Profit Announcement

For the half year ended 31 December 2019

CommonwealthBank

ASX Appendix 4D		
Results for announcement to the market [1]		
Report for the half year ended 31 December 2019	**$M**	
Revenue from ordinary activities [2] [3]	**12,470**	**up 1%**
Profit/(loss) from ordinary activities after tax attributable to Equity holders	**6,161**	**up 34%**
Net profit/(loss) for the period attributable to Equity holders	**6,161**	**up 34%**
Dividends (distributions)		
Interim dividend - fully franked (cents per share)		**200**
Record date for determining entitlements to the dividend		**20 February 2020**

(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 impairment and operating expenses.

Commonwealth Bank of Australia | ACN 123 123 124 | 12 February 2020

This half year report is provided to the ASX under Rule 4.2A. Refer to Appendix 4.3 ASX Appendix 4D for disclosures required under ASX Listing Rules.

This report should be read in conjunction with the 30 June 2019 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 and ASX Listing Rules.

Except where otherwise stated, all figures relate to the half year ended 31 December 2019. The term "prior comparative period" refers to the half year ended 31 December 2018, while the term "prior half" refers to the half year ended 30 June 2019.

Important dates for shareholders

Half year results announcement	**12 February 2020**
Ex-dividend date	**19 February 2020**
Record date	**20 February 2020**
Last date to change participation in DRP	**21 February 2020**
Interim dividend payment date	**31 March 2020**
Full year results announcement	**12 August 2020**

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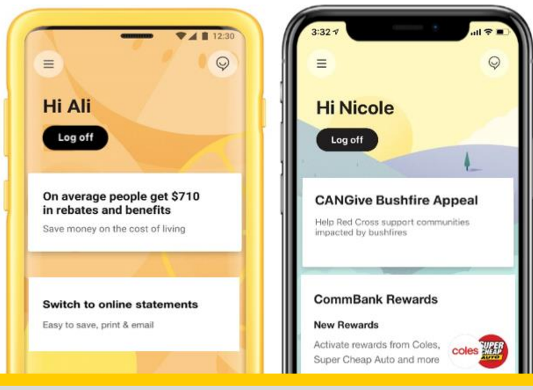
ASX Announcement

CBA 1H20 Result

For the half year ended 31 December 2019[1]
Reported 12 February 2020

CommonwealthBank



Delivering on our strategy

A simpler bank
- Well progressed with divestments
- Core franchise delivering > 97% of Cash NPAT
- Cost savings momentum

A better bank
- Supporting drought and bushfire relief
- APRA Remedial Action Plan – on track, more to do
- Royal Commission – 23 applicable recommendations underway

Best in digital
- Creating brilliant customer experiences – #1 app[2]
- Building on our strong technology foundations
- Innovating for future growth – X15 Ventures, Klarna

Lead in retail and commercial banking
- Enhanced core product offerings
- Improving Net Promoter Scores
- Market share gains – MFI, home loans, deposits[3]

Result overview

Chief Executive Officer, Matt Comyn: "Our focus on strong execution in the Bank's core franchise has delivered a solid result. In an environment characterised by low interest rates and relatively low credit growth, our banking businesses performed well, leading to strong volume growth in home lending and deposits.

We helped more customers meet their financial goals, including $53bn in new lending to home buyers and $19bn in new business lending. We have also been supporting customers and communities impacted by bushfires and drought, and we will continue to do whatever we can to help them recover and rebuild.

The strength of our balance sheet and our surplus capital position enabled the Board to deliver an unchanged interim dividend of $2.00 per share for shareholders, and creates flexibility for future capital management initiatives.

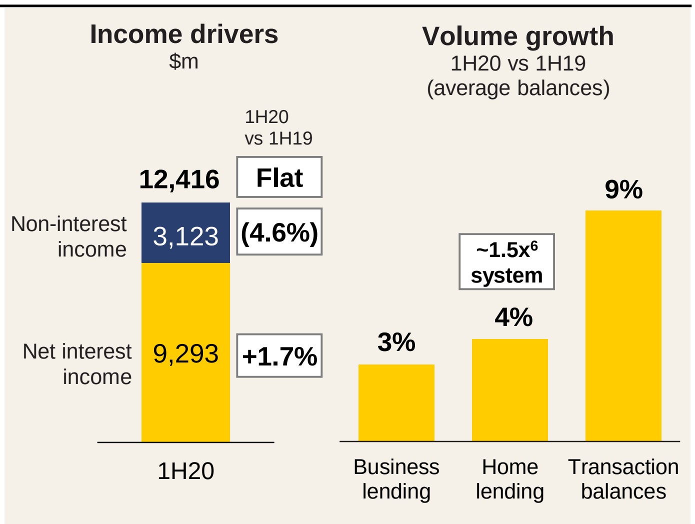
We also continued to invest in innovation and growth. Our partnership with Klarna provides our customers with a new integrated shopping, payment and banking experience, and enhances our market-leading app; and through the launch of X15 Ventures we are building a pipeline of new digital businesses with a focus on delivering the best customer experiences."

1H20 financial highlights

- Statutory net profit after tax (NPAT)[4] of $6,161m, up 34% including $1,688m from the gain on sale of CFSGAM
- Cash NPAT of $4,477m, down 4.3%
- Cash return on equity (ROE) of 12.7%
- Operating income of $12,416m, flat on 1H19, up 3.5% sequentially
- Group net interest margin (NIM) of 2.11%, up 1 basis point (bpt) on 2H19
- Operating expenses of $5,429m, up 2.6%
- Loan impairment expense of 17 bpts of average GLAA[5] (14 bpts ex. drought/bushfire provision), up 2 bpts
- Deposit funding of 71%, up 2%
- Common Equity Tier 1 (CET1) capital ratio of 11.7% (APRA), 17.5% (internationally comparable)
- Interim dividend per share of $2.00

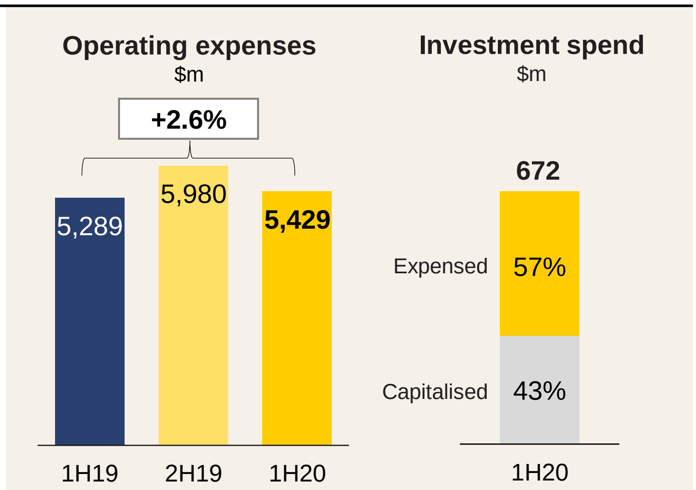
Operating income

- Operating income was flat at $12,416m.
- Net interest income was up 1.7% due to volume growth in our core businesses and stable Group NIM.
- The Group's NIM was 2.11% up 1 bpt on 2H19, due to the benefit of lower basis risk and higher asset pricing, offset by reduced deposit and capital earnings as a result of the lower cash rate.
- The lower cash rate will continue to impact NIM as the benefits of the equity and deposit hedges run off. We expect that previously announced cash rate reductions will negatively impact Group NIM by 5 bpts in 2H20 (vs 1H20), 4 bpts in FY20 (vs FY19), and by another 4 bpts in FY21 (vs FY20).
- Non-interest income was down 4.6%, largely due to the impact of bushfire related claims of $83m[7] on insurance income, the removal and repricing of certain wealth management fees, and a realised loss on the hedge of New Zealand earnings.



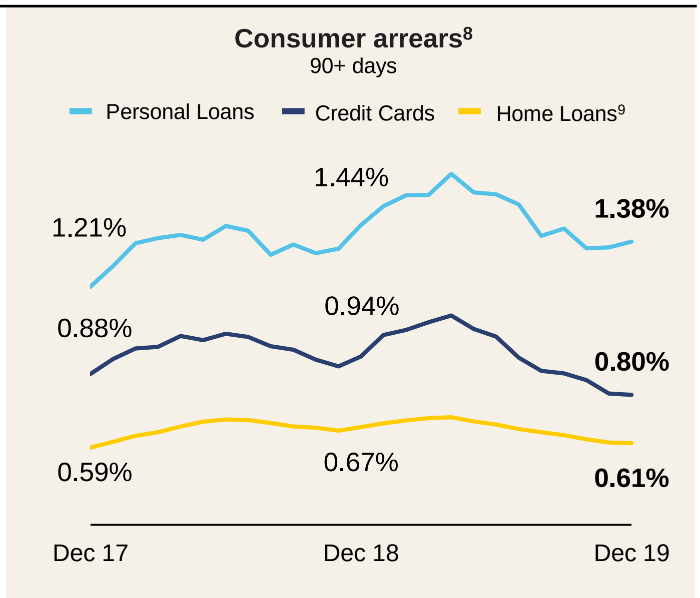
Operating expenses

- Operating expenses increased 2.6% to $5,429m due to wage inflation and higher IT, risk and compliance costs.
- Cost savings of $222m were achieved through business simplification, up from $80m in 1H19.
- Good progress was made on remediation with $630m refunded to customers as at 31 December 2019. Assessment of aligned advice remediation continues.
- Investment spend was flat at $672m with risk and compliance spend accounting for 73% of the total.



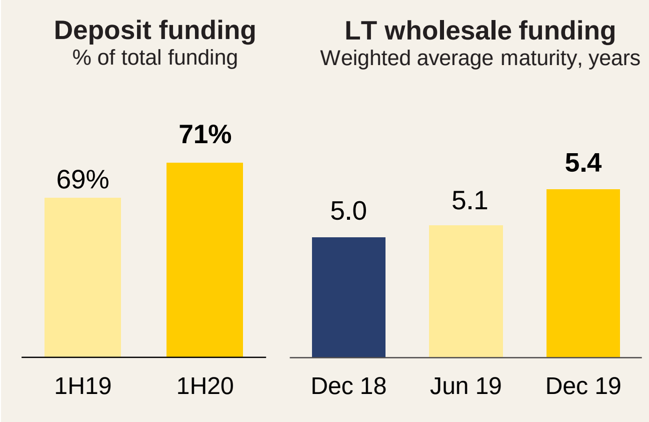
Credit quality

- A drought/bushfire-related provision of $100m was taken in 1H20.
- Asset quality remained sound with loan impairment expense of $649m. As a percentage of gross loans and acceptances, loan loss rates increased 2 bpts to 17 bpts (14 bpts excluding the drought/bushfire provision). Corporate and consumer loan loss rates were 24 bpts and 14 bpts respectively.
- Consumer arrears improved across all portfolios.
- Troublesome and impaired assets were stable at $7.8bn over the half. Lower consumer arrears and improved property market conditions led to improvements in the consumer portfolios. Pockets of stress remain in the discretionary retail, agriculture and construction sectors.
- Prudent levels of provisioning were maintained, with total provisions of $5,026m equating to total provision coverage of 1.34%, up from 1.28% in December 2018.



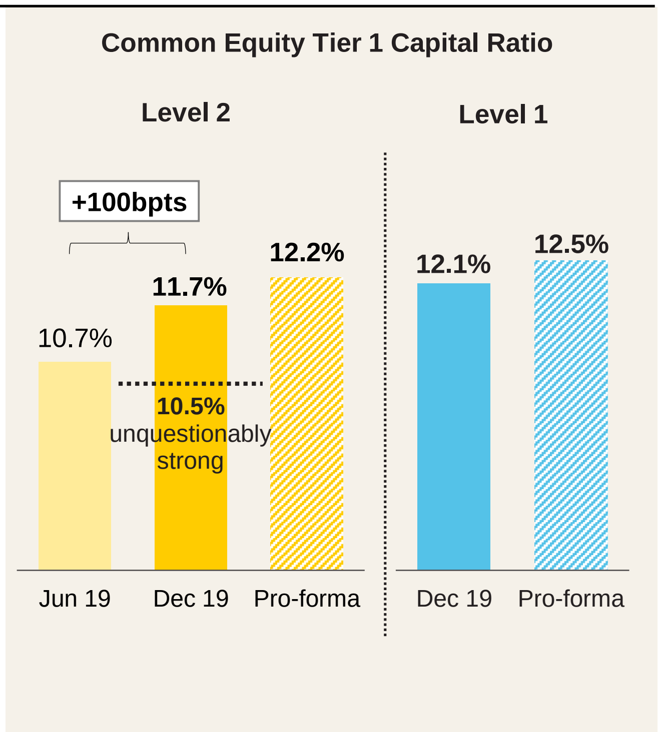
Funding & liquidity

- Key funding and liquidity metrics continued to strengthen.
- Continued customer deposit growth increased deposit funding to 71%. The average tenor for new issuance year-to-date was 9.5 years, increasing the overall average tenor of the long-term wholesale funding portfolio to 5.4 years.
- An efficient balance sheet mix supported a strong Net Stable Funding Ratio which was up 1% to 113%, and a sound liquidity position with the Liquidity Coverage Ratio increasing by 3% to 134%.
- The Leverage Ratio was 6.1% (APRA) and 7.0% (internationally comparable).



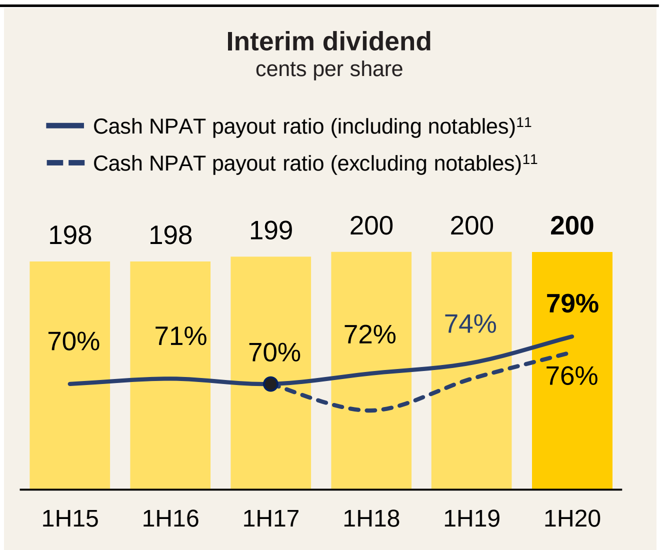
Capital

- The Group's capital position strengthened further.
- The Level 2 CET1 capital ratio of 11.7% is now well above APRA's unquestionably strong requirement.
- The 100 bpt increase on June 2019 was driven by the divestment of CFSGAM and the initial payment received for CommInsure Life, as well as strong organic capital generation.
- Pro-forma Level 2 CET1 of 12.2% includes the expected capital uplift from the finalisation of remaining divestments (CommInsure Life, BoCommLife and PT Commonwealth Life)[10].
- Further divestment proceeds are expected to be received by the end of the third quarter of FY20.
- The Board has determined that the Dividend Reinvestment Plan (DRP) will be satisfied by the anticipated on-market purchase of approximately $500m worth of shares.
- The strong surplus capital and franking position creates flexibility for the Board in its active consideration of future capital management initiatives.
- The exact amount, timing and structure of any capital initiative is subject to Board and regulatory approval, and the prevailing operating conditions.



Dividend

- The Group's core franchise strength continues to support consistent returns to shareholders.
- The Board declared an interim dividend of $2.00 per share, fully franked, unchanged on the 1H19 interim dividend.
- The interim payout ratio was 79% of cash NPAT.
- We are targeting a gradual return to our full-year payout ratio range of 70-80%.
- The ex-dividend date is 19 February, the Record Date is 20 February, and the interim dividend will be paid on 31 March.
- The DRP continues to be offered to shareholders. No discount will apply. The deadline for notifying participation is 21 February.



Becoming a simpler bank

Divestments completed

- Sovereign - Jul 18
- TymeDigital - Nov 18
- Colonial First State Global Asset Management (CFSGAM) - Aug 19
- Count Financial - Oct 19

Divestments underway[10]

- PT Commonwealth Life
- BoCommLife
- CommInsure Life

Aligned advice

- Financial Wisdom - assisted closure 2H20
- CFP-Pathways - cessation 2H20

Strategic review

- General Insurance
- Vietnam International Bank

Intention to exit[12]

- Colonial First State
- Aussie Home Loans
- Stakes in Mortgage Choice, CountPlus

Leading in digital, innovating for growth

#1 mobile banking app[2]

NEW CommBank Rewards - rewarding loyal customers through personalised cashback offers

Innovating for customers

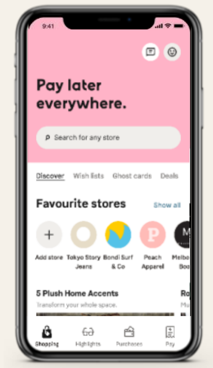
Everyday banking › beem it, creditSavvy, Klarna.

Home buying › PEXA, Home-in, Property app

Business / private › Wiise, CommSec Pocket, vonto

Digital portfolio to enhance our core business. Launching 25 ventures over 5 years through X15 Ventures.

Klarna



Shop now, pay later at any online store. Integrated into the CommBank app.

Outlook

Chief Executive Officer, Matt Comyn: “The Australian economy is underpinned by good long-term fundamentals. Our population continues to grow, we have a strong trade and fiscal position, and a solid pipeline of infrastructure investment provides ongoing stimulus. Recent improvements in key indicators also demonstrate the economy’s resilience, including growth in employment and the rebound in housing.

Uncertainties remain about the global economic outlook, and we are mindful of the impacts of drought and bushfires. Against this backdrop, we are focused on investing in our core businesses and on continued execution. We have both the capacity and the appetite to lend more to support our customers and the economy. We will also continue to invest in innovation and growth to create new opportunities for our business and to deliver the best experiences for our customers.”

Footnotes

[1] 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 2019 and comparisons are to the prior comparative period, the half year ended 31 December 2018. Financials are presented on a ‘continuing operations basis’. This excludes discontinued operations: the Bank’s Australia and New Zealand life insurance businesses (CommInsure Life and Sovereign), BoCommLife, TymeDigital SA, Colonial First State Global Asset Management (CFSGAM) and PT Commonwealth Life.

[2] The Forrester Banking Wave™: Australian Mobile Apps, Q2 2019. Commonwealth Bank of Australia received the highest industry Wave™ overall score among mobile apps in Australia in Forrester's proprietary Industry Wave™ evaluation. Forrester Research does not endorse any company included in any Industry Wave™ report and does not advise any person or organization to select the products or services of any particular company based on the ratings included in such reports.

[3] Main Financial Institution (MFI): 35.6% (Dec 19), 35.1% (Dec 18). MFI Share measures the proportion of Banking and Finance MFI Customers that nominated each bank as their Main Financial Institution. MFI definition: In the Roy Morgan Single Source Survey, MFI is a customer determined response where one institution is nominated as the primary financial institution they deal with (when considering all financial products they hold). Peers include ANZ Group, NAB Group and Westpac Group (including St George Group). CBA Group includes Bankwest. Source: Roy Morgan Single Source survey conducted by Roy Morgan, Australian population 14+ (12 month average to December 2018 and 12 month average to December 2019), excluding unable to identify MFI. Home loan market share: 25.5% (Dec 19), 25.2% (Jun 19); household deposit market share: 26.8% (Dec 19), 26.7% (Jun 19). Source: CBA’s Market Share as at December 2019 and June 2019 have been calculated based on APRA’s Monthly Authorised Deposit-taking Institution Statistics. Current period and comparatives have been updated to reflect market restatements.

[4] Includes discontinued operations. 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 2019.

[5] Cash loan impairment expense annualised as a percentage of average gross loans and acceptances (GLAA) (bpts).

[6] System source: RBA Lending and Credit Aggregates. RBA collection data was aligned to the new regulatory definitions set by APRA from 1 July 2019, therefore volume growth has been calculated for the 5 months to December 2019.

[7] The $83m impact is for insurance claims related to bushfires up to and including 31 December 2019. This is based on claims received and an estimate of incurred but not reported claims, predominantly relating to building and contents insurance. There are no catastrophe reinsurance recoveries.

[8] Includes New Zealand.

[9] Excludes Reverse Mortgage, Commonwealth Portfolio Loan and Residential Mortgage Group loans.

[10] PT Commonwealth Life and BoCommLife are expected to complete in 2H20. On 1 November 2019, full control of CommInsure Life was transferred to AIA, with the divestment to proceed through either a share sale or a statutory asset transfer. Under a share sale, the transaction is expected to complete shortly following the completion of BoCommLife. In the event of a statutory asset transfer, the transaction is expected to complete around the end of calendar year 2020, with the proceeds to be received in instalments.

[11] Notable items are detailed on page 11 of the Profit Announcement for the half year ended 31 December 2019.

[12] The Group has committed to exiting these businesses/investments over time, and continues to actively explore a range of alternatives to achieve this.

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Key financial information

	Half year ended[1] ("cash basis")				
Group performance summary (continuing operations)	31 Dec 19 $m	30 Jun 19 $m	31 Dec 18 $m	Dec 19 v Jun 19 %	Dec 19 v Dec 18 %
Net interest income	9,293	8,986	9,134	3	2
Other banking income	2,603	2,432	2,636	7	(1)
Total banking income	**11,896**	**11,418**	**11,770**	**4**	**1**
Funds management income	489	502	570	(3)	(14)
Insurance income	31	79	68	(61)	(54)
Total operating income	**12,416**	**11,999**	**12,408**	**3**	**-**
Investment experience	3	1	3	large	-
Total income	**12,419**	**12,000**	**12,411**	**3**	**-**
Operating expenses	(5,429)	(5,980)	(5,289)	(9)	3
Loan impairment expense	(649)	(624)	(577)	4	12
Net profit before tax	**6,341**	**5,396**	**6,545**	**18**	**(3)**
NPAT from continuing operations	**4,477**	**3,816**	**4,676**	**17**	**(4)**
NPAT from discont'd operations[2]	17	122	92	(86)	(82)
NPAT incl. discont'd operations ("statutory basis")	**6,161**	**3,972**	**4,599**	**55**	**34**
Cash net profit after tax, by division (continuing operations)					
Retail Banking Services	2,167	1,873	2,071	16	5
Business and Private Banking	1,498	1,386	1,545	8	(3)
Institutional Banking and Markets	476	515	602	(8)	(21)
Wealth Management	127	26	138	large	(8)
New Zealand	524	515	544	2	(4)
International Financial Services	100	120	130	(17)	(23)
Corporate Centre	(415)	(619)	(354)	(33)	17
Shareholder ratios & performance indicators (continuing operations)					
Earnings per share - "cash basis" - basic (cents)	253.1	215.7	265.2	17	(5)
Return on equity - "cash basis" (%)	12.7	11.2	13.8	150 bpts	(110)bpts
Dividends per share - fully franked (cents)[3]	200	231	200	(13)	-
Dividend payout ratio - "cash basis" (%)[3]	78.8	103.8	74.3	large	450 bpts
Average interest earning assets ($M)[4]	874,564	864,692	863,664	1	1
Funds Under Administration (FUA) – average ($M)[5]	173,986	164,129	160,860	6	8
Assets Under Management (AUM) – average ($M)	16,730	15,156	13,887	10	20
Net interest margin (%)	2.11	2.10	2.10	1 bpt	1 bpt
Operating expenses to total operating income (%)	43.7	49.8	42.6	large	110 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 include the Bank's Australia and New Zealand life insurance businesses (CommInsure Life and Sovereign), BoCommLife, TymeDigital SA, Colonial First State Global Asset Management (CFSGAM) and PT Commonwealth Life. Includes non-controlling interests in net profit after income tax from discontinued operations.
3 Includes discontinued operations.
4 Average interest earning assets are net of average mortgage offset balances.
5 FUA average has been calculated using the average for the period the Group owned Aegis up until 2 December 2019.

Highlights

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Highlights

Group Performance Summary

Group Performance Summary	Half Year Ended ("statutory basis") 31 Dec 19 $M	Dec 19 vs Dec 18 %	Half Year Ended [1] ("cash basis") 31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Net interest income	**9,293**	2	**9,293**	8,986	9,134	3	2
Other banking income	**2,654**	5	**2,603**	2,432	2,636	7	(1)
Total banking income	**11,947**	2	**11,896**	11,418	11,770	4	1
Funds management income	**491**	(14)	**489**	502	570	(3)	(14)
Insurance income	**32**	(54)	**31**	79	68	(61)	(54)
Total operating income	**12,470**	1	**12,416**	11,999	12,408	3	-
Investment experience	**n/a**	n/a	**3**	1	3	large	-
Total income	**12,470**	1	**12,419**	12,000	12,411	3	-
Operating expenses	**(5,434)**	2	**(5,429)**	(5,980)	(5,289)	(9)	3
Loan impairment expense	**(649)**	12	**(649)**	(624)	(577)	4	12
Net profit before tax	**6,387**	-	**6,341**	5,396	6,545	18	(3)
Corporate tax expense	**(1,814)**	(1)	**(1,864)**	(1,574)	(1,863)	18	-
Non-controlling interests	**-**	large	**-**	(6)	(6)	large	large
Net profit after tax from continuing operations	**4,573**	-	**4,477**	3,816	4,676	17	(4)
Net profit after tax from discontinued operations [2]	**1,588**	large	**17**	122	92	(86)	(82)
Net profit after tax	**6,161**	34	**4,494**	3,938	4,768	14	(6)
Gain/(loss) on acquisition, disposal, closure and demerger of businesses	**n/a**	n/a	**1,631**	13	(74)	large	large
Hedging and IFRS volatility	**n/a**	n/a	**36**	12	(91)	large	large
Other non-cash items	**n/a**	n/a	**-**	9	(4)	large	large
Net profit after tax ("statutory basis")	**6,161**	34	**6,161**	3,972	4,599	55	34
Cash net profit after tax, by division							
Retail Banking Services (excl. Mortgage Broking and General Insurance)			**2,166**	1,860	2,052	16	6
Mortgage Broking and General Insurance			**1**	13	19	(92)	(95)
Retail Banking Services			**2,167**	1,873	2,071	16	5
Business and Private Banking			**1,498**	1,386	1,545	8	(3)
Institutional Banking and Markets			**476**	515	602	(8)	(21)
Wealth Management			**127**	26	138	large	(8)
New Zealand			**524**	515	544	2	(4)
International Financial Services			**100**	120	130	(17)	(23)
Corporate Centre			**(415)**	(619)	(354)	(33)	17
Net profit after tax from continuing operations ("cash basis")			**4,477**	3,816	4,676	17	(4)

(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 include the Bank's Australia and New Zealand life insurance businesses (CommInsure Life and Sovereign), BoCommLife, TymeDigital SA, Colonial First State Global Asset Management (CFSGAM) and PT Commonwealth Life. Includes non-controlling interests in net profit after income tax from discontinued operations.

Highlights

Non-Cash Items Included in Statutory Profit

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

	Half Year Ended				
Non-Cash Items Included in Statutory Profit	**31 Dec 19 $M**	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Gain/(loss) on acquisition, disposal, closure and demerger of businesses	**1,631**	13	(74)	large	large
Hedging and IFRS volatility	**36**	12	(91)	large	large
Bankwest non-cash items	**-**	-	(1)	-	large
Treasury shares valuation adjustment	**-**	9	(3)	large	large
Other non-cash items	**-**	9	(4)	large	large
Total non-cash items (after tax)	**1,667**	34	(169)	large	large

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

	Half Year Ended				
Non-Cash Items Included in Statutory Profit	**31 Dec 19 $M**	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Gain/(loss) on acquisition, disposal, closure and demerger of businesses (1)	**60**	(43)	(9)	large	large
Hedging and IFRS volatility	**36**	12	(91)	large	large
Bankwest non-cash items	**-**	-	(1)	-	large
Non-cash items (after tax) from continuing operations	**96**	(31)	(101)	large	large
Gain/(loss) on acquisition, disposal, closure and demerger of businesses (2)	**1,571**	56	(65)	large	large
Treasury shares valuation adjustment discontinued operations	**-**	9	(3)	large	large
Non-cash items (after tax) from discontinued operations	**1,571**	65	(68)	large	large
Total non-cash items (after tax)	**1,667**	34	(169)	large	large

(1) The half year ended 31 December 2019 includes a $52 million gain net of transaction and separation costs associated with the disposal of Count Financial (30 June 2019: $33 million expense; 31 December 2018: nil), and a $9 million gain net of transaction and separation costs associated with the disposal of Aegis (30 June 2019: nil; 31 December 2018: nil), partly offset by a $1 million loss on disposal and closure of other businesses (30 June 2019: $26 million gain; 31 December 2018: $9 million gain). The half year ended 30 June 2019 includes demerger costs for NewCo of $36 million (31 December 2018: $18 million).

(2) The half year ended 31 December 2019 includes a $1,688 million gain net of transaction and separation costs associated with the disposal of CFSGAM (30 June 2019: $29 million benefit; 31 December 2018: $100 million expense), partly offset by a $116 million loss net of transaction and separation costs associated with the deconsolidation and planned divestment of CommInsure Life (30 June 2019: $44 million expense; 31 December 2018: $38 million expense) and a $1 million net loss on disposal and closure of other businesses (30 June 2019: $49 million gain; 31 December 2018: $18 million expense). The half year ended 30 June 2019 includes a $22 million gain net of transaction and separation costs associated with the disposal of Sovereign (31 December 2018: $113 million gain). The half year ended 31 December 2018 includes a $22 million loss net of transaction and separation costs associated with the disposal of TymeDigital SA.

Highlights

Key Performance Indicators

Key Performance Indicators (2)	Half Year Ended (1) 31 Dec 19	30 Jun 19	31 Dec 18	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Group Performance from continuing operations					
Statutory net profit after tax ($M)	**4,573**	3,785	4,575	21	-
Cash net profit after tax ($M)	**4,477**	3,816	4,676	17	(4)
Net interest margin (%)	**2. 11**	2. 10	2. 10	1 bpt	1 bpt
Operating expenses to total operating income (%)	**43. 7**	49. 8	42. 6	large	110 bpts
Spot number of full-time equivalent staff (FTE)	**42,137**	42,921	42,519	(2)	(1)
Average number of FTE	**42,429**	42,979	42,570	(1)	-
Effective corporate tax rate ("cash basis") (%)	**29. 4**	29. 2	28. 5	20 bpts	90 bpts
Profit after capital charge (PACC) ($M) (3)	**2,373**	1,704	2,660	39	(11)
Average interest earning assets ($M) (4)	**874,564**	864,692	863,664	1	1
Average interest bearing liabilities ($M) (4)	**763,025**	757,518	764,654	1	-
Funds Under Administration (FUA) - average ($M) (5)	**173,986**	164,129	160,860	6	8
Assets Under Management (AUM) - average ($M)	**16,730**	15,156	13,887	10	20
Group Performance including discontinued operations					
Statutory net profit after tax ($M)	**6,161**	3,972	4,599	55	34
Cash net profit after tax ($M)	**4,494**	3,938	4,768	14	(6)
Net interest margin (%)	**2. 12**	2. 10	2. 11	2 bpts	1 bpt
Operating expenses to total operating income (%)	**44. 4**	51. 3	44. 4	large	-
Spot number of full-time equivalent staff (FTE)	**42,548**	45,165	44,870	(6)	(5)
Average number of FTE	**43,760**	45,234	45,211	(3)	(3)
Effective corporate tax rate ("cash basis") (%)	**29. 3**	29. 0	28. 4	30 bpts	90 bpts
Profit after capital charge (PACC) ($M) (3)	**2,319**	1,686	2,647	38	(12)
Average interest earning assets ($M) (4)	**874,955**	865,132	864,190	1	1
Average interest bearing liabilities ($M) (4)	**763,253**	758,705	765,527	1	-
Funds Under Administration (FUA) - average ($M) (6)	**184,047**	174,291	171,322	6	7
Assets Under Management (AUM) - average ($M) (7)	**235,547**	225,788	218,227	4	8
Average inforce premiums ($M) (8)	**2,130**	2,282	2,445	(7)	(13)

(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. The decrease on the prior comparative period includes the impact of increasing capital levels. The increase on the prior half reflects the improvement in cash net profit after tax, partly offset by the impact of increasing capital levels.
(4) Average interest earning assets are net of average mortgage offset balances. Average interest bearing liabilities exclude average mortgage offset balances.
(5) FUA average (continuing operations) has been calculated using the average for the period the Group owned Aegis up until 2 December 2019.
(6) FUA average (including discontinued operations) has been calculated using the average for the period the Group operated CommInsure Life up until 1 November 2019 and the period the Group owned Aegis up until 2 December 2019.
(7) AUM average has been calculated using the average for the period the Group owned CFSGAM up until 2 August 2019.
(8) Average inforce premiums has been calculated using the average for the period the Group operated CommInsure Life up until 1 November 2019.

