Other Overseas	**17,096**	16,644	15,912
Gross loans, bills discounted and other receivables	**850,509**	818,266	794,473
Less:			
Provisions for Loan Impairment:			
Collective provisions	**(4,962)**	(5,200)	(5,806)
Individually assessed provisions	**(792)**	(900)	(872)
Unearned income:			
Term loans	**(622)**	(622)	(639)
Lease financing	**(183)**	(188)	(213)
	(6,559)	(6,910)	(7,530)
Net loans, bills discounted and other receivables	**843,950**	811,356	786,943

1 Comparative information has been restated to conform to presentation in the current period and to reflect the prior period adjustment detailed in Note 1.1.
2 Home loans are presented gross of mortgage offset balances, which are required to be grossed up under accounting standards, but are netted down for the calculation of customer interest payments.

3.1 Loans, Bills Discounted and Other Receivables (continued)

ACCOUNTING POLICIES

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

Loans, bills discounted and other receivables, consistent with the Group's policy for all financial assets measured at amortised cost, are recognised on settlement date, when funding is advanced to the borrowers. They are initially recognised at their fair value plus directly attributable transaction costs such as broker fees. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method and are presented net of provisions for impairment. The accounting policy for provisions for impairment is provided in Note 3.2. For information on the Group's management of credit risk, refer to Note 9.2 of the 2021 Annual Report.

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

Critical accounting judgements and estimates

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

3.2 Loan Impairment Expense, Provisions for Impairment and Asset Quality

The following table provides information about movements in the Group's provision for impairment losses.

	Half Year Ended		
	31 Dec 21	30 Jun 21	31 Dec 20
	$M	$M	$M
Provision for impairment losses			
Collective provisions			
Opening balance	**5,311**	5,943	5,396
Net collective provision funding	**(161)**	(481)	768
Impairment losses written off	**(188)**	(236)	(300)
Impairment losses recovered	**67**	62	69
Other	**33**	23	10
Closing balance	**5,062**	5,311	5,943
Individually assessed provisions			
Opening balance	**900**	872	967
Net new and increased individual provisioning	**176**	260	236
Write-back of provisions no longer required	**(90)**	(107)	(122)
Discount unwind to interest income	**(8)**	(9)	(7)
Impairment losses written off	**(205)**	(121)	(202)
Other	**19**	5	–
Closing balance	**792**	900	872
Total provisions for impairment losses	**5,854**	6,211	6,815
Less: Provision for Off Balance Sheet exposures	**(100)**	(111)	(137)
Total provisions for loan impairment	**5,754**	6,100	6,678

3.2 Loan Impairment Expense, Provisions for Impairment and Asset Quality (continued)

	Half Year Ended		
	31 Dec 21	30 Jun 21	31 Dec 20
	$M	$M	$M
Loan impairment expense			
Net collective provision funding	**(161)**	(481)	768
Net new and increased individual provisioning	**176**	260	236
Write-back of individually assessed provisions	**(90)**	(107)	(122)
Total loan impairment (benefit)/expense	**(75)**	(328)	882

	As at		
	31 Dec 21	30 Jun 21	31 Dec 20
	%	%	%
Provision ratios			
Total provisions for impaired assets as a % of gross impaired assets	**30. 07**	33. 99	38. 07
Total provisions for impairment losses as a % of gross loans and acceptances	**0. 69**	0. 76	0. 86

Movement in provisions for impairment and credit exposures by ECL stage

The following table provides movements in the Group's impairment provisions and credit exposures by expected credit loss (ECL) stage for the half years ended 31 December 2021, 30 June 2021 and 31 December 2020.

Movements in credit exposures and provisions for impairment in the following tables represent the sum of monthly movements over the half-year periods and are attributable to the following items:

- **Transfers to/(from):** movements due to transfers of credit exposures between Stage 1, Stage 2 and Stage 3. Excludes the impact of re-measurements of provisions for impairment between 12 months and lifetime ECL.
- **Net re-measurement on transfers between stages:** movements in provisions for impairment due to re-measurement between 12 months and lifetime ECL as a result of transfers of credit exposures between stages.
- **Net financial assets originated:** net movements in credit exposures and provisions for impairment due to new financial assets originated as well as changes in existing credit exposures due to maturities, repayments or credit limit changes.
- **Movements in existing IAP (including IAP write-backs):** net movements in existing Individually Assessed Provisions (IAP) excluding write-offs.
- **Movement due to risk parameter and other changes:** movements in provisions for impairment due to changes in credit risk parameters, forward looking economic scenarios or other assumptions as well as other changes in underlying credit quality that do not lead to transfers between Stage 1, Stage 2 and Stage 3.
- **Write-offs:** derecognition of credit exposures and provisions for impairment upon write-offs.
- **Recoveries:** increases in provisions for impairment due to recoveries of loans previously written off.
- **Foreign exchange and other movements:** other movements in credit exposures and provisions for impairment including the impact of changes in foreign exchange rates.

3.2 Loan Impairment Expense, Provisions for Impairment and Asset Quality (continued)

	Group[1]							
	Stage 1 [2] Collectively assessed		Stage 2 [3] Collectively assessed		Stage 3 [4] Collectively and individually assessed		Total	
	Gross exposure $M	ECL $M	Gross exposure $M	ECL $M	Gross exposure $M	ECL $M	Gross exposure $M	ECL $M
Opening balance as at 1 July 2020	**735,947**	**1,569**	**199,291**	**3,346**	**6,950**	**1,448**	**942,188**	**6,363**
Transfers to/(from)								
Stage 1	88,910	925	(88,840)	(921)	(70)	(4)	**–**	**–**
Stage 2	(95,047)	(439)	96,971	739	(1,924)	(300)	**–**	**–**
Stage 3	(382)	(5)	(3,160)	(252)	3,542	257	**–**	**–**
Net re-measurement on transfers between stages	–	(571)	–	466	–	314	**–**	**209**
Net financial assets originated	55,235	205	(24,329)	(438)	(1,182)	(108)	**29,724**	**(341)**
Movement in existing IAP (including IAP write-backs)	–	–	–	–	–	50	**–**	**50**
Movements due to risk parameters and other changes	–	(5)	–	545	–	424	**–**	**964**
Loan impairment expense for the period		110		139		633		**882**
Write-offs	–	–	–	–	(502)	(502)	**(502)**	**(502)**
Recoveries	–	–	–	–	–	69	**–**	**69**
Foreign exchange and other movements	(2,297)	3	(739)	6	(67)	(6)	**(3,103)**	**3**
Closing balance as at 31 December 2020	**782,366**	**1,682**	**179,194**	**3,491**	**6,747**	**1,642**	**968,307**	**6,815**
Transfers to/(from)								
Stage 1	74,941	753	(74,907)	(751)	(34)	(2)	**–**	**–**
Stage 2	(69,965)	(324)	71,694	599	(1,729)	(275)	**–**	**–**
Stage 3	(503)	(11)	(3,606)	(245)	4,109	256	**–**	**–**
Net re-measurement on transfers between stages	–	(439)	–	409	–	257	**–**	**227**
Net financial assets originated	63,579	169	(31,228)	(518)	(1,022)	(116)	**31,329**	**(465)**
Movement in existing IAP (including IAP write-backs)	–	–	–	–	–	102	**–**	**102**
Movements due to risk parameters and other changes	–	(222)	–	(61)	–	91	**–**	**(192)**
Loan impairment expense for the period		(74)		(567)		313		**(328)**
Write-offs	–	–	–	–	(357)	(357)	**(357)**	**(357)**
Recoveries	–	–	–	–	–	62	**–**	**62**
Foreign exchange and other movements	(1,051)	6	(1,423)	12	(1)	1	**(2,475)**	**19**
Closing balance as at 30 June 2021	**849,367**	**1,614**	**139,724**	**2,936**	**7,713**	**1,661**	**996,804**	**6,211**
Transfers to/(from)								
Stage 1	47,296	703	(47,259)	(700)	(37)	(3)	**–**	**–**
Stage 2	(81,576)	(362)	83,556	613	(1,980)	(251)	**–**	**–**
Stage 3	(607)	(11)	(2,684)	(256)	3,291	267	**–**	**–**
Net re-measurement on transfers between stages	–	(397)	–	522	–	204	**–**	**329**
Net financial assets originated	61,723	159	(23,595)	(395)	(1,483)	(130)	**36,645**	**(366)**
Movement in existing IAP (including IAP write-backs)	–	–	–	–	–	50	**–**	**50**
Movements due to risk parameters and other changes	–	(9)	–	56	–	(135)	**–**	**(88)**
Loan impairment expense for the period		83		(160)		2		**(75)**
Write-offs	–	–	–	–	(393)	(393)	**(393)**	**(393)**
Recoveries	–	–	–	–	–	67	**–**	**67**
Foreign exchange and other movements	2,380	11	549	19	26	14	**2,955**	**44**
Closing balance as at 31 December 2021	**878,583**	**1,708**	**150,291**	**2,795**	**7,137**	**1,351**	**1,036,011**	**5,854**

1 Comparative information has been restated to conform to presentation in the current period and to reflect the prior period adjustment detailed in Note 1.1.

2 Movements in credit exposures exclude Cash and liquid assets and Receivables from financial institutions. Movements in provisions for impairment losses include provisions in relation to Cash and liquid assets and Receivables from financial institutions. As at 31 December 2021, collective provisions in Stage 1 include $17 million in relation to these financial assets (30 June 2021: $15 million; 31 December 2020: $14 million).

3 The assessment of significant increase in credit risk (SICR) includes the impact of forward looking multiple economic scenarios in addition to adjustments for emerging risks at an industry, geographic location or particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 65% of Stage 2 exposures as at 31 December 2021 (30 June 2021: 62%; 31 December 2020: 57%).

4 As at 31 December 2021, Stage 3 includes $5,431 million of collectively assessed credit exposures (30 June 2021: $5,742 million; 31 December 2020: $4,777 million) and $1,706 million of individually assessed credit exposures (30 June 2021: $1,971 million; 31 December 2020: $1,970 million). Stage 3 provisions for impairment include $559 million of collective provisions (30 June 2021: $761 million; 31 December 2020: $770 million) and $792 million of individually assessed provisions (30 June 2021: $900 million; 31 December 2020: $872 million).

3.2 Loan Impairment Expense, Provisions for Impairment and Asset Quality (continued)

ACCOUNTING POLICY

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

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

Expected credit loss (ECL) model

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

- **Stage 1 – 12 months ECL – Performing Loans**

  On origination, an impairment provision equivalent to 12 months ECL is recognised. 12 months ECL is the credit losses expected to arise from defaults occurring over the next 12 months.
- **Stage 2 – Lifetime ECL – Performing loans that have experienced a significant increase in credit risk (SICR)**

  Financial assets that have experienced a SICR since origination are transferred to Stage 2 and an impairment provision equivalent to lifetime ECL is recognised. Lifetime ECL is the credit losses expected to arise from defaults occurring over the remaining life of financial assets. If credit quality improves in a subsequent period such that the increase in credit risk since origination is no longer considered significant the exposure is reclassified to Stage 1 and the impairment provision reverts to 12 months ECL.
- **Stage 3 – Lifetime ECL – Non-performing loans**

  Financial assets in default are transferred to Stage 3 and an impairment provision equivalent to lifetime ECL is recognised. This includes assets that are considered impaired as well as assets that are considered to be in default but are not impaired because, for example, no loss is expected based on the security position.

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

Significant increase in credit risk (SICR)

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

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

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

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

The assessment of SICR includes the impact of forward looking multiple economic scenarios in addition to adjustments for emerging risks at an industry, geographic location or particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at reporting date. This accounts for approximately 65% of Stage 2 exposures as at 31 December 2021 (30 June 2021: 62%, 31 December 2020: 57%).

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

- arrears status, that incorporates the AASB 9 rebuttable presumption of 30 days past due;
- a retail exposure entering a financial hardship status;
- a non-retail exposure's referral to Group Credit Structuring.

3.2 Loan Impairment Expense, Provisions for Impairment and Asset Quality (continued)

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

The offer or uptake of an initial COVID-19 related repayment deferral was not itself considered to constitute a SICR event unless the exposure was considered to have experienced a SICR based on other available information. Subsequent to an initial deferral some customers have been provided with a further deferral extension or other contract modification such as a term extension, or switch from principal and interest repayments to interest only repayments. Where an extension of a deferral was granted or a modification was given outside of commercial terms those exposures were considered to have experienced a SICR event. Modifications that are routinely offered in the normal course of business, such as interest only switches, were not considered to constitute a SICR event.

Definition of default, impaired and write-offs

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

Facilities are classified as impaired where there is doubt as to whether the full amounts due, including interest and other contractual payments, will be received in a timely manner.

Loans are written off when there is no reasonable expectation of recovery. Unsecured retail loans are generally written off when repayments become 180 days past due. Secured loans are generally written off when assets pledged to the Group have been realised and there are no further prospects of additional recovery.

The offer or uptake of a COVID-19 related repayment deferral was not considered to constitute a default or credit impairment unless the exposure is considered to be in default or impaired based on the criteria outlined above.

ECL measurement

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

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

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

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

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

Secured retail exposures and defaulted non-retail exposures are assessed for impairment through an Individually Assessed Provisions (IAP) process if expected losses are in excess of $20,000. Impairment provisions on these exposures are calculated directly as the difference between the defaulted asset's carrying value and the present value of expected future cash flows including cash flows from realisation of collateral, where applicable.

Lifetime of an exposure

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

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

Forward-looking information

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

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

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

3.2 Loan Impairment Expense, Provisions for Impairment and Asset Quality (continued)

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

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

- **Central scenario:** This scenario is based on the Group's internal economic forecasts and considers Central Bank forecasts as well as other assumptions used in business planning and forecasting.
- **Downside scenario:** This scenario contemplates the potential impact of possible, but less likely, adverse macroeconomic conditions, resulting from further sustained periods of lockdowns or other adverse macroeconomic conditions.
- **Upside scenario:** This scenario is included to account for the potential impact of remote, more favourable macroeconomic conditions. Relative to the Central scenario, the Upside scenario features slightly stronger growth in economic output and further improvement in labour market conditions. In addition to this, the scenario features a stronger exchange rate, stronger housing market, business investment, disposable income and the share market as well as further increases in interest rates.
- **Severe downside scenario:** This scenario contemplates the potentially severe impact of remote, extremely adverse macroeconomic conditions. Relative to the Downside scenario, this scenario features a sharper contraction with a slower recovery in economic output, heightened and prolonged weakness in the labour market, and more severe declines in house prices and the share market. In addition to this, the scenario features a more severe and prolonged contraction in business investment and a weaker exchange rate, while interest rates remain accommodative.

The table below provides a summary of macro-economic variables used in the Central and Downside scenarios as at 31 December 2021.

	Central Calendar year			Downside Calendar year		
	2022	**2023**	**2024**	**2022**	**2023**	**2024**
GDP	5. 0	3. 0	2. 5	(7. 5)	2. 5	2. 5
Unemployment rate (%) [1]	4. 1	4. 0	4. 0	9. 5	8. 5	7. 5
Cash rate (%) [1]	0. 50	1. 25	1. 25	0. 10	0. 10	0. 10
House prices (annual % change)	7. 0	(10. 0)	(5. 0)	(15. 0)	(10. 0)	1. 0
Business investment (annual % change)	6. 3	2. 5	2. 5	(15. 0)	–	3. 0
AUD/USD exchange rate [1]	0. 80	0. 78	0. 78	0. 65	0. 65	0. 65
Disposable income (annual % change)	1. 0	1. 7	1. 7	(4. 0)	1. 5	2. 5
ASX 200 (annual % change)	2. 7	2. 0	1. 6	(15. 0)	2. 5	1. 0
NZ unemployment rate (%) [1]	3. 5	3. 7	3. 9	8. 5	7. 5	6. 5
NZ cash rate (%)	2. 00	2. 00	2. 00	(0. 25)	(0. 25)	(0. 25)
NZ house prices (annual % change)	(3. 0)	6. 1	7. 4	(15. 0)	(10. 0)	–

1 Spot rate at December each year, unless otherwise stated.

The requirement to probability-weight possible future outcomes captures the uncertainty inherent in the credit outlook, and changes in that uncertainty over time. Weights are assigned to each scenario based on management's best estimate of the proportion of potential future loss outcomes that each scenario represents. The same economic scenarios and probability weights apply across all portfolios. The following probability weights applied at 31 December 2021, 30 June 2021 and 31 December 2020:

	Combined Weighting		
	31 Dec 21	30 Jun 21	31 Dec 20
Central and Upside	57. 5%	67. 5%	60. 0%
Downside and Severe Downside	42. 5%	32. 5%	40. 0%

During the half year ended 31 December 2021, the macroeconomic scenarios were updated to reflect continued improvements in economic conditions and the consequent prospect of near term increases in interest rates. The overall impact on the estimates of ECL under the Central and Upside scenarios has been minimal. In order to reflect the uncertainty about the speed of the economic recovery and the risk posed by further extended lockdowns and other adverse economic events, the Group decreased the combined weighting of the Central and Upside scenarios from 67.5% to 57.5%. This led to a commensurate increase in the combined weighting of the Downside and Severe Downside scenario from 32.5% to 42.5%. In addition, the ECL attributable to forward looking adjustments and overlays has increased over the half year ended 31 December 2021.

The Group's assessment of SICR also incorporates the impact of multiple probability-weighted future forecast economic scenarios on exposures' internal risk grades using the same four forecast macroeconomic scenarios as described above.

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

3.2 Loan Impairment Expense, Provisions for Impairment and Asset Quality (continued)

Incorporation of experienced credit judgement

Management exercises credit judgement in assessing if an exposure has experienced SICR and in determining the amount of impairment provisions at each reporting date. Where applicable, credit risk factors (PD and LGD) are adjusted upwards to incorporate reasonable and supportable forward looking information about known or expected risks for specific segments of portfolios that would otherwise not have been considered in the modelling process. Credit judgement is used to determine the degree of adjustment to be applied and considers information such as emerging risks at an industry, geographical and portfolio segment level.

The Group also applies overlays which are determined based on a range of techniques including stress testing, benchmarking, scenario analysis and expert judgement. Overlays are subject to internal governance and applied as an incremental ECL top-up amount to the impacted portfolio segments. In addition to this, the Group applies overlays for model risks and other external factors that cannot be adequately accounted for through the ECL models.

As at 30 June 2021, the Group held $906 million of overlays related to uncertainties associated with the ongoing impacts of COVID-19 and other adverse economic conditions. This included overlays for customers impacted by the cessation of liquidity support measures, the emergence of new COVID-19 variants and the impacts of travel restrictions, particularly on the Aviation sector. The overlays contained $285 million in relation to the Group's non-retail lending portfolio and $621 million in relation to retail portfolios. As of 31 December 2021, overlays in relation to these factors reduced to $739 million and include $161 million in relation to the Group's non-retail lending portfolio and $578 million in relation to retail portfolios. This reflects a reduction in overlays held for customers impacted by the cessation of liquidity support measures and partial recovery of the Aviation sector, partly offset by new or increased overlays in relation to potential impacts from inflationary pressures.

Sensitivity of provisions for impairment to changes in forward looking assumptions

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

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

	31 Dec 21 $M	30 Jun 21 $M	31 Dec 20 $M
Reported probability - weighted ECL	5,854	6,211	6,815
100% Central scenario	3,771	4,119	5,022
100% Downside scenario	7,425	9,000	8,978

Sensitivity of provisions for impairment to SICR assessment criteria

If 1% of Stage 1 credit exposures as at 31 December 2021 was included in Stage 2, provisions for impairment would increase by approximately $146 million (30 June 2021: $162 million; 31 December 2020: $136 million).

If 1% of Stage 2 credit exposures as at 31 December 2021 was included in Stage 1, provisions for impairment would decrease by approximately $25 million (30 June 2021: $27 million; 31 December 2020: $31 million).

Modifications relating to COVID-19

In prior periods, the Group extended a number of support measures to customers impacted by COVID-19, including loan repayment deferrals, switches from principal and interest repayments to interest only repayments and other modifications including the extension of loan maturity dates. The majority of retail and non-retail loans that were previously granted COVID-19 deferrals returned to their regular non-deferral repayment terms. Deferral extensions were treated as non-substantial modifications and therefore accounted for as a continuation of the existing loan with no material modification gains or losses having been recognised. Other contract modifications were treated as substantial or non-substantial based on the terms on which they were granted.