Key Performance Indicators (continued)

Key Performance Indicators	Half Year Ended 31 Dec 19	30 Jun 19	31 Dec 18	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Shareholder Returns from continuing operations					
Earnings Per Share (EPS) (cents) (1)					
Statutory basis - basic	**258. 6**	214. 1	259. 6	21	-
Cash basis - basic	**253. 1**	215. 7	265. 2	17	(5)
Return on equity (ROE) (%) (1)					
Statutory basis	**12. 9**	11. 1	13. 5	180 bpts	(60)bpts
Cash basis	**12. 7**	11. 2	13. 8	150 bpts	(110)bpts
Shareholder Returns including discontinued operations					
Earnings Per Share (EPS) (cents) (1)					
Statutory basis - basic	**348. 4**	224. 7	261. 0	55	33
Cash basis - basic	**254. 0**	222. 6	270. 4	14	(6)
Return on equity (ROE) (%) (1)					
Statutory basis	**17. 4**	11. 6	13. 6	large	380 bpts
Cash basis	**12. 7**	11. 5	14. 1	120 bpts	(140)bpts
Dividends per share - fully franked (cents)	**200**	231	200	(13)	-
Dividend cover - "cash basis" (times)	**1. 3**	1. 0	1. 3	30	-
Dividend payout ratio (%) (1)					
Statutory basis	**57. 5**	103. 0	77. 0	large	large
Cash basis	**78. 8**	103. 8	74. 3	large	450 bpts
Capital including discontinued operations					
Common Equity Tier 1 (Internationally Comparable) (%) (2)	**17. 5**	16. 2	16. 5	130 bpts	100 bpts
Common Equity Tier 1 (APRA) (%)	**11. 7**	10. 7	10. 8	100 bpts	90 bpts
Risk weighted assets (RWA) ($M) - Basel III	**449,154**	452,762	445,144	(1)	1
Leverage Ratio including discontinued operations					
Leverage Ratio (Internationally Comparable) (%) (2)	**7. 0**	6. 5	6. 4	50 bpts	60 bpts
Leverage Ratio (APRA) (%)	**6. 1**	5. 6	5. 6	50 bpts	50 bpts
Funding and Liquidity Metrics including discontinued operations					
Liquidity Coverage Ratio (%) (3)	**134**	132	131	200 bpts	300 bpts
Weighted Average Maturity of Long Term Debt (years)	**5. 4**	5. 1	5. 0	0.3 years	0.4 years
Customer Deposit Funding Ratio (%)	**71**	69	69	200 bpts	200 bpts
Net Stable Funding Ratio (%)	**113**	112	112	100 bpts	100 bpts
Credit Quality Metrics including discontinued operations					
Loan impairment expense ("cash basis") annualised as a % of average GLAAs	**0. 17**	0. 17	0. 15	-	2 bpts
Gross impaired assets as a % of GLAAs	**0. 44**	0. 48	0. 47	(4)bpts	(3)bpts
Credit risk weighted assets (RWA) ($M)	**375,217**	372,574	369,356	1	2

(1) For definitions refer to Appendix 4.8.
(2) Analysis aligns with the 13 July 2015 APRA study titled "International capital comparison study".
(3) Quarterly average.

Highlights

Key Performance Indicators (continued)

Key Performance Indicators	Half Year Ended (1)				
	31 Dec 19	30 Jun 19	31 Dec 18	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Retail Banking Services (2)					
Cash net profit after tax ($M)	**2,166**	1,860	2,052	16	6
Net interest margin (%)	**2. 65**	2. 54	2. 57	11 bpts	8 bpts
Average interest earning assets (AIEA) ($M) (3)	**353,509**	345,468	339,794	2	4
Operating expenses to total operating income (%) (4)	**37. 9**	40. 3	38. 2	(240)bpts	(30)bpts
Risk weighted assets ($M) (5)	**163,144**	162,777	155,977	-	5
Business and Private Banking					
Cash net profit after tax ($M)	**1,498**	1,386	1,545	8	(3)
Net interest margin (%)	**3. 14**	3. 09	3. 11	5 bpts	3 bpts
Average interest earning assets (AIEA) ($M) (3)	**183,023**	182,243	182,554	-	-
Operating expenses to total banking income (%) (4)	**35. 1**	38. 5	34. 1	(340)bpts	100 bpts
Risk weighted assets ($M)	**139,471**	138,753	133,185	1	5
Institutional Banking and Markets					
Cash net profit after tax ($M)	**476**	515	602	(8)	(21)
Net interest margin (%)	**0. 96**	1. 06	1. 11	(10)bpts	(15)bpts
Average interest earning assets (AIEA) ($M)	**129,047**	127,354	133,448	1	(3)
Operating expenses to total banking income (%) (4)	**40. 8**	44. 5	37. 7	(370)bpts	310 bpts
Risk weighted assets ($M)	**86,112**	85,951	89,189	-	(3)
Wealth Management (6)					
Cash net profit after tax ($M)	**127**	26	138	large	(8)
Operating expenses to total operating income (%) (4)	**60. 2**	94. 1	57. 4	large	280 bpts
FUA - average ($M)	**158,654**	149,671	146,971	6	8
New Zealand					
Cash net profit after tax ($M)	**524**	515	544	2	(4)
Risk weighted assets - APRA basis ($M) (7)	**52,420**	51,186	50,147	2	5
Net interest margin (ASB) (%) (8)	**2. 13**	2. 23	2. 23	(10)bpts	(10)bpts
Average interest earning assets (AIEA) (ASB) (NZ$M) (8)	**98,839**	96,385	94,262	3	5
Operating expenses to total operating income (ASB) (%) (4) (8)	**36. 7**	36. 2	34. 5	50 bpts	220 bpts
FUA - average (ASB) (NZ$M) (8) (9)	**16,273**	15,192	15,007	7	8
AUM - average (ASB) (NZ$M) (8)	**17,706**	15,924	15,001	11	18

(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) Presented on a continuing operations basis.
(7) Risk weighted assets represent ASB only and are calculated in accordance with APRA requirements.
(8) Key financial metrics represent ASB only and are calculated in New Zealand dollar terms.
(9) FUA average has been calculated using the average for the period the Group owned Aegis up until 2 December 2019.

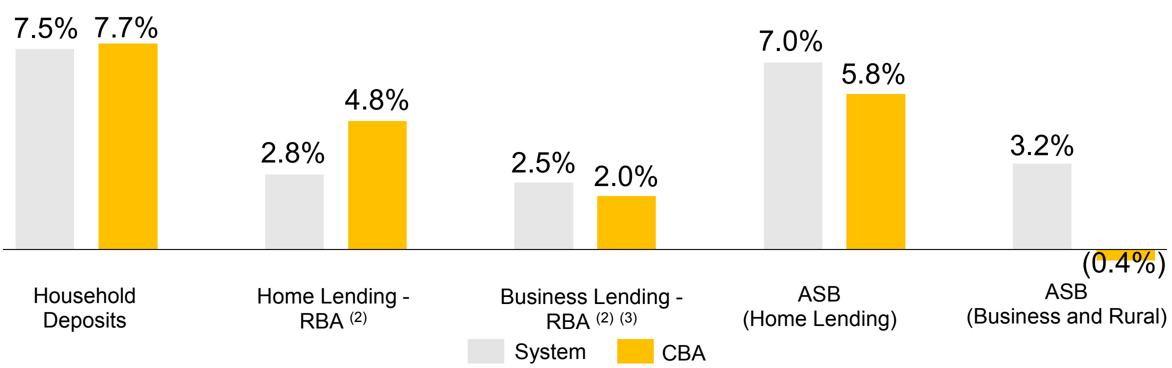
Highlights

Market Share

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

(1) Comparatives have been updated to reflect market restatements.
(2) System source: RBA Lending and Credit Aggregates. RBA collection data was aligned to the new regulatory definitions set by APRA from 1 July 2019, therefore the 31 December 2019 market share is not comparable to the prior reporting periods.
(3) CBA's market share for 31 December 2019 and 30 June 2019 have been calculated based on APRA's new Monthly Authorised Deposit-taking Institutions Statistics (MADIS) publication. As a result of this change, the 31 December 2018 Market Share is not comparable to the other reporting periods.
(4) Other Household Lending market share includes personal loans, margin loans and other forms of lending to individuals.
(5) As at 30 September 2019.
(6) Presented on a continuing operations basis.

CBA growth against System [1]
Balance growth - 6 months to December 19 (annualised)



(1) System source RBA/APRA/RBNZ.
(2) RBA collection data was aligned to the new regulatory definitions set by APRA from 1 July 2019, therefore volume growth is calculated for the 5 months to December 2019.
(3) Domestic Lending balance growth (excluding Cash Management Pooling Facilities).

Credit Ratings	Long-term	Short-term	Outlook
Fitch Ratings	AA-	F1+	Negative
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

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 2019 decreased $2 million on the prior comparative period to $4,573 million. The Bank's statutory NPAT (including discontinued operations) for the half year ended 31 December 2019 increased $1,562 million or 34.0% on the prior comparative period to $6,161 million, mainly driven by the gain on sale of Colonial First State Global Asset Management.

Cash net profit after tax ("cash NPAT" or "cash profit") from continuing operations decreased $199 million or 4.3% on the prior comparative period to $4,477 million. The result was driven by flat operating income, a 2.6% increase in operating expenses and a 12.5% increase in loan impairment expense.

Operating income was flat on the prior comparative period. Key movements included:

- Net interest income increased 1.7% largely driven by average interest earning assets increasing 1.3% or $11 billion, primarily from growth in home loans and business loans, partly offset by a decrease in institutional loans. Net interest margin (NIM) increased 1 basis point, due to the benefit from lower basis risk and higher asset pricing, partly offset by lower earnings on deposits and lower earnings on capital due to the falling interest rate environment;
- Other banking income decreased 1.3%, primarily driven by a realised loss on the hedge of New Zealand earnings, unfavourable derivative valuation adjustments, lower institutional lending fees, lower overdrawn account fees following the introduction of pre-emptive customer alerts and lower deposit account fees, partly offset by stronger Markets trading performance and higher Treasury income;
- Funds management income decreased 14.2% driven by the cessation of ongoing service fees and grandfathered trail commissions, and Colonial First State platform repricing initiatives; and
- Insurance income decreased 54.4% driven by higher claims experience in the General Insurance business driven by bushfire related claims, partly offset by NSW hailstorm related claims in the prior comparative period.

Operating expenses increased 2.6%, impacted by notable items [(2)], wage inflation, higher risk and compliance FTE and IT spend.

Loan impairment expense (LIE) increased 12.5%, driven by an overlay for bushfire and drought affected communities, partly offset by lower retail collective provisions reflecting improved arrears, lower consumer finance balances, and improved property market conditions.

CET1 was above APRA's 'unquestionably strong' target of 10.5%, with the CET1 ratio increasing 100 basis points from June 2019 to 11.7%, primarily driven by the completion of a number of previously announced divestments (+83 basis points), organic capital generated (+37 basis points) and the removal of the General Reserve for Credit Losses regulatory adjustment (+10 basis points), partly offset by the impact of regulatory changes from SA-CCR and AASB16 (Leases) (-23 basis points) and the strategic investment in Klarna (-10 basis points).

Earnings per share ("cash basis") was down 4.6% on the prior comparative period at 253.1 cents per share, primarily due to the decrease in cash profit.

Return on equity ("cash basis") decreased 110 basis points to 12.7% due to the impact of lower profit (approximately 50 basis points) and the increase in capital levels in order to meet APRA's 'unquestionably strong' benchmark (approximately 60 basis points).

The Bank declared an interim dividend of $2.00 per share, maintaining the dividend in the prior comparative period, which is equivalent to 78.8% of the Bank's cash profit.

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

- Satisfied a significant proportion of its funding requirements from customer deposits, accounting for 71% of total funding at 31 December 2019 (up from 69% at 31 December 2018);
- Issued new long-term wholesale funding with a weighted average maturity (WAM) of 9.5 years (6 months to 31 December 2019), bringing the portfolio WAM to 5.4 years (up from 5.0 years at 31 December 2018);
- Maintained its strong funding position, with long-term wholesale funding accounting for 66% of total wholesale funding (flat on 31 December 2018); and
- Appropriately managed the level of liquid assets and customer deposit growth to maintain our strong funding and liquidity positions, as illustrated by the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) being well above the regulatory minimum.

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

(2) Refer to page 11 for further information.

Financial Performance and Business Review (continued)

Performance Overview (continued)

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

	Half Year Ended (1) ("cash basis")				
Group Performance Summary	**31 Dec 19 $M**	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Operating Income	**12,416**	11,999	12,408	3	-
Investment experience	**3**	1	3	large	-
Total income	**12,419**	12,000	12,411	3	-
Operating expenses excluding notable items	**(5,203)**	(5,125)	(5,013)	2	4
1H19 AUSTRAC insurance recoveries (2)	**-**	-	145	n/a	large
Customer remediation (incl. Aligned Advice) (3)	**(30)**	(639)	(279)	(95)	(89)
Risk and compliance programs, and other (4)	**(196)**	(216)	(142)	(9)	38
Total operating expenses	**(5,429)**	(5,980)	(5,289)	(9)	3
Loan impairment expense	**(649)**	(624)	(577)	4	12
Net profit before tax	**6,341**	5,396	6,545	18	(3)
Corporate tax expense	**(1,864)**	(1,574)	(1,863)	18	-
Non-controlling interests - continuing operations (5)	**-**	(6)	(6)	large	large
Net profit after tax from continuing operations ("cash basis")	**4,477**	3,816	4,676	17	(4)
Non-cash items - continuing operations (6)	**96**	(31)	(101)	large	large
Net profit after tax from continuing operations ("statutory basis")	**4,573**	3,785	4,575	21	-
Net profit after tax from discontinued operations ("cash basis")	**20**	125	96	(84)	(79)
Non-cash items - discontinued operations (6)	**1,571**	65	(68)	large	large
Non-controlling interests - discontinued operations (7)	**(3)**	(3)	(4)	-	(25)
Net profit after tax ("statutory basis")	**6,161**	3,972	4,599	55	34

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

(2) The half year ended 31 December 2018 includes a $145 million benefit as a result of professional indemnity insurance recoveries related to the AUSTRAC civil penalty.

(3) The half year ended 31 December 2019 includes $30 million provision for Wealth customer remediation and related legal costs. The half year ended 30 June 2019 includes an additional $334 million provision for historical Aligned Advice remediation issues and associated program costs, and $305 million of Wealth and Banking customer refunds and associated program costs. The half year ended 31 December 2018 includes a $200 million provision for historical Aligned Advice remediation issues and associated program costs, and $79 million of Wealth and Banking customer refunds and associated program costs.

(4) Includes Program of Action, increase in operational resourcing of the financial crimes compliance team and the Better Risk Outcomes Program. The half year ended 31 December 2019 also includes approximately a $220 million one-off impact of accelerated amortisation following a review of the amortisation method and the useful life of certain technology assets, partly offset by a one-off benefit from the release of a historical provision which was no longer required and other rebates.

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

(6) Refer to page 3 for further information.

(7) Non-controlling interests in discontinued operations includes 20% outside equity interest in PT Commonwealth Life.

Group Performance Analysis

Net Interest Income (continuing operations basis)

	Half Year Ended				
	31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Net interest income - "cash basis"	**9,293**	8,986	9,134	3	2
Average interest earning assets					
Home loans [1]	**480,140**	470,493	461,693	2	4
Consumer finance	**21,250**	22,275	22,703	(5)	(6)
Business and corporate loans	**215,886**	219,367	222,579	(2)	(3)
Total average lending interest earning assets	**717,276**	712,135	706,975	1	1
Non-lending interest earning assets [2]	**157,288**	152,557	156,689	3	-
Total average interest earning assets	**874,564**	864,692	863,664	1	1
Net interest margin (%)	**2. 11**	2. 10	2. 10	1 bpt	1 bpt

(1) Net of average mortgage offset balances. Gross average home loans balance, excluding mortgage offset accounts was $527,650 million for the half year ended 31 December 2019 (half year ended 30 June 2019: $516,493 million, half year ended 31 December 2018: $506,054 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 Bank's net interest margin.

(2) Average interest earning assets is presented on a continuing operations basis (excluding Assets held for sale). For the half year ended 31 December 2019, $391 million of Non-lending interest earning assets have been reclassified to Assets held for sale (half year ended 30 June 2019: $440 million, half year ended 31 December 2018: $526 million).

Half Year Ended December 2019 versus December 2018

Net interest income was $9,293 million, an increase of $159 million or 2% on the prior comparative period. The result was driven by a 1% or $11 billion increase in average interest earning assets, and a 1 basis point increase in net interest margin to 2.11%.

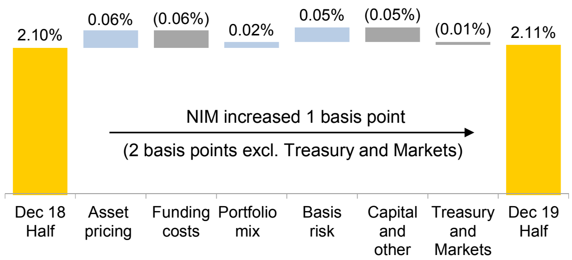
Average Interest Earning Assets

Average interest earning assets increased $11 billion or 1% on the prior comparative period to $875 billion.

- Home loan average balances increased $19 billion or 4% on the prior comparative period to $480 billion, primarily driven by continued growth in owner occupied loans;
- Consumer finance average balances decreased $1 billion or 6% on the prior comparative period to $21 billion, driven by a decline in the number of personal loan and credit card accounts;
- Business and corporate loan average balances decreased $7 billion or 3% on the prior comparative period to $216 billion, driven by a $10 billion decrease in institutional lending due to portfolio optimisation initiatives, partly offset by $2 billion growth in New Zealand business and rural lending, and $1 billion growth in Business and Private Banking business lending across various industries; and
- Non-lending interest earning asset average balances were flat at $157 billion on the prior comparative period.

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

NIM movement since December 2018



Net Interest Margin

The Bank's net interest margin increased 1 basis point on the prior comparative period to 2.11%. The key drivers of the movement were:

Asset pricing: Increased margin of 6 basis points driven by home lending (up 3 basis points), business lending (up 1 basis point), consumer finance (up 1 basis point), and the mix benefit from a reduction in low margin institutional lending balances (up 1 basis point). Increased home lending margin reflects repricing and the one-off benefit from the timing of passing on the decreases in the cash rate (up 9 basis points), partly offset by increased competition (down 4 basis points) and the impact of customers switching from higher margin loans to lower margin loans (down 2 basis points).

Funding costs: Decreased margin of 6 basis points, reflecting lower earnings on transaction and savings deposits due to the decreases in the cash rate (down 8 basis points), reduced retail investment deposit margins due to lower swap rates (down 2 basis points), partly offset by a higher benefit from the replicating portfolio (up 3 basis points) and the benefit of lower wholesale funding costs (up 1 basis point).

Portfolio mix: Increased margin of 2 basis points due to a higher average deposit funding ratio driven by strong growth in transaction and savings deposits.

Group Performance Analysis

Net Interest Income (continued)

Basis risk: Basis risk arises from the spread between the 3 month bank bill swap rate and the 3 month overnight index swap rate. The margin increased 5 basis points reflecting a decrease in the average spread.

Capital and other: Decreased margin of 5 basis points driven by lower earnings on capital due to the falling interest rate environment (down 3 basis points), reduced contribution from New Zealand (down 1 basis point) reflecting the decreases in the RBNZ cash rate, and the implementation of AASB 16 (Leases) (down 1 basis point) which results in the recognition of interest expense on lease liabilities.

Treasury and Markets: Decreased margin of 1 basis point driven by Global Markets due to lower yields on bond inventories and lower commodities financing income.

Half Year Ended December 2019 versus June 2019

Net interest income increased $307 million or 3% on the prior half, driven by a 1% or $10 billion increase in average interest earning assets, the benefit of three additional calendar days and a 1 basis point increase in net interest margin.

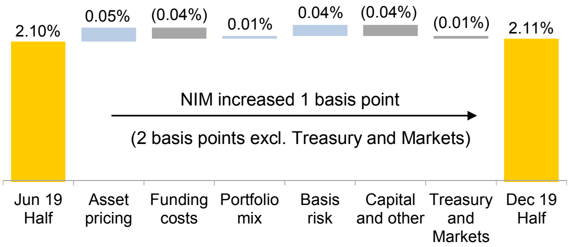
Average Interest Earning Assets

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

- Home loan average balances increased $10 billion or 2% on the prior half, primarily driven by continued growth in owner occupied loans;
- Consumer finance average balances decreased $1 billion or 5% on the prior half, driven by a decline in the number of personal loan and credit card accounts;
- Business and corporate loan average balances decreased $4 billion or 2% on the prior half, driven by a $5 billion decrease in institutional lending balances due to portfolio optimisation initiatives, partly offset by a $1 billion increase in Business and Private Banking business lending across various industries; and
- Non-lending interest earning asset average balances increased $5 billion or 3% on the prior half, driven by an increase in average trading asset balances in Global Markets.

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

NIM movement since June 2019



Net Interest Margin

The Bank's net interest margin increased 1 basis point on the prior half. The key drivers of the movement were:

Asset pricing: Increased margin of 5 basis points driven by home lending (up 3 basis points), business lending (up 1 basis point), and consumer finance (up 1 basis point). Increased home lending margin reflects repricing and the one-off benefit from the timing of passing on the decreases in the cash rate (up 5 basis points), partly offset by increased competition (down 2 basis points).

Funding costs: Decreased margin of 4 basis points, reflecting lower earnings on transaction and savings deposits due to the decreases in the cash rate (down 7 basis points), reduced retail investment deposit margins due to lower swap rates (down 1 basis point), partly offset by a higher benefit from the replicating portfolio (up 3 basis points) and lower wholesale funding costs (up 1 basis point).

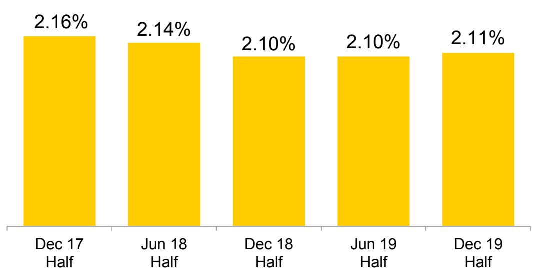
Portfolio mix: Increased margin of 1 basis point due to a higher average deposit funding ratio driven by strong growth in transaction and savings deposits.

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 margin increased 4 basis points reflecting a decrease in the average spread.

Capital and other: Decreased margin of 4 basis points driven by lower earnings on capital due to the falling interest rate environment (down 2 basis points), reduced contribution from New Zealand (down 1 basis point) reflecting the decreases in the RBNZ cash rate, and the implementation of AASB 16 (Leases) (down 1 basis point) which results in the recognition of interest expense on lease liabilities.

Treasury and Markets: Decreased margin of 1 basis point due to higher average trading asset balances, lower yields on bond inventories and lower commodities financing income.

NIM (Half Year Ended)



Group Performance Analysis

Other Banking Income (continuing operations basis)

	Half Year Ended (1)				
	31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Commissions	**1,320**	1,313	1,360	1	(3)
Lending fees	**483**	485	507	-	(5)
Trading income	**569**	480	494	19	15
Other income	**231**	154	275	50	(16)
Other banking income - "cash basis"	**2,603**	2,432	2,636	7	(1)

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

Half Year Ended December 2019 versus December 2018

Other banking income was $2,603 million, a decrease of $33 million or 1% on the prior comparative period.

Commissions decreased by $40 million or 3% to $1,320 million, due to lower deposit account fees driven by reduced branch service fees, removal of certain account service fees and simplification of fee waivers, and lower credit card income from lower interchange and higher loyalty costs, partly offset by improved equities income as a result of higher trading volumes.

Lending fees decreased by $24 million or 5% to $483 million, mainly driven by reduced institutional lending fees reflecting lower volumes, and lower overdrawn account fees following the introduction of pre-emptive customer alerts, partly offset by higher business loan fee income reflecting a shift to fee based products, such as cash advance facilities.

Trading income increased by $75 million or 15% to $569 million, driven by higher Markets income reflecting improved trading performance, and income from hedging activities related to bond inventories and commodities financing (offsetting the decline in Net Interest Income), and higher Treasury income, partly offset by unfavourable derivative valuation adjustments.

Other income decreased by $44 million or 16% to $231 million, primarily driven by a realised loss on the hedge of New Zealand earnings and lower net profits from minority investments, partly offset by higher gains on the sale of assets in the Structured Asset Finance portfolio.

Half Year Ended December 2019 versus June 2019

Other banking income increased $171 million or 7% on the prior half.

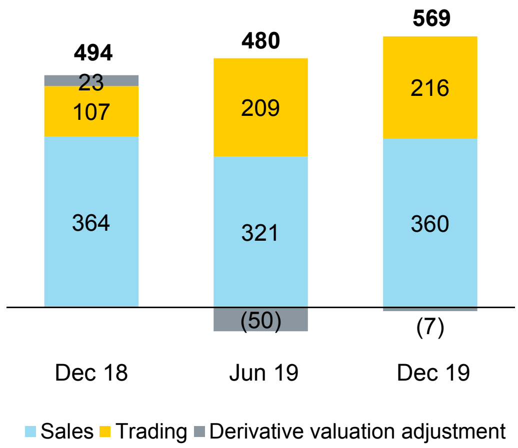
Commissions increased by $7 million or 1%, driven by increased interchange income from seasonally higher credit and debit transaction volumes, higher merchant income due to seasonally higher turnover volumes, partly offset by lower deposit account fees driven by reduced branch service fees, and the removal of certain account service fees.

Lending fees decreased by $2 million, mainly driven by reduced institutional lending fee income, partly offset by higher business loan fee income reflecting a shift to fee based products, such as cash advance facilities.

Trading income increased by $89 million or 19%, due to higher Markets income reflecting improved sales performance driven by higher client demand, and income from hedging activities related to bond inventories and commodities financing (offsetting the decline in Net Interest Income), and favourable derivative valuation adjustments, partly offset by lower Treasury income.

Other income increased by $77 million or 50%, primarily driven by gains on the sale of high quality liquid assets, and gains on the sale of assets in the Structured Asset Finance portfolio, partly offset by a realised loss on the hedge of New Zealand earnings.

Trading Income ($M)



Group Performance Analysis

Funds Management Income (continuing operations basis)

	Half Year Ended (1)				
	31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Colonial First State (CFS) (2)	**422**	421	441	-	(4)
Commonwealth Financial Planning	**20**	25	71	(20)	(72)
New Zealand	**71**	67	63	6	13
Other	**(24)**	(11)	(5)	large	large
Funds management income - "cash basis"	**489**	502	570	(3)	(14)
Funds Under Administration (FUA) - average ($M) (3)	**173,986**	164,129	160,860	6	8
Assets Under Management (AUM) - average ($M) (4)	**16,730**	15,156	13,887	10	20

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Colonial First State incorporates the results of all Wealth Management Aligned Advice Financial Planning businesses.
(3) FUA average has been calculated using the average for the period the Group owned Aegis up until 2 December 2019.
(4) Average AUM balances all relate to New Zealand.

Half Year Ended December 2019 versus December 2018

Funds management income was $489 million, a decrease of $81 million or 14% on the prior comparative period. The key drivers were:

- A decrease in Commonwealth Financial Planning of $51 million or 72% to $20 million, driven by the cessation of ongoing service fees and grandfathered trail commissions, and lower volumes of initial advice; and
- A decrease in CFS of $19 million or 4% to $422 million, mainly driven by a decrease in FUA margins due to platform repricing initiatives, partly offset by higher average FUA (up 8%) due to growth in the FirstChoice and CFSWrap platforms reflecting strong momentum from the prior comparative period and higher investment markets; partly offset by
- An increase in New Zealand of $8 million or 13% to $71 million, driven by higher average AUM (up 20%) mainly due to net inflows and favourable investment markets, partly offset by lower income due to the sale of the Aegis business on 2 December 2019.

Half Year Ended December 2019 versus June 2019

Funds management income decreased $13 million or 3% on the prior half. The key drivers were:

- A decrease in Commonwealth Financial Planning of $5 million or 20%, driven by lower volumes of initial advice; partly offset by
- An increase in New Zealand of $4 million or 6%, driven by an increase in average AUM (up 10%) mainly due to net inflows and favourable investment markets, partly offset by lower income due to the sale of the Aegis business on 2 December 2019; and
- An increase in CFS of $1 million, reflecting higher average FUA (up 6%) driven by higher investment markets, partly offset by a decrease in FUA margins due to platform repricing initiatives.

Insurance Income (continuing operations basis)

	Half Year Ended				
	31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Insurance Income - "cash basis"	**31**	79	68	(61)	(54)

Half Year Ended December 2019 versus December 2018

Insurance income for the half year ended 31 December 2019 was $31 million, a decrease of $37 million or 54% on the prior comparative period. This result was due to higher claims experience in the General Insurance business driven by bushfire related claims, partly offset by NSW hailstorm related claims in the prior comparative period.

Half Year Ended December 2019 versus June 2019

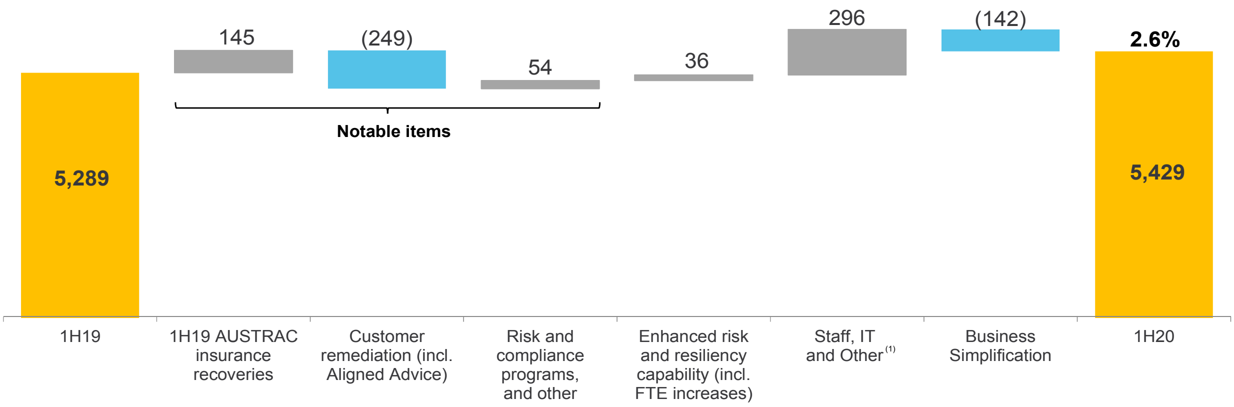
Insurance income decreased $48 million or 61% on the prior half. This result was due to higher claims experience in the General Insurance business driven by bushfire related claims, partly offset by Queensland flood related claims in the prior half.

Operating Expenses (continuing operations basis)

	Half Year Ended (1)				
	31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Staff expenses	**2,872**	2,815	2,762	2	4
Occupancy and equipment expenses	**522**	546	540	(4)	(3)
Information technology services expenses	**997**	1,006	912	(1)	9
Other expenses	**812**	758	799	7	2
Operating expenses excluding notable items - "cash basis"	**5,203**	5,125	5,013	2	4
Notable items (2)					
1H19 AUSTRAC insurance recoveries	**-**	-	(145)	-	large
Customer remediation (incl. Aligned Advice)	**30**	639	279	(95)	(89)
Risk and compliance programs, and other	**196**	216	142	(9)	38
Operating expenses including notable items - "cash basis"	**5,429**	5,980	5,289	(9)	3
Operating expenses to total operating income excluding notable items (%)	**41. 9**	42. 7	40. 4	(80)bpts	150 bpts
Operating expenses to total operating income (%)	**43. 7**	49. 8	42. 6	large	110 bpts
Spot number of full-time equivalent staff (FTE)	**42,137**	42,921	42,519	(2)	(1)

(1) Comparative information has been restated to conform to presentation in the current period.
(2) For further details on notable items refer to page 11.