3.2 Loan Impairment Expense, Provisions for Impairment and Asset Quality (continued)

During the half year ended 31 December 2021 loans with a gross carrying value of approximately $1,626 million were granted COVID-19 related repayment deferrals or other contractual modifications when they were included in either Stage 2 or Stage 3 (30 June 2021: $273 million; 31 December 2020: $10,303 million). Loans with a gross carrying value of approximately $13,396 million, that were subject to COVID-19 related modifications when in Stage 2 or Stage 3, remained in either Stage 2 or Stage 3 at 31 December 2021 (30 June 2021: $14,902 million; 31 December 2020: $23,281 million).The following table provides a summary of gross carrying values of credit exposures subject to COVID-19 related modifications.

	31 Dec 21 $M	30 Jun 21 $M	31 Dec 20 $M
Retail secured			
Stage 1	**1,378**	2,385	5,069
Stage 2	**392**	617	14,497
Stage 3	**97**	112	342
Total retail secured	**1,867**	**3,114**	**19,908**
Retail unsecured			
Stage 1	**–**	–	277
Stage 2	**–**	–	11
Stage 3	**–**	–	7
Total retail unsecured	**–**	**–**	**295**
Non–retail			
Stage 1	**36**	3	426
Stage 2	**2,775**	2,122	2,033
Stage 3	**87**	183	139
Total non-retail	**2,898**	**2,308**	**2,598**
Total credit exposures			
Stage 1	**1,414**	2,388	5,772
Stage 2	**3,167**	2,739	16,541
Stage 3	**184**	295	488
Total	**4,765**	**5,422**	**22,801**

The majority of credit exposures subject to COVID-19 related modifications are secured. The Group takes into account market values of available collateral in calculating provisions for impairment. As at 31 December 2021, the provision for impairment held by the Group in relation to credit exposures subject to COVID-19 related modifications was $159 million (30 June 2021: $193 million; 31 December 2020: $323 million).

3.2 Loan Impairment Expense, Provisions for Impairment and Asset Quality (continued)

Asset Quality

The tables below provide information about the credit quality of the Group's assets.

	As at 31 December 2021			
	Home Loans [1] $M	Other Personal [2] $M	Other Commercial Industrial $M	Total $M
Loans which were neither past due nor impaired				
Investment Grade	327,399	4,770	97,871	**430,040**
Pass Grade	261,462	10,870	121,698	**394,030**
Weak	4,798	891	3,426	**9,115**
Total loans which were neither past due nor impaired	593,659	16,531	222,995	**833,185**
Loans which were past due but not impaired [3]				
Past due 1 - 29 days	6,657	356	1,137	**8,150**
Past due 30 - 59 days	1,348	95	183	**1,626**
Past due 60 - 89 days	629	51	113	**793**
Past due 90 - 179 days	972	–	233	**1,205**
Past due 180 days or more	1,631	–	509	**2,140**
Total loans past due but not impaired	11,237	502	2,175	**13,914**

1 During the half year ended 31 December 2021, the Group refreshed its New Zealand residential mortgage regulatory capital model which resulted in movements of credit risk exposures across PD bands. There was a reduction in investment grade and an increase in pass grade 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.

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

1 Included in these balances are credit card facilities and other unsecured portfolio managed facilities up to 90 days past due. At 90 days past due all unsecured portfolio managed facilities are classified as impaired.

2 Includes assets in Stage 3 that have defaulted, but have not been classified as credit impaired as the loans are well secured and expected to be recovered.

3.2 Loan Impairment Expense, Provisions for Impairment and Asset Quality (continued)

	As at 31 December 2020 [1]			
	Home Loans $M	Other Personal [2] $M	Other Commercial Industrial $M	Total $M
Loans which were neither past due nor impaired				
Investment Grade	327,637	4,437	92,996	**425,070**
Pass Grade	215,689	11,323	116,164	**343,176**
Weak	4,846	967	5,098	**10,911**
Total loans which were neither past due nor impaired	548,172	16,727	214,258	**779,157**
Loans which were past due but not impaired [3]				
Past due 1 - 29 days	4,640	342	1,124	**6,106**
Past due 30 - 59 days	1,673	106	268	**2,047**
Past due 60 - 89 days	879	70	111	**1,060**
Past due 90 - 179 days	1,223	9	134	**1,366**
Past due 180 days or more	1,281	9	466	**1,756**
Total loans past due but not impaired	9,696	536	2,103	**12,335**

1 Comparative information has been restated to reflect the prior period adjustment detailed in Note 1.1.
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.

The following tables provide information about the Group's impaired assets.

	Half Year Ended		
	31 Dec 21 $M	30 Jun 21 $M	31 Dec 20 $M
Movement in gross impaired assets			
Gross impaired assets - opening balance	**3,409**	3,100	3,548
New and increased	**1,285**	1,361	799
Balances written off	**(381)**	(297)	(444)
Returned to performing or repaid	**(937)**	(899)	(977)
Portfolio managed - new/increased/return to performing/repaid	**106**	144	174
Gross impaired assets - closing balance [1,2]	**3,482**	3,409	3,100

	As at		
	31 Dec 21 $M	30 Jun 21 $M	31 Dec 20 $M
Impaired assets by size of asset			
Less than $1 million	**1,869**	1,833	1,305
$1 million to $10 million	**721**	799	755
Greater than $10 million	**892**	777	1,040
Gross impaired assets [1,2]	**3,482**	3,409	3,100
Less total provisions for impaired assets [3]	**(1,047)**	(1,159)	(1,180)
Net impaired assets	**2,435**	2,250	1,920

1 As at 31 December 2021, impaired assets include those assets in Stage 3 that are considered impaired, as well as $215 million of restructured assets in Stage 2 (30 June 2021: $148 million; 31 December 2020: $136 million).
2 Includes $3,410 million of loans and advances and $72 million of other financial assets (30 June 2021: $3,360 million of loans and advances and $49 million of other financial assets; 31 December 2020: $2,981 million of loans and advances and $119 million of other financial assets).
3 Includes $792 million of individually assessed provisions and $255 million of collective provisions (30 June 2021: $900 million of individually assessed provisions and $259 million of collective provisions; 31 December 2020: $872 million of individually assessed provisions and $308 million of collective provisions).

3.2 Loan Impairment Expense, Provisions for Impairment and Asset Quality (continued)

Distribution of financial instruments by credit quality

The following tables provide information about the gross carrying amount of the Group's credit exposures by credit grade and ECL stage. For the definition of the Group's credit grades refer to Note 9.2 of the 2021 Annual Report.

	31 Dec 21				
	Stage 1 collectively assessed $M	Stage 2 [1] collectively assessed $M	Stage 3 collectively assessed $M	Stage 3 individually assessed $M	Total $M
Loans, bills discounted and other receivables					
Credit grade					
Investment	414,589	19,494	–	–	**434,083**
Pass	301,224	96,887	–	–	**398,111**
Weak	2,847	7,703	5,335	1,625	**17,510**
Gross carrying amount	**718,660**	**124,084**	**5,335**	**1,625**	**849,704**
Undrawn credit commitments					
Credit grade					
Investment	102,397	6,718	–	–	**109,115**
Pass	43,968	13,474	–	–	**57,442**
Weak	224	364	73	20	**681**
Total undrawn credit commitments	**146,589**	**20,556**	**73**	**20**	**167,238**
Total credit exposures	**865,249**	**144,640**	**5,408**	**1,645**	**1,016,942**
Impairment provision	**(1,685)**	**(2,722)**	**(555)**	**(792)**	**(5,754)**
Provisions to credit exposure, %	**0. 2**	**1. 9**	**10. 3**	**48. 1**	**0. 6**
Financial guarantees and other off Balance Sheet instruments					
Credit grade					
Investment	9,211	1,158	–	–	**10,369**
Pass	4,073	4,247	–	–	**8,320**
Weak	50	246	23	61	**380**
Total financial guarantees and other off Balance Sheet instruments	**13,334**	**5,651**	**23**	**61**	**19,069**
Impairment provision	**(23)**	**(73)**	**(4)**	**–**	**(100)**
Provisions to credit exposure, %	**0. 2**	**1. 3**	**17. 4**	**–**	**0. 5**
Total credit exposures					
Credit grade					
Investment	526,197	27,370	–	–	**553,567**
Pass	349,265	114,608	–	–	**463,873**
Weak	3,121	8,313	5,431	1,706	**18,571**
Total credit exposures	**878,583**	**150,291**	**5,431**	**1,706**	**1,036,011**
Total impairment provision	**(1,708)**	**(2,795)**	**(559)**	**(792)**	**(5,854)**
Provisions to credit exposure, %	**0. 2**	**1. 9**	**10. 3**	**46. 4**	**0. 6**

1 The assessment of SICR includes the impact of forward looking multiple economic scenarios in addition to adjustments for emerging risks at an industry, geographic location or particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 65% of Stage 2 exposures as at 31 December 2021.

3.2 Loan Impairment Expense, Provisions for Impairment and Asset Quality (continued)

	31 Dec 21				
	Stage 1 collectively assessed $M	Stage 2 [1] collectively assessed $M	Stage 3 collectively assessed $M	Stage 3 individually assessed $M	Total $M
Retail secured					
Credit grade					
Investment	390,264	3,808	–	–	**394,072**
Pass	271,564	17,939	–	–	**289,503**
Weak	1,810	3,783	4,227	528	**10,348**
Total retail secured	**663,638**	**25,530**	**4,227**	**528**	**693,923**
Impairment provision	**(710)**	**(637)**	**(317)**	**(153)**	**(1,817)**
Provisions to credit exposure, %	**0. 1**	**2. 5**	**7. 5**	**29. 0**	**0. 3**
Retail unsecured					
Credit grade					
Investment	14,095	1,197	–	–	**15,292**
Pass	10,692	1,444	–	–	**12,136**
Weak	741	695	141	1	**1,578**
Total retail unsecured	**25,528**	**3,336**	**141**	**1**	**29,006**
Impairment provision	**(534)**	**(644)**	**(122)**	**–**	**(1,300)**
Provisions to credit exposure, %	**2. 1**	**19. 3**	**86. 5**	**–**	**4. 5**
Non-retail					
Credit grade					
Investment	121,838	22,365	–	–	**144,203**
Pass	67,009	95,225	–	–	**162,234**
Weak	570	3,835	1,063	1,177	**6,645**
Total non-retail	**189,417**	**121,425**	**1,063**	**1,177**	**313,082**
Impairment provision	**(464)**	**(1,514)**	**(120)**	**(639)**	**(2,737)**
Provisions to credit exposure, %	**0. 2**	**1. 2**	**11. 3**	**54. 3**	**0. 9**
Total credit exposures					
Credit grade					
Investment	526,197	27,370	–	–	**553,567**
Pass	349,265	114,608	–	–	**463,873**
Weak	3,121	8,313	5,431	1,706	**18,571**
Total credit exposures	**878,583**	**150,291**	**5,431**	**1,706**	**1,036,011**
Impairment provision	**(1,708)**	**(2,795)**	**(559)**	**(792)**	**(5,854)**
Provisions to credit exposure, %	**0. 2**	**1. 9**	**10. 3**	**46. 4**	**0. 6**

1 The assessment of SICR includes the impact of forward looking multiple economic scenarios in addition to adjustments for emerging risks at an industry, geographic location or particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 65% of Stage 2 exposures as at 31 December 2021.

3.2 Loan Impairment Expense, Provisions for Impairment and Asset Quality (continued)

	30 Jun 21				
	Stage 1 collectively assessed $M	Stage 2 [1] collectively assessed $M	Stage 3 collectively assessed $M	Stage 3 individually assessed $M	Total $M
Loans, bills discounted and other receivables					
Credit grade					
Investment	418,125	18,771	–	–	**436,896**
Pass	273,680	86,623	–	–	**360,303**
Weak	3,236	9,508	5,628	1,885	**20,257**
Gross carrying amount	**695,041**	**114,902**	**5,628**	**1,885**	**817,456**
Undrawn credit commitments					
Credit grade					
Investment	97,622	7,647	–	–	**105,269**
Pass	43,571	10,696	–	–	**54,267**
Weak	237	339	89	41	**706**
Total undrawn credit commitments	**141,430**	**18,682**	**89**	**41**	**160,242**
Total credit exposures	**836,471**	**133,584**	**5,717**	**1,926**	**977,698**
Impairment provision	**(1,592)**	**(2,851)**	**(757)**	**(900)**	**(6,100)**
Provisions to credit exposure, %	**0. 2**	**2. 1**	**13. 2**	**46. 7**	**0. 6**
Financial guarantees and other off Balance Sheet instruments					
Credit grade					
Investment	9,002	1,348	–	–	**10,350**
Pass	3,843	4,452	–	–	**8,295**
Weak	51	340	25	45	**461**
Total financial guarantees and other off Balance Sheet instruments	**12,896**	**6,140**	**25**	**45**	**19,106**
Impairment provision	**(22)**	**(85)**	**(4)**	**–**	**(111)**
Provisions to credit exposure, %	**0. 2**	**1. 4**	**16. 0**	**–**	**0. 6**
Total credit exposures					
Credit grade					
Investment	524,749	27,766	–	–	**552,515**
Pass	321,094	101,771	–	–	**422,865**
Weak	3,524	10,187	5,742	1,971	**21,424**
Total credit exposures	**849,367**	**139,724**	**5,742**	**1,971**	**996,804**
Total impairment provision	**(1,614)**	**(2,936)**	**(761)**	**(900)**	**(6,211)**
Provisions to credit exposure, %	**0. 2**	**2. 1**	**13. 3**	**45. 7**	**0. 6**

1 The assessment of significant increase in credit risk includes the impact of forward looking multiple economic scenarios in addition to adjustments for emerging risk at an industry, geographic location or a particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 62% of Stage 2 credit exposures as at 30 June 2021.

3.2 Loan Impairment Expense, Provisions for Impairment and Asset Quality (continued)

	30 Jun 21				
	Stage 1 collectively assessed $M	Stage 2 [1] collectively assessed $M	Stage 3 collectively assessed $M	Stage 3 individually assessed $M	Total $M
Retail secured					
Credit grade					
Investment	393,239	5,718	–	–	**398,957**
Pass	234,468	21,050	–	–	**255,518**
Weak	2,113	4,929	4,351	672	**12,065**
Total retail secured	**629,820**	**31,697**	**4,351**	**672**	**666,540**
Impairment provision	**(726)**	**(577)**	**(435)**	**(189)**	**(1,927)**
Provisions to credit exposure, %	**0. 1**	**1. 8**	**10. 0**	**28. 1**	**0. 3**
Retail unsecured					
Credit grade					
Investment	14,283	1,061	–	–	**15,344**
Pass	11,035	1,721	–	–	**12,756**
Weak	767	709	158	2	**1,636**
Total retail unsecured	**26,085**	**3,491**	**158**	**2**	**29,736**
Impairment provision	**(500)**	**(644)**	**(147)**	**–**	**(1,291)**
Provisions to credit exposure, %	**1. 9**	**18. 4**	**93. 0**	**–**	**4. 3**
Non–retail					
Credit grade					
Investment	117,227	20,987	–	–	**138,214**
Pass	75,591	79,000	–	–	**154,591**
Weak	644	4,549	1,233	1,297	**7,723**
Total non-retail	**193,462**	**104,536**	**1,233**	**1,297**	**300,528**
Impairment provision	**(388)**	**(1,715)**	**(179)**	**(711)**	**(2,993)**
Provisions to credit exposure, %	**0. 2**	**1. 6**	**14. 5**	**54. 8**	**1. 0**
Total credit exposures					
Credit grade					
Investment	524,749	27,766	–	–	**552,515**
Pass	321,094	101,771	–	–	**422,865**
Weak	3,524	10,187	5,742	1,971	**21,424**
Total credit exposures	**849,367**	**139,724**	**5,742**	**1,971**	**996,804**
Impairment provision	**(1,614)**	**(2,936)**	**(761)**	**(900)**	**(6,211)**
Provisions to credit exposure, %	**0. 2**	**2. 1**	**13. 3**	**45. 7**	**0. 6**

1 The assessment of significant increase in credit risk includes the impact of forward looking multiple economic scenarios in addition to adjustments for emerging risk at an industry, geographic location or a particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 62% of Stage 2 credit exposures as at 30 June 2021.

3.2 Loan Impairment Expense, Provisions for Impairment and Asset Quality (continued)

	31 Dec 20 [1]				
	Stage 1 collectively assessed $M	Stage 2 [2] collectively assessed $M	Stage 3 collectively assessed $M	Stage 3 individually assessed $M	Total $M
Loans, bills discounted and other receivables					
Credit grade					
Investment	399,957	29,460	–	–	**429,417**
Pass	233,186	110,098	–	–	**343,284**
Weak	2,697	11,697	4,661	1,865	**20,920**
Gross carrying amount	**635,840**	**151,255**	**4,661**	**1,865**	**793,621**
Undrawn credit commitments					
Credit grade					
Investment	94,282	9,295	–	–	**103,577**
Pass	39,144	11,502	–	–	**50,646**
Weak	245	1,232	94	33	**1,604**
Total undrawn credit commitments	**133,671**	**22,029**	**94**	**33**	**155,827**
Total credit exposures	**769,511**	**173,284**	**4,755**	**1,898**	**949,448**
Impairment provision	**(1,651)**	**(3,387)**	**(768)**	**(872)**	**(6,678)**
Provisions to credit exposure, %	**0. 2**	**2. 0**	**16. 2**	**45. 9**	**0. 7**
Financial guarantees and other off Balance Sheet instruments					
Credit grade					
Investment	9,400	1,028	–	–	**10,428**
Pass	3,427	4,527	–	–	**7,954**
Weak	28	355	22	72	**477**
Total financial guarantees and other off Balance Sheet instruments	**12,855**	**5,910**	**22**	**72**	**18,859**
Impairment provision	**(31)**	**(104)**	**(2)**	**–**	**(137)**
Provisions to credit exposure, %	**0. 2**	**1. 8**	**9. 1**	**–**	**0. 7**
Total credit exposures					
Credit grade					
Investment	503,639	39,783	–	–	**543,422**
Pass	275,757	126,127	–	–	**401,884**
Weak	2,970	13,284	4,777	1,970	**23,001**
Total credit exposures	**782,366**	**179,194**	**4,777**	**1,970**	**968,307**
Total impairment provision	**(1,682)**	**(3,491)**	**(770)**	**(872)**	**(6,815)**
Provisions to credit exposure, %	**0. 2**	**1. 9**	**16. 1**	**44. 3**	**0. 7**

1 Comparative information has been restated to conform to presentation in the current period and to reflect the prior period adjustments detailed in Note 1.1.

2 The assessment of significant increase in credit risk includes the impact of forward looking multiple economic scenarios in addition to adjustments for emerging risk at an industry, geographic location or a particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 57% of Stage 2 credit exposures as at 31 December 2020.

3.2 Loan Impairment Expense, Provisions for Impairment and Asset Quality (continued)

	31 Dec 20 [1]				
	Stage 1 collectively assessed $M	Stage 2 [2] collectively assessed $M	Stage 3 collectively assessed $M	Stage 3 individually assessed $M	Total $M
Retail secured					
Credit grade					
Investment	371,066	16,289	–	–	**387,355**
Pass	204,337	37,477	–	–	**241,814**
Weak	1,572	6,174	3,357	687	**11,790**
Total retail secured	**576,975**	**59,940**	**3,357**	**687**	**640,959**
Impairment provision	**(798)**	**(644)**	**(435)**	**(203)**	**(2,080)**
Provisions to credit exposure, %	**0. 1**	**1. 1**	**13. 0**	**29. 5**	**0. 3**
Retail unsecured					
Credit grade					
Investment	14,897	1,449	–	–	**16,346**
Pass	11,902	2,219	–	–	**14,121**
Weak	742	965	209	8	**1,924**
Total retail unsecured	**27,541**	**4,633**	**209**	**8**	**32,391**
Impairment provision	**(516)**	**(791)**	**(187)**	**(5)**	**(1,499)**
Provisions to credit exposure, %	**1. 9**	**17. 1**	**89. 5**	**62. 5**	**4. 6**
Non–retail					
Credit grade					
Investment	117,676	22,045	–	–	**139,721**
Pass	59,518	86,431	–	–	**145,949**
Weak	656	6,145	1,211	1,275	**9,287**
Total non-retail	**177,850**	**114,621**	**1,211**	**1,275**	**294,957**
Impairment provision	**(368)**	**(2,056)**	**(148)**	**(664)**	**(3,236)**
Provisions to credit exposure, %	**0. 2**	**1. 8**	**12. 2**	**52. 1**	**1. 1**
Total credit exposures					
Credit grade					
Investment	503,639	39,783	–	–	**543,422**
Pass	275,757	126,127	–	–	**401,884**
Weak	2,970	13,284	4,777	1,970	**23,001**
Total credit exposures	**782,366**	**179,194**	**4,777**	**1,970**	**968,307**
Impairment provision	**(1,682)**	**(3,491)**	**(770)**	**(872)**	**(6,815)**
Provisions to credit exposure, %	**0. 2**	**1. 9**	**16. 1**	**44. 3**	**0. 7**

1 Comparative information has been restated to conform to presentation in the current period and to reflect the prior period adjustment detailed in Note 1.1.