Operating Expenses



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

Half Year Ended December 2019 versus December 2018

Operating expenses excluding notable items were $5,203 million, an increase of $190 million or 4% on the prior comparative period.

Staff expenses increased by $110 million or 4% to $2,872 million, driven by wage inflation and higher employee entitlements including the revaluation of long service leave provisions due to a reduction in discount rates. The spot number of full-time equivalent staff (FTE) decreased by 382 or 1% from 42,519 to 42,137, primarily due to productivity initiatives and workforce optimisation, partly offset by an increase in risk and compliance staff (up 497 FTE, including the Program of Action, increased operational resourcing of the financial crimes compliance team, the Better Risk Outcomes Program coordinating the responses to the recommendations to the APRA Prudential Inquiry and additional risk and resilience resources), remediation staff (up 336 FTE) and increased project demand.

Occupancy and equipment expenses decreased by $18 million or 3% to $522 million, primarily due to the closure of 52 branches in the 12 months to 31 December 2019 and lower corporate office development costs, partly offset by annual rental reviews.

Information technology services expenses increased by $85 million or 9% to $997 million. This was primarily due to increased IT infrastructure costs, increased amortisation and higher software license costs.

Operating Expenses (continued)

Other expenses increased by $13 million or 2% to $812 million, primarily driven by higher operational losses, and higher fees and commissions expenses.

Operating expenses to total operating income ratio excluding notable items increased 150 basis points from 40.4% to 41.9%.

Half Year Ended December 2019 versus June 2019

Operating expenses excluding notable items increased $78 million or 2% on the prior half.

Staff expenses increased by $57 million or 2%, primarily due to wage inflation and higher employee entitlements including the revaluation of long service leave provisions due to a reduction in discount rates. The spot number of full-time equivalent staff decreased by 784 or 2% from 42,921 to 42,137, primarily due to productivity initiatives and workforce optimisation, partly offset by an increase in remediation staff (up 203 FTE), risk and compliance staff (up 122 FTE, including the Program of Action, increased operational resourcing of the financial crimes compliance team, the Better Risk Outcomes Program coordinating the responses to the recommendations to the APRA Prudential Inquiry and additional risk and resilience resources), and increased project demand.

Occupancy and equipment expenses decreased by $24 million or 4%, primarily due to the closure of 30 branches in the 6 months to 31 December 2019, partly offset by annual rental reviews.

Information technology services expenses decreased by $9 million or 1%, primarily due to reduced external vendor spend and timing of investment spend.

Other expenses increased by $54 million or 7%, primarily driven by higher operational losses, and higher fees and commissions expenses.

Operating expenses to total operating income ratio excluding notable items decreased 80 basis points from 42.7% to 41.9%.

Investment Spend (continuing operations basis)

	Half Year Ended				
	31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Expensed investment spend (1)	**384**	412	384	(7)	-
Capitalised investment spend (2)	**288**	311	292	(7)	(1)
Investment spend	**672**	723	676	(7)	(1)
Comprising:					
Risk and compliance	**492**	467	432	5	14
Productivity and growth	**131**	198	186	(34)	(30)
Branch refurbishment and other	**49**	58	58	(16)	(16)
Investment spend	**672**	723	676	(7)	(1)

(1) Included within the Operating Expenses disclosure on page 16.
(2) Includes non-software Capitalised Investment Spend, primarily related to branch refurbishments and the development of the South Eveleigh corporate office.

Half Year Ended December 2019 versus December 2018

The Bank continues to invest in becoming a simpler and better bank for our customers with $672 million incurred in the half year to 31 December 2019, a decrease of $4 million on the prior comparative period. This was driven by a decrease of $55 million in productivity and growth initiatives, and a decrease of $9 million in branch refurbishment and other investments, largely offset by a $60 million increase in spend on risk and compliance projects.

Risk and compliance costs accounted for 73% of investment spend, an increase from 64% in the prior comparative period, as the Bank has continued to strengthen regulatory and compliance frameworks, and implement systems to satisfy regulatory obligations. Productivity and growth initiatives accounted for 20% of investment spend, a decrease from 28% in the prior comparative period as the Bank continues to prioritise funding for risk and compliance initiatives. Key areas of investment across each of the categories are outlined below.

Risk and Compliance

Financial Crimes Compliance

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

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

Investment Spend (continued)

Other Risk and Compliance

The Bank has invested in the following:

- Implementing new processes and enhancing systems to address new regulations including the Banking Code of Practice, Comprehensive Credit Reporting Regime, Open Banking, and a number of new reforms across our Wealth Management businesses including Best Interest Duty and Protecting Your Super;
- Upgrading trading platforms to enable additional functionalities to achieve compliance with new market regulations and reduce operational risk;
- Continuing investment in protecting customers against cyber security risks, and data and privacy breaches; and
- Improving the resilience of the Bank's IT infrastructure including investment in the New Payments Platform and data centres.

Productivity and Growth

The Bank has invested in the following:

- Ongoing investment and development of our digital channels to improve the digital customer service experience and improve the resilience of the digital infrastructure;
- Investment in commercial lending systems to upgrade the end-to-end process for loan origination and maintenance to improve business customer experiences;
- Investment to accelerate the use of cloud-based technology to reduce the cost of ownership of IT infrastructure; and
- Simplifying and automating manual back end processes to improve customer experience and deliver cost savings.

Branch Refurbishment and Other

The Bank has invested in the following:

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

Capitalised Software

	Half Year Ended				
	31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Opening Balance	**1,712**	1,782	1,819	(4)	(6)
Additions	**201**	149	194	35	4
Amortisation and write-offs	**(495)**	(219)	(231)	large	large
Closing balance	**1,418**	1,712	1,782	(17)	(20)

Half Year Ended December 2019 versus December 2018

Capitalised software balance was $1,418 million, a $364 million or 20% decrease on the prior comparative period.

Additions increased by $7 million or 4% to $201 million, due to higher capitalised investment spend in relation to risk and compliance initiatives as the Bank continued to strengthen regulatory and compliance frameworks and implement systems to satisfy regulatory obligations.

Amortisation and write-offs increased by $264 million to $495 million, driven by the accelerated amortisation of certain capitalised software balances, and investment in digital assets which have shorter amortisation periods.

Half Year Ended December 2019 versus June 2019

Capitalised software balance decreased $294 million or 17% on the prior half.

Additions increased by $52 million or 35% to $201 million, due to higher capitalised investment spend in relation to risk and compliance initiatives as the Bank continued to strengthen regulatory and compliance frameworks and implement systems to satisfy regulatory obligations.

Amortisation and write-offs increased by $276 million to $495 million, driven by the accelerated amortisation of certain capitalised software balances, and investment in digital assets which have shorter amortisation periods.

Group Performance Analysis

Loan Impairment Expense (continuing operations basis)

	Half Year Ended (1)				
	31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Retail Banking Services	**264**	367	305	(28)	(13)
Business and Private Banking	**239**	203	181	18	32
Institutional Banking and Markets	**65**	(21)	38	large	71
New Zealand	**21**	60	42	(65)	(50)
IFS and Other	**60**	15	11	large	large
Loan impairment expense - "cash basis"	**649**	624	577	4	12

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

Half Year Ended December 2019 versus December 2018

Loan impairment expense was $649 million, an increase of $72 million or 12% on the prior comparative period.

This was driven by:

- An increase in Business and Private Banking of $58 million or 32% to $239 million, driven by higher collective provisions for discretionary retail, construction, agriculture, and bushfire affected communities, partly offset by lower individual provisions;
- An increase in IFS and Other of $49 million to $60 million, driven by a central management overlay for drought affected agriculture and associated regional communities in NSW and Queensland, and higher collective provisions in PTBC; and
- An increase in Institutional Banking and Markets of $27 million or 71% to $65 million, driven by higher collective provision releases in the prior comparative period, partly offset by lower single name impairments in the current half; partly offset by
- A decrease in Retail Banking Services of $41 million or 13% to $264 million, driven by lower collective provisions reflecting improved arrears, lower consumer finance balances, and improving property market conditions; and
- A decrease in New Zealand of $21 million or 50% to $21 million, primarily driven by lower provisioning in the rural portfolio reflecting an improvement in dairy prices.

Loan impairment expense annualised as a percentage of average Gross Loans and Acceptances (GLAAs) increased 2 basis points to 17 basis points.

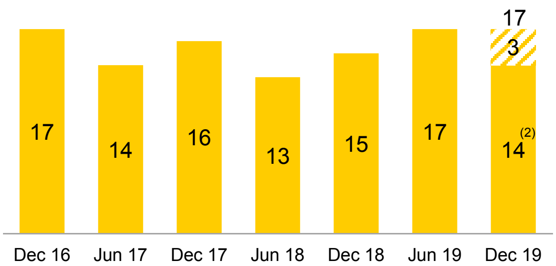
Half Year Ended December 2019 versus June 2019

Loan impairment expense increased $25 million or 4% on the prior half mainly driven by:

- An increase in Institutional Banking and Markets of $86 million on the prior half, driven by higher collective provision releases in the prior half, and higher single name impairments in the current half;
- An increase in IFS and Other of $45 million on the prior half, driven by a central management overlay for drought affected agriculture and associated regional communities in NSW and Queensland, and higher individually assessed provisions in PTBC; and
- An increase in Business and Private Banking of $36 million or 18% on the prior half, driven by higher collective provisions for discretionary retail, agriculture, and bushfire affected communities; partly offset by
- A decrease in Retail Banking Services of $103 million or 28% on the prior half, driven by lower collective provisions reflecting lower arrears, lower consumer finance balances, and improving property market conditions; and
- A decrease in New Zealand of $39 million or 65% on the prior half, driven by lower individually assessed provisions in the business portfolio, and lower collective provisions in the rural portfolio reflecting an improvement in dairy prices.

Loan impairment expense annualised as a percentage of average GLAAs was flat at 17 basis points.

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



(2) Excludes forward looking adjustments for the impacts of the drought and bushfires.

Group Performance Analysis

Taxation Expense (continuing operations basis)

	Half Year Ended				
	31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Corporate tax expense ($M)	**1,864**	1,574	1,863	18	-
Effective tax rate - "cash basis" (%)	**29. 4**	29. 2	28. 5	20 bpts	90 bpts

Half Year Ended December 2019 versus December 2018

Corporate tax expense for the half year ended 31 December 2019 was $1,864 million, an increase of $1 million on the prior comparative period, reflecting a 29.4% effective tax rate.

The 90 basis points increase in the effective tax rate from 28.5% to 29.4% was primarily due to the finalisation of historical tax matters in the prior comparative period, and the change in the business mix of offshore and onshore earnings. The tax rate is below the Australian company tax rate of 30% primarily as a result of the profit earned by the offshore banking unit and offshore jurisdictions that have lower corporate tax rates.

Half Year Ended December 2019 versus June 2019

Corporate tax expense increased $290 million or 18% on the prior half.

The effective tax rate increased 20 basis points from 29.2% to 29.4%. The tax rate is below the Australian company tax rate of 30% primarily as a result of the profit earned by the offshore banking unit and offshore jurisdictions that have lower corporate tax rates.

Group Performance Analysis

Group Assets and Liabilities

Total Group Assets and Liabilities	As at (1) 31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Interest earning assets					
Home loans (2)	**535,090**	522,942	512,505	2	4
Consumer finance	**21,167**	21,993	22,690	(4)	(7)
Business and corporate loans	**214,145**	214,953	222,996	-	(4)
Loans, bills discounted and other receivables (3)	**770,402**	759,888	758,191	1	2
Non-lending interest earning assets	**151,355**	148,967	151,819	2	-
Total interest earning assets	**921,757**	908,855	910,010	1	1
Other assets (3)	**56,905**	51,096	55,204	11	3
Assets held for sale (4)	**1,206**	16,551	15,216	(93)	(92)
Total assets	**979,868**	976,502	980,430	-	-
Interest bearing liabilities					
Transaction deposits (5)	**128,294**	121,747	117,463	5	9
Savings deposits (5)	**201,930**	190,397	187,028	6	8
Investment deposits	**204,875**	205,622	215,690	-	(5)
Other demand deposits	**65,098**	63,650	63,599	2	2
Total interest bearing deposits	**600,197**	581,416	583,780	3	3
Debt issues	**153,327**	164,022	168,904	(7)	(9)
Other interest bearing liabilities	**56,507**	54,840	54,388	3	4
Total interest bearing liabilities	**810,031**	800,278	807,072	1	-
Non-interest bearing transaction deposits	**60,871**	53,896	51,656	13	18
Other non-interest bearing liabilities	**37,251**	36,883	38,774	1	(4)
Liabilities held for sale (4)	**562**	15,796	14,350	(96)	(96)
Total liabilities	**908,715**	906,853	911,852	-	-

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Home loans are presented gross of $49,006 million of mortgage offset balances (30 June 2019: $45,078 million; 31 December 2018: $45,675 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 2 August 2019 CBA completed the sale of its global asset management business, Colonial First State Global Asset Management (CFSGAM) to Mitsubishi UFJ Trust and Banking Corporation (MUTB). On 1 November 2019 CBA announced that the joint co-operation agreement with AIA Group Limited (AIA) in relation to CBA's Australian life insurance business (CommInsure Life) has been implemented. The assets and liabilities held for sale in relation to these businesses have therefore been deconsolidated during the six months ended 31 December 2019, resulting in a decrease in the Assets held for sale and Liabilities held for sale in the current period.
(5) Transaction and Savings deposits includes $49,006 million of mortgage offset balances (30 June 2019: $45,078 million; 31 December 2018: $45,675 million).

Half Year Ended December 2019 versus December 2018

Total assets were $980 billion, a decrease of $1 billion on the prior comparative period, reflecting lower business and corporate loans, consumer finance and assets held for sale, partly offset by increased home lending.

Total liabilities were $909 billion, a decrease of $3 billion on the prior comparative period, reflecting a decrease in debt issues, investment deposits and liabilities held for sale, partly offset by an increase in transaction, savings and non-interest bearing transaction deposits.

The Bank continued to fund a significant portion of lending growth from customer deposits. Customer deposits represented 71% of total funding (31 December 2018: 69%).

Home loans

Home loan balances increased $23 billion to $535 billion, reflecting a 4% increase on the prior comparative period. The increase was driven by Retail Banking Services and New Zealand, partly offset by a decrease in Business and Private Banking. Domestic home loan growth was above system, notwithstanding ongoing competition from non-major banks and non-bank lenders.

Home loans in Australia amount to $477 billion (31 December 2018: $458 billion) of which 67% were owner occupied, 31% were investment home loans and 2% were lines of credit (31 December 2018: 66% were owner occupied, 31% were investment home loans and 3% were lines of credit).

Group Assets and Liabilities (continued)

Consumer finance

Consumer finance balances decreased $2 billion to $21 billion, a 7% decrease on the prior comparative period, reflecting above system growth. The decrease in system is driven by regulatory reforms, lower consumer demand for unsecured debt and a softening macroeconomic environment impacting discretionary spend.

Business and corporate loans

Business and corporate loans decreased $9 billion to $214 billion, a 4% decrease on the prior comparative period, reflecting a 9% decline in institutional lending driven by portfolio optimisation initiatives, and a decline in New Zealand rural lending of 2% (excluding the impact of FX) driven by a focus on risk adjusted returns. This was partly offset by 2% growth in Business and Private Banking across various industries, and growth in New Zealand business lending of 5% (excluding the impact of FX) reflecting the continued long-term strategic focus on this segment.

Domestic business lending growth was below system, reflecting portfolio optimisation and a continued focus on risk adjusted returns.

Non-lending interest earning assets

Non-lending interest earning assets, including liquid assets, were flat on the prior comparative period.

Other assets

Other assets, including derivative assets, property, plant and equipment and intangibles, increased $2 billion to $57 billion, an increase of 3% on the prior comparative period. The increase was driven by higher property, plant and equipment balances from the adoption of AASB 16 (Leases), and higher commodities trading balances, partly offset by lower derivative assets primarily due to maturities of hedging instruments.

Total interest bearing deposits

Total interest bearing deposits increased $16 billion to $600 billion, a 3% increase on the prior comparative period, primarily driven by higher transaction and savings deposits from both new and existing customers, partly offset by a decline in investment deposits in Retail Banking Services and Business and Private Banking due to run-off and a mix shift from investment deposits to transaction and savings deposits in the low cash rate environment.

Domestic household deposits growth was broadly in line with system.

Debt issues

Debt issues decreased $16 billion to $153 billion, a 9% decrease on the prior comparative period, reflecting growth in deposit funding and lower wholesale funding requirements. Customer deposits represented 71% of total funding (31 December 2018: 69%). Deposits satisfied the majority of the Bank's funding requirements, however strong access was maintained to both domestic and international wholesale debt markets.

Refer to page 35-36 for further information on debt programs and issuance for the half year ended 31 December 2019.

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 $2 billion to $57 billion, a 4% increase on the prior comparative period, primarily driven by higher lease liabilities from the adoption of AASB 16 (Leases) and the issuance of PERLS XII and Tier 2 USD Capital instruments.

Non-interest bearing transaction deposits

Non-interest bearing transaction deposits increased $9 billion to $61 billion, an 18% increase on the prior comparative period. The increase was driven by growth in deposits from both new and existing customers in Retail Banking Services and Business and Private Banking, and a mix shift from investment deposits to transaction deposits in the low cash rate environment.

Other non-interest bearing liabilities

Other non-interest bearing liabilities, including derivative liabilities, decreased $2 billion to $37 billion, a 4% decrease on the prior comparative period. The decrease was driven by lower derivative liabilities primarily due to foreign currency and interest rate volatility.

Half Year Ended December 2019 versus June 2019

Total assets increased $3 billion on the prior half, reflecting increased home lending, other assets and non-lending interest earning assets, partly offset by lower consumer finance and assets held for sale.

Total liabilities increased $2 billion on the prior half, reflecting increased transaction, savings and non-interest bearing transaction deposits, partly offset by decreased debt issues balances and liabilities held for sale.

Customer deposits represented 71% of total funding (30 June 2019: 69%).

Home loans

Home loan balances increased $12 billion or 2% on the prior half, driven by Retail Banking Services and New Zealand, partly offset by a decrease in Business and Private Banking. Domestic home loan growth of 2%, was above system growth.

Home loans in Australia amount to $477 billion (30 June 2019: $467 billion) of which 67% were owner occupied, 31% were investment home loans and 2% were lines of credit (30 June 2019: 66% were owner occupied, 31% were investment home loans and 3% were lines of credit).

Consumer finance

Consumer finance balances decreased $1 billion or 4% on the prior half, reflecting above system growth. The decrease in system is driven by lower consumer demand for unsecured debt and a softening macroeconomic environment impacting discretionary spend.

Group Assets and Liabilities (continued)

Business and corporate loans

Business and corporate loans decreased $1 billion on the prior half, reflecting a 1% decrease in Business and Private Banking primarily driven by a decline in property development lending, and a decline in New Zealand rural lending of 3% (excluding the impacts of FX), partly offset by a 1% increase in institutional lending with continued focus on risk adjusted returns, and an increase in New Zealand business lending of 1% (excluding the impact of FX).

Domestic business lending increased 1%, below system growth, reflecting a continued focus on risk adjusted returns.

Non-lending interest earning assets

Non-lending interest earning assets, increased $2 billion or 2% on the prior half, reflecting higher short-term money-market instruments in Institutional Banking and Markets, partly offset by lower liquids in Treasury reflecting active management of high quality liquid asset holdings.

Other assets

Other assets, including derivative assets, property, plant and equipment and intangibles, increased $6 billion or 11% on the prior half. The increase was driven by an increase in the Group's property, plant and equipment balances from the adoption of AASB 16 (Leases), and higher commodities trading balances.

Total interest bearing deposits

Total interest bearing deposits increased $19 billion or 3% on the prior half, due to higher transaction and savings deposits from both new and existing customers. Investment deposits were flat, driven by growth in institutional investment deposits reflecting higher client demand for short-term money-market instruments, offset by a decline in Retail Banking Services and Business and Private Banking, due to run-off and a mix shift from investment deposits to transaction and savings deposits in the low cash rate environment.

Domestic household deposits grew at 4%, broadly in line with system growth.

Debt issues

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

Refer to page 35-36 for further information on debt programs and issuance for the half year ended 31 December 2019.

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 $2 billion or 3% on the prior half, reflecting higher lease liabilities from the adoption of AASB 16 (Leases) and the issuance of PERLS XII and Tier 2 USD Capital instruments.

Non-interest bearing transaction deposits

Non-interest bearing transaction deposits increased $7 billion or 13% on the prior half, primarily driven by growth in deposits from both new and existing customers in Retail Banking Services and Business and Private Banking, and a mix shift from investment deposits to transaction deposits in the low cash rate environment.

Other non-interest bearing liabilities

Other non-interest bearing liabilities, including derivative liabilities, increased 1% on the prior half. The increase was driven by higher derivative liability balances, primarily due to foreign exchange volatility.

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Group Operations & Business Settings

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Contents

Group Operations and Business Settings

Loan Impairment Provisions and Credit Quality

Provisions for Impairment

	As at				
	31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Provisions for impairment losses					
Collective provision	**4,067**	3,904	3,814	4	7
Individually assessed provisions	**959**	895	920	7	4
Total provisions for impairment losses	**5,026**	4,799	4,734	5	6
Less: Provision for Off Balance Sheet exposures	**(87)**	(84)	(103)	4	(16)
Total provisions for loan impairment	**4,939**	4,715	4,631	5	7

Half Year Ended December 2019 versus December 2018

Total provisions for impairment losses as at 31 December 2019 were $5,026 million, an increase of $292 million or 6% on the prior comparative period. The increase was driven by:

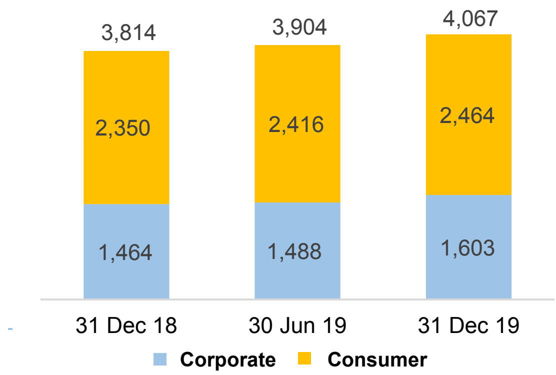
- Corporate collective provision increase of $139 million or 9% to $1,603 million. This was predominantly driven by increased forward looking adjustments for the impacts of the drought and bushfires, and for the retail and construction sectors;
- Consumer collective provision increase of $114 million or 5% to $2,464 million. This was driven by forward looking adjustments for the impacts of the drought and bushfires, and model adjustments to better reflect past loss experience. This was partly offset by lower arrears and balances in the consumer finance portfolio;
- Consumer individually assessed provision increase of $23 million or 9% to $282 million. This was driven by lower write-offs for home loans; and
- Corporate individually assessed provision increase of $16 million or 2% to $677 million. This was mainly due to the impairment of a small number of large exposures, partly offset by write-offs and write-backs across a range of industry sectors.

Half Year Ended December 2019 versus June 2019

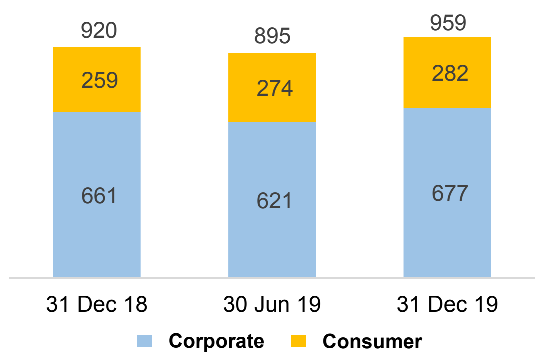
Total provisions for impairment losses increased $227 million or 5% on the prior half. The increase was driven by:

- Corporate collective provision increase of $115 million or 8% to $1,603 million. This was predominantly driven by increased forward looking adjustments for the impacts of the drought and bushfires, and for the retail and construction sectors;
- Consumer collective provision increase of $48 million or 2% to $2,464 million. This was driven by forward looking adjustments for the impacts of the drought and bushfires, and model adjustments to better reflect past loss experience. This was partly offset by lower arrears and balances in the consumer finance portfolio, and lower home loan arrears;
- Corporate individually assessed provision increase of $56 million or 9% to $677 million. This was mainly due to the impairment of a small number of large exposures; and
- Consumer individually assessed provision increase of $8 million or 3% to $282 million. This was driven by lower write-offs for home loans.

Collective Provisions ($M)



Individually Assessed Provisions ($M)



Loan Impairment Provisions and Credit Quality (continued)

Credit Quality

Credit Quality Metrics	Half Year Ended				
	31 Dec 19	30 Jun 19	31 Dec 18	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Gross loans and acceptances (GLAA) ($M)	**771,383**	761,013	759,410	1	2
Risk weighted assets (RWA) ($M) - Basel III	**449,154**	452,762	445,144	(1)	1
Credit RWA ($M) - Basel III	**375,217**	372,574	369,356	1	2
Gross impaired assets ($M)	**3,383**	3,622	3,560	(7)	(5)
Net impaired assets ($M)	**2,161**	2,435	2,373	(11)	(9)
Provision Ratios					
Collective provision as a % of credit RWA - Basel III	**1.08**	1.05	1.03	3 bpts	5 bpts
Total provisions as a % of credit RWA - Basel III	**1.34**	1.29	1.28	5 bpts	6 bpts
Total provisions for impaired assets as a % of gross impaired assets	**36.12**	32.77	33.34	335 bpts	278 bpts
Total provisions for impaired assets as a % of gross impaired assets (corporate)	**54.90**	43.71	40.06	large	large
Total provisions for impaired assets as a % of gross impaired assets (consumer)	**24.61**	24.85	27.03	(24)bpts	(242)bpts
Total provisions for impairment losses as a % of GLAAs	**0.65**	0.63	0.62	2 bpts	3 bpts
Asset Quality Ratios					
Gross impaired assets as a % of GLAAs	**0.44**	0.48	0.47	(4)bpts	(3)bpts
Loans 90+ days past due but not impaired as a % of GLAAs	**0.41**	0.44	0.42	(3)bpts	(1)bpt
Loan impairment expense ("cash basis") annualised as a % of average GLAAs	**0.17**	0.17	0.15	-	2 bpts
Net write-offs annualised as a % of GLAAs	**0.12**	0.16	0.15	(4)bpts	(3)bpts
Corporate total committed exposures rated investment grade (%) (1)	**66.40**	67.40	67.90	(100)bpts	(150)bpts
Australian Home Loan Portfolio					
Portfolio dynamic LVR (%) (2)	**53.42**	52.44	50.85	98 bpts	257 bpts
Customers in advance (%) (3)	**81.70**	78.48	78.27	322 bpts	343 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

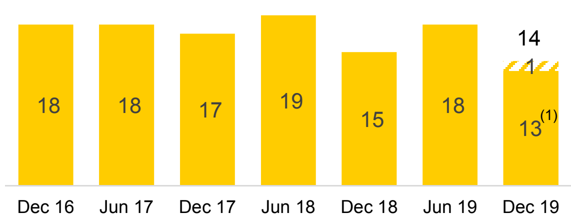
The provision coverage for impaired assets was 36.12%, an increase of 335 basis points on the prior half, driven by increased provision coverage in the corporate portfolio reflecting the provision for a single name exposure in the Manufacturing sector.

Gross impaired assets were $3,383 million, a decrease of $239 million or 7% on the prior half. Gross impaired assets as a proportion of GLAAs were 0.44%, a decrease of 4 basis points on the prior half. The decrease was mainly due to the write-off and recovery of a small number of large corporate impaired exposures, lower consumer finance and home loan arrears, and improving property market conditions, partly offset by a small increase in impaired home loans reflecting increased loan restructuring within the New Zealand portfolio.

Retail Portfolio Asset Quality

The retail consumer portfolio's credit quality remained sound during the period. Consumer loan impairment expense (LIE) as a percentage of average gross loans and acceptances was 14 basis points, a decrease of 4 basis points on the prior half reflecting lower arrears, lower consumer finance balances and improving property market conditions, partly offset by the forward looking adjustments for the impacts of the drought and bushfires. Excluding forward looking adjustments for the impacts of the drought and bushfires, Consumer LIE as a percentage of average GLAAs was 13 basis points.

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



(1) Excludes forward looking adjustments for the impacts of the drought and bushfires.

Loan Impairment Provisions and Credit Quality (continued)

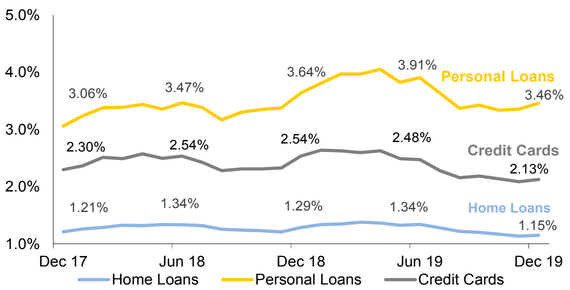
Retail Portfolio Asset Quality (continued)

Retail portfolio arrears remain relatively low. Home loan 90+ days arrears were 0.61%, a decrease of 7 basis points on the prior half driven by a seasonal reduction, increased resourcing levels for arrears management and the decreases in the cash rate. Credit cards and personal loans 90+ days arrears were 0.80% and 1.38% respectively, a decrease of 22 basis points and 18 basis points on the prior half, driven by a seasonal reduction including the favourable impact of tax refunds, and an improvement in customer acquisition and collection strategy.

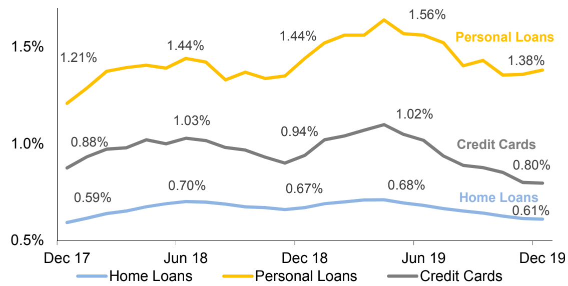
The home loan dynamic LVR was 53.42%, an increase of 98 basis points on the prior half. The home lending book remains well secured and the majority of home lending customers remain in advance of scheduled repayments.

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

30+ Days Arrears Ratios (%) [(1)]



90+ Days Arrears Ratios (%) [(1)]



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

Corporate Portfolio Asset Quality

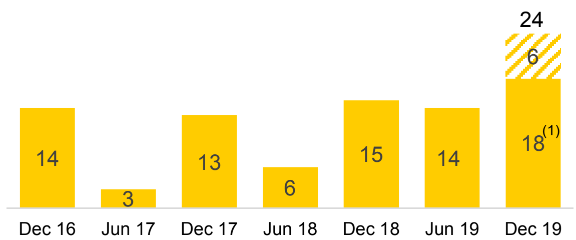
Corporate troublesome exposures were $4.4 billion, an increase of $0.2 billion or 5% on the prior half mainly driven by the downgrade of a small number of large exposures in the Transport, Business Services and Property sectors.

Investment grade rated exposures decreased by 100 basis points on the prior half to 66.4% of overall portfolio risk graded counterparties, driven by a decrease in investment grade Banks exposures partly offset by an increase in investment grade Sovereign exposures related to the Group's liquidity management activities.

Corporate LIE as a percentage of gross loans and acceptances was 24 basis points, up 10 basis points on the prior half, driven by the impairment of a small number of large exposures, and forward looking adjustments for the impacts of drought and bushfires. Excluding forward looking adjustments for the impacts of the drought and bushfires, Corporate LIE as a percentage of average GLAAs was 18 basis points.

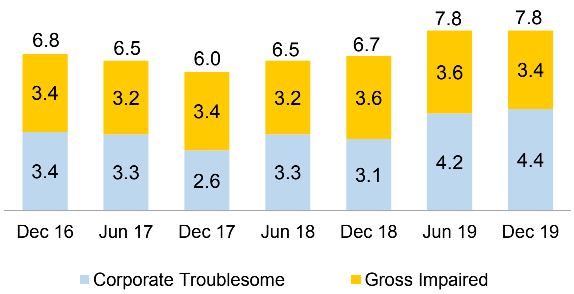
Corporate LIE

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



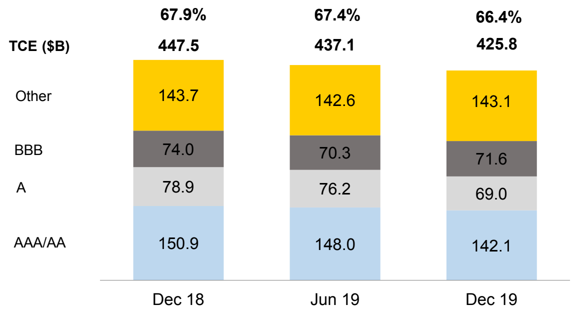
(1) Excludes forward looking adjustments for the impacts of the drought and bushfires.

Troublesome and Impaired Assets ($B)



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 a reduction in exposure to Banks of 150 basis points from 4.5% to 3.0% of the bank's total committed exposure related to the Group's liquidity management activities.

The next largest movement was an increase in the Consumer sector of 140 basis points, from 58.6% to 60.0% of the bank's total committed exposure, reflecting home loan growth exceeding business and institutional lending growth.

Movements in troublesome and impaired assets (TIA) were mixed across sectors, with total TIA increasing by $11 million compared to the prior half to $7,810 million.

TIA as a percentage of total committed exposures (TCE) was 0.72%, flat compared to the prior half reflecting:

- Business Services (up 98 basis points) reflecting downgrades of a small number of large exposures;
- Transport (up 83 basis points) reflecting downgrades of a small number of large exposures; and
- Manufacturing (up 72 basis points) driven by the impairment of a single name exposure; partly offset by
- Health and Community (down 141 basis points) driven by the upgrade of a single name exposure;
- Construction (down 57 basis points) driven by the recovery of a large impaired exposure;
- Culture & Recreation (down 51 basis points) driven by the recovery of a single name exposure;
- Mining (down 42 basis points) driven by the write-off of a small number of impaired exposures and the upgrade of a single name exposure; and
- Agriculture (down 30 basis points) driven by the write-off of a large impaired exposure.

	Total Committed Exposures (TCE)		Troublesome and Impaired Assets (TIA)		TIA % of TCE	
Sector	31 Dec 19 %	30 Jun 19 %	31 Dec 19 $M	30 Jun 19 $M	31 Dec 19 %	30 Jun 19 %
Consumer	60. 0	58. 6	2,111	2,101	0. 32	0. 33
Sovereign	9. 9	9. 7	-	-	-	-
Property	6. 5	6. 3	835	775	1. 17	1. 14
Banks	3. 0	4. 5	-	9	-	0. 02
Finance - Other	4. 9	4. 9	33	35	0. 06	0. 07
Retail & Wholesale Trade	1. 9	1. 9	647	636	3. 18	3. 16
Agriculture	2. 1	2. 1	927	989	4. 10	4. 40
Manufacturing	1. 3	1. 4	487	403	3. 43	2. 71
Transport	1. 3	1. 4	363	259	2. 55	1. 72
Mining	1. 0	1. 1	145	199	1. 32	1. 74
Business Services	1. 1	1. 1	438	333	3. 70	2. 72
Energy	0. 9	0. 9	81	86	0. 80	0. 84
Construction	0. 7	0. 8	530	579	6. 53	7. 10
Health & Community	0. 8	0. 8	94	224	1. 06	2. 47
Culture & Recreation	0. 6	0. 6	70	101	1. 13	1. 64
Other	4. 0	3. 9	1,049	1,070	2. 44	2. 51
Total	**100. 0**	100. 0	**7,810**	7,799	**0. 72**	0. 72

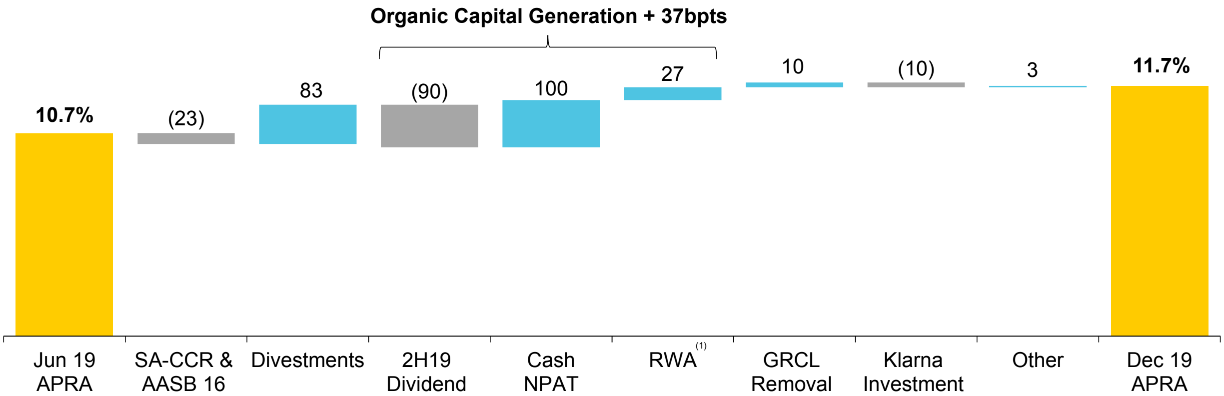
Group Operations and Business Settings

Capital

	Half Year Ended				
	31 Dec 19	30 Jun 19	31 Dec 18	Dec 19 vs	Dec 19 vs
Summary Group Capital Adequacy Ratios	%	%	%	Jun 19 %	Dec 18 %
Common Equity Tier 1	**11. 7**	10. 7	10. 8	100 bpts	90 bpts
Tier 1	**14. 1**	12. 7	12. 9	140 bpts	120 bpts
Tier 2	**3. 3**	2. 8	2. 9	50 bpts	40 bpts
Total Capital (APRA)	**17. 4**	15. 5	15. 8	190 bpts	160 bpts
Common Equity Tier 1 (Internationally Comparable) (1)	**17. 5**	16. 2	16. 5	130 bpts	100 bpts

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

Capital - CET1 (APRA)



(1) Excludes the Risk Weighted Assets (RWA) impact of -19 basis points from the implementation of SA-CCR and AASB 16 (Leases).

Capital Position

The Bank's CET1 ratio (APRA) was 11.7% as at 31 December 2019, an increase of 100 basis points on 30 June 2019 and 90 basis points on 31 December 2018.

The increase of 100 basis points for the half year ended 31 December 2019 was driven by capital generated from earnings (+100 basis points), the completion of the divestment of CFSGAM and implementation of the CommInsure Life joint co-operation agreement with AIA (+83 basis points), a reduction in underlying RWA's (+27 basis points), and the removal of the General Reserve for Credit Losses (GRCL) regulatory adjustment (+10 basis points). This was partly offset by the 2019 final dividend (-90 basis points), the impact of regulatory changes from SA-CCR and AASB16 (Leases) (-23 basis points), and the strategic investment in Klarna (-10 basis points).

The CET1 ratio was consistently well in excess of regulatory minimum capital adequacy requirements at all times throughout the half year ended 31 December 2019.

Internationally Comparable Capital Position

The Bank's CET1 ratio as measured on an internationally comparable basis was 17.5% as at 31 December 2019, placing it amongst the top quartile of international peer banks.

Capital Initiatives

The following significant capital initiatives were undertaken during the half year ended 31 December 2019:

Common Equity Tier 1 Capital

- The Dividend Reinvestment Plan (DRP) in respect of the 2019 final dividend was satisfied in full by the on-market purchase of shares. The participation rate for the final DRP was 15.0%.

Additional Tier 1 Capital

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

Tier 2 Capital

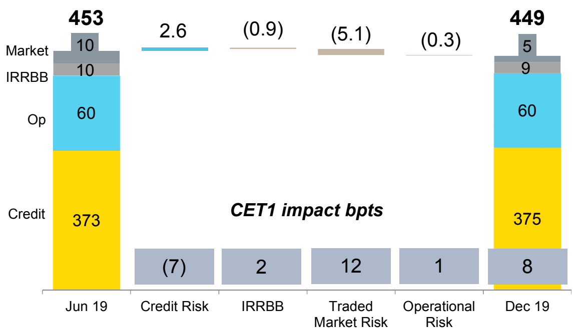
- In September 2019, the Bank issued two USD 1.25 billion subordinated notes and an AUD 100 million subordinated note that are all Basel III compliant Tier 2 capital.

Group Operations and Business Settings

Risk Weighted Assets (RWA)

Total Group Risk Weighted Assets

Total RWA decreased by $3.6 billion or 1% on the prior half to $449.2 billion driven by lower Traded Market Risk, Interest Rate Risk in the Banking Book and Operational Risk RWA, partly offset by higher Credit Risk RWA.

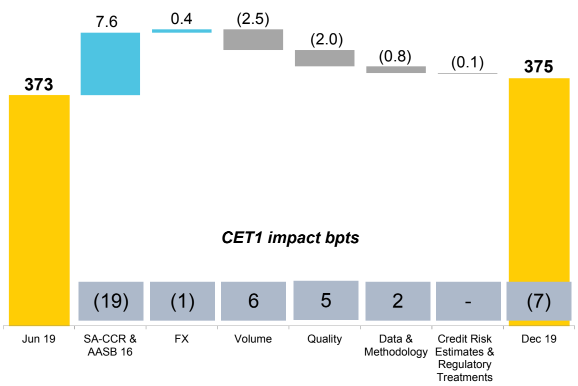


Credit Risk Weighted Assets

Credit Risk RWA increased by $2.6 billion or 1% on the prior half, driven by:

- The implementation of SA-CCR and AASB 16 (Leases) (increase of $7.6 billion); and
- Foreign currency movements (increase of $0.4 billion); partly offset by
- Volume reductions mainly in non-retail and standardised portfolios, consumer credit cards and personal loans, partly offset by volume growth predominantly in residential mortgages and specialised lending portfolios (decrease of $2.5 billion);
- Credit quality improvements across consumer retail and bank portfolios, central counterparties and credit valuation adjustments, partly offset by a reduction in credit quality across most non-retail portfolios (decrease of $2.0 billion);
- Data and methodology changes (decrease of $0.8 billion); and
- Changes in credit risk estimates and regulatory treatments (decrease of $0.1 billion).

Credit Risk Weighted Assets ($B)



Interest Rate Risk Weighted Assets

Interest Rate Risk in the Banking Rook (IRRBB) RWA decreased by $0.9 billion or 9% on the prior half. This decrease was mainly due to interest rate risk management activity, improved basis risk modelling and increased embedded gains due to lower domestic and offshore interest rates.

Traded Market Risk Weighted Assets

Traded Market Risk RWA decreased by $5.1 billion or 48% on the prior half. The Stressed Value-at-Risk (SVaR) component under the internal model approach was the main driver of the decrease, resulting from reduced risk positions, including those conservatively modelled in the previous period.

Operational Risk Weighted Assets

Operational Risk RWA decreased by $0.3 billion on the prior half. This decrease was due to the regular assessment of the Group's operational risk profile in the context of the evolving risk and regulatory environment, in accordance with the Operational Risk Management Framework and governance processes.

The Operational Risk RWA includes the $12.5 billion add-on required by APRA following the Prudential Inquiry findings dated 30 April 2018. The Group regularly reviews and updates its Operational RWA to reflect material changes in its operational risk profile in accordance with the Operational Risk Management Framework and governance processes.

Basel Regulatory Framework

Background

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

Unquestionably Strong Capital Ratios

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

APRA's expectation is that the Australian major banks will operate for the majority of the year with a CET1 ratio of 10.5% or more by 1 January 2020. As at 31 December 2019, the Group's CET1 ratio was 11.7%, and was above the 10.5% benchmark for the majority of the 2019 calendar year.

In calendar years 2018 and 2019, APRA issued a number of consultation documents to propose revisions to the overall design of the capital framework. Further detail on the proposed APRA reforms is provided on page 32. APRA has advised that the proposed changes to the capital framework have been accommodated within the 10.5% CET1 target set by APRA in July 2017.

(1) In December 2019, APRA announced that the CCyB for Australian exposures will remain at 0%. The Bank has limited exposures to those offshore jurisdictions in which a CCyB in excess of 0% has been imposed.

Group Operations and Business Settings

Pillar 3 Disclosures

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

www.commbank.com.au/regulatorydisclosures

Regulatory Reforms

APRA

In February 2018, APRA released "Discussion paper – Revisions to the capital framework for authorised deposit-taking institutions" in response to the Basel Committee on Banking Supervision (BCBS) release of "Basel III: Finalising post-crisis reforms" in December 2017. APRA's proposals include:

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

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

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

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

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

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

APRA intends to implement the Operational risk and APS 111 reforms on 1 January 2021. All other capital framework reforms will be implemented on 1 January 2022.

Basel Committee on Banking Supervision (BCBS)

In January 2019, the BCBS released "Minimum capital requirements for market risk" which finalised changes to the identification and measurement of market risk under both the standardised approach and the internal model approach. APRA is expected to consult on these changes in 2020, with a view to implement in 2023.

Reserve Bank of New Zealand (RBNZ)

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

Other Reforms

In July 2019, the Group implemented the revised standardised approach to counterparty credit risk (SA-CCR) and AASB 16 (Leases). The implementation of SA-CCR resulted in a decrease of the Bank's CET1 ratio (APRA) of 12 basis points and the implementation of AASB 16 (Leases) resulted in an 11 basis point decrease.

In August 2019, APRA released the final APS 222 "Associations with Related Entities" prudential standard. The revised standard is intended to strengthen the ability of ADI's to monitor, limit and control risk arising from transactions and other associations with related entities. Key changes include the revision to the limit for exposure on an ADI from 50% of total capital to 25% of Tier 1 capital. These new requirements will be in place from 1 January 2021.

Group Operations and Business Settings

Leverage Ratio

Summary Group Leverage Ratio	As at				
	31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Tier 1 Capital ($M)	**63,218**	57,355	57,518	10	10
Total Exposures ($M) (1)	**1,040,423**	1,023,181	1,026,240	2	1
Leverage Ratio (APRA) (%)	**6. 1**	5. 6	5. 6	50 bpts	50 bpts
Leverage Ratio (Internationally Comparable) (%) (2)	**7. 0**	6. 5	6. 4	50 bpts	60 bpts

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

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

The Bank's Leverage Ratio, defined as Tier 1 Capital as a percentage of total exposures, was 6.1% at 31 December 2019 on an APRA basis, and 7.0% on an internationally comparable basis.

The ratio increased 50 basis points on an APRA basis from 30 June 2019, driven by a 10% increase in Tier 1 Capital due to organic capital generation, the divestment of CFSGAM and implementation of the CommInsure Life joint co-operation agreement with AIA, and the Additional Tier 1 PERLS XII issuance, partly offset by growth in exposures.

In November 2018, APRA released draft prudential and reporting standards including changes to the definition of exposures related to derivatives and off balance sheet items and advocating a minimum leverage ratio requirement of 3.5% for Internal Ratings Based (IRB) banks from 1 January 2022.

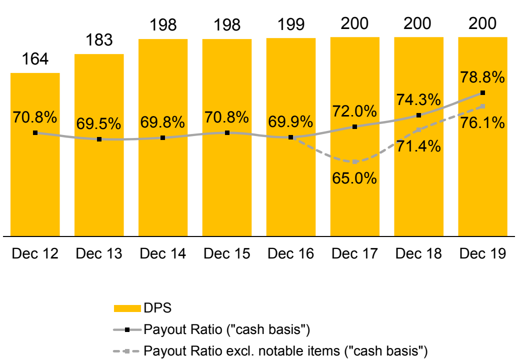
Dividends

Interim dividend for the Half Year Ended 31 December 2019

The interim dividend declared was $2.00 per share, in line with the prior comparative period. The dividend payout ratio ("cash basis") for the half year to 31 December 2019 was 78.8%.

The interim dividend will be fully franked and will be paid on 31 March 2020 to owners of ordinary shares at the close of business on 20 February 2020 (record date). Shares will be quoted ex-dividend on 19 February 2020.

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 2020 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.

Group Operations and Business Settings

Liquidity

Level 2	31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
	Quarterly Average Ended [1]				
Liquidity Coverage Ratio (LCR) Liquid Assets					
High Quality Liquid Assets (HQLA) [2]	**89,028**	85,859	86,209	4	3
Committed Liquidity Facility (CLF)	**50,700**	50,700	53,300	-	(5)
Total LCR liquid assets	**139,728**	136,559	139,509	2	-
Net Cash Outflows (NCO)					
Customer deposits	**76,473**	75,664	75,978	1	1
Wholesale funding	**11,143**	10,208	13,101	9	(15)
Other net cash outflows [3]	**16,946**	17,778	17,206	(5)	(2)
Total NCO	**104,562**	103,650	106,285	1	(2)
Liquidity Coverage Ratio (%)	**134**	132	131	200 bpts	300 bpts
LCR surplus	**35,166**	32,909	33,224	7	6

(1) Spot LCR for 31 December 2019 was 125% (30 June 2019: 129%; 31 December 2018: 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) 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 (ADI) to hold sufficient liquid assets to meet 30 day Net Cash Outflows (NCO) 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 securities repo-eligible 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 eligible ADI is set annually by APRA.

The Group's December 2019 quarterly average LCR was 134%, an increase of 2% compared to the quarterly average ended 30 June 2019 and an increase of 3% from the quarterly average ended 31 December 2018. The LCR remains well above the regulatory minimum of 100%.

Compared to the quarterly average ended 30 June 2019, LCR liquid assets increased by $3 billion or 2% driven by a $3 billion or 4% increase in HQLA. The Group's 30 day modelled NCOs were up $1 billion or 1% mainly driven by higher wholesale funding maturities.

Compared to the quarterly average ended 31 December 2018, LCR liquid assets were flat reflecting a $3 billion or 3% increase in HQLA offset by a $3 billion or 5% reduction in the Group's CLF. The Group's 30 day modelled NCOs were down $2 billion or 2% due to a decrease in wholesale funding maturities.

Funding

Group Funding (1)	31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
	As at				
Customer deposits	**600,456**	578,786	578,746	4	4
Short-term wholesale funding (2)	**81,518**	85,570	87,132	(5)	(6)
Long-term wholesale funding - less than or equal to one year residual maturity (3)	**26,032**	32,434	35,215	(20)	(26)
Long-term wholesale funding - more than one year residual maturity (3)	**131,265**	130,409	133,171	1	(1)
IFRS MTM and derivative FX revaluations	**3,012**	3,424	357	(12)	large
Total wholesale funding	**241,827**	251,837	255,875	(4)	(5)
Short-term collateral deposits (4)	**5,523**	5,729	4,334	(4)	27
Total funding	**847,806**	836,352	838,955	1	1

(1) Shareholders' Equity is excluded from this view of funding sources.
(2) Short-term wholesale funding includes debt with an original maturity or call date of less than or equal to 12 months, and consists of certificates of deposit and bank acceptances, debt issued under the Euro Medium Term Note (EMTN) program and the domestic, Euro and US commercial paper programs of Commonwealth Bank of Australia and ASB. Short-term wholesale funding also includes deposits from banks and central banks as well as net repurchase agreements.
(3) Long-term wholesale funding includes debt with an original maturity or call date of greater than 12 months.
(4) Short-term collateral deposits includes net collateral received and the amount of internal Residential Mortgage Backed Securities (RMBS) pledged with the Reserve Bank to facilitate intra-day cash flows in the Exchange Settlement Account (ESA).

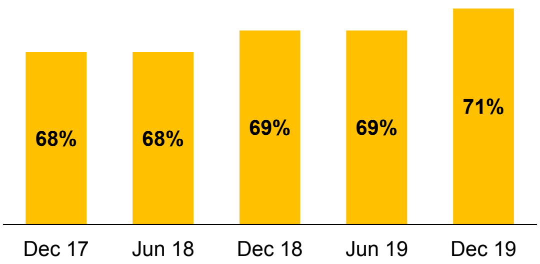
Customer Deposits

Customer deposits accounted for 71% of total funding at 31 December 2019, a 2% increase from 69% at 30 June 2019 and 31 December 2018. The Group satisfied a significant proportion of its funding requirements from retail, business, and institutional customer deposits.

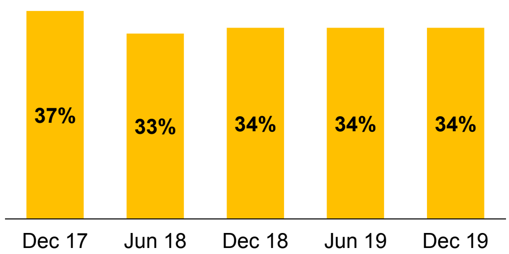
Short-Term Wholesale Funding

Short-term wholesale funding accounted for 34% of total wholesale funding at 31 December 2019, flat on 30 June 2019 and 31 December 2018, as the Group continues to maintain a conservative funding mix.

Customers Deposits to Total Funding Ratio



Short-Term to Total Wholesale Funding Ratio



Funding (continued)

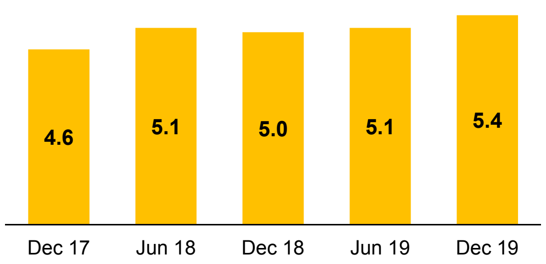
Long-Term Wholesale Funding

Long-term wholesale funding (including IFRS MTM and derivative FX revaluations) accounted for 66% of total wholesale funding at 31 December 2019, flat on 30 June 2019 and 31 December 2018.

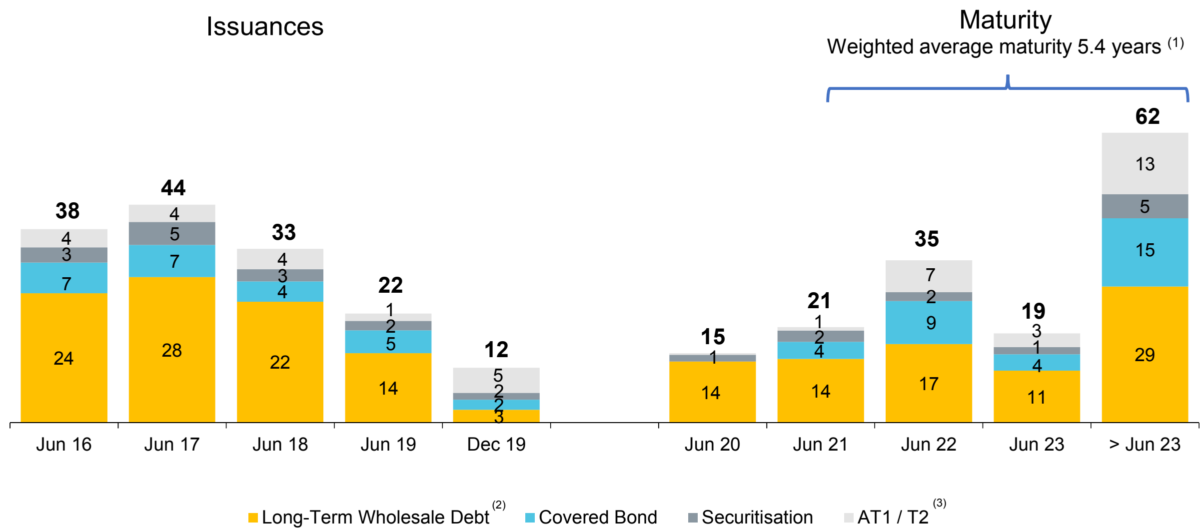
During the half year to 31 December 2019, the Group raised $12 billion of long-term wholesale funding in multiple currencies including AUD, USD, and GBP. The issuances were across a variety of formats including senior unsecured, covered bonds, RMBS and capital instruments, providing cost, tenor and diversification benefits.

The Weighted Average Maturity (WAM) of new long-term wholesale debt for the 6 months to 31 December 2019 was 9.5 years. The WAM of outstanding long-term wholesale debt with a residual maturity greater than 12 months as at 31 December 2019 increased to 5.4 years.

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 2019.
(2) Includes Senior Bonds and Structured MTN.
(3) Additional Tier 1 and Tier 2 Capital.

Net Stable Funding Ratio (NSFR)

	As at				
Level 2	**31 Dec 19 $M**	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Required Stable Funding					
Residential Mortgages ≤35% (1)	**274,745**	269,072	257,699	2	7
Other Loans	**236,282**	239,446	248,111	(1)	(5)
Liquid and Other Assets (2)	**66,607**	63,400	65,819	5	1
Total Required Stable Funding	**577,634**	571,918	571,629	1	1
Available Stable Funding					
Capital	**96,464**	91,141	90,356	6	7
Retail/SME Deposits	**371,896**	360,618	357,829	3	4
Wholesale Funding & Other	**185,845**	188,895	194,398	(2)	(4)
Total Available Stable Funding	**654,205**	640,654	642,583	2	2
Net Stable Funding Ratio (NSFR) (%)	**113**	112	112	100 bpts	100 bpts

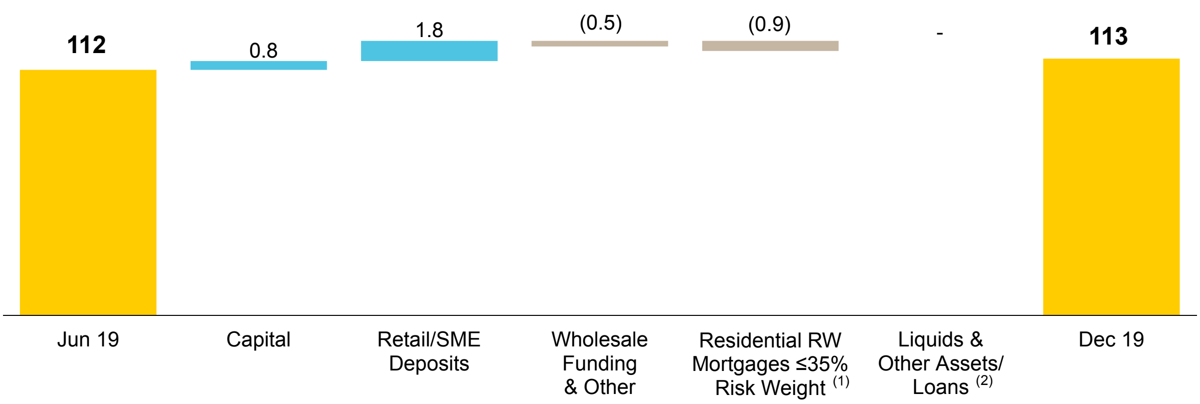
Net Stable Funding Ratio (NSFR)

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

The Group's NSFR was 113% at 31 December 2019, a 1% increase from 112% at 30 June 2019 and 31 December 2019, and well above the regulatory minimum of 100%.

The increase in Required Stable Funding over the half was primarily driven by growth in residential mortgage volumes. The increase in Available Stable Funding over the half reflects growth in Retail and SME deposit volumes, and growth in capital, partly offset by a reduction in Wholesale Funding.

NSFR Movement (%)



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

(2) Includes non-performing loans, off balance sheet items, net derivatives, and other assets.

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Divisional Performance

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Contents

Divisional Summary

	Half Year Ended 31 December 2019 vs Half Year Ended 30 June 2019 [1]						
	Retail Banking Services [2] %	Business and Private Banking %	Institutional Banking and Markets %	Wealth Management %	New Zealand %	IFS and Corporate Centre %	Total %
Net interest income	8	3	(6)	-	(1)	(44)	**3**
Other banking income	2	3	19	-	(3)	25	**7**
Total banking income	7	3	5	-	(2)	(12)	**4**
Funds management income	(20)	-	-	-	6	large	**(3)**
Insurance income	(62)	-	-	-	-	large	**(61)**
Total operating income	6	3	5	-	(1)	(15)	**3**
Investment experience [3]	(55)	-	-	18	-	(29)	**large**
Total income	6	3	5	1	(1)	(15)	**3**
Operating expenses	1	(6)	(4)	(36)	2	(32)	**(9)**
Loan impairment expense	(28)	18	large	-	(65)	large	**4**
Net profit before tax	15	8	(2)	large	2	(34)	**18**
Corporate tax (expense)/benefit	13	8	18	large	4	(30)	**18**
Non-controlling interests	-	-	-	-	-	large	**large**
Net profit after tax from continuing operations - "cash basis"	16	8	(8)	large	2	(37)	**17**

	Half Year Ended 31 December 2019 vs Half Year Ended 31 December 2018 [1]						
	Retail Banking Services [2] %	Business and Private Banking %	Institutional Banking and Markets %	Wealth Management %	New Zealand %	IFS and Corporate Centre %	Total %
Net interest income	7	1	(16)	-	2	(38)	**2**
Other banking income	(7)	2	1	-	(16)	26	**(1)**
Total banking income	5	1	(9)	-	(2)	(6)	**1**
Funds management income	(72)	-	-	(4)	13	large	**(14)**
Insurance income	(54)	-	-	-	-	-	**(54)**
Total operating income	3	1	(9)	(4)	(1)	(12)	**-**
Investment experience [3]	(44)	-	-	-	-	(21)	**-**
Total income	3	1	(9)	(4)	(1)	(11)	**-**
Operating expenses	2	4	(1)	-	9	1	**3**
Loan impairment expense	(13)	32	71	-	(50)	large	**12**
Net profit before tax	5	(3)	(17)	(11)	(4)	25	**(3)**
Corporate tax (expense)/benefit	5	(3)	(5)	(15)	(5)	(3)	**-**
Non-controlling interests	-	-	-	-	-	large	**large**
Net profit after tax from continuing operations - "cash basis"	5	(3)	(21)	(8)	(4)	41	**(4)**

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Retail Banking Services including Mortgage Broking and General Insurance.
(3) Investment experience is presented on a pre-tax basis.

Retail Banking Services

Overview

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

	Half Year Ended [1]					
	Retail Banking (excl. Mortgage Broking and General Insurance)					Total RBS [2]
	31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %	31 Dec 19 $M
Net interest income	**4,705**	4,348	4,406	8	7	**4,704**
Other banking income	**681**	692	758	(2)	(10)	**812**
Total banking income	**5,386**	5,040	5,164	7	4	**5,516**
Funds management income	**20**	25	71	(20)	(72)	**20**
Insurance income	**-**	-	-	-	-	**31**
Total operating income	**5,406**	5,065	5,235	7	3	**5,567**
Operating expenses	**(2,050)**	(2,039)	(2,001)	1	2	**(2,213)**
Loan impairment expense	**(264)**	(367)	(305)	(28)	(13)	**(264)**
Net profit before tax	**3,092**	2,659	2,929	16	6	**3,090**
Corporate tax expense	**(929)**	(803)	(878)	16	6	**(928)**
Underlying net profit after tax	**2,163**	1,856	2,051	17	5	**2,162**
Investment experience after tax	**3**	4	1	(25)	large	**5**
Cash net profit after tax	**2,166**	1,860	2,052	16	6	**2,167**
Cash net profit after tax from Mortgage Broking and General Insurance	**1**	13	19	(92)	(95)	**-**
Total Cash net profit after tax	**2,167**	1,873	2,071	16	5	**2,167**

(1) Comparative information has been restated to conform to presentation in the current period.
(2) RBS including Mortgage Broking and General Insurance.