2 The assessment of significant increase in credit risk includes the impact of forward looking multiple economic scenarios in addition to adjustments for emerging risk at an industry, geographic location or a particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 57% of Stage 2 credit exposures as at 31 December 2020.

4. Our Deposits and Funding Activities

Overview

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

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

4.1 Deposits and Other Public Borrowings

	As at [1]		
	31 Dec 21	30 Jun 21	31 Dec 20
	$M	$M	$M
Australia			
Certificates of deposit	**30,471**	29,890	25,379
Term deposits	**119,273**	118,958	124,950
On-demand and short-term deposits	**420,717**	406,481	400,512
Deposits not bearing interest	**122,694**	103,510	84,025
Securities sold under agreements to repurchase	**12,744**	12,634	20,848
Total Australia	**705,899**	671,473	655,714
New Zealand			
Certificates of deposit	**2,709**	3,588	3,489
Term deposits	**23,901**	23,649	26,167
On-demand and short-term deposits	**36,551**	33,841	32,100
Deposits not bearing interest	**13,084**	10,848	9,815
Total New Zealand	**76,245**	71,926	71,571
Other Overseas			
Certificates of deposit	**16,163**	10,944	10,409
Term deposits	**4,420**	4,457	3,610
On-demand and short-term deposits	**941**	839	840
Deposits not bearing interest	**43**	58	51
Securities sold under agreements to repurchase	**11,413**	6,684	5,785
Total Other Overseas	**32,980**	22,982	20,695
Total deposits and other public borrowings	**815,124**	766,381	747,980

1 Comparative information has been restated to reflect the prior period adjustment detailed in Note 1.1.

ACCOUNTING POLICY

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

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

5. Our Capital, Equity and Reserves

Overview

The Group maintains a strong capital position in order to satisfy regulatory capital requirements, provide financial security to its depositors and creditors and adequate return to its shareholders. The Group's shareholders' equity includes issued ordinary shares, retained earnings and reserves.

This section provides analysis of the Group's shareholders' equity including changes during the period.

5.1 Shareholders' Equity

	Half Year Ended		
	31 Dec 21	30 Jun 21	31 Dec 20
	$M	$M	$M
Ordinary share capital			
Shares on issue:			
Opening balance	**38,546**	38,546	38,282
Share buy-back [1]	**(1,467)**	–	–
Dividend reinvestment plan (net of issue costs) [2, 3]	**(1)**	–	264
	37,078	38,546	38,546
Less treasury shares:			
Opening balance	**(126)**	(129)	(151)
Purchase of treasury shares [4]	**(61)**	(2)	(57)
Sale and vesting of treasury shares [4]	**58**	5	79
Total treasury shares	**(129)**	(126)	(129)
Closing balance	**36,949**	38,420	38,417
Retained profits			
Opening balance	**37,014**	34,181	31,211
Prior period restatements [5]	**–**	–	(105)
Restated opening balance	**37,014**	34,181	31,106
Actuarial gains/(losses) from defined benefit superannuation plans	**24**	177	(272)
Net profit attributable to equity holders of the Bank	**5,870**	5,312	4,869
Total available for appropriation	**42,908**	39,670	35,703
Transfers from asset revaluation reserve	**26**	5	6
Transfer from investment securities revaluation reserve	**9**	–	–
Transfer from foreign currency revaluation reserve [6]	**–**	–	207
Share buy-back - dividend component [1]	**(4,534)**	–	–
Interim dividend - cash component	**–**	(2,243)	–
Interim dividend - dividend reinvestment plan [2]	**–**	(418)	–
Final dividend - cash component	**(2,978)**	–	(1,471)
Final dividend - dividend reinvestment plan [2, 3]	**(570)**	–	(264)
Closing Balance	**34,861**	37,014	34,181

1 On 4 October 2021, the Group announced the successful completion of its $6 billion off-market buy-back of CBA ordinary shares. 67,704,807 ordinary shares were bought back at $88.62, and comprised a fully franked dividend component of $66.96 per share ($4,534 million) and a capital component of $21.66 per share ($1,466 million). The Group recognised $1 million transaction costs in relation to the capital return. The shares bought back were subsequently cancelled.

2 The DRP in respect of the final 2020/2021 and interim 2020/2021 dividends were satisfied in full through the on-market purchase and transfer of 5,618,474 shares at $101.00, and 4,869,634 shares at $85.25, respectively.

3 The DRP in respect of the final 2019/2020 dividend was satisfied by the issue of 3,856,903 shares at $68.53. The total value of shares issued under the DRP rules net of issues costs was $264 million.

4 Relates to the movements in treasury shares held within the employee share scheme plans.

5 Comparative information has been restated to reflect the prior period adjustments detailed in Note 1.1.

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

5.1 Shareholders' Equity (continued)

	Half Year Ended		
	31 Dec 21	30 Jun 21	31 Dec 20
	$M	$M	$M
Reserves			
Asset revaluation reserve			
Opening balance	**264**	252	257
Revaluation of properties	**–**	21	–
Transfer to retained profits	**(26)**	(5)	(6)
Income tax effect	**5**	(4)	1
Closing balance	**243**	264	252
Foreign currency translation reserve			
Opening balance	**257**	173	678
Transfer to retained profits [1]	**–**	–	(207)
Currency translation adjustments of foreign operations	**247**	95	(320)
Currency translation of net investment hedge	**2**	(1)	9
Income tax effect	**(15)**	(10)	13
Closing balance	**491**	257	173
Cash flow hedge reserve			
Opening balance	**467**	994	1,513
Gains/(losses) on cash flow hedging instruments:			
Recognised in other comprehensive income	**70**	311	(1,045)
Transferred to Income Statement:			
Interest income	**(994)**	(1,073)	(1,221)
Interest expense	**682**	810	1,055
Other banking income	**(480)**	(803)	440
Income tax effect	**214**	228	252
Closing balance	**(41)**	467	994
Employee compensation reserve			
Opening balance	**103**	64	138
Current period movement	**(48)**	39	(74)
Closing balance	**55**	103	64
Investment securities revaluation reserve			
Opening balance	**2,158**	804	80
Transfer to retained profits on sale of equity securities	**(9)**	–	–
Net gains/(losses) on revaluation of investment securities	**10**	1,901	1,097
Net (gains)/losses on investment securities transferred to Income Statement on disposal	**(84)**	32	(57)
Income tax effect	**25**	(579)	(316)
Closing balance	**2,100**	2,158	804
Total Reserves	**2,848**	3,249	2,287
Shareholders' Equity attributable to Equity holders of the Bank	**74,658**	78,683	74,885
Shareholders' Equity attributable to Non-controlling interests	**5**	5	5
Total Shareholders' Equity	**74,663**	78,688	74,890

1 Relates to a historical Group restructuring where the Group no longer holds exposure to foreign exchange risk.

5.1 Shareholders' Equity (continued)

ACCOUNTING POLICY

Shareholders' equity includes Ordinary share capital, Retained profits and Reserves. Policies for each component are set out below:

Ordinary share capital

Ordinary shares are recognised at the amount paid up per ordinary share, net of directly attributable issue costs. Where the Bank or 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

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.

6. Fair Values

Overview

The Group holds a range of financial instruments as a result of its lending, investing and funding activities. Some of the financial instruments are actively traded on stock exchanges or in over-the-counter markets whilst others do not have liquid markets. This section provides information about fair values of the Group's financial instruments including a description of valuation methodologies used, the classification of financial instruments according to liquidity and the observability of inputs used in deriving the fair values.

6.1 Disclosures about Fair Values

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or amortised cost.

(a) Fair Value Information for Financial Instruments not measured at Fair Value

The estimated fair values of the Group's financial instruments not measured at fair value are presented below. Fair values of financial assets and liabilities not included in the table below approximate their carrying values.

	31 Dec 21		30 Jun 21	
	Carrying value $M	**Fair Value $M**	Carrying value $M	Fair Value $M
Financial assets				
Investment securities at amortised cost	**3,930**	**3,941**	4,278	4,313
Loans, bills discounted and other receivables	**843,950**	**843,242**	811,356	813,503
Financial liabilities				
Deposits and other public borrowings	**815,124**	**815,244**	766,381	766,618
Debt issues	**117,466**	**118,583**	103,003	104,403
Loan capital	**28,158**	**28,566**	29,360	29,795

(b) Fair Value Hierarchy for Financial Assets and Liabilities measured at Fair Value

The classification in the fair value hierarchy of the Group's financial assets and liabilities measured at fair value is presented in the table below. An explanation of how fair values are calculated and the levels in the fair value hierarchy are included in the accounting policy within this note.

	Fair Value as at 31 December 2021				Fair Value as at 30 June 2021			
	Level 1 $M	**Level 2 $M**	**Level 3 $M**	**Total $M**	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets measured at fair value on a recurring basis								
Assets at fair value through Income Statement:								
Trading	14,969	5,454	50	**20,473**	19,764	6,556	111	26,431
Other	–	11,592	204	**11,796**	106	10,311	122	10,539
Derivative assets	131	19,747	26	**19,904**	153	21,242	54	21,449
Investment securities at fair value through other comprehensive income	65,789	16,973	2,644	**85,406**	64,629	19,171	2,760	86,560
Assets held for sale	193	184	–	**377**	–	301	–	301
Total financial assets measured at fair value	81,082	53,950	2,924	**137,956**	84,652	57,581	3,047	145,280
Financial liabilities measured at fair value on a recurring basis								
Liabilities at fair value through Income Statement	3,683	3,761	–	**7,444**	2,645	5,736	–	8,381
Derivative liabilities	61	18,802	29	**18,892**	9	18,454	23	18,486
Total financial liabilities measured at fair value	3,744	22,563	29	**26,336**	2,654	24,190	23	26,867

6.1 Disclosures about Fair Values (continued)

(c) Analysis of Movements between Fair Value Hierarchy Levels

During the half year ended 31 December 2021 there have been no reclassifications between Level 1 and Level 2.

The table below summarises movements in Level 3 balances during the half year. Transfers have been reflected as if they had taken place at the end of the reporting periods. Transfers in and out of Level 3 were due to changes in the observability of inputs.

Level 3 Movement Analysis for the half year ended 31 December 2021

	Financial Assets			Financial Liabilities
	Derivative Assets $M	Investment Securities at Fair Value through OCI $M	Assets at Fair Value through Income Statement $M	Derivative Liabilities $M
As at 30 June 2021	54	2,760	233	(23)
Purchases	–	103	129	–
Sales/Settlements	(14)	(2)	(112)	–
Gains/(losses) in the period:				
Recognised in the Income Statement	(14)	–	4	(11)
Recognised in the Statement of Comprehensive Income	–	(217)	–	12
Transfers in	–	–	–	(7)
Transfers out	–	–	–	–
As at 31 December 2021	26	2,644	254	(29)
Gains/(losses) recognised in the Income Statement for financial instruments held as at 31 December 2021	(13)	–	1	(11)

ACCOUNTING POLICY

Valuation

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. On initial recognition, the transaction price generally represents the fair value of the financial instrument, unless there is observable information from an active market that provides a more appropriate fair value.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations, without any deduction for transaction costs. Assets and long positions are measured at a quoted bid price, liabilities and short positions are measured at a quoted asking price. Where the Group has positions with offsetting market risks, mid-market prices are used to measure the offsetting risk positions and a quoted bid or asking price adjustment is applied only to the net open position as appropriate.

Non-market quoted financial instruments are mostly valued using valuation techniques based on observable inputs except where observable market data is unavailable. Where market data is unavailable the financial instrument is initially recognised at the transaction price, which is generally the best indicator of fair value. This may differ from the value obtained from the valuation model. The timing of the recognition in the Income Statement of this initial difference in fair value depends on the individual facts and circumstances of each transaction, but is never later than when the market data becomes observable. The difference may be either amortised over the life of the transaction, recognised when the inputs become observable or on derecognition of the instrument, as appropriate.

6.1 Disclosures about Fair Values (continued)

ACCOUNTING POLICY (continued)

The fair value of Over-the-Counter (OTC) derivatives includes credit valuation adjustments (CVA) for derivative assets to reflect the credit worthiness of the counterparty. Fair value of uncollateralised derivative assets and uncollateralised derivative liabilities incorporate funding valuation adjustments (FVA) to reflect funding costs and benefits to the Group. These adjustments are applied after considering any relevant collateral or master netting arrangements.

Fair value hierarchy

The Group utilises various valuation techniques and applies a hierarchy for valuation inputs that maximise the use of observable market data, if available.

Under AASB 13 *Fair Value Measurement* all financial and non-financial assets and liabilities measured or disclosed at fair value are categorised into one of the following three fair value hierarchy levels:

Quoted prices in active markets – Level 1

This category includes assets and liabilities for which the valuation is determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Financial instruments included in this category are liquid government bonds, listed equities and exchange traded derivatives.

Valuation technique using observable inputs – Level 2

This category includes assets and liabilities that have been valued using inputs other than quoted prices as described for Level 1, but which are observable for the asset or liability, either directly or indirectly. The valuation techniques include the use of discounted cash flow analysis, option pricing models and other market accepted valuation models.

Financial instruments included in this category are financial institution and corporate bonds, certificates of deposit, bank bills, commercial papers, mortgage-backed securities and OTC derivatives including interest rate swaps, cross currency swaps and FX options.

Valuation technique using significant unobservable inputs – Level 3

This category includes assets and liabilities where the valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally derived and extrapolated from observable inputs to match the risk profile of the financial instrument, and are calibrated against current market assumptions, historic transactions and economic models, where available. These inputs may include the timing and amount of future cash flows, rates of estimated credit losses, discount rates and volatility. Financial instruments included in this category are certain exotic OTC derivatives and unlisted equity instruments.

As at 31 December 2021, the Group held an unlisted equity investment in Klarna Bank AB (Klarna) measured on a recurring basis at fair value through other comprehensive income of $2,481 million (30 June 2021: $2,701 million). The valuation of the investment as at 31 December 2021 was based on a methodology leveraging revenue multiples of market listed comparable companies. Comparable listed companies were included based on industry, size, developmental stage and/or strategy. A revenue multiple was derived for each comparable company identified and then discounted for considerations such as illiquidity and differences between the comparable companies and Klarna based on company-specific facts and circumstances. The range of revenue multiples applied by the Group in assessing the fair value was 22-35x. The Group adopted a revenue multiple of 28x in its valuation as at 31 December 2021. The effect of adjusting the revenue multiples by +/-20% representing a range of reasonably possible alternatives would be to increase the fair value by up to $496 million or to decrease the fair value by up to $496 million with all of the potential effect impacting the Investment securities revaluation reserve. The valuation as at 30 June 2021 was based on a different methodology on the basis that there was a private equity capital raising executed by the entity close to the balance sheet date. The methodology leveraged revenue multiples of market listed comparable companies and significant unobservable inputs including adjustments for market volatility and liquidity, as well as inputs relating to a recent private equity capital raise executed by Klarna. The range of revenue multiples applied by the Group in assessing the fair value was 29-36x. The Group adopted a revenue multiple of 32x in its valuation as at 30 June 2021.

Critical accounting judgements and estimates

Valuation techniques are used to estimate the fair value of securities. When using valuation techniques the Group makes maximum use of market inputs and relies as little as possible on entity specific inputs. It incorporates all factors that the Group believes market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Data inputs that the Group relies upon when valuing financial instruments relate to counterparty credit risk, volatility, correlation and extrapolation.

Periodically, the Group calibrates its valuation techniques and tests them for validity using prices from any observable current market transaction in the same instruments (i.e. without modification or repackaging) and any other available observable market data.

7. Other Information

7.1 Contingent Liabilities, Contingent Assets and Commitments arising from the banking business

Details of contingent liabilities and off Balance Sheet instruments are presented below and in Note 7.2, in relation to litigation, investigations and reviews. The face value represents the maximum potential amount that could be lost if the counterparty fails to meet its financial obligations. The credit equivalent amounts are a measure of potential loss to the Group in the event of non-performance by the counterparty. The credit commitments shown in the table below also constitute contingent assets. These commitments would be classified as loans and other receivables in the Balance Sheet should they be drawn upon by the customer.

	Face Value		Credit Equivalent	
	31 Dec 21	30 Jun 21	**31 Dec 21**	30 Jun 21
Credit risk related instruments	**$M**	$M	**$M**	$M
Financial guarantees	**5,981**	5,909	**4,207**	3,982
Performance related contingencies	**5,328**	5,401	**2,664**	2,700
Commitments to provide credit	**198,022**	187,572	**184,902**	176,397
Other commitments	**1,130**	1,639	**1,127**	1,631
Total credit risk related instruments	**210,461**	200,521	**192,900**	184,710

ACCOUNTING POLICY

The types of instruments included in this category are:

Financial guarantees are unconditional undertakings given to support the obligations of a customer to third parties. They include documentary letters of credit which are undertakings by the Group to pay or accept drafts drawn by a supplier of goods against presentation of documents in the event of payment default by a customer. Financial guarantees are recognised within other liabilities and are initially measured at their fair value, equal to the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the Income Statement and the expected credit losses. Any increase in the liability relating to financial guarantees is recorded in the Income Statement. The premium received is recognised in the Income Statement in other operating income on a straight-line basis over the life of the guarantee.

Performance related contingencies are undertakings that oblige the Group to pay third parties should a customer fail to fulfil a contractual non-monetary obligation. Performance related contingencies are performance guarantees and do not meet the definition of a financial guarantee. Performance guarantees are recognised when it is probable that an obligation has arisen. The amount of any provision is the best estimate of the amount required to fulfil the obligation.

Commitments to provide credit include obligations on the part of the Group to provide credit facilities against which clients can borrow money under defined terms and conditions. Such loan commitments are made either for a fixed period, or are cancellable by the Group subject to notice conditions. As facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements. Loan commitments must be measured with reference to expected credit losses required to be recognised. In the case of undrawn loan commitments, the inherent credit risk is managed and monitored by the Group together with the drawn component as a single credit exposure. The exposure at default on the entire facility is used to calculate the cumulative expected credit losses.

Other commitments to provide credit include commitments with certain drawdowns, standby letters of credit and bill endorsements. The details of the Group's accounting policies and critical judgements and estimates involved in calculating impairment provisions are provided in Note 3.2.

7.2 Customer Remediation, Litigation, Investigations and reviews, other matters

Customer Remediation

Provisions for customer remediation require significant levels of estimation and judgement. The amount raised depends on a number of different assumptions, such as the number of years impacted, the forecast refund rate and the average cost per case. The Group is committed to comprehensively and efficiently addressing the full range of remediation issues impacting customers of the Banking and Wealth Management businesses. Significant resources have been committed to a comprehensive program of work, to ensure that all issues are identified and addressed.

Aligned Advice remediation – ongoing service fees

Aligned advisors were not employed by the Group but were representatives authorised to provide financial advice under the licences of the Group's subsidiaries, Financial Wisdom Limited (FWL), Count Financial Limited (Count Financial) and Commonwealth Financial Planning Limited-Pathways (CFP-Pathways). The Group completed the sale of Count Financial to CountPlus Limited (CountPlus) on 1 October 2019, and ceased providing licensee services through CFP-Pathways and Financial Wisdom in March and June 2020, respectively. The Bank entered into reimbursement agreements with Financial Wisdom and CFP-Pathways, and an indemnity deed with CountPlus, to cover potential remediation of past issues including ongoing service fees charged where no service was provided. For details on the reimbursement agreements and the indemnity deed, refer to Note 11.2 of the 2021 Annual Report.