Retail Banking Services

Income analysis	Retail Banking (excl. Mortgage Broking and General Insurance) 31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %	Total RBS [2] 31 Dec 19 $M
	Half Year Ended [1]					
Net interest income						
Home loans	**2,663**	2,141	2,094	24	27	**2,662**
Consumer finance & Other [3]	**820**	790	845	4	(3)	**820**
Deposits	**1,222**	1,417	1,467	(14)	(17)	**1,222**
Total net interest income	**4,705**	4,348	4,406	8	7	**4,704**
Other banking income						
Home loans	**127**	126	135	1	(6)	**127**
Consumer finance [4]	**255**	244	261	5	(2)	**255**
Deposits	**192**	216	215	(11)	(11)	**192**
Distribution & Other [5]	**107**	106	147	1	(27)	**238**
Total other banking income	**681**	692	758	(2)	(10)	**812**
Total banking income	**5,386**	5,040	5,164	7	4	**5,516**

Balance Sheet (excl. Mortgage Broking and General Insurance)	As at [1] 31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Home loans [6]	**380,466**	369,236	361,079	3	5
Consumer finance [4]	**14,103**	14,780	15,272	(5)	(8)
Other interest earning assets	**749**	433	725	73	3
Total interest earning assets	**395,318**	384,449	377,076	3	5
Other assets	**3,967**	4,165	3,630	(5)	9
Total assets	**399,285**	388,614	380,706	3	5
Transaction deposits [7]	**34,988**	32,252	31,100	8	13
Savings deposits [7]	**112,893**	106,957	106,929	6	6
Investment deposits and other	**75,378**	79,594	79,429	(5)	(5)
Total interest bearing deposits	**223,259**	218,803	217,458	2	3
Non-interest bearing transaction deposits	**28,109**	23,940	23,256	17	21
Other non-interest bearing liabilities	**3,263**	3,916	3,676	(17)	(11)
Total liabilities	**254,631**	246,659	244,390	3	4

(1) Comparative information has been restated to conform to presentation in the current period.
(2) RBS including Mortgage Broking and General Insurance.
(3) Consumer finance and other includes personal loans, credit cards and business lending.
(4) Consumer finance includes personal loans and credit cards.
(5) Distribution includes income associated with the sale of foreign exchange products and wealth products. Other includes asset finance, merchants and business lending.
(6) Home loans are presented gross of $37,240 million of mortgage offset balances (30 June 2019: $34,455 million; 31 December 2018: $34,282 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 include $37,240 million of mortgage offset balances (30 June 2019: $34,455 million; 31 December 2018: $34,282 million).

Retail Banking Services

Key Financial Metrics (excl. Mortgage Broking and General Insurance)	Half Year Ended [1] 31 Dec 19	30 Jun 19	31 Dec 18	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Performance indicators					
Net interest margin (%)	**2. 65**	2. 54	2. 57	11 bpts	8 bpts
Return on assets (%)	**1. 1**	1. 0	1. 1	10 bpts	-
Operating expenses to total operating income (%)	**37. 9**	40. 3	38. 2	(240)bpts	(30)bpts
Impairment expense annualised as a % of average GLAAs (%)	**0. 13**	0. 19	0. 16	(6)bpts	(3)bpts
Other information					
Average interest earning assets ($M) [2]	**353,509**	345,468	339,794	2	4
Risk weighted assets ($M) [3]	**163,144**	162,777	155,977	-	5
90+ days home loan arrears (%)	**0. 65**	0. 73	0. 72	(8)bpts	(7)bpts
90+ days consumer finance arrears (%)	**1. 05**	1. 29	1. 21	(24)bpts	(16)bpts
Number of full-time equivalent staff (FTE)	**14,260**	14,866	14,790	(4)	(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. Net average interest earning assets are also used in the calculation of divisional net interest margin.
(3) Includes Mortgage Broking and General Insurance.

Financial Performance and Business Review [1]

Half Year Ended December 2019 versus December 2018

Retail Banking Services cash net profit after tax for the half year ended 31 December 2019 was $2,166 million, an increase of $114 million or 6% on the prior comparative period. The result was driven by a 3% increase in total operating income, a 2% increase in operating expenses and a 13% decrease in loan impairment expense.

Net Interest Income

Net interest income was $4,705 million, an increase of $299 million or 7% on the prior comparative period. This was driven by a 3% increase in net interest margin and 4% growth in average interest earning assets.

Net interest margin increased 8 basis points, reflecting:

- Lower wholesale funding costs primarily due to a decrease in the spread between the three month bank bill swap rate and the three month overnight index swap rate, known as basis risk (up 11 basis points);
- Higher home lending margin reflecting repricing and the one-off benefit from the timing of passing on the decreases in the cash rate (up 18 basis points), partly offset by increased competition (down 8 basis points) and unfavourable home loan portfolio mix (down 4 basis points) with a shift to lower margin loans (interest only to principal and interest, and investor to owner occupied); and
- Higher consumer finance margin due to the benefit from the decreases in the cash rate (up 1 basis point); partly offset by
- Lower deposit margin due to lower earnings on transaction and savings deposits reflecting the decreases in the cash rate, and lower earnings on investment deposits from lower swap rates (down 7 basis points); and
- Unfavourable portfolio mix driven by lower margin home loans growing at a faster rate than higher margin consumer finance loans (down 3 basis points).

Other Banking Income

Other banking income was $681 million, a decrease of $77 million or 10% on the prior comparative period, reflecting:

- Lower deposit account fees driven by reduced branch service fees, the introduction of pre-emptive customer alerts, removal of certain account service fees and simplification of fee waivers;
- Lower credit card income from lower interchange revenue and higher loyalty costs; and
- Lower consumer finance fees driven by a decline in the number of personal loan accounts.

Funds Management Income

Funds management income was $20 million, a decrease of $51 million or 72% on the prior comparative period. This was driven by the cessation of ongoing services fees and grandfathered trail commissions, and lower volumes of initial advice.

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

Retail Banking Services

Financial Performance and Business Review (continued) [(1)]

Operating Expenses

Operating expenses were $2,050 million, an increase of $49 million or 2% on the prior comparative period. This was primarily driven by inflation, higher risk and compliance spend, and increased amortisation, partly offset by productivity initiatives including frontline and head office optimisation.

The number of full-time equivalent staff (FTE) decreased by 530 or 4% on the prior comparative period, from 14,790 to 14,260 FTE, driven by productivity initiatives, partly offset by growth in risk and compliance, and collections staff.

Investment spend focused on risk and compliance, including meeting regulatory requirements with regards to Comprehensive Credit Reporting and Open Banking, as well as improvements to the Home Buying experience and enhancements within digital channels.

The total operating expense to total operating income ratio was 37.9%, a decrease of 30 basis points on the prior comparative period driven by higher operating income.

Loan Impairment Expense

Loan impairment expense was $264 million, a decrease of $41 million or 13% on the prior comparative period. This result was driven by lower collective provisions reflecting improved arrears, lower consumer finance balances, and improving property market conditions.

Loan impairment expense as a percentage of average gross loans and acceptances decreased 3 basis points on the prior comparative period to 0.13%.

Home loan 90+ day arrears decreased by 7 basis points from 0.72% to 0.65%, reflecting increased resourcing levels for arrears management and the decreases in the cash rate.

Consumer finance arrears decreased by 16 basis points from 1.21% to 1.05%, reflecting improved customer origination quality and increased resourcing levels for arrears management.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of $19.4 billion or 5%, above system growth. Proprietary mix of flows for CBA branded home loans decreased 2% from 60% to 58% as we continued to attract strong broker flows, with time to decision remaining stable despite strong application volumes, and increased policy and regulatory requirements.
- Consumer finance balances decrease of $1.2 billion or 8%, above system growth. The decrease in balances was driven by the ongoing decline in the number of personal loan and credit card accounts; and
- Total deposit growth of $10.7 billion or 4% (interest and non-interest bearing), driven by strong growth in transaction deposits (up 16%), growth in savings deposits (up 6%), partly offset by a decrease in investment deposits (down 5%) due to a mix shift from investment deposits to transaction and savings deposits in the low cash rate environment.

Risk Weighted Assets

Risk weighted assets were $163.1 billion, an increase of $7.2 billion or 5% on the prior comparative period.

- Operational risk weighted assets increased $4.9 billion or 23%; and
- Credit risk weighted assets increased $2.5 billion or 2% driven by home loan volume growth and the implementation of AASB 16 (Leases), partly offset by improvement in credit quality; partly offset by
- IRRBB risk weighted assets decrease of $0.2 billion or 4%.

Retail Banking Services generated $2,243 million of organic capital [(2)] for the Group in the current half. This contributed 50 basis points to the Group's CET1 ratio.

General Insurance and Mortgage Broking

Cash NPAT was $1 million, a decrease of $18 million or 95% on the prior comparative period. This result was driven by higher claims experience in the General Insurance business due to bushfire related claims.

Half Year Ended December 2019 versus June 2019

Cash net profit after tax for the half year ended 31 December 2019 increased $306 million or 16% on the prior half. The result was driven by a 7% increase in total operating income, a 1% increase in operating expenses and a 28% decrease in loan impairment expense.

Net Interest Income

Net interest income increased $357 million or 8% on the prior half. This was driven by a 4% increase in net interest margin, 2% growth in average interest earning assets and the benefit of three additional calendar days in the current half.

Net interest margin increased 11 basis points, reflecting:

- Lower wholesale funding costs primarily due to a decrease in the spread between the three month bank bill swap rate and the three month overnight index swap rate, known as basis risk (up 11 basis points);
- Higher home lending margin reflecting repricing and the one-off benefit from the timing of passing on the decreases in the cash rate (up 11 basis points), partly offset by increased competition (down 4 basis points) and unfavourable home loan portfolio mix (down 1 basis point) with a shift to lower margin loans (interest only to principal and interest, and investor to owner occupied); and
- Higher consumer finance margin due to the benefit from the decreases in the cash rate (up 1 basis point); partly offset by

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

(2) Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets used to generate those profits. Amounts quoted exclude the payment of dividends, the allocation of Operational RWA from the Enforceable Undertaking with APRA and the impact of regulatory changes from SA-CCR and AASB 16 (Leases).

Financial Performance and Business Review (continued) [1]

- Lower deposit margin due to lower earnings on transaction and savings deposits reflecting the decreases in the cash rate, and lower earnings on investment deposits from lower swap rates (down 6 basis points); and
- Unfavourable portfolio mix driven by lower margin home loans growing at a faster rate than higher margin consumer finance loans (down 1 basis point).

Other Banking Income

Other banking income decreased $11 million or 2% on the prior half, reflecting:

- Lower deposit account fees driven by reduced branch service fees and the removal of certain account service fees; partly offset by
- Higher interchange income on credit and debit transactions from seasonally higher volumes.

Funds Management Income

Funds management income decreased $5 million or 20% on the prior half, due to lower volumes of initial advice.

Operating Expenses

Operating expenses increased $11 million or 1% on the prior half. This was driven by inflation, and increased risk and compliance costs, partly offset by productivity initiatives including frontline and head office optimisation.

The number of full-time equivalent staff (FTE) decreased by 606 or 4% on the prior half, from 14,866 to 14,260 FTE, driven by productivity initiatives.

The total operating expense to total operating income ratio was 37.9%, a decrease of 240 basis points on the prior half, driven by higher total operating income.

Loan Impairment Expense

Loan impairment expense decreased $103 million or 28% on the prior half, driven by lower collective provisions reflecting lower arrears, lower consumer finance balances, and improving property market conditions.

Loan impairment expense as a percentage of average gross loans and acceptances decreased 6 basis points on the prior half to 0.13%.

Home loan 90+ day arrears have reduced by 8 basis points from 0.73% to 0.65%, driven by a seasonal reduction, increased resourcing levels for arrears management and the decreases in the cash rate.

Consumer finance arrears decreased by 24 basis points from 1.29% to 1.05%, driven by a seasonal decrease including the favourable impact from tax refunds, an improvement in customer origination quality and increased resourcing levels for arrears management.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of $11.2 billion or 3%, above system growth. Proprietary mix of flows for CBA branded home loans decreased 1% from 59% to 58%;
- Consumer finance balances decreased $0.7 billion or 5%, above system growth. The decrease in balances was driven by the ongoing decline in the number of personal loan and credit card accounts; and
- Total deposit growth of $8.6 billion or 4% (interest and non-interest bearing), driven by strong growth in transaction deposits (up 12%), growth in savings deposits (up 6%), partly offset by a decrease in investment balances (down 5%) due to a mix shift from investment deposits to transaction and savings deposits in the low cash rate environment.

Risk Weighted Assets

Risk weighted assets increased $0.4 billion on the prior half.

- Operational risk weighted assets increased by $1.3 billion or 5%; partly offset by
- Credit risk weighted assets decrease of $0.7 billion or 1% driven by improvement in credit quality, partly offset by home loan volume growth and the implementation of AASB 16 (Leases); and
- IRRBB risk weighted assets decrease of $0.2 billion or 3%.

General Insurance and Mortgage Broking

Cash NPAT decreased $12 million or 92% on the prior half. This result was driven by higher claims experience in the General Insurance business due to bushfire related claims.

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

Business and Private Banking

Overview

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

	Half Year Ended (1)				
	31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Net interest income	**2,891**	2,795	2,860	3	1
Other banking income	**779**	758	766	3	2
Total banking income	**3,670**	3,553	3,626	3	1
Operating expenses	**(1,289)**	(1,367)	(1,237)	(6)	4
Loan impairment expense	**(239)**	(203)	(181)	18	32
Net profit before tax	**2,142**	1,983	2,208	8	(3)
Corporate tax expense	**(644)**	(597)	(663)	8	(3)
Cash net profit after tax	**1,498**	1,386	1,545	8	(3)
Income analysis					
Net interest income					
Small Business Banking	**1,226**	1,185	1,209	3	1
Business and Corporate Banking	**987**	964	995	2	(1)
Regional and Agribusiness	**418**	390	393	7	6
Private Bank	**159**	159	169	-	(6)
CommSec	**101**	97	94	4	7
Total net interest income	**2,891**	2,795	2,860	3	1
Other banking income					
Small Business Banking	**256**	244	249	5	3
Business and Corporate Banking	**292**	286	292	2	-
Regional and Agribusiness	**68**	71	73	(4)	(7)
Private Bank	**30**	28	32	7	(6)
CommSec	**133**	129	120	3	11
Total other banking income	**779**	758	766	3	2
Total banking income	**3,670**	3,553	3,626	3	1
Income by product					
Business products	**2,169**	2,135	2,183	2	(1)
Retail products	**1,294**	1,220	1,248	6	4
Equities and Margin Lending	**178**	173	164	3	9
Other	**29**	25	31	16	(6)
Total banking income	**3,670**	3,553	3,626	3	1

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

Business and Private Banking

Balance Sheet	31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
	As at [1]				
Home loans [2]	**97,646**	98,568	98,388	(1)	(1)
Business loans [3]	**91,086**	91,641	89,713	(1)	2
Margin loans	**2,492**	2,559	2,722	(3)	(8)
Consumer finance	**2,514**	2,600	2,659	(3)	(5)
Total interest earning assets	**193,738**	195,368	193,482	(1)	-
Non-lending interest earning assets	**62**	92	88	(33)	(30)
Other assets [4]	**1,295**	1,587	1,185	(18)	9
Total assets	**195,095**	197,047	194,755	(1)	-
Transaction deposits [3] [5]	**33,557**	30,676	30,888	9	9
Savings deposits [5]	**58,073**	55,033	53,343	6	9
Investment deposits and other	**43,679**	47,847	51,569	(9)	(15)
Total interest bearing deposits	**135,309**	133,556	135,800	1	-
Debt issues and other	**30**	32	36	(6)	(17)
Non-interest bearing transaction deposits	**27,008**	23,867	23,568	13	15
Other non-interest bearing liabilities	**1,254**	1,602	1,212	(22)	3
Total liabilities	**163,601**	159,057	160,616	3	2

Key Financial Metrics	31 Dec 19	30 Jun 19	31 Dec 18	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
	Half Year Ended [1]				
Performance indicators					
Net interest margin (%)	**3. 14**	3. 09	3. 11	5 bpts	3 bpts
Return on assets (%)	**1. 5**	1. 4	1. 6	10 bpts	(10)bpts
Operating expenses to total banking income (%)	**35. 1**	38. 5	34. 1	(340)bpts	100 bpts
Impairment expense annualised as a % of average GLAAs (%)	**0. 24**	0. 21	0. 19	3 bpts	5 bpts
Other information					
Average interest earning assets ($M) [6]	**183,023**	182,243	182,554	-	-
Risk weighted assets ($M)	**139,471**	138,753	133,185	1	5
Troublesome and impaired assets ($M) [7]	**4,560**	4,437	3,525	3	29
Number of full-time equivalent staff (FTE)	**4,419**	4,566	4,504	(3)	(2)

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Home loans are presented gross of $11,766 million of mortgage offset balances (30 June 2019: $10,623 million; 31 December 2018: $11,393 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 $365 million of Cash Management Pooling Facilities (CMPF) (30 June 2019: $339 million; 31 December 2018: $357 million). Transaction deposits include $835 million of CMPF liabilities (30 June 2019: $947 million; 31 December 2018: $835 million). These balances are required to be grossed up under accounting standards, but are netted for the calculation of customer interest and risk weighted assets.
(4) Other assets include intangible assets.
(5) Transaction and Savings deposits includes $11,766 million of mortgage offset balances (30 June 2019: $10,623 million; 31 December 2018: $11,393 million).
(6) Average interest earning assets are presented net of mortgage offset balances, which reduce customer interest payments. Net average interest earning assets are also used in the calculation of divisional net interest margin.
(7) Commercial troublesome and impaired assets only. Includes commercial and leasing products.

Business and Private Banking

Financial Performance and Business Review

Half Year Ended December 2019 versus December 2018

Business and Private Banking cash net profit after tax for the half year ended 31 December 2019 was $1,498 million, a decrease of $47 million or 3% on the prior comparative period. The result was driven by a 1% increase in total banking income, a 4% increase in operating expenses and a 32% increase in loan impairment expense.

Net Interest Income

Net interest income was $2,891 million, an increase of $31 million or 1% on the prior comparative period. This was driven by a 1% increase in net interest margin and flat average interest earning assets.

Net interest margin increased 3 basis points, reflecting:

- Higher business lending margin due to repricing (up 5 basis points, excluding the impact of basis risk); and
- Higher home lending margin reflecting repricing and the one-off benefit from the timing of passing on the decreases in the cash rate, partly offset by increased competition (up 2 basis points, excluding the impact of basis risk); partly offset by
- Lower deposit margin due to lower earnings on transaction and saving deposits driven by the decreases in the cash rate, and lower earnings on investment deposits from lower swap rates (down 4 basis points, excluding the impact of basis risk).
- The overall divisional net interest margin impact from the lower spread between the three month bank bill swap rate and the three month overnight index swap rate, known as basis risk, is nil basis points.

Other Banking Income

Other banking income was $779 million, an increase of $13 million or 2% on the prior comparative period, driven by:

- Higher equities fee income driven by higher trading volumes; and
- Higher business loan fee income reflecting a shift to fee based products such as cash advance facilities; partly offset by
- Lower merchant income due to the impact of higher scheme fees.

Operating Expenses

Operating expenses were $1,289 million, an increase of $52 million or 4% on the prior comparative period, driven by higher staff expenses due to salary increases and investment in frontline business bankers, higher IT expenses, and investment in regulatory and compliance initiatives. This was partly offset by productivity initiatives.

The number of full-time equivalent staff (FTE) decreased by 85 or 2% on the prior comparative period, from 4,504 to 4,419 FTE, driven by productivity initiatives and timing of vacancies, partly offset by growth in risk and compliance staff, remediation staff and frontline business bankers.

Investment continues to focus on further enhancing customer experience by upgrading the end-to-end process for business loan origination, simplifying the product offering for business customers, as well as investment in regulatory, risk and compliance initiatives.

The operating expense to total banking income ratio was 35.1%, an increase of 100 basis points on the prior comparative period mainly driven by higher operating expenses.

Loan Impairment Expense

Loan impairment expense was $239 million, an increase of $58 million or 32% on the prior comparative period. This was driven by higher collective provisions for discretionary retail, construction, agriculture, and bushfire affected communities, partly offset by lower individual provisions.

Loan impairment expense as a percentage of average gross loans and acceptances increased 5 basis points on the prior comparative period to 0.24%.

Asset quality of the portfolio declined, with an increase in troublesome and impaired assets of 29%, primarily due to emerging signs of weakness in discretionary retail, construction and agriculture.

Balance Sheet

Key spot balance sheet movements included:

- Home loan balance decrease of $0.7 billion or 1%, below system growth, driven by lower investor home lending, partly offset by growth in owner occupied;
- Business loan growth of $1.4 billion or 2%, below system growth, reflecting a continued focus on risk adjusted returns and growth across various industries including property investment, hospitality and business services; and
- Total deposit growth (interest and non-interest bearing) of $2.9 billion or 2%, below system growth, driven by growth in transaction deposits (up 11%) reflecting higher balances with existing customers, growth in savings balances (up 9%) due to demand for at-call deposits, partly offset by a decrease in investment deposits (down 15%) due to run-off and a mix shift from investment deposits to transaction and saving deposits in the low cash rate environment.

Risk Weighted Assets

Risk weighted assets were $139.5 billion, an increase of $6.3 billion or 5% on the prior comparative period.

- Credit risk weighted assets increased $5.9 billion or 5% driven by business lending growth, the implementation of AASB 16 (Leases), changes to regulatory treatments, and a reduction in credit quality; and
- Operational risk weighted assets increased $0.7 billion or 5%; partly offset by
- IRRBB risk weighted assets decrease of $0.3 billion or 6%.

Business and Private Banking generated $1,528 million of organic capital [(1)] for the Group in the current half. This contributed 34 basis points to the Group's CET1 ratio.

(1) Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets used to generate those profits. Amounts quoted exclude the payment of dividends, the allocation of Operational RWA from the Enforceable Undertaking with APRA and the impact of regulatory changes from SA-CCR and AASB 16 (Leases).

Business and Private Banking

Financial Performance and Business Review (continued)

Half Year Ended December 2019 versus June 2019

Cash net profit after tax for the half year ended 31 December 2019 increased $112 million or 8% on the prior half. The result was driven by a 3% increase in total banking income, a 6% decrease in operating expenses and an 18% increase in loan impairment expense.

Net Interest Income

Net interest income increased $96 million or 3% on the prior half. This was driven by a 2% increase in net interest margin, flat average interest earning assets and the benefit of three additional calendar days in the current half.

Net interest margin increased 5 basis points, reflecting:

- Higher business lending margin due to repricing (up 6 basis points, excluding the impact of basis risk); and
- Higher home lending margin reflecting repricing and the one-off benefit from the timing of passing on the decreases in the cash rate, partly offset by increased competition (up 2 basis points, excluding the impact of basis risk); partly offset by
- Lower deposit margin due to lower earnings on transaction and saving deposits driven by the decreases in the cash rate, and lower earnings on investment deposits from lower swap rates (down 3 basis points, excluding the impact of basis risk).
- The overall divisional net interest margin impact from the lower spread between the three month bank bill swap rate and the three month overnight index swap rate, known as basis risk, is nil basis points.

Other Banking Income

Other banking income increased $21 million or 3% on the prior half, driven by:

- Higher equities fee income driven by higher trading volumes;
- Higher merchant income due to seasonally higher turnover volumes in the current half due to the December holiday season; and
- Higher business loan fee income reflecting a shift to fee based products such as cash advance facilities.

Operating Expenses

Operating expenses decreased $78 million or 6% on the prior half. Excluding a decrease in remediation costs of $133 million, operating expenses increased by $55 million or 4% on the prior half, mainly driven by higher staff expenses due to salary increases and investment in frontline business bankers, higher IT expenses, and investment in regulatory and compliance initiatives. This was partly offset by productivity initiatives.

The number of full-time equivalent staff (FTE) decreased by 147 or 3% on the prior half, from 4,566 to 4,419 FTE, driven by productivity initiatives and timing of vacancies, partly offset by growth in remediation staff and frontline business bankers.

The operating expense to total banking income ratio was 35.1%, a decrease of 340 basis points on the prior half.

Excluding remediation costs in the prior half, the operating expense to total banking income ratio increased 40 basis points driven by higher operating expenses.

Loan Impairment Expense

Loan impairment expense increased $36 million or 18% on the prior half. This was driven by higher collective provisions for discretionary retail, agriculture, and bushfire affected communities.

Loan impairment expense as a percentage of average gross loans and acceptances increased 3 basis points on the prior half to 0.24%.

Troublesome and impaired assets increased by 3%.

Balance Sheet

Key spot balance sheet movements included:

- Home loan balance decrease of $0.9 billion or 1%, below system growth, driven by lower investor home lending, partly offset by growth in owner occupied;
- Business loan decrease of $0.6 billion or 1%, below system growth of 1%, primarily driven by a small number of large client asset sales, and property development following the completion of projects; and
- Total deposit growth (interest and non-interest bearing) of $4.9 billion or 3%, above system growth of 2%, driven by growth in transaction accounts (up 11%) reflecting higher balances with existing customers, growth in savings balances (up 6%) driven by demand for at-call deposits, partly offset by a decrease in investment deposits (down 9%) due to run-off and a mix shift from investment deposits to transaction and saving deposits in the low cash rate environment.

Risk Weighted Assets

Risk weighted assets increased $0.7 billion or 1% on the prior half.

- Credit risk weighted assets increased $1.1 billion or 1%, driven by the implementation of AASB 16 (Leases), and changes to regulatory treatments; and
- Operational risk weighted assets increased $0.6 billion or 4%; partly offset by
- Traded Market risk weighted assets decrease of $0.9 billion or 51%; and
- IRRBB risk weighted assets decrease of $0.1 billion or 2%.

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 19 $M	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Net interest income	**625**	667	746	(6)	(16)
Other banking income	**585**	490	577	19	1
Total banking income	**1,210**	1,157	1,323	5	(9)
Operating expenses	**(494)**	(515)	(499)	(4)	(1)
Loan impairment (expense)/benefit	**(65)**	21	(38)	large	71
Net profit before tax	**651**	663	786	(2)	(17)
Corporate tax expense	**(175)**	(148)	(184)	18	(5)
Cash net profit after tax	**476**	515	602	(8)	(21)
Income analysis					
Net interest income					
Institutional Banking	**602**	624	663	(4)	(9)
Markets	**23**	43	83	(47)	(72)
Total net interest income	**625**	667	746	(6)	(16)
Other banking income					
Institutional Banking	**237**	234	273	1	(13)
Markets	**348**	256	304	36	14
Total other banking income	**585**	490	577	19	1
Total banking income	**1,210**	1,157	1,323	5	(9)
Income by product					
Institutional products	**730**	768	827	(5)	(12)
Asset leasing	**109**	90	109	21	-
Markets (excluding derivative valuation adjustments)	**392**	360	372	9	5
Total banking income excluding derivative valuation adjustments	**1,231**	1,218	1,308	1	(6)
Derivative valuation adjustments [2]	**(21)**	(61)	15	(66)	large
Total banking income	**1,210**	1,157	1,323	5	(9)

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Derivative valuation adjustments include both net interest income and other banking income adjustments.

Institutional Banking and Markets

Balance Sheet	31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
	As at (1)				
Interest earning lending assets (2)	**93,167**	91,859	102,180	1	(9)
Non-lending interest earning assets	**37,691**	30,243	30,737	25	23
Other assets (3)	**29,276**	25,925	27,447	13	7
Total assets	**160,134**	148,027	160,364	8	-
Transaction deposits (2)	**53,445**	52,315	49,346	2	8
Savings deposits	**7,869**	6,581	5,129	20	53
Investment deposits	**49,355**	42,424	48,045	16	3
Certificates of deposit and other	**17,535**	16,132	14,574	9	20
Total interest bearing deposits	**128,204**	117,452	117,094	9	9
Due to other financial institutions	**14,673**	14,964	13,247	(2)	11
Debt issues and other (4)	**4,180**	7,850	8,737	(47)	(52)
Non-interest bearing liabilities (3)	**17,288**	18,313	19,035	(6)	(9)
Total liabilities	**164,345**	158,579	158,113	4	4

Key Financial Metrics	31 Dec 19	30 Jun 19	31 Dec 18	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
	Half Year Ended (1)				
Performance indicators					
Net interest margin (%)	**0. 96**	1. 06	1. 11	(10)bpts	(15)bpts
Return on assets (%)	**0. 6**	0. 7	0. 7	(10)bpts	(10)bpts
Operating expenses to total banking income (%)	**40. 8**	44. 5	37. 7	(370)bpts	310 bpts
Impairment expense annualised as a % of average GLAAs (%)	**0. 14**	(0. 04)	0. 07	18 bpts	7 bpts
Other information					
Average interest earning assets ($M)	**129,047**	127,354	133,448	1	(3)
Risk weighted assets ($M)	**86,112**	85,951	89,189	-	(3)
Troublesome and impaired assets ($M)	**670**	748	952	(10)	(30)
Total committed exposures rated investment grade (%)	**88.3**	87. 2	86. 8	110 bpts	150 bpts
Number of full-time equivalent staff (FTE)	**1,120**	1,157	1,158	(3)	(3)

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Interest earning lending assets include $23,850 million of Cash Management Pooling Facilities (CMPF) (30 June 2019: $22,822 million, December 2018: $23,016 million). Transaction Deposits include $30,862 million of CMPF liabilities (30 June 2019: $31,182 million; 31 December 2018: $29,431 million). These balances are required to be grossed up under accounting standards, but are netted for the calculation of customer interest 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

Financial Performance and Business Review

Half Year Ended December 2019 versus December 2018

Institutional Banking and Markets cash net profit after tax for the half year ended 31 December 2019 was $476 million, a decrease of $126 million or 21% on the prior comparative period. The result was driven by a 9% decrease in total banking income, a 1% decrease in operating expenses and a 71% increase in loan impairment expense.

Net Interest Income

Net interest income was $625 million, a decrease of $121 million or 16% on the prior comparative period. The result was driven by a 14% decrease in net interest margin and a 3% decrease in average interest earning assets.

Net interest margin decreased 15 basis points, reflecting:

- Lower Markets net interest income due to lower yields on bond inventories and lower commodities financing income (down 10 basis points);
- Reduced Deposits revenue as a result of the decreases in the cash rate (down 3 basis points); and
- Lower earnings on equity due to the falling interest rate environment (down 2 basis points).

Other Banking Income

Other banking income was $585 million, an increase of $8 million or 1% on the prior comparative period, driven by:

- Higher Markets income reflecting improved trading performance, and income from hedging activities related to bond inventories and commodities financing (offsetting the decline in Net Interest Income); and
- Gains on the sale of assets in the Structured Asset Finance portfolio; partly offset by
- Lower lending fees reflecting lower lending volumes from portfolio optimisation initiatives; and
- Unfavourable movement in derivative valuation adjustments.

Operating Expenses

Operating expenses were $494 million, a decrease of $5 million or 1% on the prior comparative period. This was driven by productivity initiatives, partly offset by higher IT expenses and regulatory, risk and compliance costs.

The number of full-time equivalent staff (FTE) decreased by 38 or 3% on the prior comparative period, from 1,158 to 1,120 FTE. The decrease was driven by productivity initiatives, partly offset by an increase in risk and compliance staff.

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

The operating expense to total banking income ratio was 40.8%, an increase of 310 basis points on the prior comparative period, driven by lower total banking income.

Loan Impairment Expense

Loan impairment expense was $65 million, an increase of $27 million or 71% on the prior comparative period. This was driven by higher collective provision releases in the prior comparative period, partly offset by lower single name impairments in the current half.

Loan impairment expense as a percentage of average gross loans and acceptances increased 7 basis points to 0.14%, however remains below long run average levels.

Asset quality of the portfolio has remained stable, with the percentage of the book rated as investment grade increasing 150 basis points to 88.3%.

Balance Sheet

Key spot balance sheet movements included:

- Lending balance decrease of $9.0 billion or 9%, driven by portfolio optimisation initiatives and a continued focus on risk adjusted returns;
- Transaction deposits growth of $4.1 billion or 8%, driven by increased Cash Management Pooling Facility balances and Cheque Account balances;
- Savings deposits growth of $2.7 billion or 53%, reflecting targeted pricing; and
- Debt issues and other decrease of $4.6 billion or 52% reflecting lower short-term funding requirements.

Risk Weighted Assets

Risk weighted assets were $86.1 billion, a decrease of $3.1 billion or 3% on the prior comparative period.

- Credit risk weighted assets decreased $2.1 billion or 3% driven by portfolio optimisation initiatives, partly offset by the implementation of SA-CCR and AASB 16 (Leases), and changes in regulatory treatments;
- Operational risk weighted assets decreased $0.7 billion or 8%; and
- IRRBB risk weighted assets decreased $0.3 billion or 9%.

Institutional Banking and Markets generated $999 million of organic capital [1] for the Bank. This contributed 22 basis points to the Bank's CET1 ratio.

(1) Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets used to generate those profits. Amounts quoted exclude the payment of dividends, the allocation of Operational RWA from the Enforceable Undertaking with APRA and the impact of regulatory changes from SA-CCR and AASB 16 (Leases).