During the half year ended 31 December 2021, the Group recognised an increase in the provision for Aligned Advice remediation issues and program costs of $17 million, including ongoing service fees charged where no service was provided. As at 31 December 2021, the provision held by the Group in relation to Aligned Advice remediation was $992 million (30 June 2021: $1,018 million; 31 December 2020: $896 million). The provision includes $479 million for customer fee refunds (30 June 2021: $468 million; 31 December 2020: $436 million), $410 million for interest on fees subject to refunds (30 June 2021: $423 million; 31 December 2020: $329 million) and $103 million for costs to implement the remediation program (30 June 2021: $127 million; 31 December 2020: $131 million).

The Group's estimate of the proportion of fees to be refunded is based on sample testing and allows for a threshold below which customers will be automatically refunded without detailed assessment. It assumes an average refund rate across licensees of 40% (30 June 2021: 39%; 31 December 2020: 37%). This compares to a refund rate of 22%, which was paid for our salaried advisors. An increase/(decrease) in the failure rate by 1% would result in an increase/(decrease) in the provision of approximately $20 million. The Group is continuing to engage with ASIC in relation to its remediation approach.

Banking and other Wealth customer remediation

As at 31 December 2021, the provision held by the Group in relation to Banking and other Wealth Management customer remediation programs was $180 million (30 June 2021: $159 million; 31 December 2020: $174 million). The provision for Banking remediation includes an estimate of customer refunds (including interest) relating to business and retail banking products (including bank guarantees, cash deposit accounts and merchants billing), and the related program costs. The wealth remediation provision includes an estimate of customer refunds (including interest) relating to advice quality, the Consumer Credit Insurance products, certain superannuation products, and the related program costs.

Litigation, investigations and reviews

The Group is party to a number of legal proceedings, and the subject of various investigations and reviews. Provisions have been raised in accordance with the principles outlined in the accounting policy section of this note.

Litigation

The main litigated claims against the Group as at 31 December 2021 are summarised below.

Shareholder class actions

In October 2017 and June 2018 two separate shareholder class action proceedings were filed against CBA in the Federal Court of Australia, alleging breaches of CBA's continuous disclosure obligations and misleading and deceptive conduct in relation to the subject matter of the civil penalty proceedings brought against CBA by the Australian Transaction Reports and Analysis Centre (AUSTRAC). The AUSTRAC proceedings concerned contraventions of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth).

The resolution of the AUSTRAC civil penalty proceedings was approved by the Federal Court on 20 June 2018 with CBA paying a penalty of $700 million and legal costs.

It is alleged in the class actions that CBA shareholders who acquired an interest in CBA shares between 16 June 2014 and 3 August 2017 suffered losses as a result of the alleged conduct. The two class actions are being case managed together, with a single harmonised statement of claim. CBA denies the allegations made against it, and it is currently not possible to determine the ultimate impact of these claims, if any, on the Group. The Group has provided for legal costs expected to be incurred in the defence of the claims. A mediation in this matter is likely in July 2022 and a trial is set to commence on 7 November 2022.

Superannuation class actions

The Group is also defending four class action claims in relation to superannuation products.

On 9 October 2018, a class action was filed against Colonial First State Investments Limited (CFSIL) and CBA in the Federal Court of Australia. The claim initially related to investment in cash and deposit options (which are cash and deposit products provided by CBA) in the Colonial First State First Choice Superannuation Trust (FirstChoice Fund) and Commonwealth Essential Super (CES) and later expanded to join Avanteos Investments Limited (AIL) as a party in respect of claims regarding the FirstWrap Pooled Cash Account.

7.2 Customer Remediation, Litigation, Investigations and reviews, other matters (continued)

The main claims are that members that invested in these cash and deposit options received lower interest rates than they could have received had CFSIL/AIL offered similar products made available in the market by another bank with comparable risk and that CFSIL/AIL retained the margin that arises through the internal transfer pricing process in respect of deposits made with CBA, for their own benefit. It is claimed CFSIL/AIL breached their duties as a trustee of the funds, CFSIL breached its duties as a Responsible Entity of the underlying managed investment schemes and that CBA was involved in CFSIL/AIL's breaches. CBA, CFSIL and AIL deny the allegations and are defending the proceedings.

On 18 October 2019, a second class action was commenced against CFSIL in the Federal Court of Australia. The claim relates to certain fees charged to members of the FirstChoice Fund. It is alleged that CFSIL breached its duties as trustee and acted unconscionably because it failed, between 2013 and 2019, to take steps to avoid the payment of grandfathered commissions to financial advisers, which would have resulted in a reduction of the fees paid by members in respect of whom those commissions were paid. CFSIL denies the allegations and is defending the proceedings. Mediation in this matter is likely in the last quarter of 2022.

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 between 2013 and 2017. The class action relates to the transfer of certain default balances held by members of FirstChoice Employer Super to a MySuper product. The key allegation is that members should have been transferred to a MySuper product earlier than they were, and that the alleged failure to effect the transfer as soon as reasonably practicable caused affected members to pay higher fees and receive lower investment returns during the period of delay. CFSIL and its former director deny the allegations and are defending the proceedings. A mediation in this matter is to be held in March 2022 with a trial set to commence on 4 April 2022.

On 22 January 2020, a fourth class action was filed against CFSIL and The Colonial Mutual Life Assurance Society Limited (CMLA) in the Federal Court of Australia. On 22 October 2021, AIA Australia Limited (AIAA), who from 1 April 2021 was liable for and assumed certain liabilities of CMLA under a life insurance scheme pursuant to Part 9 of the *Life Insurance Act 1995* (Cth) (Part 9 Scheme), was joined as a third respondent to the class action. The class action alleges that CFSIL did not act in the best interests of members and breached its trustee duties when taking out group insurance policies obtained from CMLA. The key allegation is that CFSIL entered into and maintained insurance policies with CMLA on terms that were less favourable to members than would have reasonably been available in the market. It is alleged that CMLA was knowingly involved in CFSIL's contraventions as trustee and profited from those contraventions. CFSIL, CMLA and AIAA deny the allegations and are defending the proceedings.

On 1 December 2021, the Group completed the sale of a 55% interest in Colonial First State (CFS) to KKR. CBA has assumed carriage of the four superannuation class actions proceedings on CFSIL's and AIL's behalf subject to the terms of a conduct indemnity deed between CBA, CFSIL and AIL.

The Group has provided for certain legal and other costs associated with its obligations under the indemnity deed.

Advice Class Actions

On 21 August 2020, a class action was filed in the Federal Court of Australia against Commonwealth Financial Planning Limited (CFP), Financial Wisdom Limited (FWL) and CMLA. The claim relates to certain CommInsure (CMLA) life insurance policies recommended by financial advisers appointed by CFP and FWL during the period from 21 August 2014 to 21 August 2020. On 16 November 2021, AIAA (who from 1 April 2021 was liable for and assumed certain liabilities of CMLA under the Part 9 Scheme) was joined as a fourth respondent to the class action. The key allegations include that CFP and FWL or their financial advisers breached their fiduciary duties to their clients, breached their duty to act in the best interest of their clients, and had prioritised their own interests (and the interests of CFP, FWL and CMLA) over the interest of their clients, in recommending certain CommInsure life insurance policies in preference to substantially equivalent or better policies available at lower premiums from third party insurers. It is also alleged that CMLA knew the material facts giving rise to the breaches of fiduciary duty. CFP, FWL, CMLA and AIAA are defending the proceedings.

On 3 September 2020, CBA was notified of a class action commenced against Count Financial Limited (Count) in the Federal Court of Australia on 24 August 2020. The proceeding relates to commissions paid to Count and its authorised representative financial advisers in respect of financial products (including insurance) and certain obligations of its financial advisers to provide ongoing advice in the period from 21 August 2014 to 21 August 2020. The claim also includes allegations (related to the receipt of commissions) that Count engaged in misleading or deceptive conduct, and that Count and its authorised representatives breached fiduciary duties owed to the applicant and group members. The claim seeks compensation and damages from Count, including any profits resulting from the contraventions.

Count was a wholly owned subsidiary of CBA until 1 October 2019, when it was acquired by CountPlus Limited. CBA has assumed the conduct of the defence in this matter on Count's behalf. Count is defending the proceedings.

It is currently not possible to determine the ultimate impact of these claims, if any, on the Group. The Group has provided for legal costs expected to be incurred in the defence of these claims.

US BBSW class action

In 2016, a class action was commenced in the United States District Court in New York against CBA, other banks and two brokers, claiming a conspiracy among competitors to manipulate the BBSW benchmark for mutual gain. The claims include allegations that United States racketeering and antitrust legislation have been contravened.

On 21 March 2021, CBA reached a confidential agreement in principle with the plaintiffs to settle the action. The settlement was made without admission of liability and was subject to the negotiation and execution of a Deed of Settlement and Court approval.

7.2 Customer Remediation, Litigation, Investigations and reviews, other matters (continued)

CBA entered into a final Deed of Settlement with the plaintiffs on 11 December 2021, which is subject to Court approval. The final approval hearing is scheduled to take place on 13 October 2022.

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

Consumer credit insurance class action

On 10 June 2020, a class action was commenced against CBA and CMLA in the Federal Court of Australia. The claim relates to consumer credit insurance for credit cards and personal loans that was sold between 1 January 2010 and 7 March 2018. The class action alleges that CBA and CMLA engaged in unconscionable and misleading or deceptive conduct, failed to act in the best interests of customers and provided them with inappropriate advice. In particular, it is alleged that some customers were excluded from claiming certain benefits under the policies and the insurance was therefore unsuitable or of no value. Allegations are also made in relation to the manner in which the insurance was sold. CBA and CMLA deny the allegations and are defending the proceedings.

It is currently not possible to determine the ultimate impact of this claim, if any, on the Group. The Group has provided for legal costs expected to be incurred in the defence of this claim.

ASB class action

Proceedings were served on CBA subsidiary ASB Bank Limited (ASB) on 29 September 2021 by plaintiffs seeking to bring a representative action on behalf of a class of plaintiffs against ASB in the High Court of New Zealand, Auckland Registry. These proceedings relate to ASB's variation disclosure obligations under the *Credit Contracts and Consumer Finance Act 2003.* ASB is defending the claim.

It is currently not possible to determine the ultimate impact of this claim, if any, on the Group.

Regulatory enforcement proceedings

Commonwealth Essential Super

On 22 June 2020, ASIC commenced civil penalty proceedings against CFSIL and CBA in the Federal Court of Australia for alleged contraventions of the conflicted remuneration provisions in the Corporations Act relating to the arrangements between CFSIL and CBA for the distribution of CES. CES is a MySuper product issued by CFSIL.

CBA filed its defence to the proceedings on 24 August 2020 and CFSIL filed its defence on 25 August 2020. CBA and CFSIL deny the allegations and are defending the proceedings. A hearing on the question of liability has been listed for 26 April 2022.

It is currently not possible to determine the ultimate impact of this claim, if any, on the Group. The Group has provided for legal costs expected to be incurred in relation to this matter.

CommSec/AUSIEX

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

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

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

Monthly Account Fees

On 31 March 2021, ASIC commenced proceedings against CBA in the Federal Court of Australia. The proceedings relate to errors by CBA between 1 June 2010 and 11 September 2019 where monthly account fee waivers were not applied to accounts for certain customers. ASIC is alleging contraventions of certain misleading and deceptive conduct provisions of the ASIC Act and breaches of the general obligations under the Corporations Act. CBA does not accept the way the alleged contraventions have been formulated in the proceedings and is defending the proceedings. A hearing on the question of liability has been listed for 4 October 2022.

It is currently not possible to determine the ultimate impact of this claim, if any, on the Group. The Group has provided for legal costs expected to be incurred in relation to this matter.

Fair Work Ombudsman (FWO) proceedings

In October 2021, the FWO commenced civil penalty proceedings in the Federal Court against CBA and CommSec, alleging contraventions of the Fair Work Act 2009 (Cth) (Fair Work Act). The proceedings follow an investigation by FWO of the Group's employee entitlement review (EER) and potential breaches by CBA and its related entities, including CommSec, of the Group's current and previous enterprise agreements and of the Fair Work Act. CBA self-disclosed these matters in the EER to the FWO.

CBA and CommSec have cooperated fully with the FWO's investigation. It is currently not possible to determine the ultimate impact of this claim on the Group. The Group has provided for legal costs expected to be incurred in relation to this matter.

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 as the review progresses. The Group holds a provision for remediation and program costs related to the EER.

7.2 Customer Remediation, Litigation, Investigations and reviews, other matters (continued)

Consumer Credit Insurance

On 16 September 2021, ASIC commenced criminal proceedings against CBA in the Federal Court of Australia.

A sentencing hearing was held on 29 October 2021 where CBA pleaded guilty to the 30 charges. The proceedings relate to false or misleading representations made to 165 customers from 2011 to 2015 in contravention of the ASIC Act when CBA did not adequately disclose to those customers at the point of sale that they were not eligible for certain benefits under the CCI policies because of their employment status.

The penalty amount is to be decided by the Court. It is currently not possible to determine the ultimate impact of this claim on the Group. The Group has provided for legal costs expected to be incurred in relation to this matter.

Avanteos Investments Limited – defective disclosure documents

On 8 December 2021, the Commonwealth Director of Public Prosecutions filed criminal proceedings against AIL in the County Court of Victoria. AIL was charged with 18 offences relating to AIL's failure in January 2016 to correct defective disclosure documents in contravention of the Corporations Act. The disclosure documents were defective because they did not specify that AIL would continue to deduct adviser service fees from a member's account and pay those fees to the member's financial adviser after being notified of the member's death. In 2018, AIL implemented processes to stop this practice and has remediated impacted member accounts. AIL has pleaded guilty to the 18 charges.

The matter is listed for sentencing on 1 June 2022. It is currently not possible to determine the ultimate impact of this claim on the Group.

Ongoing regulatory investigations and reviews

The Group undertakes ongoing compliance activities, including breach reporting, reviews of products, advice, conduct and services provided to customers, as well as interest, fees and premiums charged. Some of these activities have resulted in remediation programs and where required the Group consults with the relevant regulator on the proposed remediation action.

Provisions have been recognised by the Group where the criteria outlined in the accounting policy section of this note are satisfied. Contingent liabilities exist with respect to these matters where it is not possible to determine the extent of any obligation to remediate or the potential liability cannot be reliably estimated.

There are also a number of ongoing matters where regulators are investigating whether CBA or a Group entity has breached laws or regulatory obligations. Where a breach has occurred, regulators are likely to impose, or apply to a Court for, fines and/or other sanctions. These matters include investigations of a number of issues which were notified to, or identified by, regulators.

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

Other regulatory matters

The following matters were significant regulatory investigations and reviews, which have been completed, but have resulted in ongoing action required by the Group.

Enforceable undertaking to ASIC (foreign exchange)

In December 2016, CBA provided an enforceable undertaking (EU) to ASIC arising from an investigation into wholesale spot foreign exchange (FX) trading between 2008 and 2013. ASIC accepted a variation to the EU on 16 October 2020. The EU included the engagement of an independent expert, to review and assess the changes we have made to our trading operating model in recent years, including in training, procedures and oversight.

The EU also included a voluntary contribution of $2.5 million to support the further development of financial literacy education relating to changes to delivery of care in the aged care sector. CBA continues to implement the terms of the varied EU.

Prudential inquiry into CBA and enforceable undertaking to APRA

On 28 August 2017, APRA announced it would establish an independent prudential inquiry (the Inquiry) into the Group focusing on the governance, culture and accountability frameworks and practices within the Group. The final report of the Inquiry was released on 1 May 2018 (the Final Report). The Final Report made a number of findings regarding the complex interplay of organisational and cultural factors within the Group and the need for enhanced management of non-financial risks.

In response to the Final Report, the Group acknowledged that it would implement all of the recommendations and agreed to adjust its minimum operational risk capital requirements by an additional $1 billion (an impact to risk weighted assets of $12.5 billion) until such time as the recommendations are implemented to APRA's satisfaction.

CBA has entered into an EU under which CBA's remedial action (Remedial Action Plan) 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.

7.2 Customer Remediation, Litigation, Investigations and reviews, other matters (continued)

On 12 October 2021 CBA released the thirteenth and final Promontory report. Promontory noted that as at September 2021 all milestones have been assessed as complete and effective and all recommendations closed. The focus is to now demonstrate that the changes made are sustained and continuously improved.

Financial crime compliance

As noted above, in 2018 the Group resolved the AUSTRAC proceedings relating to contraventions of anti-money laundering/counter-terrorism financing (AML/CTF) laws.

Recognising the crucial role that the Group plays in fighting financial crime, it continues to invest significantly in its financial crime capabilities, including in its AML/CTF Compliance team and through the Program of Action with coverage across all aspects of financial crime (including AML/CTF, sanctions and anti-bribery and corruption) and all business units.

The Group provides updates to AUSTRAC on the Program of Action implemented by the Group.

However, there is no assurance that AUSTRAC or the Group's other regulators will agree that the Group's Program of Action will be adequate or that the Program of Action will effectively enhance the Group's financial crime compliance programs across its business units and the jurisdictions in which it operates. Although the Group is not currently aware of any other enforcement action by other domestic or foreign regulators in respect of its financial crime compliance, the Group regularly engages with such regulators (including in respect of compliance matters) and there can be no assurance that the Group will not be subject to such enforcement actions in the future.

Enforceable undertaking to ASIC (BBSW)

On 21 June 2018, the Federal Court approved an agreement between CBA and ASIC to resolve proceedings concerning alleged market manipulation and unconscionable conduct in respect of the bank bill market. CBA paid a civil penalty of $5 million and a community benefit payment of $15 million to Financial Literacy Australia. It also agreed to pay ASIC's costs of the investigation and legal costs. The Group provided for these costs in an earlier period.

As part of the settlement CBA also entered into an EU with ASIC under which CBA undertook to engage an independent expert to assess changes it has made (and will make) to its policies, procedures, controls systems, training, guidance and framework for the monitoring and supervision of employees and trading in Prime Bank Bills and CBA's BBSW-referenced product businesses. CBA has developed and implemented an enhanced control framework as part of this program of work. CBA continues to implement the terms of the EU.

Enforceable undertaking to the Office of Australian Information Commissioner (OAIC)

In June 2019, the Australian Information and Privacy Commissioner (Commissioner) accepted an EU offered by CBA, which requires further enhancements to the management and retention of customer personal information within CBA and certain subsidiaries.

The EU follows CBA's work to address two incidents: one relating to the disposal by a third party of magnetic data tapes containing historical customer statements and the other relating to potential unauthorised internal user access to certain systems and applications containing customer personal information. CBA reported the incidents to the Commissioner in 2016 and 2018 respectively and has since addressed these incidents. CBA found no evidence that as a result of these incidents, its customers' personal information was compromised or that there have been any instances of unauthorised access by CBA employees or third parties.

The Group has provided for certain costs associated with implementation and compliance with the EU provided to the Commissioner.

Other matters

Exposures to divested businesses

The Group has potential exposures to divested businesses, including through the provision of services, warranties and indemnities. These exposures may have an adverse impact on the Group's financial performance and position. The Group has recognised provisions where payments in relation to the exposures are probable and reliably measurable.

ACCOUNTING POLICY

Provisions are recognised for present obligations arising from past events where a payment to settle the obligation is probable and can be reliably estimated. Where the effect of the time value of money is material, the amount of the provision is measured as the present value of expenditures required to settle the obligation, based on a market observable rate. Where a payment to settle an obligation is not probable or cannot be reliably estimated, no provision is recognised. Such obligations are disclosed as contingent liabilities.

7.3 Discontinued Operations and Businesses Held for Sale

The Group continues to deliver on its strategic priority to create simpler, better foundations through divestments of wealth management and other non-core businesses. A summary of divestments completed during the half years ended 31 December 2021, 30 June 2021 and 31 December 2020, as well as ongoing divestments is provided below.

Completed transactions

BoCommLife

On 23 May 2018, the Group announced the sale of its 37.5% equity interest in BoCommLife Insurance Company Limited (BoCommLife) to MS&AD Insurance Group Holdings (MS&AD), the ultimate parent company of Mitsui Sumitomo Insurance Co., subject to Chinese regulatory approvals. The sale of BoCommLife completed on 10 December 2020, resulting in a post-tax gain of $369 million (net of transaction costs) recognised during the half year ended 31 December 2020.

Life insurance businesses in Australia

On 21 September 2017, the Group entered into an agreement to sell 100% of its life insurance businesses in Australia (CommInsure Life) to AIA Group Limited (AIA).

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

The Group recognised a total post-tax loss of $316 million on the deconsolidation of CommInsure Life. This includes a $116 million post-tax loss on deconsolidation, net of transaction and separation costs recognised during the half year ended 31 December 2019. Post-tax transaction and separation costs of $82 million and $118 million were recognised during the years ended 30 June 2019 and 30 June 2018, respectively.

The sale was completed via a statutory asset transfer on 1 April 2021, and all proceeds have been received.

Australian Investment Exchange

On 28 April 2020, the Group announced the sale of its subsidiary, Australian Investment Exchange Limited (AUSIEX), to Nomura Research Institute (NRI). AUSIEX trades under the brand name CommSec Advisor Services. The sale completed on 3 May 2021, resulting in a post-tax gain of $49 million (net of transaction and separation costs). This includes $23 million of transaction and separation costs recognised during the year ended 30 June 2020. As AUSIEX did not constitute a major line of the Group's business, it was not classified as a discontinued operation.

Aussie Home Loans

On 16 December 2020, the Group entered into an agreement to merge Aussie Home Loans with Lendi, an online home loan platform. The sale completed on 3 May 2021, resulting in a post-tax gain of $253 million (net of transaction and separation costs). Upon completion, the Group retained a 44% shareholding in the combined business. Subsequently, on 7 May 2021, the Group sold a portion of its investment, reducing its shareholding to 42%. As Aussie Home Loans did not constitute a major line of the Group's business, it was not classified as a discontinued operation.

Commonwealth Financial Planning

On 28 July 2021, the Group entered into an agreement with AIA Australia for a partial transfer of the Commonwealth Financial Planning (CFP) business to AIA Financial Services Limited. The transaction completed on 30 November 2021. On 26 October 2021, the Group announced the closure of the remaining CFP business effective from 30 November 2021. During the half year ended 31 December 2021, the Group recognised a post-tax loss of $73 million mainly related to the write-down of customer receivables and the provision for employee redundancy payments.

Colonial First State

On 13 May 2020, the Group entered into an agreement to sell a 55% interest in Colonial First State (CFS) to KKR. The sale completed on 1 December 2021, resulting in a post-tax gain of $840 million (net of transaction and separation costs). Post-tax transaction and separation costs of $47 million and $137 million were recognised during the years ended 30 June 2021 and 30 June 2020. The Group has retained a 45% interest in the parent entity of the CFS business, Superannuation and Investments HoldCo Pty Limited, which is accounted for as an investment in a joint venture.

Ongoing transaction

CommInsure General Insurance

On 21 June 2021, the Group announced the sale of CommInsure General Insurance to Hollard Insurance Company Pty Ltd (Hollard). As part of the sale, the Group established an exclusive 15-year strategic alliance with Hollard for the distribution of home and motor vehicle insurance products. On completion, the Group is expected to receive proceeds of approximately $625 million, subject to completion adjustments, together with deferred business milestone payments and additional investment from Hollard throughout the 15-year strategic alliance. The sale is subject to Australian regulatory approvals and other conditions, and is expected to complete in the second half of calendar year 2022. As CommInsure General Insurance did not constitute a major line of the Group's business, it was not classified as a discontinued operation. The assets and liabilities have been reclassified to held for sale as at 31 December 2021.

7.3 Discontinued Operations and Businesses Held for Sale (continued)

Income Statement

Financial Impact of Discontinued Operations on the Group

The performance and net cash flows of CFS and the Group's interests in BoCommLife are set out in the tables below.

	Half Year Ended [1]		
	31 Dec 21	30 Jun 21	31 Dec 20
	$M	$M	$M
Other banking income	**13**	23	34
Net banking operating income	**13**	23	34
Funds management income	**324**	372	352
Claims, policyholder liability and commission expense	**(8)**	(9)	(10)
Net funds management operating income	**316**	363	342
Total net operating income before operating expenses	**329**	386	376
Operating expenses	**(183)**	(317)	(234)
Net profit before tax	**146**	69	142
Income tax expense	**(46)**	(20)	(43)
Net profit after tax and before transaction and separation costs	**100**	49	99
Gains on disposals of businesses net of transaction and separation costs [2]	**1,029**	179	1,011
Net profit after tax from discontinued operations	**1,129**	228	1,110

1 Comparative information has been restated to reflect the prior period adjustments detailed in Note 1.1.

2 Includes post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency translation reserve recycling), and transaction and separation costs associated with previously announced divestments.

Earnings per share for profit from discontinued operations attributable to equity holders of the Bank:

	Half Year Ended [1]		
	31 Dec 21	30 Jun 21	31 Dec 20
	Cents per Share		
Earnings per share from discontinued operations:			
Basic	**64. 9**	12. 9	62. 7
Diluted	**60. 8**	12. 0	57. 5

1 Comparative information has been restated to reflect the prior period adjustments detailed in Note 1.1.

7.3 Discontinued Operations and Businesses Held for Sale (continued)

Cash Flow Statement

	Half Year Ended [1]		
	31 Dec 21	30 Jun 21	31 Dec 20
	$M	$M	$M
Net cash (used in)/provided by operating activities	**(53)**	(3)	135
Net cash (used in)/provided by investing activities	**(79)**	(47)	8
Net cash (used in)/provided by financing activities	**(228)**	(10)	5
Net cash (outflows)/inflows from discontinued operations	**(360)**	(60)	148

1 Represents cash flows from the underlying businesses classified as discontinued operations and excludes proceeds from disposal.

Balance Sheet

The Balance Sheet of CommInsure General Insurance is set out in the table below. Balances as at 30 June 2021 include the assets and liabilities of CFS. Balances as at 31 December 2020 include the assets and liabilities of CFS, Aussie Home Loans and AUSIEX.

	As at		
	31 Dec 21	30 Jun 21	31 Dec 20
Assets held for sale	**$M**	$M	$M
Cash and liquid assets	**–**	5	41
Assets at fair value through Income Statement	**377**	301	253
Intangible assets	**35**	700	761
Deferred tax assets	**9**	69	22
Other assets	**624**	124	538
Total assets [1]	**1,045**	1,199	1,615
Liabilities held for sale			
Other liabilities	**952**	405	655
Total liabilities	**952**	405	655

1 In addition to assets of business held for sale, the Group's total assets held for sale include $6 million of properties held for sale (30 June 2021: $2 million; 31 December 2020: $2 million).

ACCOUNTING POLICY

Non-current assets (including disposal groups) are classified as held for sale if they will be recovered primarily through sale rather than through continuing use. Non-current assets which are to be abandoned, or businesses which are to be closed, are not classified as held for sale, since the carrying amount will be recovered principally through continuing use. A discontinued operation is a component of an entity that has been sold, or classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

7.4 Subsequent Events

The Directors have determined a fully franked interim dividend of 175 cents per share amounting to $2,986 million.

The Bank expects the DRP for the interim dividend for the half year ended 31 December 2021 will be satisfied in full by an on-market purchase of shares of approximately $480 million.

Share buy-back

On 9 February 2022, the Bank announced its intention to undertake an on-market buy-back of up to $2 billion of shares. The Bank reserves the right to vary, suspend or terminate the buy-back at any time.

Impact of COVID-19

There remains significant uncertainty regarding how the COVID-19 pandemic will evolve. In accordance with AASB 110 *Events after the Reporting Period*, the Group considered whether events after the reporting period confirmed conditions existing before the reporting date. The Group did not identify any subsequent events precipitated by COVID-19 related developments, which would require adjustment to the amounts or disclosures in the financial statements. Further, no other material non-adjusting subsequent events relating to COVID-19 were identified requiring disclosure in the financial statements. The Group will continue to regularly review forward looking assumptions and forecast economic scenarios.

Directors' Declaration

The Directors of the Commonwealth Bank of Australia declare that:

In the opinion of the Directors, the consolidated financial statements and notes for the half year ended on 31 December 2021, as set out on pages 68 to 120, are in accordance with the *Corporations Act 2001 (Cth)*, including:

i. complying with the Australian Accounting Standards and any further requirements in the *Corporations Regulations 2001*; and

ii. giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the six months ended 31 December 2021;

In the opinion of the Directors, there are reasonable grounds to believe that the Commonwealth Bank of Australia will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Catherine Livingstone AO
Chairman
9 February 2022

Matt Comyn
Managing Director and Chief Executive Officer
9 February 2022

Independent auditor's review report to the members of the Commonwealth Bank of Australia

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of the Commonwealth Bank of Australia (the Bank) and the entities it controlled during the half-year (together the Group), which comprises the Consolidated Balance Sheet as at 31 December 2021, and the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Condensed Consolidated Statement of Cash Flows for the half-year ended on that date, significant accounting policies and explanatory notes and the Directors' Declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Bank does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the Directors for the half-year financial report

The Directors of the Bank are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true

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and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

PricewaterhouseCoopers

Matthew Lunn
Partner

Sydney
9 February 2022

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Appendices

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7. Appendices

Appendices

1. Our Performance

Overview

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

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

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

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

1.1 Net Interest Margin (continuing operations basis)

	Half Year Ended [1]		
	31 Dec 21	30 Jun 21	31 Dec 20
	%	%	%
Australia			
Interest spread [2,3]	**1. 88**	2. 03	2. 03
Benefit of interest-free liabilities, provisions and equity [4]	**0. 08**	0. 10	0. 11
Net interest margin [3,5]	**1. 96**	2. 13	2. 14
New Zealand			
Interest spread [2,3]	**1. 91**	1. 91	1. 66
Benefit of interest-free liabilities, provisions and equity [4]	**0. 16**	0. 17	0. 25
Net interest margin [3,5]	**2. 07**	2. 08	1. 91
Other Overseas			
Interest spread [2,3]	**0. 66**	0. 53	0. 40
Benefit of interest-free liabilities, provisions and equity [4]	**–**	0. 01	0. 03
Net interest margin [3,5]	**0. 66**	0. 54	0. 43
Total Group			
Interest spread [2]	**1. 82**	1. 99	1. 93
Benefit of interest-free liabilities, provisions and equity [4]	**0. 10**	0. 10	0. 13
Net interest margin [5]	**1. 92**	2. 09	2. 06

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 half year annualised.

1.2 Average Balances and Related Interest (continuing operations basis)

The following tables list the major categories of interest earning assets and interest bearing liabilities of the Group together with the respective interest earned or paid and the average interest rate for each of the half years ended 31 December 2021, 30 June 2021 and 31 December 2020. Averages used were predominantly daily averages. Interest is accounted for based on product yield.

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

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

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

During the half year ended 31 December 2021 the official cash rate in Australia remained flat on a spot basis, while in New Zealand the official cash rate has increased 50 basis points on a spot basis.

	Half Year Ended 31 Dec 21			Half Year Ended 30 Jun 21 [1]			Half Year Ended 31 Dec 20 [1]		
	Avg Bal	**Interest**	**Yield**	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
Interest Earning Assets	**$M**	**$M**	**%**	$M	$M	%	$M	$M	%
Home loans [2]	**530,226**	**7,341**	**2. 75**	509,032	7,591	3. 01	494,736	8,119	3. 26
Consumer finance [3]	**16,276**	**818**	**9. 97**	17,054	869	10. 28	17,257	916	10. 53
Business and corporate loans	**225,502**	**3,507**	**3. 09**	216,219	3,352	3. 13	216,472	3,535	3. 24
Loans, bills discounted and other receivables	**772,004**	**11,666**	**3. 00**	742,305	11,812	3. 21	728,465	12,570	3. 42
Cash and other liquid assets	**121,856**	**43**	**0. 07**	70,747	28	0. 08	57,396	47	0. 16
Assets at fair value through Income Statement	**25,918**	**71**	**0. 54**	33,305	66	0. 40	45,806	144	0. 62
Investment Securities:									
At fair value through other comprehensive Income	**83,987**	**199**	**0. 47**	86,318	178	0. 42	86,579	228	0. 52
At amortised cost	**4,305**	**20**	**0. 92**	4,208	22	1. 05	4,678	26	1. 10
Non-lending interest earning assets	**236,066**	**333**	**0. 28**	194,578	294	0. 30	194,459	445	0. 45
Total interest earning assets [4]	**1,008,070**	**11,999**	**2. 36**	936,883	12,106	2. 61	922,924	13,015	2. 80
Non-interest earning assets [2]	**115,141**			109,985			108,082		
Assets held for sale	**1,938**			1,358			1,554		
Total average assets	**1,125,149**			1,048,226			1,032,560		

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

2 Home loans are reported net of average mortgage offset balances (half year ended 31 December 2021: $62,988 million; half year ended 30 June 2021: $58,336 million; half year ended 31 December 2020: $55,040 million), which are included in non-interest earning assets. Gross average home loans balance in the half year ended 31 December 2021, excluding mortgage offset accounts was $593,214 million (half year ended 30 June 2021: $567,368 million; half year ended 31 December 2020: $549,776 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.

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

	Half Year Ended 31 Dec 21			Half Year Ended 30 Jun 21 [1]			Half Year Ended 31 Dec 20 [1]		
Interest Bearing Liabilities	**Avg Bal $M**	**Interest $M**	**Yield %**	Avg Bal $M	Interest $M	Yield %	Avg Bal $M	Interest $M	Yield %
Transaction deposits [2]	**125,543**	**105**	**0. 17**	121,004	81	0. 13	114,102	96	0. 17
Savings deposits [2]	**260,571**	**210**	**0. 16**	248,193	230	0. 19	240,773	406	0. 33
Investment deposits	**156,854**	**674**	**0. 85**	160,127	812	1. 02	174,499	1,321	1. 50
Certificates of deposit and other	**63,790**	**213**	**0. 66**	63,871	245	0. 77	61,708	450	1. 45
Total interest bearing deposits	**606,758**	**1,202**	**0. 39**	593,195	1,368	0. 47	591,082	2,273	0. 76
Payables due to other financial institutions	**21,190**	**24**	**0. 22**	16,055	19	0. 24	13,002	38	0. 58
Liabilities at fair value through Income Statement	**8,704**	**38**	**0. 87**	8,100	21	0. 52	4,815	16	0. 66
Term funding from central banks	**52,289**	**43**	**0. 16**	24,256	26	0. 22	13,128	17	0. 25
Debt issues	**106,122**	**411**	**0. 77**	104,802	455	0. 88	124,898	505	0. 80
Loan capital	**29,529**	**330**	**2. 22**	27,980	318	2. 29	26,310	343	2. 59
Lease liabilities	**3,056**	**38**	**2. 47**	3,176	40	2. 54	3,146	42	2. 65
Bank levy	**–**	**165**	**–**	–	157	–	–	181	–
Total interest bearing liabilities	**827,648**	**2,251**	**0. 54**	777,564	2,404	0. 62	776,381	3,415	0. 87
Non-interest bearing liabilities [2]	**219,756**			193,286			182,037		
Liabilities held for sale	**1,070**			587			728		
Total average liabilities	**1,048,474**			971,437			959,146		

	Half Year Ended 31 Dec 21			Half Year Ended 30 Jun 21 [1]			Half Year Ended 31 Dec 20 [1]		
Net Interest Margin	**Avg Bal $M**	**Interest $M**	**Yield %**	Avg Bal $M	Interest $M	Yield %	Avg Bal $M	Interest $M	Yield %
Total interest earning assets	**1,008,070**	**11,999**	**2. 36**	936,883	12,106	2. 61	922,924	13,015	2. 80
Total interest bearing liabilities	**827,648**	**2,251**	**0. 54**	777,564	2,404	0. 62	776,381	3,415	0. 87
Net interest income and interest spread		**9,748**	**1. 82**		9,702	1. 99		9,600	1. 93
Benefit of free funds			**0. 10**			0. 10			0. 13
Net interest margin			**1. 92**			2. 09			2. 06

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

2 Transaction and savings deposits exclude average mortgage offset balances (half year ended 31 December 2021: $62,988 million; half year ended 30 June 2021: $58,336 million; half year ended 31 December 2020: $55,040 million), which are included in non-interest bearing liabilities.

Appendices (continued)

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

Geographical Analysis of Key Categories [2]	Half Year Ended 31 Dec 21 Avg Bal $M	Interest $M	Yield %	Half Year Ended 30 Jun 21 [1] Avg Bal $M	Interest $M	Yield %	Half Year Ended 31 Dec 20 [1] Avg Bal $M	Interest $M	Yield %
Loans, bills discounted and other receivables									
Australia	**654,786**	**9,797**	**2. 97**	633,131	10,031	3. 19	622,295	10,614	3. 38
New Zealand	**99,790**	**1,628**	**3. 24**	93,357	1,581	3. 42	89,527	1,717	3. 80
Other Overseas	**17,428**	**241**	**2. 74**	15,817	200	2. 55	16,643	239	2. 85
Total	**772,004**	**11,666**	**3. 00**	742,305	11,812	3. 21	728,465	12,570	3. 42
Non-lending interest earning assets									
Australia	**185,281**	**252**	**0. 27**	145,171	248	0. 34	139,823	364	0. 52
New Zealand	**13,359**	**44**	**0. 65**	14,197	33	0. 47	13,435	32	0. 47
Other Overseas	**37,426**	**37**	**0. 20**	35,210	13	0. 07	41,201	49	0. 24
Total	**236,066**	**333**	**0. 28**	194,578	294	0. 30	194,459	445	0. 45
Total interest bearing deposits									
Australia	**514,796**	**883**	**0. 34**	511,708	1,026	0. 40	509,698	1,624	0. 63
New Zealand	**65,147**	**260**	**0. 79**	61,989	268	0. 87	62,228	526	1. 68
Other Overseas	**26,815**	**59**	**0. 44**	19,498	74	0. 77	19,156	123	1. 27
Total	**606,758**	**1,202**	**0. 39**	593,195	1,368	0. 47	591,082	2,273	0. 76
Other interest bearing liabilities									
Australia	**183,406**	**820**	**0. 89**	149,747	825	1. 11	151,864	925	1. 21
New Zealand	**29,247**	**223**	**1. 51**	27,155	208	1. 54	24,632	205	1. 65
Other Overseas	**8,237**	**6**	**0. 14**	7,467	3	0. 08	8,803	12	0. 27
Total	**220,890**	**1,049**	**0. 94**	184,369	1,036	1. 13	185,299	1,142	1. 22

1 Comparative information has been restated to conform to presentation in the current period.
2 The New Zealand and Other Overseas components comprise overseas branches of the Group and overseas domiciled controlled entities.

1.3 Interest Rate and Volume Analysis (continuing operations basis)

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

	Half Year Ended Dec 21 vs Jun 21 [1]			Half Year Ended Dec 21 vs Dec 20 [1]		
Interest Earning Assets [2]	**Volume $M**	**Rate $M**	**Total $M**	Volume $M	Rate $M	Total $M
Home loans	**419**	**(669)**	**(250)**	491	(1,269)	(778)
Consumer finance	**(25)**	**(26)**	**(51)**	(49)	(49)	(98)
Business and corporate loans	**200**	**(45)**	**155**	140	(168)	(28)
Loans, bills discounted and other receivables	**645**	**(791)**	**(146)**	658	(1,562)	(904)
Cash and other liquid assets	**18**	**(3)**	**15**	23	(27)	(4)
Assets at fair value through Income Statement (excluding life insurance)	**(19)**	**24**	**5**	(54)	(19)	(73)
Investment securities:						
At fair value through other comprehensive Income	**(3)**	**24**	**21**	(6)	(23)	(29)
At amortised cost	**1**	**(3)**	**(2)**	(2)	(4)	(6)
Non-lending interest earning assets	**63**	**(24)**	**39**	59	(171)	(112)
Total interest earning assets	**1,048**	**(1,155)**	**(107)**	1,013	(2,029)	(1,016)

	Half Year Ended Dec 21 vs Jun 21			Half Year Ended Dec 21 vs Dec 20		
Interest Bearing Liabilities [2]	**Volume $M**	**Rate $M**	**Total $M**	Volume $M	Rate $M	Total $M
Transaction deposits	**5**	**19**	**24**	10	(1)	9
Savings deposits	**14**	**(34)**	**(20)**	16	(212)	(196)
Investment deposits	**(1)**	**(137)**	**(138)**	(76)	(571)	(647)
Certificates of deposit and other	**4**	**(36)**	**(32)**	7	(244)	(237)
Total interest bearing deposits	**50**	**(216)**	**(166)**	31	(1,102)	(1,071)
Payables due to other financial institutions	**6**	**(1)**	**5**	9	(23)	(14)
Liabilities at fair value through Income Statement	**3**	**14**	**17**	17	5	22
Term funding from central banks	**23**	**(6)**	**17**	32	(6)	26
Debt issues	**13**	**(57)**	**(44)**	(73)	(21)	(94)
Loan capital	**23**	**(11)**	**12**	36	(49)	(13)
Lease liabilities	**(1)**	**(1)**	**(2)**	(1)	(3)	(4)
Bank levy	**–**	**8**	**8**	–	(16)	(16)
Total interest bearing liabilities	**176**	**(329)**	**(153)**	139	(1,303)	(1,164)

	Half Year Ended [1]	
	Dec 21 vs Jun 21 Increase/(Decrease) $M	Dec 21 vs Dec 20 Increase/(Decrease) $M
Change in Net Interest Income		
Due to changes in average volume of interest earning assets	**688**	823
Due to changes in interest margin	**(803)**	(675)
Due to variation in time period	**161**	–
Change in net interest income	**46**	148

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 the change due to balance growth assuming the average rate is consistent across the two periods and the impact of variation in calendar days. The volume and rate variances for total interest earning assets and total interest bearing liabilities have been calculated separately (rather than being the sum of the individual categories).