Financial Performance and Business Review (continued)

Half Year Ended December 2019 versus June 2019

Cash net profit after tax for the half year ended 31 December 2019 decreased $39 million or 8% on the prior half. The result was driven by a 5% increase in total banking income, a 4% decrease in operating expenses, and an $86 million increase in loan impairment expense.

Net Interest Income

Net interest income decreased $42 million or 6% on the prior half, driven by a 9% decrease in net interest margin, partly offset by a 1% increase in average interest earning assets and the benefit of three additional calendar days in the current half.

Net interest margin decreased by 10 basis points, reflecting:

- Lower Markets net interest income due to lower yields on bond inventories and lower commodities financing income (down 4 basis points);
- Reduced Deposits revenue as a result of the decreases in the cash rate (down 4 basis points); and
- Lower revenue from Structured Asset Finance (down 2 basis points).

Other Banking Income

Other banking income increased $95 million or 19% on the prior half, driven by:

- Improved Markets sales performance driven by higher client demand, and income from hedging activities related to bond inventories and commodities financing (offsetting the decline in Net Interest Income);
- Favourable movement in derivative valuation adjustments; and
- Higher gains on the sale of assets in the Structured Asset Finance portfolio.

Operating Expenses

Operating expenses decreased $21 million or 4% on the prior half driven by productivity initiatives and timing of investment spend, partly offset by higher IT expenses, and regulatory, risk and compliance costs.

The number of full-time equivalent staff (FTE) decreased by 37 or 3% on the prior half, from 1,157 to 1,120 FTE due to productivity initiatives, partly offset by an increase in risk and compliance staff.

The operating expense to total banking income ratio was 40.8%, a decrease of 370 basis points on the prior half primarily driven by higher total banking income.

Loan Impairment Expense

Loan impairment expense increased $86 million on the prior half. This was driven by higher collective provision releases in the prior half, and higher single name impairments in the current half.

Loan impairment expense as a percentage of average gross loans and acceptances increased 18 basis points to 0.14%, however remains below long run average levels.

Asset quality of the portfolio has remained stable and the percentage of the book rated as investment grade increased 110 basis points to 88.3%

Balance Sheet

Key spot balance sheet movements included:

- Lending balance growth of $1.3 billion or 1%, primarily driven by increased drawdown of warehouse facilities, with a continued focus on risk adjusted returns;
- Savings deposits growth of $1.3 billion or 20% reflecting targeted pricing;
- Investment deposits growth of $6.9 billion or 16%, mainly reflecting higher client demand for short-term money market instruments; and
- Debt issues and other decrease of $3.7 billion or 47% reflecting lower short-term funding requirements.

Risk Weighted Assets

Risk weighted assets increased $0.2 billion on the prior half.

- Credit risk weighted assets increased $4.5 billion or 7% driven by the implementation of SA-CCR and AASB 16 (Leases), and changes in regulatory treatments; partly offset by
- Traded Market risk weighted assets decrease of $4.1 billion or 51%; and
- Operational risk weighted assets decrease of $0.2 billion or 4%.

Wealth Management

Overview

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

On 2 August 2019 CBA completed the sale of its global asset management business, Colonial First State Global Asset Management (CFSGAM) to Mitsubishi UFJ Trust and Banking Corporation (MUTB), as a result CBA recognised the financial results of CFSGAM for the period up until 2 August 2019. CFSGAM is classified as discontinued operations and the financial results of the CFSGAM business are excluded from the account lines of Wealth Management's performance and reported as a single cash net profit after tax line item.

On 7 August 2019 CBA confirmed it will commence the assisted closure of Financial Wisdom Limited (Financial Wisdom) and allow Commonwealth Financial Planning Limited-Pathways (CFP-Pathways) advisers to transition to a self-licensing arrangement or move to another licensee. The cessation of CFP-Pathways is expected to be completed by 31 March 2020 and the assisted closure of Financial Wisdom is expected to be completed by 30 June 2020. As CFP-Pathways and Financial Wisdom do not in themselves constitute major lines of the Group's business, they are treated as continuing operations and included in the account lines of Wealth Management's performance.

On 1 October 2019 CBA completed the sale of Count Financial Limited (Count Financial) to CountPlus Limited, as a result CBA recognised the financial results of Count Financial for the period up until 1 October 2019. As Count Financial does not in itself constitute a major line of the Group's business, the financial results of Count Financial are treated as continuing operations and included in the account lines of Wealth Management's performance.

On 1 November 2019 CBA announced that the joint co-operation agreement with AIA Group Limited (AIA) in relation to CBA's Australian life insurance business (CommInsure Life) has been implemented, as a result CBA recognised the financial results of CommInsure Life[1] for the period up until 1 November 2019. CommInsure Life's business is classified as discontinued operations and the financial results of CommInsure Life are excluded from the account lines of Wealth Management's performance and reported as a single cash net profit after tax line item.

	Half Year Ended [2]				
	31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Funds management income	**422**	421	441	-	(4)
Operating expenses	**(254)**	(396)	(253)	(36)	-
Net profit before tax	**168**	25	188	large	(11)
Corporate tax expense	**(50)**	(8)	(59)	large	(15)
Underlying profit after tax	**118**	17	129	large	(9)
Investment experience after tax	**9**	9	9	-	-
Cash net profit after tax from continuing operations	**127**	26	138	large	(8)
Cash net profit after tax from discontinued operations	**6**	126	127	(95)	(95)
Cash net profit after tax	**133**	152	265	(13)	(50)

(1) CommInsure Life's business (Life Business) includes life insurance and life related investments businesses.
(2) Comparative information has been restated to conform to presentation in the current period.

Wealth Management

Key Financial Metrics	31 Dec 19	30 Jun 19	31 Dec 18	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
	Half Year Ended [1]				
Performance indicators					
Continuing operations					
Operating expenses to total operating income (%)	**60. 2**	94. 1	57. 4	large	280 bpts
FUA - average ($M) [2]	**158,654**	149,671	146,971	6	8
FUA - spot ($M) [2]	**160,988**	155,468	141,925	4	13
Risk weighted assets ($M) [3]	**3,142**	4,704	3,706	(33)	(15)
Number of full-time equivalent staff (FTE)	**1,568**	1,460	1,298	7	21
Discontinued operations					
AUM - average ($M) [4]	**223,474**	215,250	210,939	4	6
AUM - spot ($M) [5]	**-**	223,227	204,195	large	large
FUA - average ($M) [6]	**10,061**	10,161	10,462	(1)	(4)
FUA - spot ($M) [5]	**-**	10,251	9,993	large	large
Inforce Premiums - average ($M) [7]	**1,048**	1,207	1,280	(13)	(18)
Inforce Premiums - spot ($M) [5]	**-**	1,151	1,264	large	large
Number of full-time equivalent staff (FTE) [8]	**-**	1,602	1,629	large	large

	Half Year Ended [1]			Half Year Ended [1]					
	Continuing operations			Discontinued operations					
	Colonial First State & Aligned Advice [9]			CFS Global Asset Management [10]			Life Insurance Business [11]		
	Dec 19 $M	Jun 19 $M	Dec 18 $M	**Dec 19 $M**	Jun 19 $M	Dec 18 $M	**Dec 19 $M**	Jun 19 $M	Dec 18 $M
Funds management income	**422**	421	441	**77**	454	433	**28**	53	47
Insurance income	**-**	-	-	**-**	-	-	**13**	2	72
Total operating income	**422**	421	441	**77**	454	433	**41**	55	119
Operating expenses	**(254)**	(396)	(253)	**(52)**	(301)	(296)	**(84)**	(126)	(130)
Net profit before tax	**168**	25	188	**25**	153	137	**(43)**	(71)	(11)
Corporate tax expense	**(50)**	(8)	(59)	**(5)**	(37)	(31)	**13**	21	4
Underlying profit after tax	**118**	17	129	**20**	116	106	**(30)**	(50)	(7)
Investment experience after tax	**9**	9	9	**4**	9	9	**12**	51	19
Cash net profit/(loss) after tax	**127**	26	138	**24**	125	115	**(18)**	1	12

(1) Comparative information has been restated to conform to presentation in the current period.
(2) FUA includes Commonwealth Bank Group Super.
(3) Risk weighted assets include discontinued operations in the comparative periods.
(4) AUM average has been calculated using the average for the period the Group owned CFSGAM up until 2 August 2019. AUM excludes the Group's interest in the First State Cinda Fund Management Company Limited.
(5) Spot balances are nil due to the completion of the sale of CFSGAM and the implementation of the CommInsure Life joint co-operation agreement on 2 August 2019 and 1 November 2019 respectively. AUM excludes the Group's interest in the First State Cinda Fund Management Company Limited.
(6) FUA average has been calculated using the average for the period the Group operated CommInsure Life up until 1 November 2019.
(7) Inforce Premium average has been calculated using the average for the period the Group operated CommInsure Life up until 1 November 2019.
(8) FTE is nil due to the completion of the sale of CFSGAM and the implementation of the CommInsure Life joint co-operation agreement on 2 August 2019 and 1 November 2019 respectively.
(9) Incorporates the results of Colonial First State, and the Aligned Advice businesses of Financial Wisdom, Count Financial and CFP-Pathways.
(10) CFSGAM results are for the period up until 2 August 2019.
(11) Life Insurance Business results are for the period up until 1 November 2019.

Wealth Management

Financial Performance and Business Review

Half Year Ended December 2019 versus December 2018

Wealth Management cash net profit after tax for the half year ended 31 December 2019 was $133 million, a decrease of $132 million or 50% on the prior comparative period. Excluding the contribution from discontinued operations, cash net profit after tax for the half year ended 31 December 2019 was $127 million, a decrease of $11 million or 8% on the prior comparative period. The result was driven by a 4% decrease in funds management income and a $1 million increase in operating expenses.

In order to provide an underlying view of the performance, the commentary below has been presented excluding the impact from the discontinued operations, with commentary for the discontinued operations provided separately.

Funds Management Income

Funds management income was $422 million, a decrease of $19 million or 4% on the prior comparative period.

Average Funds Under Administration (FUA) was $159 billion, an increase of $12 billion or 8% on the prior comparative period. The FirstChoice and CFSWrap platforms experienced continued growth in average FUA of 7% and 8% respectively, reflecting strong momentum from the prior comparative period and higher investment markets. FUA margin decreased 7 basis points mainly due to platform pricing changes in response to competitive pressures.

Operating Expenses

Operating expenses were $254 million, an increase of $1 million on the prior comparative period driven by salary increases and higher investment spend; partly offset by productivity initiatives.

The number of FTE increased by 270 or 21% on the prior comparative period from 1,298 to 1,568 FTE, mainly driven by growth in remediation staff, and risk and compliance staff.

Investment spend focused on regulatory requirements including Best Interests Duty and Protecting Your Super, and investment in projects to improve functionality and customer experience in key platforms.

The operating expenses to total operating income ratio was 60.2%, an increase of 280 basis points, primarily driven by lower funds management income.

Risk Weighted Assets (1)

Risk weighted assets were $3.1 billion, a decrease of $0.6 billion or 15% on the prior comparative period.

- IRRBB risk weighted assets decreased $0.6 billion or 64%.

Wealth Management generated $296 million of organic capital (2) for the Group in the current half. This contributed 7 basis points to the Group's CET1 ratio.

Half Year Ended December 2019 versus June 2019

Cash net profit after tax for the half ended 31 December 2019 decreased $19 million or 13% on the prior half. Excluding the contribution from discontinued operations, cash net profit after tax increased $101 million on the prior half. The result was driven by a $1 million increase in funds management income and a 36% decrease in operating expenses.

In order to provide an underlying view of the performance, the commentary below has been presented excluding the impact from the discontinued operations, with commentary for the discontinued operations provided separately.

Funds Management Income

Funds management income increased $1 million on the prior half.

Average FUA increased $9 billion or 6% on the prior half, driven by higher investment markets. FUA margin decreased 4 basis points mainly due to platform pricing changes in response to competitive pressures.

Operating Expenses

Operating expenses decreased $142 million or 36% on the prior half. Excluding the non-recurrence of remediation expenses, and costs relating to the implementation of Royal Commission recommendations of $141 million incurred in the prior half, operating expenses decreased by $1 million reflecting lower employee incentives partly offset by higher investment spend.

The number of FTE increased by 108 or 7% on the prior half from 1,460 to 1,568 FTE, driven by growth in remediation staff, and risk and compliance staff, partly offset by productivity initiatives.

The operating expenses to total operating income ratio was 60.2%, a decrease of 34%. Excluding the non-recurrence of remediation expenses, and costs relating to the implementation of Royal Commission recommendations incurred in the prior half, the operating expenses to operating income ratio was flat.

Risk Weighted Assets (1)

Risk weighted assets decreased $1.6 billion or 33% on the prior half.

- Operational risk weighted assets decreased $1.0 billion or 27%;
- Credit risk weighted assets decreased $0.3 billion or 74%; and
- IRRBB risk weighted assets decreased $0.3 billion or 49%.

(1) Risk Weighted Assets include discontinued operations.

(2) Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets used to generate those profits. Amounts quoted include discontinued operations, and exclude the payment of dividends, the allocation of Operational RWA from the Enforceable Undertaking with APRA and the impact of regulatory changes from SA-CCR and AASB 16 (Leases).

Wealth Management

Funds Under Administration (FUA)	Half Year Ended 30 Jun 19 $M	Inflows $M	Outflows $M	Net Flows $M	Other [1] $M	**31 Dec 19 $M**	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
FirstChoice	94,335	8,154	(8,197)	(43)	3,099	**97,391**	86,656	3	12
CFSWrap	32,370	3,207	(3,213)	(6)	1,244	**33,608**	29,594	4	14
CFS Non-Platform	18,067	4,926	(4,306)	620	338	**19,025**	15,647	5	22
Other [2]	10,696	718	(715)	3	265	**10,964**	10,028	3	9
Total	155,468	17,005	(16,431)	574	4,946	**160,988**	141,925	4	13

Discontinued Operations

	Half Year Ended [3] **31 Dec 19 $M**	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Funds management income	**105**	507	480	(79)	(78)
Insurance income	**13**	2	72	large	(82)
Total operating income	**118**	509	552	(77)	(79)
Operating expenses	**(136)**	(427)	(426)	(68)	(68)
Net profit before tax	**(18)**	82	126	large	large
Corporate tax benefit/(expense)	**8**	(16)	(27)	large	large
Underlying (loss)/profit after tax	**(10)**	66	99	large	large
Investment experience after tax	**16**	60	28	(73)	(43)
Cash net profit after tax	**6**	126	127	(95)	(95)
Life Insurance Business [4]	**(18)**	1	12	large	large
CFS Global Asset Management	**24**	125	115	(81)	(79)
Cash net profit after tax	**6**	126	127	(95)	(95)

Assets Under Management (AUM) [5]	Half Year Ended 30 Jun 19 $M	Inflows $M	Outflows $M	Net Flows $M	Other [7] $M	**31 Dec 19 [8] $M**	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Australian equities	30,366	1,136	(481)	655	(31,021)	**-**	26,053	large	large
Global equities	100,514	2,478	(1,107)	1,371	(101,885)	**-**	89,632	large	large
Fixed income [6]	80,763	3,738	(5,093)	(1,355)	(79,408)	**-**	78,240	large	large
Infrastructure	11,584	(175)	-	(175)	(11,409)	**-**	10,270	large	large
Total	223,227	7,177	(6,681)	496	(223,723)	**-**	204,195	large	large

(1) Includes investment income.
(2) Other includes Commonwealth Bank Group Super.
(3) Results represent the period the Group owned CFSGAM up until 2 August 2019 and the period the Group operated CommInsure Life up until 1 November 2019.
(4) CommInsure Life's business includes life insurance and life related investments businesses.
(5) AUM excludes the Group's interest in the First State Cinda Fund Management Company Limited.
(6) Fixed income includes short-term investments and global credit.
(7) Includes the derecognition of AUM following the sale of CFSGAM on 2 August 2019, investment income, and foreign exchange gains and losses from translation of internationally sourced business.
(8) Spot balances are nil due to the completion of the sale of CFSGAM on 2 August 2019.

Wealth Management

Funds Under Administration (FUA)	Half Year Ended								
	30 Jun 19 $M	Inflows $M	Outflows $M	Net Flows $M	Other [1] $M	**31 Dec 19 [2] $M**	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Life Investments	10,251	126	(1,034)	(908)	(9,343)	**-**	9,993	large	large

Inforce Premiums	Half Year Ended								
	30 Jun 19 $M	Sales $M	Lapses $M	Net Flows $M	Other [1] $M	**31 Dec 19 [2] $M**	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Life Insurance	1,151	45	(180)	(135)	(1,016)	**-**	1,264	large	large

(1) Includes the derecognition following the implementation of the CommInsure Life joint co-operation agreement on 1 November 2019.
(2) Spot balances are nil due to the implementation of the CommInsure Life joint co-operation agreement on 1 November 2019.

Financial Performance and Business Review (Discontinued operations)

Half Year Ended December 2019 versus December 2018

Life Insurance Business

The Life Business cash net loss after tax for the half year ended 31 December 2019 was $18 million, compared to a $12 million cash net profit after tax in the prior comparative period. The cash net loss after tax was driven by lower life insurance income due to a decrease in inforce premiums reflecting higher lapses, including the loss of some large wholesale schemes. The current period includes 4 months of the financial performance of CommInsure Life compared to 6 months in the prior comparative period following the commencement of the joint co-operation agreement and deconsolidation of the business on 1 November 2019.

CFSGAM Business

CFSGAM cash net profit after tax for the half year ended 31 December 2019 was $24 million, a decrease of $91 million on the prior comparative period. The current period includes 1 month of the financial performance of CFSGAM compared to 6 months in the prior comparative period following the sale and deconsolidation of the business on 2 August 2019.

Half Year Ended December 2019 versus June 2019

Life Insurance Business

The Life Business cash net loss after tax for the half year ended 31 December 2019 was $18 million, compared to a $1 million cash net profit after tax in the prior half. The cash net loss was driven by lower life insurance income due to a decrease in inforce premiums reflecting higher lapses, including the loss of some large wholesale schemes, partly offset by the non-recurrence of reserve strengthening ($42 million) and a pre-tax loss recognition ($71 million) in income protection products in the prior half. The current period includes 4 months of the financial performance of CommInsure Life compared to 6 months in the prior half following the commencement of the joint co-operation agreement and deconsolidation of the business on 1 November 2019.

CFSGAM Business

CFSGAM cash net profit after tax decreased $101 million on the prior half. The current period includes 1 month of the financial performance of CFSGAM compared to 6 months in the prior half following the sale and deconsolidation of the business on 2 August 2019.

New Zealand

Overview

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

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

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

	Half Year Ended [1]				
New Zealand (A$M)	**31 Dec 19 A$M**	30 Jun 19 A$M	31 Dec 18 A$M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Net interest income	**957**	969	940	(1)	2
Other banking income [2]	**199**	206	236	(3)	(16)
Total banking income	**1,156**	1,175	1,176	(2)	(2)
Funds management income	**71**	67	63	6	13
Total operating income	**1,227**	1,242	1,239	(1)	(1)
Operating expenses	**(480)**	(472)	(440)	2	9
Loan impairment expense	**(21)**	(60)	(42)	(65)	(50)
Net profit before tax	**726**	710	757	2	(4)
Corporate tax expense	**(202)**	(195)	(213)	4	(5)
Cash net profit after tax	**524**	515	544	2	(4)

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Other banking income disclosed in AUD includes realised gains or losses associated with the hedging of New Zealand operations earnings.

New Zealand

New Zealand (NZ$M)	Half Year Ended (1) 31 Dec 19 NZ$M	30 Jun 19 NZ$M	31 Dec 18 NZ$M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Net interest income	**1,024**	1,020	1,015	-	1
Other banking income	**247**	234	243	6	2
Total banking income	**1,271**	1,254	1,258	1	1
Funds management income	**76**	70	68	9	12
Total operating income	**1,347**	1,324	1,326	2	2
Operating expenses	**(508)**	(496)	(474)	2	7
Loan impairment expense	**(22)**	(63)	(45)	(65)	(51)
Net profit before tax	**817**	765	807	7	1
Corporate tax expense	**(230)**	(212)	(228)	8	1
Cash net profit after tax	**587**	553	579	6	1
Represented by:					
ASB	**614**	589	614	4	-
Other (2)	**(27)**	(36)	(35)	(25)	(23)
Cash net profit after tax	**587**	553	579	6	1

Key Financial Metrics (continuing operations) (3)	Half Year Ended (1) 31 Dec 19	30 Jun 19	31 Dec 18	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Performance indicator					
Operating expenses to total operating income (%)	**37.7**	37.5	35.7	20 bpts	200 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 2019 versus December 2018

New Zealand [1] cash net profit after tax [2] for the half year ended 31 December 2019 was NZD587 million, an increase of NZD8 million or 1% on the prior comparative period. The result was driven by a 2% increase in total operating income, a 7% increase in operating expenses and a 51% decrease in loan impairment expense.

New Zealand [1] generated AUD426 million of organic capital [3] for the Group in the current half. This contributed 9 basis points to the Group's CET1 ratio.

Half Year Ended December 2019 versus June 2019

New Zealand [1] cash net profit after tax [2] for the half year ended 31 December 2019 increased NZD34 million or 6% on the prior half. The result was driven by a 2% increase in total operating income, a 2% increase in operating expenses and a 65% decrease in loan impairment expense.

(1) The New Zealand result incorporates ASB Bank. The CBA Branch results relating to the Institutional Banking and Markets business in New Zealand are not included.
(2) Includes allocated capital charges and other CBA costs.
(3) Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets (in accordance with APRA requirements) used to generate those profits. Amounts quoted exclude the payment of dividends and the impact of regulatory changes from SA-CCR and AASB 16 (Leases).

New Zealand

ASB (NZ$M)	Half Year Ended (1) 31 Dec 19 NZ$M	30 Jun 19 NZ$M	31 Dec 18 NZ$M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Net interest income	**1,060**	1,067	1,061	(1)	-
Other banking income	**247**	234	243	6	2
Total banking income	**1,307**	1,301	1,304	-	-
Funds management income	**76**	70	68	9	12
Total operating income	**1,383**	1,371	1,372	1	1
Operating expenses	**(508)**	(496)	(474)	2	7
Loan impairment expense	**(22)**	(63)	(45)	(65)	(51)
Net profit before tax	**853**	812	853	5	-
Corporate tax expense	**(239)**	(223)	(239)	7	-
Cash net profit after tax	**614**	589	614	4	-

Balance Sheet (NZ$M)	As at 31 Dec 19 NZ$M	30 Jun 19 NZ$M	31 Dec 18 NZ$M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Home loans	**58,870**	57,194	55,338	3	6
Business lending	**17,601**	17,342	16,735	1	5
Rural lending	**11,010**	11,320	11,231	(3)	(2)
Other interest earning assets	**2,209**	2,198	2,198	1	1
Total lending interest earning assets	**89,690**	88,054	85,502	2	5
Non-lending interest earning assets	**8,951**	8,719	9,516	3	(6)
Other assets	**1,897**	1,643	1,940	15	(2)
Total assets	**100,538**	98,416	96,958	2	4
Interest bearing deposits	**60,257**	59,016	58,309	2	3
Debt issues	**20,632**	20,971	20,100	(2)	3
Other interest bearing liabilities	**2,038**	2,283	1,815	(11)	12
Total interest bearing liabilities	**82,927**	82,270	80,224	1	3
Non-interest bearing deposits	**6,585**	5,530	5,377	19	22
Other non-interest bearing liabilities	**1,126**	1,195	1,173	(6)	(4)
Total liabilities	**90,638**	88,995	86,774	2	4

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

New Zealand

ASB Key Financial Metrics [2]	31 Dec 19	30 Jun 19	31 Dec 18	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
	Half Year Ended [1]				
Performance indicators					
Net interest margin (%)	**2. 13**	2. 23	2. 23	(10)bpts	(10)bpts
Return on assets (%)	**1. 2**	1. 2	1. 3	-	(10)bpts
Operating expenses to total operating income (%)	**36. 7**	36. 2	34. 5	50 bpts	220 bpts
Impairment expense annualised as a % of average GLAAs (%)	**0. 05**	0. 15	0. 11	(10)bpts	(6)bpts
Other information					
Average interest earning assets (NZ$M)	**98,839**	96,385	94,262	3	5
Risk weighted assets (NZ$M) [3]	**56,784**	56,073	54,867	1	3
Risk weighted assets (A$M) [4]	**52,420**	51,186	50,147	2	5
FUA - average (NZ$M) [5]	**16,273**	15,192	15,007	7	8
FUA - spot (NZ$M) [6]	**-**	15,876	14,485	large	large
AUM - average (NZ$M)	**17,706**	15,924	15,001	11	18
AUM - spot (NZ$M)	**18,513**	16,787	14,963	10	24
90+ days home loan arrears (%)	**0. 14**	0. 13	0. 11	1 bpt	3 bpts
90+ days consumer finance arrears (%)	**0. 59**	0. 59	0. 33	-	26 bpts
Number of full-time equivalent staff (FTE)	**5,074**	5,038	4,927	1	3

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Key financial metrics are calculated in New Zealand dollar terms unless otherwise stated.
(3) Risk weighted assets (NZ$M) calculated in accordance with RBNZ requirements.
(4) Risk weighted assets (A$M) calculated in accordance with APRA requirements.
(5) Average balance calculated on the period the Group owned Aegis up until 2 December 2019.
(6) Spot balance is nil as at 31 December 2019 due to the completion of the sale of Aegis on 2 December 2019.

New Zealand

Financial Performance and Business Review

Half Year Ended December 2019 versus December 2018

ASB cash net profit after tax for the half year ended 31 December 2019 was NZD614 million, flat on the prior comparative period. The result was driven by a 1% increase in total operating income, a 7% increase in operating expenses and a 51% decrease in loan impairment expense.

Net Interest Income

Net interest income was NZD1,060 million, a decrease of NZD1 million on the prior comparative period. The decrease was driven by a 4% decrease in net interest margin and 5% growth in average interest earning assets.

Net interest margin decreased 10 basis points, reflecting:

- Lower customer deposit margin from lower earnings on investment deposits due to lower swap rates, and lower earnings on transaction and savings deposits due to the decreases in the cash rate (down 8 basis points);
- Lower earnings on equity due to the falling interest rate environment (down 6 basis points); partly offset by
- Higher fixed rate home lending margin due to reduced funding costs as a result of lower swap rates (up 2 basis points); and
- Higher rural lending margin (up 2 basis points).

Other Banking Income

Other banking income was NZD247 million, an increase of NZD4 million or 2% on the prior comparative period, driven by:

- Higher Markets trading income driven by interest rate volatility; partly offset by
- Lower customer service fees resulting from customers migrating to lower fee digital channels.

Funds Management Income

Funds management income was NZD76 million, an increase of NZD8 million or 12% on the prior comparative period, driven by:

- Higher average Assets Under Management (AUM) (up 18%), reflecting net inflows and favourable investment markets; partly offset by
- Lower income due to the completion of the sale of Aegis on 2 December 2019.

Operating Expenses

Operating expenses were NZD508 million, an increase of NZD34 million or 7% on the prior comparative period. The increase was driven by higher staff costs due to increased risk and compliance full time equivalent staff (FTE), higher IT expenses, increased investment spend and amortisation.

The number of FTE increased by 147 or 3% on the prior comparative period from 4,927 to 5,074 FTE, primarily due to an increase in technology staff, and risk and compliance staff, partly offset by productivity initiatives.

Investment spend continues to focus on strengthening the operational risk and compliance framework, and investment in technology platforms.

The operating expense to total operating income ratio was 36.7%, an increase of 220 basis points on the prior comparative period, mainly driven by higher operating expenses.

Loan Impairment Expense

Loan impairment expense was NZD22 million, a decrease of NZD23 million or 51% on the prior comparative period. The decrease was primarily due to lower provisioning in the rural portfolio reflecting an improvement in dairy prices.

Loan impairment expense as a percentage of average gross loans and acceptances decreased 6 basis points on the prior comparative period to 5 basis points.

Home loan arrears remain at low levels. Consumer finance arrears have increased 26 basis points from 0.33% to 0.59% following historically low arrears rates in the prior comparative period and slower portfolio growth.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of NZD3.5 billion or 6%, below system growth of 7% in a competitive market, with continued customer preference for fixed rate loans;
- Business loan growth of NZD0.9 billion or 5%, below system growth of 6%, in a competitive market;
- Rural loan decline of NZD0.2 billion or 2%, below system growth of 1%, with a focus on risk adjusted returns; and
- Total deposit growth of NZD3.2 billion or 5% (interest and non-interest bearing), broadly in line with system growth, with a customer preference for transaction and savings deposits.

Risk Weighted Assets [(1)]

Risk weighted assets were NZD56.8 billion, an increase of NZD1.9 billion or 3% on the prior comparative period.

- Credit risk weighted assets increased NZD1.1 billion or 2% driven by an increase in lending volumes, and an increase following the implementation of NZ IFRS 16 (Leases), partly offset by improved credit quality, primarily in the rural portfolio;
- Market risk weighted assets increased NZD0.7 billion or 33% primarily due to an increase in NZD interest rate risk exposures; and
- Operational risk weighted assets increased $0.1 billion or 2%.

ASB generated $481 million of organic capital [(2)] for the Group in the current half. This contributed 11 basis points to the Group's CET1 ratio.

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

(2) Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets (in accordance with APRA requirements) used to generate those profits. Amounts quoted exclude the payment of dividends, and the impact of regulatory changes from SA-CCR and AASB 16 (Leases).

Financial Performance and Business Review (continued)

Half Year Ended December 2019 versus June 2019

Cash net profit after tax for the half year ended 31 December 2019 increased NZD25 million or 4% on the prior half. The result was driven by a 1% increase in total operating income, a 2% increase in operating expenses and a 65% decrease in loan impairment expense.

Net Interest Income

Net interest income decreased NZD7 million or 1% on the prior half. This was driven by a 4% decrease in net interest margin, 3% growth in average interest earning assets and the benefit of three additional calendar days in the current half.

Net interest margin decreased 10 basis points, reflecting:

- Lower customer deposit margin from lower earnings on investment deposits due to lower swap rates, and lower earnings on transaction and savings deposits due to the decreases in the cash rate (down 6 basis points);
- Lower earnings on equity due to the falling interest rate environment (down 4 basis points); and
- Lower income from Treasury and other related activities (down 4 basis points); partly offset by
- Higher fixed rate home lending margin due to reduced funding costs as a result of lower swap rates (up 4 basis points).

Other Banking Income

Other banking income increased NZD13 million or 6% on the prior half, driven by:

- Higher Markets sales income due to increased volumes, and higher trading income driven by interest rate volatility; and
- Higher card income due to a seasonal increase in customer spend from the December holiday season.

Funds Management Income

Funds management income increased NZD6 million or 9% on the prior half, driven by:

- Higher average AUM (up 11%), reflecting net inflows and favourable investment markets; partly offset by
- Lower income due to the completion of the sale of Aegis on 2 December 2019.

Operating Expenses

Operating expenses increased NZD12 million or 2% on the prior half. The increase was driven by higher staff costs due to an increase in risk and compliance full time equivalent staff (FTE), higher IT expenses, and a seasonal increase in credit card loyalty costs.

The number of FTE increased by 36 or 1% on the prior half from 5,038 to 5,074 FTE, primarily due to an increase in technology staff, and risk and compliance staff, partly offset by productivity initiatives.

The operating expense to total operating income ratio increased 50 basis points on the prior half, mainly driven by higher operating expenses.

Loan Impairment Expense

Loan impairment expense decreased NZD41 million or 65% on the prior half. The decrease was due to lower individually assessed provisions in the business portfolio, and lower collective provisions in the rural portfolio reflecting an improvement in dairy prices.

Loan impairment expense as a percentage of average gross loans and advances decreased 10 basis points on the prior half.

Home loan and consumer finance arrears have remained stable over the half.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of NZD1.7 billion or 3%, below system growth of 4% in a competitive market, with continued customer preference for fixed rate loans;
- Business loan growth of NZD0.3 billion or 1%, below system growth of 3%, in a competitive market;
- Rural loan decline of NZD0.3 billion or 3%, below system decline of 1%, with a focus on risk adjusted returns; and
- Total deposit growth of NZD2.3 billion or 4% (interest bearing and non-interest bearing), above system growth of 3%, with strong growth in savings and transaction accounts.