Appendices (continued)

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

Geographical Analysis of Key Categories [2]	Half Year Ended Dec 21 vs Jun 21 [1] Volume $M	Rate $M	Total $M	Half Year Ended Dec 21 vs Dec 20 [1] Volume $M	Rate $M	Total $M
Loans, bills discounted and other receivables						
Australia	**490**	**(724)**	**(234)**	486	(1,303)	(817)
New Zealand	**131**	**(84)**	**47**	167	(256)	(89)
Other Overseas	**26**	**15**	**41**	11	(9)	2
Total	**645**	**(791)**	**(146)**	658	(1,562)	(904)
Non-lending interest earning assets						
Australia	**59**	**(55)**	**4**	62	(174)	(112)
New Zealand	**(2)**	**13**	**11**	–	12	12
Other Overseas	**2**	**22**	**24**	(4)	(8)	(12)
Total	**63**	**(24)**	**39**	59	(171)	(112)
Total interest bearing deposits						
Australia	**22**	**(165)**	**(143)**	9	(750)	(741)
New Zealand	**17**	**(25)**	**(8)**	12	(278)	(266)
Other Overseas	**17**	**(32)**	**(15)**	17	(81)	(64)
Total	**50**	**(216)**	**(166)**	31	(1,102)	(1,071)
Other interest bearing liabilities						
Australia	**164**	**(169)**	**(5)**	141	(246)	(105)
New Zealand	**19**	**(4)**	**15**	35	(17)	18
Other Overseas	**1**	**2**	**3**	–	(6)	(6)
Total	**191**	**(178)**	**13**	169	(262)	(93)

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 the change due to balance growth assuming the average rate is consistent across the two periods and the impact of variation in calendar days. The volume and rate variances for total interest earning assets and total interest bearing liabilities have been calculated separately (rather than being the sum of the individual categories).

1.4 Other Banking Income (continuing operations basis)

	Half Year Ended [1]				
	31 Dec 21	30 Jun 21	31 Dec 20	Dec 21 vs	Dec 21 vs
	$M	$M	$M	Jun 21 %	Dec 20 %
Commissions	**1,176**	1,265	1,299	(7)	(9)
Lending fees	**377**	369	296	2	27
Trading income	**368**	317	535	16	(31)
Net gain/(loss) on non-trading financial instruments [2]	**164**	167	(144)	(2)	(large)
Net gain/(loss) on sale of property, plant and equipment	**12**	(4)	–	(large)	large
Net gain/(loss) from hedging ineffectiveness	**(12)**	22	17	(large)	(large)
Dividends	**–**	1	1	(large)	(large)
Share of profit of associates and joint ventures net of impairment	**259**	468	131	(45)	98
Other [3,4]	**75**	72	(10)	4	(large)
Total other banking income - "statutory basis"	**2,419**	2,677	2,125	(10)	14

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 The half year ended 31 December 2021 includes depreciation of $32 million in relation to assets held for lease by the Group (30 June 2021: $35 million; 31 December 2020: $40 million).
4 The half year ended 31 December 2021 includes an $8 million reversal of impairment loss in relation to certain aircraft owned by the Group and leased to various airlines (30 June 2021: $12 million impairment reversal; 31 December 2020: $124m impairment loss). The provisions are driven by the impact of COVID-19 on the aviation sector.

Other Banking Income – Reconciliation of Cash and Statutory Basis

The table below sets out various accounting impacts arising from the application of AASB 139 *Financial Instruments: Recognition and Measurement* to the Group's derivative hedging activities and other non-cash items.

	Half Year Ended [1]				
	31 Dec 21	30 Jun 21	31 Dec 20	Dec 21 vs	Dec 21 vs
	$M	$M	$M	Jun 21 %	Dec 20 %
Other banking income - "cash basis"	**2,359**	2,354	2,190	–	8
Revenue hedge of New Zealand operations - unrealised	**(35)**	5	(1)	(large)	large
Hedging and IFRS volatility	**12**	17	(5)	(29)	(large)
Gain/(loss) on disposal and acquisition of entities net of transaction costs	**83**	301	(59)	(72)	(large)
Other banking income - "statutory basis"	**2,419**	2,677	2,125	(10)	14

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

2. Risk Management

Overview

The Group is exposed to financial risks, non-financial risks and strategic risks arising from its operations. The Group manages these risks through its Risk Management Framework (the Framework), which evolves to accommodate changes in the business operating environment, better practice approaches, and regulatory and community expectations. The Group's key risk types are credit, market, liquidity, operational, insurance, strategic and compliance. The framework is discussed in Note 9.1 in the 2021 Annual Report.

2.1 Integrated Risk Management

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

Credit Risk

The Group uses a portfolio approach for the management of its credit risk, of which a key element is a well-diversified portfolio. The Group uses various portfolio management tools to assist in diversifying the credit portfolio.

Below is a breakdown of the Group's committed exposures across industry sector, region and commercial credit quality.

	As at [1]		
	31 Dec 21	30 Jun 21	31 Dec 20
By Sector	**%**	%	%
Consumer	**56. 9**	57. 5	58. 7
Government, Admin. & Defence	**15. 9**	15. 3	12. 8
Finance & Insurance	**6. 7**	6. 5	6. 8
Commercial Property	**6. 5**	6. 5	6. 6
Agriculture & Forestry	**2. 1**	2. 1	2. 1
Transport & Storage	**2. 0**	2. 1	2. 3
Manufacturing	**1. 3**	1. 3	1. 4
Entertainment, Leisure & Tourism	**1. 1**	1. 0	1. 1
Retail Trade	**1. 0**	1. 0	1. 0
Health & Community Services	**1. 0**	0. 9	0. 9
Business Services	**1. 0**	0. 9	1. 0
Electricity, Water & Gas	**0. 9**	1. 0	1. 1
Wholesale Trade	**0. 9**	0. 9	0. 9
Construction	**0. 8**	0. 8	0. 8
Mining, Oil & Gas	**0. 6**	0. 7	0. 8
Media & Communications	**0. 4**	0. 4	0. 5
Personal & Other Services	**0. 3**	0. 3	0. 3
Education	**0. 2**	0. 3	0. 3
Other	**0. 4**	0. 5	0. 6
Total	**100. 0**	100. 0	100. 0

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

2.1 Integrated Risk Management (continued)

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

Commercial Portfolio Quality [1]	As at 31 Dec 21 %	30 Jun 21 %	31 Dec 20 %
AAA/AA	**43. 0**	42. 3	35. 2
A	**12. 3**	11. 8	15. 4
BBB	**13. 7**	14. 2	15. 3
Other	**31. 0**	31. 7	34. 1
	100. 0	100. 0	100. 0

1 Committed exposures by 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 69.0% (June 2021: 68.3%; December 2020: 65.9%) of commercial exposures at investment grade quality.

2.1 Integrated Risk Management (continued)

Market Risk

Market risk in the Balance Sheet is discussed within Note 9.3 of the 2021 Annual Report.

Value at Risk (VaR)

The Group uses Value at Risk (VaR) as one of the measures of Traded and Non-Traded market risk. VaR measures potential loss using historically observed market movements and correlation between different markets.

VaR is modelled at a 99.0% confidence level. This means that there is a 99.0% probability that the loss will not exceed the VaR estimate on any given day.

A 10-day holding period is used for trading book positions. A 20-day holding period is used for interest rate risk in the banking book.

Where VaR is deemed not to be an appropriate method of risk measurement other risk measures have been used, as specified by the heading or accompanying footnotes of the tables provided.

	Average VaR [1]		
	31 Dec 21	30 Jun 21	31 Dec 20
Traded Market Risk	**$M**	$M	$M
Risk Type			
Interest rate risk	**24. 7**	33. 1	29. 1
Foreign exchange risk	**7. 3**	6. 5	7. 6
Equities risk	**0. 6**	0. 9	0. 4
Commodities risk	**24. 7**	17. 6	14. 4
Credit spread risk	**42. 0**	33. 8	27. 5
Other market risk [2]	**21. 6**	18. 7	20. 5
Diversification benefit	**(66. 6)**	(56. 4)	(35. 7)
Total general market risk	**54. 3**	54. 2	63. 8
Undiversified risk	**17. 0**	10. 9	14. 7
Other [3]	**1. 8**	3. 8	3. 6
Total	**73. 1**	68. 9	82. 1

1 Average VaR is at 10 day 99% confidence and is calculated for each 6 month period.
2 Includes volatility risk and basis risk.
3 Includes ASB, PTBC and Europe.

2.1 Integrated Risk Management (continued)

Interest rate risk in the banking book

Interest rate risk in the banking book is discussed within Note 9.3 of the 2021 Annual Report.

(a) Next 12 Months' Earnings

The figures in the following table represent the potential unfavourable change to the Group's net interest earnings during the year based on a 100 basis point parallel rate shock. As the official cash rate in both Australia and New Zealand was below 1.00% as at 31 December 2021, a downward rate shock of 100 basis points implies a negative interest rate of 0.90% and 0.25% for Australia and New Zealand, respectively. The analysis does not take into account management actions that may be taken to mitigate the unfavourable impact of falling interest rates.

		Half Year Ended		
		31 Dec 21	30 Jun 21	31 Dec 20
Net Interest Earnings at Risk [1]		**$M**	$M	$M
Average monthly exposure	AUD	**1,329. 2**	1,753. 0	1,833. 6
	NZD	**317. 0**	322. 9	253. 2
High month exposure	AUD	**1,488. 5**	2,346. 5	2,084. 4
	NZD	**327. 7**	331. 4	313. 5
Low month exposure	AUD	**1,177. 6**	765. 0	1,627. 0
	NZD	**311. 8**	310. 3	212. 4

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

(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.

	Half Year Ended		
	31 Dec 21	30 Jun 21	31 Dec 20
Non-Traded Interest Rate Risk VaR [1] **(20-day 99.0% confidence)**	**$M**	$M	$M
Average daily exposure	**372. 0**	469. 8	686. 1
High daily exposure	**446. 9**	645. 6	743. 0
Low daily exposure	**326. 8**	332. 5	638. 5

1 Exposures over a 6 month period.

Appendices (continued)

2.1 Integrated Risk Management (continued)

Funding Sources

The following table provides the funding sources for the Group including customer deposits, and short-term and long-term wholesale funding. Shareholders' equity is excluded from this view of funding sources.

	As at [1]				
	31 Dec 21	30 Jun 21	31 Dec 20	Dec 21 vs	Dec 21 vs
	$M	$M	$M	Jun 21 %	Dec 20 %
Transaction deposits [2]	**182,425**	173,626	169,342	5	8
Savings deposits	**266,661**	259,244	249,999	3	7
Investment deposits	**156,103**	154,252	167,904	1	(7)
Other customer deposits [2,3]	**135,857**	115,093	94,603	18	44
Total customer deposits	**741,046**	702,215	681,848	6	9
Wholesale funding					
Short-term					
Certificates of deposit [4]	**48,803**	43,885	39,166	11	25
US commercial paper programme	**22,613**	7,721	15,418	large	47
Euro medium-term note programme	**1,408**	1,041	3,010	35	(53)
Central Bank deposits	**12,770**	11,464	5,633	11	large
Other [5]	**1,166**	117	2,274	large	(49)
Total short-term wholesale funding	**86,760**	64,228	65,501	35	32
Net collateral received and settlement balances [6]	**6,069**	9,436	2,913	(36)	large
Internal RMBS sold under agreement to repurchase with RBA	**300**	4,000	5,416	(93)	(94)
Total short-term collateral deposits	**6,369**	13,436	8,329	(53)	(24)
Total long-term funding - less than or equal to one year residual maturity [7]	**28,233**	35,129	30,326	(20)	(7)
Long-term - greater than one year residual maturity					
Domestic debt program	**7,313**	8,494	11,718	(14)	(38)
Euro medium-term note programme	**16,571**	16,413	17,604	1	(6)
US medium-term note programme [8]	**18,357**	12,376	14,023	48	31
Covered bond programme	**24,439**	23,098	24,981	6	(2)
Securitisation	**5,866**	7,192	7,989	(18)	(27)
Loan capital	**21,961**	22,690	22,485	(3)	(2)
RBA Term Funding Facility (TFF)	**51,137**	51,137	19,146	–	large
Other	**1,649**	1,686	1,793	(2)	(8)
Total long-term funding - greater than one year residual maturity	**147,293**	143,086	119,739	3	23
IFRS MTM and derivative FX revaluations	**2,569**	3,445	5,270	(25)	(51)
Total funding	**1,012,270**	961,539	911,013	5	11
Reported as					
Deposits and other public borrowings	**815,124**	766,381	747,980	6	9
Payables due to other financial institutions	**21,487**	19,059	11,847	13	81
Liabilities at fair value through Income Statement	**7,444**	8,381	7,255	(11)	3
Term funding from central banks [9]	**52,828**	51,856	19,146	2	large
Debt issues	**117,466**	103,003	122,548	14	(4)
Loan capital	**28,158**	29,360	27,608	(4)	2
Loans and other receivables - collateral posted	**(905)**	(1,337)	(1,848)	(32)	(51)
Receivables due from other financial institutions - collateral posted	**(2,540)**	(2,498)	(4,800)	2	(47)
Securities purchased under agreements to resell	**(26,792)**	(12,666)	(18,723)	large	43
Total funding	**1,012,270**	961,539	911,013	5	11

1 Comparative information has been restated to conform to presentation in the current period.
2 Transaction deposits exclude non-interest bearing deposits (included in other customer deposits).
3 Other customer deposits primarily consist of non-interest bearing transaction deposits and deposits held at fair value through the Income Statement.
4 Includes Bank acceptances.
5 Includes net non-HQLA securities sold or purchased under repurchase agreements and interbank borrowings.
6 Includes other repurchase agreements not reported above and Vostro balances.
7 Residual maturity of long-term wholesale funding (included in Debt issues and Loan capital) is the earlier of the next call date or final maturity.
8 Includes notes issued under the Bank's 3(a)(2) program.
9 Includes drawings from the TFF, RBNZ Funding for Lending Programme (FLP) and Term Lending Facility (TLF).

2.1 Integrated Risk Management (continued)

Overview

The Group's liquidity and funding policies are designed to ensure it will meet its obligations as and when they fall due by ensuring it is able to issue debt on an unsecured or secured basis, has sufficient liquid assets to borrow against under repurchase agreements or sell to raise immediate funds without adversely affecting the Group's net asset value.

The Group's liquidity policies are designed to ensure it maintains sufficient cash balances and liquid asset holdings to meet its obligations to customers, in both ordinary market conditions and during periods of extreme stress. These policies are intended to protect the value of the Group's operations during periods of unfavourable market conditions.

The Group's funding policies are designed to achieve diversified sources of funding by product, term, maturity date, investor type, 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, as well as regularly monitoring compliance with those policies across the Group. Group Treasury manages the Group's liquidity and funding positions in accordance with the Group's Liquidity Policy and supporting standards, and has ultimate authority to execute liquidity and funding decisions should the Group Contingency Funding Plan be activated. Risk Management provides oversight of the Group's liquidity and funding risks, compliance with Group policies and manages the Group's relationship with prudential regulators.

Subsidiaries within the Group apply their own liquidity and funding strategies to address their specific needs. The Group's New Zealand banking subsidiary, ASB, manages its own domestic liquidity and funding needs in accordance with its own liquidity policy and the policies of the Group. ASB's liquidity policy is also overseen by the RBNZ.

Liquidity and Funding Policies and Management

The Group's liquidity and funding policies provide that:

- An excess of liquid assets over the minimum prescribed under APRA's LCR requirement is maintained. Australian ADIs are required to meet a 100% LCR, calculated as the ratio of high quality liquid assets to 30 day net cash outflows projected under a prescribed stress scenario;
- A surplus of stable funding from various sources, as measured by APRA's Net Stable Funding Ratio (NSFR), is maintained. The NSFR is calculated by applying factors prescribed by APRA to assets and liabilities to determine a ratio of required stable funding to available stable funding which must be greater than 100%;
- Additional internal funding and liquidity metrics are calculated and stress tests additional to the LCR are run;
- Short and long-term wholesale funding limits are established, monitored and reviewed regularly;
- The Group's wholesale funding market capacity is regularly assessed and used as a factor in funding strategies;
- Liquid assets are held in Australian dollar and foreign currency denominated securities in accordance with expected requirements;
- The Group has three categories of liquid assets within its domestic liquid assets portfolio. The first includes cash, government and Australian semi-government securities. The second includes Negotiable Certificates of Deposit, bank term securities, supranational bonds, Australian Residential Mortgage Backed Securities (RMBS) and other securities that meet RBA criteria for purchases under repurchase agreements. The final category is internal RMBS, being mortgages that have been securitised but retained by the Bank, that are repo-eligible with the RBA using the Committed Liquidity Facility (CLF) and Term Funding Facility (TFF); and
- Offshore branches and subsidiaries adhere to liquidity policies and hold appropriate foreign currency liquid assets to meet required regulations.

The Group's key funding tools include:

- Consumer retail funding base, which includes a wide range of retail transaction accounts, savings accounts and term deposits for individual consumers;
- Small business customer and institutional deposit base;
- Wholesale domestic and international funding programmes, which include Australian dollar Negotiable Certificates of Deposit, US and Euro Commercial Paper programmes, Australian dollar Domestic Debt Programme, US Medium-Term Note Programmes, Euro Medium-Term Note Programme, multi jurisdiction Covered Bond programme and Medallion securitisation programmes; and
- Existing drawdowns under the RBA Term Funding Facility (TFF).

The Group's key liquidity tools include:

- A liquidity management model that implements the established prudential liquidity requirements. This model is calibrated with a series of 'stress' liquidity crisis scenarios, incorporating both systemic and idiosyncratic crisis assumptions, such that the Group will have sufficient liquid assets available to ensure it meets all of its obligations as and when they fall due;
- An additional liquidity management model that allows forecasting of liquidity needs on a daily basis;
- A regulatory liquidity management reporting system delivering granular customer and product type information to inform business decision making, product development and resulting in a greater awareness of the liquidity risk-adjusted value of banking products;

2.1 Integrated Risk Management (continued)

- 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. In September 2021 APRA announced that the CLF will be phased out by the end of 2022. The Group's liquidity position will be managed accordingly in anticipation of the CLF reduction; and
- A robust Contingency Funding Plan that is regularly tested so that it can be quickly activated when required.

2.2 Counterparty and Other Credit Risk Exposures

Leveraged Finance

The Group provides leveraged finance to companies. This can include companies acquired or owned by private equity sponsors which can be highly leveraged, primarily domiciled in Australia and New Zealand and exhibit stable and established earnings providing the ability to reduce borrowing levels. The Group's exposure to firms owned by private equity sponsors is diversified across industries and private equity sponsors. Leveraged debt facilities provided to private equity sponsors are typically senior with first ranking security over the cash flows and assets of the businesses.

Hedge Funds

There were no material movements in exposures to hedge funds during the current half and these exposures are not considered to be material.

Collateralised Debt Obligations (CDOs) and Credit Linked Notes

The Group has no material direct or indirect exposure to CDOs or credit linked notes.

3. Our Capital, Equity and Reserves

Overview

The Group maintains a strong capital position in order to satisfy regulatory capital requirements, provide financial security to its depositors and creditors and adequate return to its shareholders. The Group's shareholders' equity includes issued ordinary shares, retained earnings and reserves.