Risk Weighted Assets (1)

Risk weighted assets increased NZD0.7 billion or 1% on the prior half.

- Credit risk weighted assets increased NZD0.6 billion or 1% driven by an increase in lending volumes, and an increase following the implementation of NZ IFRS 16 (Leases), partly offset by improved credit quality, primarily in the rural portfolio; and
- Operational risk weighted assets increased $0.1 billion or 2%.

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

International Financial Services

Overview

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

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

On 23 October 2018 CBA announced the sale of its 80% interest in its Indonesian life insurance business PT Commonwealth Life (PTCL) to FWD Group. Completion of the sale remains subject to regulatory approval and is expected to complete in the first half of calendar year 2020.

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

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

	Half Year Ended (2)				
International Financial Services (3)	**31 Dec 19 $M**	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Net interest income	**78**	78	75	-	4
Other banking income	**135**	138	166	(2)	(19)
Total banking income	**213**	216	241	(1)	(12)
Operating expenses	**(77)**	(65)	(85)	18	(9)
Loan impairment expense	**(21)**	(16)	(11)	31	91
Net profit before tax	**115**	135	145	(15)	(21)
Corporate tax expense	**(15)**	(15)	(15)	-	-
Cash net profit after tax from continuing operations	**100**	120	130	(17)	(23)
Cash net profit/(loss) after tax from discontinued operations (4)	**14**	15	(30)	(7)	large
Cash net profit after tax	**114**	135	100	(16)	14

	Half Year Ended (2)				
Key Financial Metrics (continuing operations)	**31 Dec 19**	30 Jun 19	31 Dec 18	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Performance indicators					
Return on assets (%)	**3. 8**	4. 8	5. 3	(100)bpts	(150)bpts
Operating expenses to total operating income (%)	**36. 2**	30. 1	35. 3	large	90 bpts
Impairment expense annualised as a % of average GLAAs (%)	**2. 77**	2.26	1.53	51 bpts	124 bpts
Other information					
Risk weighted assets ($M) (5)	**3,194**	3,660	4,001	(13)	(20)
Number of full-time equivalent staff (FTE)	**1,340**	1,428	1,549	(6)	(13)

(1) MS&AD Insurance Group Holdings is the ultimate parent company of Mitsui Sumitomo Insurance Co. Ltd.
(2) Comparative information has been restated to conform to presentation in the current period.
(3) IFS does not include the Business and Private Banking, Institutional Banking and Markets and CFSGAM businesses in Asia.
(4) Discontinued operations include BoCommLife, TymeDigital SA and PTCL.
(5) Risk weighted assets include discontinued operations.

International Financial Services

Financial Performance and Business Review

Half Year Ended December 2019 versus December 2018

International Financial Services (IFS) cash net profit after tax for the half year ended 31 December 2019 was $114 million, an increase of $14 million or 14% on the prior comparative period. Excluding the contribution from discontinued operations, cash net profit after tax was $100 million, a decrease of $30 million or 23% on the prior comparative period. The result was driven by a 12% decrease in total banking income, a 9% decrease in operating expenses and a 91% increase in loan impairment expense.

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

Net Interest Income

Net interest income was $78 million, an increase of $3 million or 4% on the prior comparative period. This reflected lending volume growth in PT Bank Commonwealth (PTBC).

Other Banking Income

Other banking income was $135 million, a decrease of $31 million or 19% on the prior comparative period. This reflected lower net profits from minority investments.

Operating Expenses

Operating expenses were $77 million, a decrease of $8 million or 9% on the prior comparative period. Excluding the impact of FX, operating expenses decreased by $14 million or 16% as a result of productivity and simplification initiatives.

The number of full-time equivalent staff (FTE) decreased by 209 or 13% on the prior comparative period, from 1,549 to 1,340 FTE. This reflected the impact of productivity and simplification initiatives.

The operating expenses to total operating income ratio was 36.2%, an increase of 90 basis points on the prior comparative period mainly driven by lower operating income.

Loan Impairment Expense

Loan impairment expense was $21 million, an increase of $10 million or 91% on the prior comparative period. This was driven by higher collective provisions in PTBC.

Loan impairment expense as a percentage of average gross loans and acceptances increased by 124 basis points on the prior comparative period to 2.77%.

Balance Sheet

Lending volumes increased by $93 million or 7% on the prior comparative period. This was driven by growth in PTBC retail lending.

Risk Weighted Assets (1)

Risk weighted assets were $3.2 billion, a decrease of $0.8 billion or 20% on the prior comparative period.

- Operational risk weighted assets decreased $0.7 billion or 41%, reflecting the smaller footprint of the business; and
- IRRBB risk weighted assets decreased $0.1 billion or 9%.

IFS generated $166 million of organic capital (2) for the Group in the current half. This contributed 4 basis points to the Group's CET1 ratio.

Half Year Ended December 2019 versus June 2019

Cash net profit after tax for the half year ended 31 December 2019 decreased $21 million or 16% on the prior half. Excluding the contribution from discontinued operations, cash net profit after tax decreased $20 million or 17% on the prior half. The result was driven by a 1% decrease in total banking income, an 18% increase in operating expenses and a 31% increase in loan impairment expense.

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

Net Interest Income

Net interest income was flat on the prior half, driven by average lending volume growth in PTBC, offset by lower margin due to increased competition in deposits.

Other Banking Income

Other banking income decreased $3 million or 2% on the prior half. This reflected lower net profits from minority investments.

Operating Expenses

Operating expenses increased $12 million or 18% on the prior half. Excluding the impact of FX and the non-recurrence of a one-off cost benefit in the prior half, operating expenses decreased by $7m or 9% as a result of productivity initiatives.

The number of full-time equivalent staff (FTE) decreased by 88 or 6% on the prior half, from 1,428 to 1,340 FTE due to productivity initiatives in PTBC.

The operating expenses to total operating income ratio was 36.2%, an increase of 610 basis points on the prior half mainly driven by higher operating expenses.

(1) Risk Weighted Assets include discontinued operations.
(2) Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets used to generate those profits. Amounts quoted include discontinued operations, and exclude the payment of dividends, the allocation of Operational RWA from the Enforceable Undertaking with APRA and the impact of regulatory changes from SA-CCR and AASB 16 (Leases).

Financial Performance and Business Review (continued)

Loan Impairment Expense

Loan impairment expense increased by $5 million or 31% on the prior half, driven by higher individually assessed provisions in PTBC.

Loan impairment expense as a percentage of average gross loans and acceptances increased by 51 basis points on the prior half to 2.77%.

Balance Sheet

Lending volumes were flat compared to prior half.

Risk Weighted Assets [(1)]

Risk weighted assets decreased $0.5 billion or 13% on the prior half.

- Operational risk weighted assets decreased $0.5 billion or 33%, reflecting the smaller footprint of the business.

(1) Risk Weighted Assets include discontinued operations.

	Half Year Ended [(1)]				
IFS Discontinued Operations [(2)]	**31 Dec 19 $M**	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Net interest income	**3**	3	4	-	(25)
Other banking income	**-**	-	4	-	large
Total banking income	**3**	3	8	-	(63)
Funds management income	**1**	1	1	-	-
Insurance income	**24**	29	26	(17)	(8)
Total operating income	**28**	33	35	(15)	(20)
Operating expenses	**(12)**	(14)	(62)	(14)	(81)
Net profit/(loss) before tax	**16**	19	(27)	(16)	large
Corporate tax expense	**(2)**	(3)	(2)	(33)	-
Non-controlling interests	**(3)**	(3)	(4)	-	(25)
Underlying profit/(loss) after tax	**11**	13	(33)	(15)	large
Investment experience after tax	**3**	2	3	50	-
Cash net profit/(loss) after tax from discontinued operations	**14**	15	(30)	(7)	large

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Discontinued operations include BoCommLife, TymeDigital SA and PTCL.

Financial Performance and Business Review (Discontinued Operations)

Half Year Ended December 2019 versus December 2018

Discontinued operations cash net profit after tax for the half year ended 31 December 2019 was $14 million, an increase of $44 million on the prior comparative period. The result was primarily driven by lower operating expenses following the sale of TymeDigital SA on 1 November 2018.

Half Year Ended December 2019 versus June 2019

Discontinued operations cash net profit after tax for the half year ended 31 December 2019 decreased $1 million or 7% on the prior half. The decrease was due to lower insurance income from PTCL.

Corporate Centre

Overview

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

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

The Treasury function includes:

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

	Half Year Ended (1)				
Corporate Centre (including eliminations)	**31 Dec 19 $M**	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Net interest income	**38**	131	111	(71)	(66)
Other banking income	**93**	44	15	large	large
Total banking income	**131**	175	126	(25)	4
Funds management income	**(24)**	(11)	(5)	large	large
Insurance income	**-**	(2)	-	large	-
Total operating income	**107**	162	121	(34)	(12)
Operating expenses	**(622)**	(968)	(609)	(36)	2
Loan impairment (expense)/benefit	**(39)**	1	-	large	large
Net loss before tax	**(554)**	(805)	(488)	(31)	14
Corporate tax benefit	**154**	213	153	(28)	1
Non-controlling interests	**-**	(6)	(6)	large	large
Underlying loss after tax	**(400)**	(598)	(341)	(33)	17
Investment experience after tax	**(15)**	(21)	(13)	(29)	15
Cash net loss after tax from continuing operations	**(415)**	(619)	(354)	(33)	17
Cash net loss after tax from discontinued operations	**(3)**	(19)	(5)	(84)	(40)
Cash net loss after tax	**(418)**	(638)	(359)	(34)	16

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

Financial Performance and Business Review

Half Year Ended December 2019 versus December 2018

Corporate Centre cash net loss after tax for the half year ended 31 December 2019 was $418 million, an increase of $59 million or 16% on the prior comparative period. Excluding the contribution from discontinued operations, cash net loss after tax was $415 million, an increase of $61 million or 17% on the prior comparative period. The result was primarily driven by a 12% decrease in total operating income, 2% higher operating expenses and a $39 million increase in loan impairment expense.

Net Interest Income

Net interest income was $38 million, a decrease of $73 million or 66% on the prior comparative period. This was due to reduced earnings from the management of interest rate risk in the banking book and lower earnings on Group capital due to the falling interest rate environment.

Other Banking Income

Other banking income was $93 million, an increase of $78 million on the prior comparative period. This was primarily driven by gains on the sale of high quality liquid assets, and higher earnings from the management of foreign currency and interest rate risk associated with wholesale debt issuances.

Financial Performance and Business Review (continued)

Operating Expenses

Operating expenses were $622 million, an increase of $13 million or 2% on the prior comparative period. Excluding the non-recurrence of $200 million of Aligned Advice remediation provision and $145 million of AUSTRAC insurance recoveries in the prior comparative period, operating expenses increased $68 million or 12%. This was primarily driven by the accelerated amortisation of certain capitalised software balances reflecting the faster pace of technological change, partly offset by a one-off benefit from the release of a historical provision which was no longer required.

Loan Impairment Expense

Loan impairment expense was $39 million, an increase of $39 million on the prior comparative period. The increase was driven by a central management overlay for drought affected agriculture and associated regional communities in NSW and Queensland.

Risk Weighted Assets

Risk weighted assets were $1.7 billion, a decrease of $7.3 billion or 81% on the prior comparative period.

- IRRBB risk weighted assets decreased $3.9 billion or 70%;
- Credit risk weighted assets decreased $2.5 billion or 22%; and
- Operational risk weighted assets decreased $1.0 billion or 33%; partly offset by
- Traded market risk weighted assets increase of $0.1 billion or 38%.

Corporate Centre consumed $4,042 million of organic capital [(1)] for the Group in the current half, largely due to the payment of dividends. This impacted the Group's CET1 ratio by -89 basis points.

Half Year Ended December 2019 versus June 2019

Cash net loss after tax for the half year ended 31 December 2019 decreased $220 million or 34% on the prior half. Excluding the contribution from discontinued operations, cash net loss after tax decreased $204 million or 33% on the prior half. The result was driven by a 34% decrease in total operating income, 36% lower operating expenses and a $40 million increase in loan impairment expense.

Net Interest Income

Net interest income decreased $93 million or 71% on the prior half reflecting reduced earnings from the management of interest rate risk in the banking book and lower earnings on Group capital due to the falling interest rate environment.

Other Banking Income

Other banking income increased $49 million on the prior half, primarily reflecting gains on the sale of high quality liquid assets.

Operating Expenses

Operating expenses decreased $346 million or 36% on the prior half. Excluding the non-recurrence of $334 million of Aligned Advice remediation provision in the prior half, operating expenses decreased $12 million or 2%. This was primarily driven by a one-off benefit from the release of a historical provision which was no longer required, partly offset by the accelerated amortisation of certain capitalised software balances reflecting the faster pace of technological change.

Loan Impairment Expense

Loan impairment expense increased $40 million on the prior half. The increase was driven by a central management overlay for drought affected agriculture and associated regional communities in NSW and Queensland.

Risk Weighted Assets

Risk weighted assets decreased $4.0 billion or 71% on the prior half.

- Credit risk weighted assets decreased $3.2 billion or 27% due to lower liquid assets;
- Operational risk weighted assets decreased $0.5 billion or 20%;
- IRRBB risk weighted assets decreased $0.2 billion or 3%; and
- Traded market risk weighted assets decreased $0.1 billion or 16%.

(1) Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets used to generate those profits less the Bank's payment of dividends. Amounts quoted include discontinued operations, and exclude the allocation of Operational RWA from the Enforceable Undertaking with APRA and the impact of regulatory changes from SA-CCR and AASB 16 (Leases).

Investment Experience

Investment Experience

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

	Half Year Ended [1]				
Investment Experience	**31 Dec 19 $M**	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Retail Banking Services	**5**	11	9	(55)	(44)
Wealth Management	**13**	11	13	18	-
Other	**(15)**	(21)	(19)	(29)	(21)
Investment experience before tax	**3**	1	3	large	-
Tax on Investment experience	**(4)**	(5)	(2)	(20)	large
Investment experience after tax from continuing operations	**(1)**	(4)	1	(75)	large
Investment experience after tax from discontinued operations	**13**	51	11	(75)	18
Investment experience after tax	**12**	47	12	(74)	-

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

Shareholder Investment Asset Mix

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

	As at 31 December 2019		
Shareholder Investment Asset Mix (%)	Australia [1] %	Asia %	Total %
Cash	98	-	76
Other	2	-	1
Assets classified as held for sale	-	100	23
Total	100	100	100

	As at 31 December 2019		
Shareholder Investment Asset Mix ($M)	Australia [1] $M	Asia $M	Total $M
Cash	2,514	-	2,514
Other	40	-	40
Assets classified as held for sale	-	759	759
Total	2,554	759	3,313

(1) Includes Shareholders' funds in Colonial First State and Retail Banking Services Retail Wealth businesses.

Financial Statements

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Contents

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 2019.

Directors

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

Catherine Livingstone AO	Chairman
Matt Comyn	Managing Director and Chief Executive Officer
Shirish Apte	Director
Professor Genevieve Bell	Director
Sir David Higgins	Director (retired effective 31 December 2019)
Paul O'Malley	Director
Mary Padbury	Director
Wendy Stops	Director
Anne Templeman-Jones	Director
Robert Whitfield	Director

Review and Results of Operations

The Group's statutory net profit after tax for the half year ended 31 December 2019 was $6,161 million, an increase of $1,562 million or 34% on the prior comparative period. The increase was driven by higher gains on disposals and closure of businesses, hedging and IFRS volatility gains, partly offset by higher operating expenses and increased loan impairment expense.

On 21 September 2017, the Group entered into an agreement to sell 100% of its life insurance businesses in Australia (CommInsure Life) and New Zealand (Sovereign) to AIA Group Limited (AIA). The sale of Sovereign completed on 2 July 2018 and includes a long-term partnership with AIA for the provision of life insurance products to customers in New Zealand.

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

On 23 October 2018, the Group announced the sale of its 80% interest in its Indonesian life insurance business, PT Commonwealth Life (PTCL), to FWD Group (FWD). As part of the sale, CBA's Indonesian banking subsidiary, PT Bank Commonwealth (PTBC), will enter into a 15 year life insurance distribution partnership with FWD. The sale is subject to regulatory approvals in Indonesia and is expected to complete in the first half of calendar year 2020.

On 1 November 2018, the Group completed the sale of Commonwealth Bank of South Africa (Holding Company) Limited (TymeDigital SA) to the minority shareholder, African Rainbow Capital.

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

On 7 August 2019 CBA confirmed it will commence the assisted closure of Financial Wisdom Limited (Financial Wisdom) and allow Commonwealth Financial Planning Limited-Pathways (CFP-Pathways) advisers to transition to a self-licensing arrangement or move to another licensee. The cessation of CFP-Pathways is expected to be completed by 31 March 2020 and the assisted closure of Financial Wisdom is expected to be completed by 30 June 2020.

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

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

The Group and AIA remain fully committed to completing the divestment of CommInsure Life through either a share sale or a statutory asset transfer. In the event of a share sale, the divestment is expected to complete shortly following the completion of the sale of the Group's 37.5% equity interest in BoCommLife. In the event of a statutory asset transfer, the divestment is expected to complete around the end of calendar year 2020.

CommInsure Life, BoCommLife, CFSGAM and PTCL have been classified as discontinued operations in the Group's financial statements for the half year ended 31 December 2019.

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

- The statutory net profit after tax from Retail Banking Services was $2,167 million, an increase of $97 million or 5% 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.
- The statutory net profit after tax from Business and Private Banking was $1,499 million, a decrease of $46 million or 3% on the prior comparative period. The decrease was driven by higher operating expenses and increased loan impairment expense, partly offset by higher total banking income.
- The statutory net profit after tax from Institutional Banking and Markets was $476 million, a decrease of $139 million or 23% on the prior comparative period.

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

The decrease was driven by a decline in total banking income and higher loan impairment expense, partly offset by lower operating expenses.

- The statutory net profit after tax from Wealth Management was $1,753 million, an increase of $1,647 million on the prior comparative period. Excluding net profit after tax from discontinued operations the statutory net profit after tax was $175 million, an increase of $55 million or 46% on the prior comparative period. The increase was primarily driven by the $52 million net gain on the sale of Count Financial and non-recurrence of demerger costs for Newco, partly offset by lower funds management income and higher operating expenses.
- The statutory net profit after tax from New Zealand was $500 million, a decrease of $63 million or 11%, on the prior comparative period. Excluding net profit after tax from discontinued operations in the prior comparative period, statutory net profit after tax increased $50 million or 11%. The increase was primarily driven by lower loan impairment expense and lower hedging and IFRS volatility losses, partly offset by lower operating income and higher operating expenses.
- The statutory net profit after tax from International Financial Services was $117 million, an increase of $61 million on the prior comparative period. Excluding net profit after tax from discontinued operations the statutory net profit after tax was $102 million, a decrease of $24 million or 19% on the prior comparative period. The decrease was primarily driven by lower operating income and higher loan impairment expense, partly offset by lower operating expenses.

Additional analysis of operations for the half year ended 31 December 2019 is set out in the Highlights and Group and Divisional Performance Analysis sections.

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

Material Business risks

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

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

The Group's material risk types and its approach to managing them are described in Our material risks on pages 53-54 and in Note 9 of the Financial report on pages 201-231 in the 2019 Annual Report. A description of the material trends in our current external operating context, and the way that the risk framework is being developed to support better customer and risk outcomes, is provided in the Operating context on page 8 and in the Risk management section on pages 50-63 of the 2019 Annual Report.

In addition, commentary on the Group's ongoing litigations, investigations and reviews for half year ended 31 December 2019 is included in Note 7.2 of the Financial Statements for the half year ended 31 December 2019.

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 2019, 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
12 February 2020

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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
12 February 2020

Matt Comyn
Managing Director and Chief Executive Officer
12 February 2020

Financial Statements

Consolidated Income Statement

For the half year ended 31 December 2019

		Half Year Ended (1)		
	Note	**31 Dec 19 $M**	30 Jun 19 $M	31 Dec 18 $M
Interest income:				
Effective interest income	2.1	**15,719**	16,837	17,252
Other	2.1	**166**	236	263
Interest expense	2.1	**(6,592)**	(8,087)	(8,381)
Net interest income		**9,293**	8,986	9,134
Other banking income	2.2	**2,654**	2,463	2,531
Net banking operating income		**11,947**	11,449	11,665
Net funds management operating income	2.2	**491**	502	571
Net insurance operating income	2.2	**32**	80	70
Total net operating income before impairment and operating expenses		**12,470**	12,031	12,306
Operating expenses	2.3	**(5,434)**	(6,056)	(5,317)
Loan impairment expense	3.2	**(649)**	(624)	(577)
Net profit before income tax		**6,387**	5,351	6,412
Income tax expense	2.5	**(1,814)**	(1,560)	(1,831)
Net profit after income tax from continuing operations		**4,573**	3,791	4,581
Non-controlling interests in net profit after income tax from continuing operations		**-**	(6)	(6)
Net profit attributable to equity holders of the Bank from continuing operations		**4,573**	3,785	4,575
Net profit after income tax from discontinued operations	7.3	**1,591**	190	28
Non-controlling interests in net profit after income tax from discontinued operations	7.3	**(3)**	(3)	(4)
Net profit attributable to equity holders of the Bank		**6,161**	3,972	4,599

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

Earnings per share for profit attributable to equity holders of the Bank:

	Half Year Ended		
	31 Dec 19	30 Jun 19	31 Dec 18
	Cents per Share		
Earnings per share from continuing operations:			
Basic	**258. 6**	214. 1	259. 6
Diluted	**249. 8**	207. 4	249. 8
Earnings per share:			
Basic	**348. 4**	224. 7	261. 0
Diluted	**334. 0**	217. 2	251. 1

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

Financial Statements

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2019

	Half Year Ended (1) (2)		
	31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M
Net profit after income tax for the period from continuing operations	**4,573**	3,791	4,581
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit/(loss):			
Foreign currency translation reserve net of tax	**18**	91	397
(Losses) and gains on cash flow hedging instruments net of tax	**(239)**	730	217
(Losses) and gains on debt investment securities at fair value through other comprehensive income net of tax	**(122)**	187	(84)
Total of items that may be reclassified	**(343)**	1,008	530
Items that will not be reclassified to profit/(loss):			
Actuarial (losses) and gains from defined benefit superannuation plans net of tax	**(94)**	30	(79)
Gains and (losses) on equity investment securities at fair value through other comprehensive income net of tax	**2**	1	(7)
Revaluation of properties net of tax	**2**	28	6
Total of items that will not be reclassified	**(90)**	59	(80)
Other comprehensive (expense)/income net of tax	**(433)**	1,067	450
Total comprehensive income for the period from continuing operations	**4,140**	4,858	5,031
Net profit after income tax for the period from discontinued operations	**1,591**	190	28
Other comprehensive (expense)/income for the period from discontinued operations net of income tax (3)	**(39)**	3	(20)
Total comprehensive income for the period	**5,692**	5,051	5,039
Total comprehensive income for the period is attributable to:			
Equity holders of the Bank	**5,689**	5,042	5,029
Non-controlling interests	**3**	9	10
Total comprehensive income net of tax	**5,692**	5,051	5,039

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Current period amounts reflect the adoption of AASB 16 'Leases' on 1 July 2019. As permitted by AASB 16 comparative information has not been restated. For details on the adoption of AASB 16 refer to Note 1.1.
(3) The half year ended 31 December 2019 includes $47 million loss on foreign currency translation net of tax (30 June 2019: $7 million loss; 31 December 2018: $17 million loss) and $8 million gain on revaluation of debt investment securities measured at fair value through other comprehensive income net of tax (30 June 2019: $10 million gain; 31 December 2018: $3 million loss).

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

	Half Year Ended		
	31 Dec 19	30 Jun 19	31 Dec 18
	Cents per Share		
Dividends per share attributable to shareholders of the Bank:			
Ordinary shares	**200**	231	200

Financial Statements

Consolidated Balance Sheet

As at 31 December 2019

Assets	Note	31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M
		As at (1) (2)		
Cash and liquid assets		**37,105**	29,387	37,220
Receivables due from other financial institutions		**7,710**	8,093	7,744
Assets at fair value through Income Statement:				
Trading		**38,609**	32,506	33,615
Other		**1,204**	1,171	1,029
Derivative assets		**24,818**	25,215	28,569
Investment securities:				
At amortised cost		**6,285**	7,355	6,990
At fair value through other comprehensive income		**73,113**	78,912	75,246
Loans, bills discounted and other receivables	3.1	**765,464**	755,173	753,560
Property, plant and equipment		**5,205**	2,383	2,417
Investments in associates and joint ventures		**3,054**	3,001	2,831
Intangible assets		**7,729**	7,965	8,161
Deferred tax assets		**1,892**	1,675	1,735
Other assets		**6,474**	7,115	6,097
Assets held for sale (3)	7.3	**1,206**	16,551	15,216
Total assets		**979,868**	976,502	980,430
Liabilities				
Deposits and other public borrowings	4.1	**662,824**	636,040	637,010
Payables due to other financial institutions		**23,822**	23,370	22,545
Liabilities at fair value through Income Statement		**4,752**	8,520	9,030
Derivative liabilities		**24,692**	22,777	26,305
Current tax liabilities		**458**	326	401
Provisions		**2,855**	2,751	2,196
Debt issues		**153,327**	164,022	168,904
Bills payable and other liabilities		**9,998**	10,285	8,280
Liabilities held for sale (3)	7.3	**562**	15,796	14,350
		883,290	883,887	889,021
Loan capital		**25,425**	22,966	22,831
Total liabilities		**908,715**	906,853	911,852
Net assets		**71,153**	69,649	68,578
Shareholders' Equity				
Ordinary share capital	5.1	**38,126**	38,020	38,015
Reserves	5.1	**1,910**	3,092	2,051
Retained profits	5.1	**31,066**	28,482	27,959
Shareholders' Equity attributable to equity holders of the Bank		**71,102**	69,594	68,025
Non-controlling interests	5.1	**51**	55	553
Total Shareholders' Equity		**71,153**	69,649	68,578

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Current period amounts reflect the adoption of AASB 16 'Leases' on 1 July 2019. As permitted by AASB 16 comparative information has not been restated. For details on the adoption of AASB 16 refer to Note 1.1.
(3) Current period balances have been impacted by the completed disposals of CFSGAM and Count Financial, and the deconsolidation of CommInsure Life. For details on the Group's discontinued operations, 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 2019

	Ordinary share capital $M	Reserves $M	Retained profits $M	Total $M	Non-controlling interests $M	Total Shareholders' Equity $M
As at 30 June 2018	37,270	1,676	28,360	**67,306**	554	**67,860**
Change on adoption of AASB 9 and AASB 15	-	-	(955)	**(955)**	-	**(955)**
Restated opening balance	37,270	1,676	27,405	**66,351**	554	**66,905**
Net profit after income tax from continuing operations	-	-	4,575	**4,575**	6	**4,581**
Net profit after income tax from discontinued operations	-	-	24	**24**	4	**28**
Net other comprehensive income from continuing operations (1)	-	529	(79)	**450**	-	**450**
Net other comprehensive income from discontinued operations (1)	-	(20)	-	**(20)**	-	**(20)**
Total comprehensive income for the period	-	509	4,520	**5,029**	10	**5,039**
Transactions with Equity holders in their capacity as Equity holders: (2)						
Dividends paid on ordinary shares	-	-	(4,065)	**(4,065)**	-	**(4,065)**
Dividend reinvestment plan (net of issue costs)	748	-	-	**748**	-	**748**
Share-based payments	-	(42)	-	**(42)**	-	**(42)**
Purchase of treasury shares	(74)	-	-	**(74)**	-	**(74)**
Sale and vesting of treasury shares	71	-	-	**71**	-	**71**
Other changes	-	(92)	99	**7**	(11)	**(4)**
As at 31 December 2018	38,015	2,051	27,959	**68,025**	553	**68,578**
Net profit after income tax from continuing operations	-	-	3,785	**3,785**	6	**3,791**
Net profit after income tax from discontinued operations	-	-	187	**187**	3	**190**
Net other comprehensive income from continuing operations (1)	-	1,037	30	**1,067**	-	**1,067**
Net other comprehensive income from discontinued operations (1)	-	3	-	**3**	-	**3**
Total comprehensive income for the period	-	1,040	4,002	**5,042**	9	**5,051**
Transactions with Equity holders in their capacity as Equity holders: (2)						
Dividends paid on ordinary shares	-	-	(3,541)	**(3,541)**	-	**(3,541)**
Dividend reinvestment plan (net of issue costs)	-	-	-	**-**	-	**-**
Share-based payments	-	58	-	**58**	-	**58**
Purchase of treasury shares	(19)	-	-	**(19)**	-	**(19)**
Sale and vesting of treasury shares	24	-	-	**24**	-	**24**
Other changes	-	(57)	62	**5**	(507)	**(502)**
As at 30 June 2019	38,020	3,092	28,482	**69,594**	55	**69,649**
Change on adoption of AASB 16 (3)	-	-	(146)	**(146)**	-	**(146)**
Restated opening balance	38,020	3,092	28,336	**69,448**	55	**69,503**
Net profit after income tax from continuing operations	-	-	4,573	**4,573**	-	**4,573**
Net profit after income tax from discontinued operations	-	-	1,588	**1,588**	3	**1,591**
Net other comprehensive income from continuing operations	-	(339)	(94)	**(433)**	-	**(433)**
Net other comprehensive income from discontinued operations	-	(39)	-	**(39)**	-	**(39)**
Total comprehensive income for the period	-	(378)	6,067	**5,689**	3	**5,692**
Transactions with Equity holders in their capacity as Equity holders: (2)						
Dividends paid on ordinary shares	-	-	(4,089)	**(4,089)**	-	**(4,089)**
Dividend reinvestment plan (net of issue costs)	(1)	-	-	**(1)**	-	**(1)**
Share-based payments	-	(65)	-	**(65)**	-	**(65)**
Purchase of treasury shares	(54)	-	-	**(54)**	-	**(54)**
Decrease in treasury shares on deconsolidation of CommInsure Life	79	-	-	**79**	-	**79**
Sale and vesting of treasury shares	82	-	-	**82**	-	**82**
Other changes (4)	-	(739)	752	**13**	(7)	**6**
As at 31 December 2019	38,126	1,910	31,066	**71,102**	51	**71,153**

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Current and prior periods include discontinued operations.
(3) The Group adopted AASB 16 'Leases' on 1 July 2019. As permitted by AASB 16, the Group recognised the cumulative effect of initially applying the new requirements as an adjustment to opening retained profits at 1 July 2019. Comparative information has not been restated. For details on the adoption of AASB 16 refer to Note 1.1.
(4) Includes $733 million transfer from General Reserve to Retained Profits. For details refer to Note 5.1.

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 2019

	Half Year Ended		
	31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M
Cash flows from operating activities before changes in operating assets and liabilities	**(3,690)**	6,344	5,165
Changes in operating assets and liabilities arising from cash flow movements	**15,238**	464	6,113
Net cash provided by operating activities	**11,548**	6,808	11,278
Net proceeds from disposal of entities and businesses (net of cash and cash equivalents disposed)	**3,988**	-	1,259
Other cash (used in)/provided by investing activities	**(582)**	409	(685)
Net cash provided by investing activities	**3,406**	409	574
Dividends paid (3)	**(4,082)**	(3,530)	(3,323)
Proceeds from issuance of debt securities	**19,901**	27,251	29,197
Redemption of issued debt securities	**(30,544)**	(35,593)	(38,154)
Other cash provided by/(used in) financing activities	**2,385**	(593)	(994)
Net cash used in financing activities	**(12,340)**	(12,465)	(13,274)
Net increase/(decrease) in cash and cash equivalents	**2,614**	(5,248)	(1,422)
Effect of foreign exchange rates on cash and cash equivalents	**1**	103	572
Cash and cash equivalents at beginning of period	**17,010**	22,155	23,005
Cash and cash equivalents at end of period	**19,625**	17,010	22,155

(1) It should be noted that the Group does not use this accounting Condensed Consolidated Statement of Cash Flows in the internal management of its liquidity positions.
(2) Includes discontinued operations. For the cash flows from discontinued operations refer to Note 7.3.
(3) Includes DRP satisfied by an on-market purchase and transfer of shares.