This section provides analysis of the Group's shareholders' equity including changes during the period.

3.1 Capital

The tables below show the APRA Basel III capital adequacy calculation at 31 December 2021 together with prior period comparatives.

	As at		
	31 Dec 21	30 Jun 21	31 Dec 20
Risk Weighted Capital Ratios	**%**	%	%
Common Equity Tier 1	**11. 8**	13. 1	12. 6
Tier 1	**14. 0**	15. 7	15. 0
Tier 2	**4. 0**	4. 1	3. 9
Total Capital	**18. 0**	19. 8	18. 9

	As at [1]		
	31 Dec 21	30 Jun 21	31 Dec 20
	$M	$M	$M
Ordinary share capital and treasury shares			
Ordinary share capital	**36,949**	38,420	38,417
Treasury shares	**9**	12	15
Ordinary share capital and treasury shares	**36,958**	38,432	38,432
Reserves	**2,848**	3,249	2,287
Retained earnings and current period profits			
Retained earnings and current period profits	**34,861**	37,014	34,181
Retained earnings adjustment from non-consolidated subsidiaries [2]	**(125)**	(486)	(379)
Net retained earnings	**34,736**	36,528	33,802
Non-controlling interests			
Non-controlling interests [3]	**5**	5	5
Less other non-controlling interests not eligible for inclusion in regulatory capital	**(5)**	(5)	(5)
Non-controlling interests	**–**	–	–
Common Equity Tier 1 Capital before regulatory adjustments	**74,542**	78,209	74,521

1 Comparative information has been restated to conform to presentation in the current period.
2 Cumulative current period profit and retained earnings adjustments for subsidiaries not consolidated for regulatory purposes.
3 Non-controlling interests include external equity interests in the Group's subsidiary.

Appendices (continued)

3.1 Capital (continued)

	As at [1]		
	31 Dec 21	30 Jun 21	31 Dec 20
	$M	$M	$M
Common Equity Tier 1 regulatory adjustments			
Goodwill [2]	**(5,330)**	(6,017)	(5,997)
Other intangibles (including software) [3]	**(1,722)**	(1,570)	(1,579)
Capitalised costs and deferred fees	**(984)**	(865)	(763)
Defined benefit superannuation plan surplus [4]	**(325)**	(364)	(180)
Deferred tax asset	**(2,353)**	(2,496)	(3,054)
Cash flow hedge reserve	**41**	(467)	(994)
Employee compensation reserve	**(55)**	(103)	(64)
Equity investments [5]	**(8,017)**	(6,782)	(3,924)
Equity investments in non-consolidated subsidiaries [6]	**(217)**	(545)	(670)
Unrealised fair value adjustments [7]	**(25)**	(10)	(9)
Shortfall of provisions to expected losses [8]	**(14)**	-	-
Other	**(77)**	(124)	(185)
Common Equity Tier 1 regulatory adjustments	**(19,078)**	(19,343)	(17,419)
Common Equity Tier 1 Capital	**55,464**	58,866	57,102
Additional Tier 1 Capital			
Basel III complying instruments [9]	**10,425**	11,875	10,695
Basel III non-complying instruments net of transitional amortisation [10]	**138**	133	130
Total Additional Tier 1 Capital	**10,563**	12,008	10,825
Total Tier 1 Capital	**66,027**	70,874	67,927
Tier 2 Capital			
Basel III complying instruments [11]	**17,127**	16,644	15,533
Basel III non-complying instruments net of transitional amortisation [12]	**264**	266	277
Holding of Tier 2 Capital	**(37)**	(34)	(49)
Prudential general reserve for credit losses [13]	**1,574**	1,596	2,061
Total Tier 2 Capital	**18,928**	18,472	17,822
Total Capital	**84,955**	89,346	85,749

1 Comparative information has been restated to conform to presentation in the current period.
2 Includes goodwill from discontinued operations.
3 Other intangibles (including capitalised software costs), net of any associated deferred tax liability.
4 Represents the surplus in the Group's defined benefit superannuation fund, net of any deferred tax liability.
5 Represents the Group's non-controlling interest in other entities.
6 Non-consolidated subsidiaries consists of the insurance and funds management entities, and qualifying securitisation vehicles that meets APRA's operational requirement for regulatory capital relief under APS 120 "Securitisation". Reduction in the half year ended 31 December 2021 attributable to the completion of the majority sale of Colonial First State Group on 1 December 2021.
7 Includes gains due to changes in our credit risk on fair valued liabilities and other prudential valuation adjustments.
8 Represents the shortfall between the regulatory Expected Losses (EL) and Eligible Provisions (EP) with respect to credit portfolios which are subject to the AIRB approach. The adjustment is assessed separately for both defaulted and non-defaulted exposures. Where there is an excess of EL over EP in either assessments, the difference must be deducted from CET1. For non-defaulted exposures where the EL is lower than the EP, this may be included in Tier 2 capital up to a maximum of 0.6% of total credit RWAs.
9 As at 31 December 2021, comprises PERLS XIII $1,180 million (April 2021), PERLS XII $1,650 million (November 2019), PERLS XI $1,590 million (December 2018), PERLS X $1,365 million (April 2018), PERLS IX $1,640 million (March 2017), and PERLS VII $3,000 million (October 2014).
10 Represents APRA Basel III non-compliant Additional Tier 1 Capital Instruments that are eligible for inclusion in regulatory capital up until 1 January 2022 as part of the Basel III transitional relief arrangements.
11 In the half year ended 31 December 2021, the Group issued a AUD1,500 million, a AUD136 million, a AUD135 million and a JPY14 billion subordinated note, that were Basel III compliant. In the half year ended 30 June 2021, the Group issued a USD1,250 million and a USD1,500 million subordinated note, that were Basel III compliant.
12 Represents APRA Basel III non-compliant Tier 2 capital instruments that are eligible for inclusion in regulatory capital up until 1 January 2022 as part of the Basel III transitional relief arrangements.
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.

3.1 Capital (continued)

Risk Weighted Assets (RWA)	As at 31 Dec 21 $M	30 Jun 21 $M	31 Dec 20 $M
Credit Risk			
Subject to AIRB approach [1]			
Corporate	**68,406**	66,664	69,157
SME Corporate	**30,141**	29,845	30,662
SME retail	**5,730**	5,935	6,583
SME retail secured by residential mortgage	**2,789**	2,947	3,087
Sovereign	**2,463**	2,466	2,668
Bank	**4,359**	5,379	6,424
Residential mortgage	**167,999**	159,758	151,950
Qualifying revolving retail	**5,031**	5,466	5,816
Other retail	**10,804**	11,177	11,511
Total RWA subject to AIRB approach	**297,722**	289,637	287,858
Specialised lending exposures subject to slotting criteria	**65,825**	63,705	60,136
Subject to Standardised approach			
Corporate	**1,289**	1,234	1,194
SME corporate	**641**	805	752
SME retail	**2,291**	2,500	2,660
Sovereign	**348**	289	286
Bank	**48**	52	150
Residential mortgage	**6,380**	6,523	6,466
Other retail	**971**	938	1,017
Other assets	**8,028**	8,013	8,504
Total RWA subject to Standardised approach	**19,996**	20,354	21,029
Securitisation	**3,486**	3,106	2,981
Credit valuation adjustment	**3,110**	4,157	4,446
Central counterparties	**548**	591	450
Total RWA for Credit Risk Exposures	**390,687**	381,550	376,900
Traded market risk	**10,803**	8,307	11,161
Interest rate risk in the banking book	**24,356**	14,619	15,561
Operational risk	**46,081**	46,204	49,994
Total risk weighted assets	**471,927**	450,680	453,616

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

3.2 Share Capital

Shares on Issue	Half Year Ended 31 Dec 21 Number	30 Jun 21 Number	31 Dec 20 Number
Opening balance (excluding Treasury Shares deduction)	**1,774,096,410**	1,774,096,410	1,770,239,507
Share buy-back [1]	**(67,704,807)**	–	–
Dividend reinvestment plan issues:			
2020/2021 Final dividend fully paid ordinary shares $101.00 [2]	**–**	–	–
2020/2021 Interim dividend fully paid ordinary shares $85.25 [2]	**–**	–	–
2019/2020 Final dividend fully paid ordinary shares $68.53 [3]	**–**	–	3,856,903
Closing balance (excluding Treasury Shares deduction)	**1,706,391,603**	1,774,096,410	1,774,096,410
Less: Treasury Shares [4]	**(1,510,320)**	(1,665,028)	(1,751,078)
Closing balance	**1,704,881,283**	1,772,431,382	1,772,345,332

1 On 4 October 2021, the Group announced the successful completion of its $6 billion off-market buy-back of CBA ordinary shares. 67,704,807 ordinary shares were bought back at $88.62, and comprised a fully franked dividend component of $66.96 per share ($4,534 million) and a capital component of $21.66 per share ($1,466 million). The Group recognised $1 million transaction costs in relation to the capital return. The shares bought back were subsequently cancelled.

2 The DRP in respect of the final 2020/2021 and interim 2020/2021 dividends were satisfied in full through the on-market purchase and transfer of 5,618,474 shares at $101.00, and 4,869,634 shares at $85.25, respectively.

3 The DRP in respect of the final 2019/2020 dividend was satisfied by the issue of 3,856,903 shares at $68.53. The total value of shares issued under the DRP rules net of issues costs was $264 million.

4 Relates to treasury shares held within the employee share plans.

Dividend Franking Account

Australian Franking Credits

The franking credits available to the Group at 31 December 2021, after allowing for Australian tax payable in respect of the current and prior reporting period's profit, are estimated to be $1,354 million (30 June 2021: $3,709 million; 31 December 2020: $3,448 million).

New Zealand Imputation Credits

The New Zealand imputation credits available to CBA at 31 December 2021 are estimated to be NZ$923 million (30 June 2021: NZ$874 million; 31 December 2020: NZ$1,039 million). This is calculated on the same basis as the Australian franking credits but using the New Zealand current tax liability.

Dividends

The Directors have determined a fully franked interim dividend of 175 cents per share amounting to $2,986 million. There is no foreign conduit income attributed to the interim dividend. The dividend will be payable on 30 March 2022 to shareholders on the register at 5:00pm AEST on 17 February 2022.

The Board determines the dividend per share based on net profit after tax ("cash basis") per share, having regard to a range of factors including:

- Current and expected rates of business growth and the mix of business;
- Capital needs to support economic, regulatory and credit ratings requirements;
- Investments and/or divestments to support business development;
- Competitors comparison and market expectations; and
- Earnings per share growth.

Dividend Reinvestment Plan

The Group has a Dividend Reinvestment Plan (DRP) that is available to shareholders in Australia and certain other jurisdictions. Shareholders can elect to participate to acquire fully paid ordinary shares instead of receiving a cash dividend payment. Shares issued under DRP rank equally with ordinary shares on issue. The DRP for the 2021 final and interim dividends were satisfied in full by the on-market purchase and transfer of shares, and had participation rates of 16.1% and 15.7% respectively. The DRP for the 2020 final dividend was satisfied by the issuance of shares and had a participation rate of 15.2%.

Record Date

The register closes for determination of dividend entitlement at 5:00pm AEST on 17 February 2022. The deadline for notifying a change to participation in the DRP is 5:00pm AEST on 18 February 2022.

Ex-Dividend Date

The ex-dividend date is 16 February 2022.

Share Buy-Back

On 4 October 2021, the Group announced the successful completion of its $6 billion off-market buy-back of CBA ordinary shares. The ordinary shares were bought back at $88.62, and comprised a fully franked dividend component of $66.96 per share ($4,534 million) and a capital component of $21.66 per share ($1,466 million). The ordinary shares bought back were subsequently cancelled.

4. Other Information

4.1 Intangible Assets

	As at		
	31 Dec 21	30 Jun 21	31 Dec 20
	$M	$M	$M
Goodwill			
Purchased goodwill at cost	**5,295**	5,317	5,269
Closing balance	**5,295**	5,317	5,269
Computer Software Costs			
Cost	**4,697**	4,236	4,091
Accumulated amortisation	**(3,112)**	(2,809)	(2,757)
Closing balance	**1,585**	1,427	1,334
Brand Names [1]			
Cost	**186**	186	186
Closing balance	**186**	186	186
Other intangibles			
Cost	**7**	50	239
Accumulated amortisation	**–**	(38)	(148)
Closing balance	**7**	12	91
Total intangible assets	**7,073**	6,942	6,880

1 Brand names predominantly represent the value of royalty costs foregone by the Group through acquiring the Bankwest brand name. The royalty costs that would have been incurred by an entity using the Bankwest brand name are based on an annual percentage of income generated by Bankwest. The Bankwest brand name has an indefinite useful life, as there is no foreseeable limit to the period over which the brand name is expected to generate cash flows. This is not subject to amortisation, but requires annual impairment testing. No impairment was recognised during the period.

4.2 ASX Appendix 4D

Cross Reference Index	Page
Details of Reporting Period and Previous Period (Rule 4.2A.3 Item No. 1)	**Inside Front Cover**
Results for Announcement to the Market (Rule 4.2A.3 Item No. 2)	**Inside Front Cover**
Dividends (Rule 4.2A.3 Item No. 5)	**143**
Dividend Dates (Rule 4.2A.3 Item No. 5)	**Inside Front Cover**
Dividend Reinvestment Plan (Rule 4.2A.3 Item No. 6)	**143**
Net Tangible Assets per Security (Rule 4.2A.3 Item No. 3)	**152**

Details of entities over which control was gained and lost during the period (Rule 4.2A.3 Item No.4)

On 10 September 2021, the Group lost control over East TopCo Limited.

On 1 December 2021, the Group lost control over the following entities: Avanteos Investments Limited, CFS Seeding Trust, Colonial First State Investments Limited, Superannuation and Investments FinCo Pty Limited, Superannuation and Investments Management Pty Limited, Superannuation and Investments MidCo Pty Limited, Superannuation and Investments Services Pty Limited, Superannuation and Investments HoldCo Pty Limited, and Superannuation and Investments US LLC.

Details of Associates and Joint Ventures (Rule 4.2A.3 Item No. 7)

As at 31 December 2021	Ownership Interest Held (%)
Aegis Securitisation Nominees Pty Limited	50%
Payble Pty Ltd	50%
Superannuation and Investments HoldCo Pty Limited	45%
Lendi Group Pty Ltd	42%
Countplus Limited	36%
Amber Electric Pty Ltd	27%
BPAY Group Holding Pty Ltd	25%
More Telecom Pty Ltd	25%
Tangerine Telecom Pty Ltd	25%
PEXA Group Limited	24%
Carousale Pty Ltd	23%
Trade Window Holdings Limited	22%
Gift Card Co Pty Ltd	22%
Vietnam International Commercial Joint Stock Bank	20%
Payments NZ Limited	19%
Australian Business Growth Fund Pty Ltd	19%
Silicon Quantum Computing Pty Ltd	17%
Qilu Bank Co., Ltd.	16%
Lygon 1B Pty Ltd	16%
Bank of Hangzhou Co., Ltd.	16%

Foreign Entities (Rule 4.2A.3 Item No.8)

Not applicable.

Independent auditor's review report subject to a modified opinion, emphasis of matter or other matter (Rule 4.2A.3 Item No.9)

Not applicable.

4.3 Profit Reconciliation

Non-cash items are excluded from net profit after tax ("cash basis"), which is management's preferred measure of the Group's financial performance, as they tend to be non-recurring in nature or are not considered representative of the Group's ongoing financial performance. The impact of these items on the Group's net profit after tax ("statutory basis") is outlined below and treated consistently with the prior financial year. A description of these items is provided below.

	Half Year Ended 31 December 2021			
Profit Reconciliation	**Net profit after tax "cash basis" $M**	Gain/(loss) on disposal and acquisition of controlled entities [1] $M	Hedging and IFRS volatility $M	**Net profit after tax "statutory basis" $M**
Group				
Interest income [2]	**11,999**	–	–	**11,999**
Interest expense	**(2,251)**	–	–	**(2,251)**
Net interest income	**9,748**	–	–	**9,748**
Other banking income	**2,359**	83	(23)	**2,419**
Total banking income	**12,107**	83	(23)	**12,167**
Funds management income	**80**	–	–	**80**
Insurance income	**18**	–	–	**18**
Total operating income	**12,205**	83	(23)	**12,265**
Operating expenses	**(5,588)**	(106)	–	**(5,694)**
Loan impairment benefit	**75**	–	–	**75**
Net profit before tax	**6,692**	(23)	(23)	**6,646**
Corporate tax (expense)/benefit	**(1,946)**	34	7	**(1,905)**
Net profit after income tax from continuing operations	**4,746**	11	(16)	**4,741**
Net profit after income tax from discontinued operations [3]	**100**	1,029	–	**1,129**
Net profit after income tax	**4,846**	1,040	(16)	**5,870**

1 These amounts include post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency reserve recycling), and transaction and separation costs associated with the previously announced divestments.

2 Interest income includes total effective interest income and other interest income.

3 Statutory net profit after income tax from discontinued operations is presented net of non-controlling interests.

Gain/(loss) on disposal and acquisition of controlled entities

Gains and losses on these transactions are inclusive of foreign exchange impacts, impairments, restructuring, separation and transactions costs and cover both controlled businesses and associates.

Hedging and IFRS volatility

Hedging and IFRS volatility represents timing differences between fair value movements on qualifying economic hedges and the underlying exposure. They do not affect the Group's performance over the life of the hedge relationship, and are recognised over the life of the hedged transaction. To qualify as an economic hedge the terms and/or risk profile must match or be substantially the same as the underlying exposure.

Appendices (continued)

4.3 Profit Reconciliation (continued)

	Half Year Ended 30 June 2021 [1]			
Profit Reconciliation	**Net profit after tax "cash basis" $M**	Gain/(loss) on disposal and acquisition of controlled entities [2] $M	Hedging and IFRS volatility $M	**Net profit after tax "statutory basis" $M**
Group				
Interest income [3]	**12,106**	–	–	**12,106**
Interest expense	**(2,404)**	–	–	**(2,404)**
Net interest income	**9,702**	–	–	**9,702**
Other banking income	**2,354**	301	22	**2,677**
Total banking income	**12,056**	301	22	**12,379**
Funds management income	**85**	–	–	**85**
Insurance income	**54**	–	–	**54**
Total operating income	**12,195**	301	22	**12,518**
Operating expenses	**(5,768)**	(65)	–	**(5,833)**
Loan impairment benefit	**328**	–	–	**328**
Net profit before tax	**6,755**	236	22	**7,013**
Corporate tax (expense)/benefit	**(1,970)**	48	(7)	**(1,929)**
Net profit after income tax from continuing operations	**4,785**	284	15	**5,084**
Net profit after income tax from discontinued operations [4]	**49**	179	–	**228**
Net profit after income tax	**4,834**	463	15	**5,312**

1 Comparative information has been restated to conform to presentation in the current period.
2 These amounts include post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency reserve recycling), and transaction and separation costs associated with the previously announced divestments.
3 Interest income includes total effective interest income and other interest income.
4 Statutory net profit after income tax from discontinued operations is presented net of non-controlling interests.

4.3 Profit Reconciliation (continued)

Profit Reconciliation	Half Year Ended 31 December 2020 [1] Net profit after tax "cash basis" $M	Gain/(loss) on disposal and acquisition of controlled entities [2] $M	Hedging and IFRS volatility $M	Net profit after tax "statutory basis" $M
Group				
Interest income [3]	**13,015**	–	–	**13,015**
Interest expense	**(3,415)**	–	–	**(3,415)**
Net interest income	**9,600**	–	–	**9,600**
Other banking income	**2,190**	(59)	(6)	**2,125**
Total banking income	**11,790**	(59)	(6)	**11,725**
Funds management income	**80**	–	–	**80**
Insurance income	**91**	–	–	**91**
Total operating income	**11,961**	(59)	(6)	**11,896**
Operating expenses	**(5,591)**	(61)	–	**(5,652)**
Loan impairment expense	**(882)**	–	–	**(882)**
Net profit before tax	**5,488**	(120)	(6)	**5,362**
Corporate tax (expense)/benefit	**(1,620)**	19	(2)	**(1,603)**
Net profit after income tax from continuing operations	**3,868**	(101)	(8)	**3,759**
Net profit after income tax from discontinued operations [4]	**99**	1,011	–	**1,110**
Net profit after income tax	**3,967**	910	(8)	**4,869**

1 Comparative information has been restated to conform to presentation in the current period.
2 These amounts include post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency reserve recycling), and transaction and separation costs associated with the previously announced divestments.
3 Interest income includes total effective interest income and other interest income.
4 Statutory net profit after income tax from discontinued operations is presented net of non-controlling interests.

4.4 Analysis Template

Ratios - Output Summary (continuing operations basis)	Half Year Ended [1] 31 Dec 21 $M	30 Jun 21 $M	31 Dec 20 $M
Earnings Per Share (EPS)			
Net profit after tax - "cash basis"	**4,746**	4,785	3,868
Average number of shares (M) - "cash basis"	**1,740**	1,772	1,770
Earnings Per Share basic - "cash basis" (cents)	**272. 8**	270. 0	218. 5
Net profit after tax - "statutory basis"	**4,741**	5,084	3,759
Average number of shares (M) - "statutory basis"	**1,740**	1,772	1,770
Earnings Per Share basic - "statutory basis" (cents)	**272. 5**	286. 8	212. 3
Interest expense (after tax) - PERLS VII	**24**	23	23
Interest expense (after tax) - PERLS VIII	**12**	21	21
Interest expense (after tax) - PERLS IX	**25**	25	25
Interest expense (after tax) - PERLS X	**17**	17	18
Interest expense (after tax) - PERLS XI	**22**	22	22
Interest expense (after tax) - PERLS XII	**19**	18	19
Interest expense (after tax) - PERLS XIII	**12**	6	–
Profit impact of assumed conversions (after tax)	**131**	132	128
Weighted average number of shares - PERLS VII (M)	**30**	37	44
Weighted average number of shares - PERLS VIII (M)	**8**	18	22
Weighted average number of shares - PERLS IX (M)	**16**	20	24
Weighted average number of shares - PERLS X (M)	**14**	17	20
Weighted average number of shares - PERLS XI (M)	**16**	19	24
Weighted average number of shares - PERLS XII (M)	**16**	20	24
Weighted average number of shares - PERLS XIII (M)	**12**	7	–
Weighted average number of shares - Employee share plans (M)	**2**	2	2
Weighted average number of shares - dilutive securities (M)	**114**	140	160
Net profit after tax - "cash basis"	**4,746**	4,785	3,868
Add back profit impact of assumed conversions (after tax)	**131**	132	128
Adjusted diluted profit for EPS calculation	**4,877**	4,917	3,996
Average number of shares (M) - "cash basis"	**1,740**	1,772	1,770
Add back weighted average number of shares (M)	**114**	140	160
Diluted average number of shares (M)	**1,854**	1,912	1,930
Earnings Per Share diluted - "cash basis" (cents)	**263. 0**	257. 1	207. 1
Net profit after tax - "statutory basis"	**4,741**	5,084	3,759
Add back profit impact of assumed conversions (after tax)	**131**	132	128
Adjusted diluted profit for EPS calculation	**4,872**	5,216	3,887
Average number of shares (M) - "statutory basis"	**1,740**	1,772	1,770
Add back weighted average number of shares (M)	**114**	140	160
Diluted average number of shares (M)	**1,854**	1,912	1,930
Earnings Per Share diluted - "statutory basis" (cents)	**262. 8**	272. 7	201. 4

1 Calculations are based on actual numbers prior to rounding to the nearest million.

4.4 Analysis Template (continued)

Ratios - Output Summary (including discontinued operations)	Half Year Ended [1] 31 Dec 21 $M	30 Jun 21 $M	31 Dec 20 $M
Earnings Per Share (EPS)			
Net profit after tax - "cash basis"	**4,846**	4,834	3,967
Average number of shares (M) - "cash basis"	**1,740**	1,772	1,770
Earnings Per Share basic - "cash basis" (cents)	**278. 5**	272. 7	224. 1
Net profit after tax - "statutory basis"	**5,870**	5,312	4,869
Average number of shares (M) - "statutory basis"	**1,740**	1,772	1,770
Earnings Per Share basic - "statutory basis" (cents)	**337. 4**	299. 7	275. 0
Interest expense (after tax) - PERLS VII	**24**	23	23
Interest expense (after tax) - PERLS VIII	**12**	21	21
Interest expense (after tax) - PERLS IX	**25**	25	25
Interest expense (after tax) - PERLS X	**17**	17	18
Interest expense (after tax) - PERLS XI	**22**	22	22
Interest expense (after tax) - PERLS XII	**19**	18	19
Interest expense (after tax) - PERLS XIII	**12**	6	–
Profit impact of assumed conversions (after tax)	**131**	132	128
Weighted average number of shares - PERLS VII (M)	**30**	37	44
Weighted average number of shares - PERLS VIII (M)	**8**	18	22
Weighted average number of shares - PERLS IX (M)	**16**	20	24
Weighted average number of shares - PERLS X (M)	**14**	17	20
Weighted average number of shares - PERLS XI (M)	**16**	19	24
Weighted average number of shares - PERLS XII (M)	**16**	20	24
Weighted average number of shares - PERLS XIII (M)	**12**	7	–
Weighted average number of shares - Employee share plans (M)	**2**	2	2
Weighted average number of shares - dilutive securities (M)	**114**	140	160
Net profit after tax - "cash basis"	**4,846**	4,834	3,967
Add back profit impact of assumed conversions (after tax)	**131**	132	128
Adjusted diluted profit for EPS calculation	**4,977**	4,966	4,095
Average number of shares (M) - "cash basis"	**1,740**	1,772	1,770
Add back weighted average number of shares (M)	**114**	140	160
Diluted average number of shares (M)	**1,854**	1,912	1,930
Earnings Per Share diluted - "cash basis" (cents)	**268. 4**	259. 7	212. 2
Net profit after tax - "statutory basis"	**5,870**	5,312	4,869
Add back profit impact of assumed conversions (after tax)	**131**	132	128
Adjusted diluted profit for EPS calculation	**6,001**	5,444	4,997
Average number of shares (M) - "statutory basis"	**1,740**	1,772	1,770
Add back weighted average number of shares (M)	**114**	140	160
Diluted average number of shares (M)	**1,854**	1,912	1,930
Earnings Per Share diluted - "statutory basis" (cents)	**323. 6**	284. 7	258. 9

1 Calculations are based on actual numbers prior to rounding to the nearest million.

Appendices (continued)

4.4 Analysis Template (continued)

Dividends Per Share (DPS)	Half Year Ended [1]		
Dividends (including discontinued operations)	**31 Dec 21**	30 Jun 21	31 Dec 20
Dividends per share (cents) - fully franked	**175**	200	150
No. of shares at end of period excluding Treasury shares deduction (M)	**1,706**	1,774	1,774
Total dividends ($M)	**2,986**	3,548	2,661
Dividend payout ratio - "cash basis"			
Net profit after tax - attributable to ordinary shareholders ($M)	**4,846**	4,834	3,967
Total dividends ($M)	**2,986**	3,548	2,661
Payout ratio - "cash basis" (%)	**61.62**	73.40	67.08
Dividend cover			
Net profit after tax - attributable to ordinary shareholders ($M)	**4,846**	4,834	3,967
Total dividends ($M)	**2,986**	3,548	2,661
Dividend cover - "cash basis" (times)	**1. 6**	1. 4	1. 5

1 Calculations are based on actual numbers prior to rounding to the nearest million.

	Half Year Ended [1,2]		
	31 Dec 21	30 Jun 21	31 Dec 20
Ratios - Output Summary (continuing operations basis)	**$M**	$M	$M
Return on Equity (ROE)			
Return on Equity - "cash basis"			
Average net assets	**76,675**	76,789	73,414
Less:			
Average non-controlling interests	**(5)**	(5)	(5)
Net average equity	**76,670**	76,784	73,409
Net profit after tax - "cash basis"	**4,746**	4,785	3,868
ROE - "cash basis" (%)	**12. 3**	12. 6	10. 5
Return on Equity - "statutory basis"			
Average net assets	**76,675**	76,789	73,414
Average non-controlling interests	**(5)**	(5)	(5)
Average equity	**76,670**	76,784	73,409
Net profit after tax - "statutory basis"	**4,741**	5,084	3,759
ROE - "statutory basis" (%)	**12. 3**	13. 4	10. 2

1 Calculations are based on actual numbers prior to rounding to the nearest million.
2 Comparative information has been restated to conform to presentation in the current period.

4.4 Analysis Template (continued)

Ratios - Output Summary (including discontinued operations)	Half Year Ended [1,2] 31 Dec 21 $M	30 Jun 21 $M	31 Dec 20 $M
Return on Equity (ROE)			
Return on Equity - "cash basis"			
Average net assets	**76,675**	76,789	73,414
Less:			
Average non-controlling interests	**(5)**	(5)	(5)
Net average equity	**76,670**	76,784	73,409
Net profit after tax - "cash basis"	**4,846**	4,834	3,967
ROE - "cash basis" (%)	**12. 5**	12. 7	10. 7
Return on Equity - "statutory basis"			
Average net assets	**76,675**	76,789	73,414
Average non-controlling interests	**(5)**	(5)	(5)
Average equity	**76,670**	76,784	73,409
Net profit after tax - "statutory basis"	**5,870**	5,312	4,869
ROE - "statutory basis" (%)	**15. 2**	14. 0	13. 2
Net Tangible Assets per share			
Net assets	**74,663**	78,688	74,890
Less:			
Intangible assets	**(7,108)**	(7,642)	(7,640)
Non-controlling interests	**(5)**	(5)	(5)
Total net tangible assets	**67,550**	71,041	67,245
No. of shares at end of period excluding Treasury shares deduction (M)	**1,706**	1,774	1,774
Net Tangible Assets per share ($)	**39. 59**	40. 04	37. 90

1 Calculations are based on actual numbers prior to rounding to the nearest million.
2 Comparative information has been restated to conform to presentation in the current period.

4.5 Group Performance Summary

Group Performance Summary	Summary from continuing operations – Half Year Ended[1] ("cash basis")					Summary including discontinued operations – Half Year Ended[1] ("cash basis")				
	31 Dec 21 $M	30 Jun 21 $M	31 Dec 20 $M	Dec 21 vs Jun 21 %	Dec 21 vs Dec 20 %	**31 Dec 21 $M**	30 Jun 21 $M	31 Dec 20 $M	Dec 21 vs Jun 21 %	Dec 21 vs Dec 20 %
Net interest income	**9,748**	9,702	9,600	–	2	**9,749**	9,703	9,602	–	2
Other banking income	**2,359**	2,354	2,190	–	8	**2,372**	2,378	2,223	–	7
Total banking income	**12,107**	12,056	11,790	–	3	**12,121**	12,081	11,825	–	3
Funds management income	**80**	85	80	(6)	–	**394**	446	421	(12)	(6)
Insurance income	**18**	54	91	(67)	(80)	**18**	54	91	(67)	(80)
Total operating income	**12,205**	12,195	11,961	–	2	**12,533**	12,581	12,337	–	2
Operating expenses	**(5,588)**	(5,768)	(5,591)	(3)	–	**(5,770)**	(6,084)	(5,826)	(5)	(1)
Loan impairment benefit/(expense)	**75**	328	(882)	77	(large)	**75**	328	(882)	77	(large)
Net profit before tax	**6,692**	6,755	5,488	(1)	22	**6,838**	6,825	5,629	–	21
Corporate tax expense	**(1,946)**	(1,970)	(1,620)	(1)	20	**(1,992)**	(1,991)	(1,662)	–	20
Net profit after tax	**4,746**	4,785	3,868	(1)	23	**4,846**	4,834	3,967	–	22
Net profit after tax from discontinued operations	**100**	49	99	large	1	**–**	–	–	–	–
Net profit after tax including discontinued operations	**4,846**	4,834	3,967	–	22	**4,846**	4,834	3,967	–	22

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

4.6 Foreign Exchange Rates

Exchange Rates Utilised [1]	Currency	As at 31 Dec 21	30 Jun 21	31 Dec 20
AUD 1.00 =	USD	**0. 7260**	0. 7521	0. 7705
	EUR	**0. 6411**	0. 6319	0. 6270
	GBP	**0. 5376**	0. 5431	0. 5657
	NZD	**1. 0628**	1. 0740	1. 0667
	JPY	**83. 5572**	83. 1173	79. 4750

1 End of day, Sydney time.

Average Exchange Rates Utilised	Currency	Half Year Ended 31 Dec 21	30 Jun 21	31 Dec 20
AUD 1.00 =	USD	**0. 7318**	0. 7714	0. 7228
	EUR	**0. 6301**	0. 6400	0. 6123
	GBP	**0. 5368**	0. 5557	0. 5536
	NZD	**1. 0489**	1. 0756	1. 0727
	JPY	**81. 8715**	83. 0721	76. 0995

4.7 Definitions

Glossary of Terms

Term	Description
Assets under management	Assets under management (AUM) represents the market value of assets for which the Group acts as an appointed manager.
Bankwest	Bankwest is active in all domestic market segments, with lending diversified between the business, rural, housing and personal markets, including a full range of deposit products. The retail banking activities conducted under the Bankwest brand are consolidated into Retail Banking Services, and the business banking activities conducted under the Bankwest brand are consolidated into Business Banking.
Business Banking	Business Banking serves the banking needs of business, corporate and agribusiness customers across the full range of financial services solutions, as well as equities trading and margin lending services through the CommSec business. Business Banking includes the financial results of business banking activities conducted under the Bankwest brand.
Corporate Centre and Other	Corporate Centre and Other includes the results of the Group's centrally held minority investments and subsidiaries, Group-wide remediation costs, investment spend including enterprise-wide infrastructure and other strategic projects, employee entitlements, and unallocated revenue and expenses relating to the Bank's support functions including Treasury, Investor Relations, Group Strategy, Legal and Corporate Affairs and Bank-wide elimination entries arising on consolidation.
Corporations Act	*Corporations Act 2001* (Cth).
Dividend payout ratio ("cash basis")	Dividends paid on ordinary shares divided by net profit after tax ("cash basis").
Dividend payout ratio ("statutory basis")	Dividends paid on ordinary shares divided by net profit after tax ("statutory basis").
DRP	Dividend reinvestment plan.
DRP participation	The percentage of total issued capital participating in the dividend reinvestment plan.
Earnings per share (basic)	Basic earnings per share is the net profit attributable to ordinary equity holders of the Bank, divided by the weighted average number of ordinary shares on issue during the period per the requirements of relevant accounting standards.
Earnings per share (diluted)	Diluted earnings per share adjusts the net profit attributable to ordinary equity holders of the Bank and the weighted average number of ordinary shares on issue used in the calculation of basic earnings per share, for the effects of dilutive potential ordinary shares per the requirements of relevant accounting standards.
Full-time equivalent staff	Includes all permanent full-time staff, part-time staff equivalents and external contractors employed through third-party agencies.
Funds under administration	Funds under administration (FUA) represents the market value of funds administered by the Group and excludes AUM.
Institutional Banking and Markets	Institutional Banking & 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 Group's Basel III Pillar 3 report.
Net profit after tax ("cash basis")	Represents net profit after tax and non-controlling interests before non-cash items including hedging and IFRS volatility, and losses or gains on acquisition, disposal, closure, capital repatriation and demerger of businesses. This is management's preferred measure of the Group's financial performance.

Appendices (continued)

Term	Description
Net profit after tax ("statutory basis")	Represents net profit after tax and non-controlling interests, calculated in accordance with Australian Accounting Standards. This is equivalent to the statutory item "Net profit attributable to Equity holders of the Bank".
Net Stable Funding Ratio (NSFR)	The NSFR more closely aligns the behaviour terms of assets and liabilities. It is the ratio of the amount of available stable funding (ASF) to the amount of required stable funding (RSF). ASF is the portion of an Authorised Deposit-taking Institution's (ADI) capital and liabilities expected to be a reliable source of funds over a one year time horizon. RSF is a function of the liquidity characteristics and residual maturities of an ADI's assets and off Balance Sheet activities.
Net tangible assets per share	Net assets excluding intangible assets, non-controlling interests and other equity instruments divided by ordinary shares on issue at the end of the period (excluding Treasury Shares deduction). Right of use assets are included in net tangible assets per share.
New Zealand	New Zealand includes the banking and funds management businesses operating under the ASB brand. ASB provides a range of banking, wealth and insurance products and services to its personal, business, rural and corporate customers in New Zealand.
Operating expenses to total operating income	Represents operating expenses as a percentage of total operating income. The ratio is a key efficiency measure.
Other Overseas	Represents amounts booked in branches and controlled entities outside Australia and New Zealand.
Profit after capital charge (PACC)	The Group uses PACC, a risk-adjusted measure, as a key measure of financial performance. It takes into account the profit achieved, the risk to capital that was taken to achieve it, and other adjustments.
Retail Banking Services	Retail Banking Services provides banking and general insurance products and services to personal and private bank customers. Retail Banking Services also includes the financial results of retail banking activities conducted under the Bankwest brand.
Return on equity ("cash basis")	Based on net profit after tax ("cash basis") less other equity instruments' distributions applied to average shareholders' equity, excluding non-controlling interests and other equity instruments.
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	The calculation incorporates the bonus element of any rights issue, discount element of any DRP and excludes "Treasury Shares" related to investments in the Bank's shares held by the employee share scheme trust.

Appendices (continued)

Market Share Definitions

Retail Banking Services	
Home loans (APRA)	CBA Loans to individuals that are Owner Occupied and Investment Home Loans as per APRA monthly ADI Statistics, **divided by** APRA Monthly ADI Statistics back series.
Home Loans (RBA)	CBA Loans to individuals that are Owner Occupied and Investment Home Loans as per APRA monthly ADI Statistics + separately reported subsidiaries: Wallaby Trust, Residential Mortgage Group P/L, **divided by** RBA Financial Aggregates Owner Occupied and Investor Home Lending (includes ADIs and RFCs).
Credit cards (APRA)	CBA Personal Credit Card Lending (APRA), **divided by** Loans to Households: Credit Cards (APRA Monthly ADI Statistics back series).
Consumer finance (other household lending)	CBA Lending to individuals which includes: Personal Loans, Margin Lending, Personal Leasing, Revolving Credit, Overdrafts, and Home Loans for personal purposes, **divided by** Loans to Households: Other (APRA Monthly ADI Statistics back series).
Household deposits	Total CBA transaction and non-transaction account deposit balances from residents as reported under APRA definitions for Households (individuals) excluding Self-Managed Super Funds (as per deposit balances submitted to APRA in ARF720.2A Deposits), **divided by** Deposits from Households (APRA Monthly ADI Statistics back series).
Business Banking	
Business lending (APRA)	CBA Total Loans to residents as reported under APRA definitions for the Non-Financial Businesses sector (as per lending balances submitted to APRA in ARF720.1A ABS/RBA Loans and Finance Leases) (this includes some Housing Loans to businesses), **divided by** Loans to Non-Financial Businesses (APRA Monthly ADI Statistics back series).
Business lending (RBA)	CBA Business Lending and Credit: specific "business lending" categories in lodged APRA returns – ARF720.1A ABS/RBA Loans and Finance Leases, ARF720.7 ABS/RBA Bill Acceptances and Endorsements, excluding sub-categories of RBA, ADIs, RFCs and Central Borrowing Authorities, and the category of General Government, **divided by** RBA Total Business Lending (adjusted for series breaks).
Business deposits (APRA)	Total CBA transaction and non-transaction account deposit balances from residents as reported under APRA definitions for the Non-Financial Businesses sector (as per deposit balances submitted to APRA in ARF720.2A Deposits), **divided by** Deposits from Non-Financial Businesses (from APRA Monthly ADI Statistics back series).
Equities trading	Twelve months rolling average of Australian equities traded value (CommSec excluding AUSIEX), **divided by** Twelve months rolling average of total Australian equities market traded value.

Market Share Definitions

New Zealand	
Home loans	All ASB residential mortgages for owner occupier and residential investor property use, **divided by** Total New Zealand residential mortgages for owner occupier and residential investor property use of all New Zealand registered banks (from RBNZ).
Customer deposits	All resident and non-resident deposits on ASB Balance Sheet, **divided by** Total resident and non-resident deposits of all New Zealand registered banks (from RBNZ).
Business lending	All New Zealand Dollar loans for business use on ASB Balance Sheet excluding agriculture loans, **divided by** Total New Zealand Dollar loans for business use of all New Zealand registered banks excluding agriculture loans (from RBNZ).