The above Condensed 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 New 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 2019, were approved and authorised for issue by the Board of Directors on 12 February 2020. 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 September 2017, the Group entered into an agreement to sell 100% of its life insurance businesses in Australia (CommInsure Life) and New Zealand (Sovereign) to AIA Group Limited (AIA). The sale of Sovereign completed on 2 July 2018 and includes a long-term partnership with AIA for the provision of life insurance products to customers in New Zealand.

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

On 23 October 2018, the Group announced the sale of its 80% interest in its Indonesian life insurance business, PT Commonwealth Life (PTCL), to FWD Group (FWD). As part of the sale, CBA's Indonesian banking subsidiary, PT Bank Commonwealth (PTBC), will enter into a 15 year life insurance distribution partnership with FWD. The sale is subject to regulatory approvals in Indonesia and is expected to complete in the first half of calendar year 2020.

On 1 November 2018, the Group completed the sale of Commonwealth Bank of South Africa (Holding Company) Limited (TymeDigital SA) to the minority shareholder, African Rainbow Capital.

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

On 7 August 2019 CBA confirmed it will commence the assisted closure of Financial Wisdom Limited (Financial Wisdom) and allow Commonwealth Financial Planning Limited-Pathways (CFP-Pathways) advisers to transition to a self-licensing arrangement or move to another licensee.

The cessation of CFP-Pathways is expected to be completed by 31 March 2020 and the assisted closure of Financial Wisdom is expected to be completed by 30 June 2020.

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

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

The Group and AIA remain fully committed to completing the divestment of CommInsure Life through either a share sale or a statutory asset transfer. In the event of a share sale, the divestment is expected to complete shortly following the completion of the sale of the Group's 37.5% equity interest in BoCommLife. In the event of a statutory asset transfer, the divestment is expected to complete around the end of calendar year 2020.

CommInsure Life, BoCommLife, CFSGAM and PTCL have been classified as discontinued operations in the Group's financial statements for the half year ended 31 December 2019.

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 financial report for the half year ended 31 December 2019 has been prepared in accordance with the requirements of the Corporations Act 2001 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 2019 Annual Financial Report of the Group and any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

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

Notes to the Financial Statements

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

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 and disclosed in the Annual Financial Report for the year ended 30 June 2019.

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 Balance Sheet as at 31 December 2019, 30 June 2019 and 31 December 2018.

Adoption of new accounting standards and future accounting developments

Adoption of AASB16 'Leases'

On 1 July 2019, the Group adopted AASB 16 'Leases', replacing AASB 117 'Leases'. AASB 117 required leases to be classified as operating leases or finance leases according to their economic substance at inception of the lease. Finance leases were recognised on the Balance Sheet. Operating leases were not recognised on the Balance Sheet and rent payable was recognised as an expense over the lease term.

AASB 16 introduced a single accounting model for recognising and measuring lease arrangements. Lessor accounting remains largely unchanged from the previous standard. Under lessee accounting, AASB 16 requires all leases to be recognised on the Balance Sheet, as a lease liability and right-of-use asset, unless the underlying asset is of low value or the lease has a term of 12 months or less. The total lease expense recognised over the life of the lease remains unchanged as compared to AASB 117, however the timing of expense recognition changes. A higher expense is recognised in the earlier stages of a lease due to the interest expense being determined on the lease liability that amortises over the lease term.

Lease liability

Lease liabilities are initially measured at the net present value of the following lease payments (if applicable):

- Fixed payments, less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease liabilities are remeasured when there is a change in future lease payments arising from a change in the above. Lease liabilities are measured at amortised cost using the effective interest method. Interest is recognised as part of Interest expense in the Income Statement.

Right-of-use asset

Right-of-use assets are initially measured at cost comprising the following:

- The initial amount of the lease liability measured at the present value of the future lease payments;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs; and
- An estimate of the costs to be incurred upon disassembling or restoring the underlying asset to the condition required by the terms of the lease.

The right-of-use asset is depreciated over the lease term on a straight-line basis.

Determining the lease term

Extension options are included in a number of leases. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and is within the control of the Group.

Excluded leases

A scope exemption has been applied to short term leases with a lease term of 12 months or less, and low value leases. These continue to be expensed on a straight-line basis.

Impact of AASB 16

The Group has adopted AASB 16 on a modified retrospective basis without restating prior periods. Under the modified retrospective approach, the Group elected to measure the right-of-use asset at the same amount of the lease liability, except for larger property leases where the Group elected to measure the right-of-use asset on a retrospective basis. This resulted in an adjustment to retained earnings on transition of $146 million, net of tax.

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

The Group applied the following practical expedients on transition to AASB 16, as permitted by the standard, where the Group is lessee in a lease previously classified as an operating lease:

- Reliance on assessments performed under AASB 117 of whether a lease contract is onerous;
- Adjusting lease terms for extension or termination options which are reasonably certain of being exercised with the benefit of hindsight;
- Excluding from the right-of-use asset any initial direct costs incurred prior to 1 July 2019; and
- Accounting for leases whose remaining term will end within 12 months from the transition date of 1 July 2019 as short-term leases.

The impact of adopting AASB 16 on the Group's Balance Sheet at 1 July 2019 is as follows:

	$M
Opening retained profits at 1 July 2019	**28,482**
Right-of-use assets	2,659
Net deferred tax asset	60
Lease liabilities	(2,730)
Provision for lease restoration obligations	(135)
Net impact on retained profits	**(146)**
Adjusted retained profits at 1 July 2019	**28,336**

Upon transition, judgement has been applied by the Group in assessing which arrangements contain a lease, the period over which the lease exists and the variability of future cash flows.

Lease liabilities are presented within Bills payable and other liabilities and right-of-use assets are presented within Property, plant and equipment. Provisions for lease restoration obligations are included within Provisions. During the half year ended 31 December 2019, the depreciation charge for right-of-use assets presented within Depreciation of property, plant and equipment was $254 million. The interest charge on lease liabilities presented within Interest expense was $37 million.

The following table reconciles the operating lease commitments disclosed under AASB 117 as at 30 June 2019 to the opening lease liabilities recognised under AASB 16 as at 1 July 2019.

	$M
Operating lease commitments as at 30 June 2019 under AASB 117	**4,078**
Increase in the lease term for extension options	566
Inclusion of technology contracts not recognised as a lease under AASB 117	71
Exclusion of leases with a remaining term of less than one year and low value leases	(96)
Exclusion of service components	(738)
Exclusion of operating lease commitments regarding contracts not yet commenced	(610)
Exclusion of GST	(274)
Total undiscounted lease payments	**2,997**
Effect of discounting at a weighted average incremental borrowing rate of 2.8%	(267)
Total lease liabilities as at 1 July 2019 under AASB 16	**2,730**
Provision for lease restoration obligations	135
Total liabilities recognised on adoption of AASB 16	**2,865**

As at 31 December 2019 the right-of-use assets included in Property, plant and equipment were $2,443 million, lease liabilities included in Bills payable and other liabilities were $2,522 million and the provision for lease restoration obligations was $137 million.

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

Interest Rate Benchmark Reform

Background

Interbank offered rates (IBORs), such as the London Interbank Offered Rate (LIBOR), play a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and as parameters in the valuation of financial instruments. The Financial Stability Board's (FSB) Official Sector Steering Group (OSSG) coordinates international efforts on benchmark reform and the transition from LIBOR, whose future cannot be guaranteed past 1 January 2022. Market-led working groups in respective jurisdictions have recommended alternative risk-free reference rates, which are gradually being adopted.

Accounting amendments

In response to the uncertainty about the long-term viability of these benchmark rates, and LIBOR in particular, the IASB announced in 2018 that it would establish a project to consider the financial reporting implications of the reform. The transition from LIBOR is expected to have an impact on various elements of financial instrument accounting, including hedge accounting, loan modifications, as well as fair value methodologies and disclosures.

In October 2019, the AASB issued AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*, which amends some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the interest rate benchmark reform. These amendments address the accounting effects of uncertainty in the period leading up to the reform and are effective for annual periods beginning on or after 1 January 2020. The Group elected to early adopt the amendments, which did not have a significant impact on the Group.

The IASB has commenced working on Phase 2 of its IBOR Reform project, which focuses on potential issues that might affect financial reporting once the existing rate is replaced with an alternative rate. The Group is monitoring these developments and continues to assess the expected financial impact.

Impact of IBOR reform

The Group has exposure to LIBOR within a number of divisions and subsidiaries, primarily within IB&M and Group Treasury in the derivatives, loans and investment portfolios as well as loan capital and debt issuances. Whilst the Bank Bill Swap Rate (BBSW) is not expected to be discontinued, the transition away from IBORs will impact the use of BBSW in cross-currency swaps, as well as other financial instruments.

The most significant interest rate benchmark to which the Group's hedging relationships are exposed, is USD LIBOR. This applies in respect of both cash flow hedges and fair value hedges. As at 31 December 2019, the carrying values of the Group's USD LIBOR exposures designated in hedge accounting relationships are $9,947 million for Investment securities through other comprehensive income, $24,006 million for Debt issues, $7,199 million for Loan capital, $1,013 million for Deposits and other public borrowings and $1,984 million for Loans.

As at 31 December 2019, the nominal values of the Group's USD denominated LIBOR-referencing hedging instruments (interest rate swaps and cross currency swaps) designated in hedge relationships, are $43,210 million.

As at 31 December 2019, the Group also has GBP LIBOR, CHF LIBOR and JPY LIBOR exposures designated in hedge accounting relationships of $3,401 million, $2,260 million and $778 million respectively.

Adoption of interpretations and amendments to existing standards

AASB Interpretation 23 'Uncertainty over Income Tax Treatments' (Interpretation 23)

Interpretation 23 clarifies the application of the recognition and measurement criteria in AASB 112 'Income Taxes' where there is uncertainty over income tax treatments. It requires an assessment of each uncertain tax position to determine whether it is probable that a taxation authority will accept the position. Where it is not considered probable, the effect of the uncertainty will be reflected in determining the relevant taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates. The amount will be determined as either the single most likely amount or the sum of the probability weighted amounts in a range of possible outcomes, whichever better predicts the resolution of the uncertainty. Judgements will be reassessed as and when new facts and circumstances are presented. The previous recognition and measurement requirements applied by the Group are aligned with Interpretation 23 and hence no transition adjustment to retained earnings was required.

Notes to the Financial Statements

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

Other Amendments

The following amendments to existing standards were adopted during the current year but did not have an impact on the Group:

- AASB 128 'Investments in Associates and Joint Ventures' was amended to clarify that an entity should first apply the measurement and expected credit loss requirements of AASB 9 to its long-term debt investments that form part of the net investment in an equity accounted investee, before applying the loss allocation and impairment requirements of AASB 128.
- AASB 119 'Employee Benefits' was amended to specify the treatment of a plan amendment, curtailment or settlement that occurs during a reporting period. An entity should use the assumptions applied in the remeasurement of the net defined benefit liability or asset when determining the current service cost and the net interest in the period following the plan event.

Other minor amendments to existing standards were adopted in the current reporting period.

Future Accounting Developments

AASB 17 'Insurance Contracts', amends the accounting for insurance contracts and will replace AASB 4 'Insurance Contracts', AASB 1023 'General Insurance Contracts' and AASB 1038 'Life Insurance Contracts'. AASB 17 will apply to the Group from 1 July 2021. The impact of AASB 17 is dependent on the Group's composition at the time of adoption. The Group is still assessing the impact of AASB 17.

AASB 3 'Business Combinations' has been amended to assist entities in determining whether a transaction in which activities and assets are acquired should be accounted for as a business combination or as an asset acquisition. The amendments will be applicable to business combinations for which the acquisition date is on or after 1 July 2020.

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

2) Our Performance

Overview

The Group earns its returns from providing a broad range of banking and wealth management products and services to retail and wholesale customers in Australia, New Zealand and other jurisdictions.

Lending and deposit taking are the Group's primary business activities with net interest income being the main contributor to the Group's results. Net interest income is derived from the difference between interest earned on lending and investment assets and interest incurred on customer deposits and wholesale debt raised to fund these assets.

The Group further generates income from lending fees and commissions, funds management services, insurance products and trading activities. It also incurs costs associated with running the business such as staff, occupancy and technology related expenses.

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

2.1 Net Interest Income

	Half Year Ended		
	31 Dec 19	30 Jun 19	31 Dec 18
	$M	$M	$M
Interest Income			
Effective interest income:			
Loans and bills discounted	**14,768**	15,575	15,874
Other financial institutions	**73**	86	95
Cash and liquid assets	**214**	266	306
Investment securities:			
At amortised cost	**70**	94	105
At fair value through Other Comprehensive Income	**594**	816	872
Total effective interest income	**15,719**	16,837	17,252
Other:			
Assets at fair value through Income Statement	**166**	236	263
Total interest income	**15,885**	17,073	17,515
Interest Expense			
Deposits	**4,160**	4,923	5,025
Other financial institutions	**238**	236	228
Liabilities at fair value through Income Statement	**48**	84	88
Debt issues	**1,498**	2,192	2,371
Loan capital	**427**	468	483
Lease liabilities (1)	**37**	-	-
Bank levy	**184**	184	186
Total interest expense	**6,592**	8,087	8,381
Net interest income	**9,293**	8,986	9,134

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

2.1 Net Interest Income (continued)

Accounting Policy

Interest income and interest expense on financial assets, financial liabilities and lease liabilities are measured using the effective interest rate method. The effective interest rate method calculates the amortised cost of a financial instrument, such as a loan, deposit or issued debt instrument, and allocates the interest income or interest expense over the expected life of the financial instrument.

Interest income is recognised on gross carrying amounts for financial assets in Stage 1 and Stage 2, and gross carrying amounts net of impairment provisions for financial assets in Stage 3.

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

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

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

2.2 Other Operating Income

	Half Year Ended		
	31 Dec 19	30 Jun 19	31 Dec 18
	$M	$M	$M
Other Banking Income			
Lending fees	**483**	485	507
Commissions	**1,320**	1,313	1,360
Trading income	**569**	480	494
Net gain/(loss) on non-trading financial instruments (1)	**45**	(13)	(100)
Net gain/(loss) on sale of property, plant and equipment	**18**	(5)	(4)
Net gain from hedging ineffectiveness	**18**	3	10
Dividends	**2**	3	2
Share of profit from associates and joint ventures net of impairment	**96**	118	178
Other (2)	**103**	79	84
Total other banking income	**2,654**	2,463	2,531
Net Funds Management Operating Income			
Funds management income	**513**	593	640
Claims, policyholder liability and commission expense	**(22)**	(91)	(69)
Net funds management operating income	**491**	502	571
Net Insurance Operating Income			
Premiums from insurance contracts	**352**	336	346
Investment revenue	**1**	2	3
Claims, policyholder liability and commission expense from insurance contracts	**(321)**	(258)	(279)
Net insurance operating income	**32**	80	70
Total other operating income	**3,177**	3,045	3,172

(1) Inclusive of non-trading derivatives that are held for risk management purposes.
(2) Includes depreciation of $40 million in relation to assets held for lease by the Group (30 June 2019: $34 million, 31 December 2018: $38 million).

2.2 Other Operating Income (continued)

Accounting Policy

Lending fees and commission income includes:

- Facility fees earned for managing and administering credit and other facilities for customers. These fees are generally charged to the customer on a monthly or annual basis and are recognised as revenue over the service period. Annual fees are deferred on Balance Sheet in Bills payable and other liabilities and recognised on a straight line basis over the year. Transaction based fees are charged and recognised at the time of the transaction;
- Commitment fees and fees in relation to guarantee arrangements are deferred and recognised over the life of the contractual arrangements;
- 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;
- Fee income is earned for providing advisory or arrangement services, placement and underwriting services. These fees are recognised and charged when the related service is completed which is typically at the time of the transaction; and
- Trail commissions are recognised at the start of a contract when the performance obligation has been met, typically when a customer is introduced to a new project. The Group recognised the net present value of expected future trail commission income. For investment referral services, the Group is unable to forecast the trail commission revenue in line with the highly probable test in AASB 15. Therefore, trail commission revenue on investment referral balances is recognised when received or paid.

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

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

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

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

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

Funds management operating income includes fees earned where the Group acts as the Responsible Entity, Trustee or Manager for a number of wholesale, superannuation, and investment funds or trusts. Fund management services are a single performance obligation and fees are recognised over the service period. Management fees are calculated and deducted from the funds on a monthly basis. Performance fees are deemed to be a variable component of the fund management service and only recognised when it is highly probable that a significant reversal of the fees will not occur.

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

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

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

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

Critical accounting judgements and estimates

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

Notes to the Financial Statements

2.3 Operating Expenses

	Half Year Ended (1)		
	31 Dec 19	30 Jun 19	31 Dec 18
	$M	$M	$M
Staff Expenses			
Salaries and related on-costs	**2,682**	2,775	2,643
Share-based compensation	**49**	62	37
Superannuation	**206**	203	195
Total staff expenses	**2,937**	3,040	2,875
Occupancy and Equipment Expenses			
Operating lease rentals	**89**	322	332
Depreciation of property, plant and equipment	**358**	142	128
Other occupancy expenses	**55**	85	89
Total occupancy and equipment expenses	**502**	549	549
Information Technology Services			
Application, maintenance and development	**355**	383	338
Data processing	**88**	95	88
Desktop	**49**	69	73
Communications	**90**	123	94
Amortisation of software assets (2)	**568**	288	310
Software write-offs	**14**	13	-
IT equipment depreciation	**69**	49	44
Total information technology services	**1,233**	1,020	947
Other Expenses			
Postage and stationery	**72**	75	84
Transaction processing and market data	**69**	79	77
Fees and commissions:			
Professional fees	**198**	207	283
Other	**130**	126	113
Advertising, marketing and loyalty	**209**	227	226
Amortisation of intangible assets (excluding software and merger related amortisation)	**3**	5	6
Non-lending losses (3)	**75**	632	24
Other	**1**	20	105
Total other expenses	**757**	1,371	918
Operating expenses before restructuring, separation and transaction costs	**5,429**	5,980	5,289
Restructuring, separation and transaction costs	**5**	76	28
Total operating expenses (4)	**5,434**	6,056	5,317

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

(2) The half year ended 31 December 2019 includes approximately $220 million one-off impact of accelerated amortisation following a review of the amortisation method and the useful lives of certain technology assets. The half year ended 31 December 2019 includes $87 million of amortisation of prepaid software licences (30 June: $83 million; 31 December 2018: $78 million).

(3) The half year ended 31 December 2018 includes $145 million of insurance recoveries in relation to AUSTRAC civil penalty.

(4) The half year ended 31 December 2019 includes $30 million provision for customer remediation related costs. The half year ended 30 June 2019 includes a $334 million provision for historical Aligned Advice remediation issues and associated program costs (31 December 2018: $200 million), and $305 million of Wealth and Banking customer refunds and associated program costs (31 December 2018: $79 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 both payments which may be cash or equity settled. Cash settled share-based remuneration is recognised as a liability and re-measured to fair value until settled. The changes in fair value are recognised as staff expenses. Equity settled remuneration is fair valued at the grant date and amortised to staff expenses over the vesting period, with a corresponding increase in the employee compensation reserve.

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

Occupancy and equipment expenses include depreciation which is calculated using the straight line method over the asset's estimated useful life. The right-of-use assets recognised under AASB 16 'Leases' are depreciated over the shorter of the lease term or the useful life of the underlying asset, with the depreciation presented within Depreciation of property, plant and equipment.

IT services expenses are recognised as incurred unless they qualify for capitalisation as computer software due to the expenditure generating probable future economic benefits. If capitalised, the computer software is subsequently amortised over its estimated useful life. The Group assesses at each Balance Sheet date useful lives and residual values and whether there is any objective evidence of impairment. If an asset's carrying value is greater than its recoverable amount, the carrying amount is written down immediately to its recoverable amount.

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

Critical accounting judgements and estimates

Actuarial valuations of the Group's defined benefit superannuation plans' obligations are dependent on a series of assumptions set out in Note 10.2 in the 2019 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 2019 Annual Report.

Refer to note 6.1 in the 2019 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 the customer relationship is managed. Business segments are managed on the basis of net profit after tax ("cash basis"). During the half year ended 31 December 2019, the Group also made a number of structural changes to its operating segments. This includes enhancing the classification of its business banking portfolios which resulted in a transfer of some customers from Retail Banking Services to Business and Private Banking and Institutional Banking and Markets as well as other re-segmentations, allocations and reclassifications, including refinements to the allocation of support unit and other costs. These changes have not impacted the Group's net profit, but have resulted in changes to the presentation of the Income Statement and the Balance Sheet of the affected segments. These changes have been applied retrospectively.

2.4 Financial Reporting by Segments (continued)

	Half Year Ended 31 December 2019 (1)						
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	IFS and Corporate Centre $M	Total $M
Net interest income	4,704	2,891	625	-	957	116	**9,293**
Other banking income:							
Commissions	655	423	81	-	156	5	**1,320**
Lending fees	76	223	156	-	32	(4)	**483**
Trading and other income	81	133	348	-	11	227	**800**
Total other banking income	812	779	585	-	199	228	**2,603**
Total banking income	5,516	3,670	1,210	-	1,156	344	**11,896**
Funds management income	20	-	-	422	71	(24)	**489**
Insurance income	31	-	-	-	-	-	**31**
Total operating income	5,567	3,670	1,210	422	1,227	320	**12,416**
Investment experience (2)	5	-	-	13	-	(15)	**3**
Total income	5,572	3,670	1,210	435	1,227	305	**12,419**
Operating expenses	(2,213)	(1,289)	(494)	(254)	(480)	(699)	**(5,429)**
Loan impairment expense	(264)	(239)	(65)	-	(21)	(60)	**(649)**
Net profit before tax	3,095	2,142	651	181	726	(454)	**6,341**
Corporate tax (expense)/benefit	(928)	(644)	(175)	(54)	(202)	139	**(1,864)**
Non-controlling interests	-	-	-	-	-	-	**-**
Net profit after tax from continuing operations - "cash basis"	2,167	1,498	476	127	524	(315)	**4,477**
Net profit after tax from discontinued operations	-	-	-	6	-	11	**17**
Net profit after tax - "cash basis" (3)	2,167	1,498	476	133	524	(304)	**4,494**
Gain/(loss) on acquisition, disposal, closure and demerger of businesses	-	1	-	1,620	9	1	**1,631**
Hedging and IFRS volatility	-	-	-	-	(33)	69	**36**
Other non-cash items	-	-	-	-	-	-	**-**
Net profit after tax - "statutory basis"	2,167	1,499	476	1,753	500	(234)	**6,161**
Additional information							
Amortisation and depreciation	(111)	(85)	(30)	(8)	(61)	(703)	**(998)**
Balance Sheet							
Total assets	393,390	195,095	160,134	3,603	96,844	130,802	**979,868**
Total liabilities	255,759	163,601	164,345	9,014	90,432	225,564	**908,715**

(1) Information has been presented on a continuing operations basis.
(2) Investment experience is presented on a pre-tax basis.
(3) These amounts exclude non-cash items, including $36 million unrealised gains relating to hedging and IFRS volatility, a $1,688 million gain net of transaction and separation costs associated with the disposal of CFSGAM, a $52 million gain net of transaction and separation costs associated with the disposal of Count Financial, and a $9 million gain net of transaction and separation costs associated with the disposal of Aegis, partly offset by a $116 million loss net of transaction and separation costs associated with the deconsolidation and planned divestment of CommInsure Life, and a $2 million loss on disposal and closure of other businesses.

2.4 Financial Reporting by Segments (continued)

	Half Year Ended 30 June 2019 [1]						
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	IFS and Corporate Centre $M	Total $M
Net interest income	4,346	2,795	667	-	969	209	**8,986**
Other banking income:							
Commissions	657	398	80	-	149	29	**1,313**
Lending fees	76	211	166	-	31	1	**485**
Trading and other income	63	149	244	-	26	152	**634**
Total other banking income	796	758	490	-	206	182	**2,432**
Total banking income	5,142	3,553	1,157	-	1,175	391	**11,418**
Funds management income	25	-	-	421	67	(11)	**502**
Insurance income	81	-	-	-	-	(2)	**79**
Total operating income	5,248	3,553	1,157	421	1,242	378	**11,999**
Investment experience [2]	11	-	-	11	-	(21)	**1**
Total income	5,259	3,553	1,157	432	1,242	357	**12,000**
Operating expenses	(2,197)	(1,367)	(515)	(396)	(472)	(1,033)	**(5,980)**
Loan impairment expense	(367)	(203)	21	-	(60)	(15)	**(624)**
Net profit before tax	2,695	1,983	663	36	710	(691)	**5,396**
Corporate tax (expense)/benefit	(822)	(597)	(148)	(10)	(195)	198	**(1,574)**
Non-controlling interests	-	-	-	-	-	(6)	**(6)**
Net profit after tax from continuing operations - "cash basis"	1,873	1,386	515	26	515	(499)	**3,816**
Net profit after tax from discontinued operations	-	-	-	126	-	(4)	**122**
Net profit after tax - "cash basis" [3]	1,873	1,386	515	152	515	(503)	**3,938**
(Loss)/gain on acquisition, disposal, closure and demerger of businesses	-	-	-	(84)	66	31	**13**
Hedging and IFRS volatility	-	-	-	-	46	(34)	**12**
Other non-cash items	-	-	-	9	-	-	**9**
Net profit after tax - "statutory basis"	1,873	1,386	515	77	627	(506)	**3,972**
Additional information							
Amortisation and depreciation	(104)	(81)	(19)	(10)	(42)	(228)	**(484)**
Balance Sheet							
Total assets	390,583	197,047	148,027	21,093	94,320	125,432	**976,502**
Total liabilities	247,671	159,057	158,579	24,342	88,466	228,738	**906,853**

(1) Information has been presented on a continuing operations basis.
(2) Investment experience is presented on a pre-tax basis.
(3) These amounts exclude non-cash items, including $12 million unrealised gains relating to hedging and IFRS volatility, a $29 million benefit from the release of provisions for transaction and separation costs associated with the disposal of CFSGAM, a $22 million gain net of transaction and separation costs associated with the disposal of Sovereign, and a $75 million gain on disposal and closure of other businesses, partly offset by $44 million transaction and separation costs associated with the divestment of CommInsure Life, $33 million transaction and separation costs associated with the disposal of Count Financial, and $36 million demerger costs for NewCo, and a $9 million gain due to treasury shares valuation adjustment.

2.4 Financial Reporting by Segments (continued)

	Half Year Ended 31 December 2018 (1)						
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	IFS and Corporate Centre $M	Total $M
Net interest income	4,402	2,860	746	-	940	186	**9,134**
Other banking income:							
Commissions	700	415	96	-	153	(4)	**1,360**
Lending fees	92	207	179	-	29	-	**507**
Trading and other income	84	144	302	-	54	185	**769**
Other banking income	876	766	577	-	236	181	**2,636**
Total banking income	5,278	3,626	1,323	-	1,176	367	**11,770**
Funds management income	71	-	-	441	63	(5)	**570**
Insurance income	68	-	-	-	-	-	**68**
Total operating income	5,417	3,626	1,323	441	1,239	362	**12,408**
Investment experience (2)	9	-	-	13	-	(19)	**3**
Total income	5,426	3,626	1,323	454	1,239	343	**12,411**
Operating expenses	(2,166)	(1,237)	(499)	(253)	(440)	(694)	**(5,289)**
Loan impairment expense	(305)	(181)	(38)	-	(42)	(11)	**(577)**
Net profit before tax	2,955	2,208	786	201	757	(362)	**6,545**
Corporate tax (expense)/benefit	(884)	(663)	(184)	(63)	(213)	144	**(1,863)**
Non-controlling interests	-	-	-	-	-	(6)	**(6)**
Net profit after tax from continuing operations - "cash basis"	2,071	1,545	602	138	544	(224)	**4,676**
Net profit after tax from discontinued operations	-	-	-	127	-	(35)	**92**
Net profit after tax - "cash basis" (3)	2,071	1,545	602	265	544	(259)	**4,768**
(Loss)/gain on acquisition, disposal, closure and demerger of businesses	-	-	13	(156)	113	(44)	**(74)**
Hedging and IFRS volatility	-	-	-	-	(94)	3	**(91)**
Other non-cash items	(1)	-	-	(3)	-	-	**(4)**
Net profit after tax - "statutory basis"	2,070	1,545	615	106	563	(300)	**4,599**
Additional information							
Amortisation and depreciation	(97)	(81)	(19)	(10)	(38)	(245)	**(490)**
Balance Sheet							
Total assets	382,772	194,755	160,364	19,442	92,434	130,663	**980,430**
Total liabilities	245,498	160,616	158,113	22,757	85,890	238,978	**911,852**

(1) Information has been presented on a continuing operations basis.
(2) Investment experience is presented on a pre-tax basis.
(3) These amounts exclude non-cash items, including $91 million unrealised losses relating to hedging and IFRS volatility, $100 million transaction and separation costs associated with the disposal of CFSGAM, $38 million transaction and separation costs associated with the divestment of CommInsure Life, $22 million transaction and separation costs associated with the disposal of TymeDigital SA, $18 million demerger costs for NewCo, and a $9 million loss on disposal and closure of other businesses, partly offset by a $113 million gain net of transaction and separation costs associated with the disposal of Sovereign, $1 million expense in relation to Bankwest non-cash items, and a $3 million loss due to treasury shares value adjustment.

2.4 Financial Reporting Segments (continued)

Geographical Information Financial Performance and Position	Half Year Ended (1) 31 Dec 19 $M	 31 Dec 19 %	 31 Dec 18 $M	 31 Dec 18 %
Income				
Australia	**10,767**	**86. 3**	10,668	86. 7
New Zealand	**1,255**	**10. 1**	1,155	9. 4
Other locations (2)	**448**	**3. 6**	483	3. 9
Total Income	**12,470**	**100. 0**	12,306	100. 0
Non-Current Assets				
Australia	**14,887**	**93. 1**	12,662	94. 4
New Zealand	**872**	**5. 5**	615	4. 6
Other locations (2)	**229**	**1. 4**	132	1. 0
Total non-current assets (3)	**15,988**	**100. 0**	13,409	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 and Vietnam.
(3) Non-current assets include Property, plant and equipment, Investments in associates and joint ventures, and Intangible assets.

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

Accounting Policy

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

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

2.5 Income Tax Expense

	Half Year Ended (1)		
	31 Dec 19	30 Jun 19	31 Dec 18
	$M	$M	$M
Profit before income tax	**6,387**	5,351	6,412
Prima facie income tax at 30%	**1,916**	1,605	1,924
Effect of amounts which are non-deductible/(assessable) in calculating taxable income:			
Offshore tax rate differential	**(11)**	(20)	(20)
Offshore banking unit	**(16)**	(14)	(18)
Effect of changes in tax rates	**-**	1	-
Income tax over provided in previous years	**(36)**	(39)	(62)
Gain/(loss) on disposals	**(66)**	-	-
Other	**27**	27	7
Total income tax expense	**1,814**	1,560	1,831
Effective tax rate (%)	**28. 4**	29. 2	28. 6

(1) Information has been presented on a continuing operations basis.

Accounting Policy

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

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

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

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

A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available for it to be used against. Deferred tax assets and liabilities are offset where they relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities within the same taxable group.

The Bank and its wholly owned Australian Subsidiaries elected to be treated as a single entity "the tax consolidated group" under the tax consolidation regime from 1 July 2002. CommInsure Life will remain a member of the tax consolidated Group until final completion of the share sale. The members of the tax consolidated group have entered into tax funding and tax sharing agreements, which set out the funding obligations of members.

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

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

Critical accounting judgements and estimates

Provisions for taxation require significant judgement with respect to outcomes that are uncertain. For such uncertainties, the Group has estimated the tax provisions based on the expected outcomes.

Notes to the Financial Statements

3) Our Lending Activities

Overview

Lending is the Group's primary business activity, generating most of its net interest income and lending fees. The Group satisfies customers' needs for borrowed funds by providing a broad range of lending products in Australia, New Zealand and other jurisdictions. As a result of its lending activities the Group assumes credit risk arising from the potential that borrowers will fail to meet their obligations in accordance with agreed lending terms.

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

3.1 Loans, Bills Discounted and Other Receivables

	As at (1)		
	31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M
Australia			
Overdrafts	**26,762**	26,297	25,920
Home loans (2) (3)	**477,701**	467,361	458,983
Credit card outstandings	**10,942**	11,271	11,521
Lease financing	**4,258**	4,410	4,676
Bills discounted	**1,061**	1,955	2,854
Term loans and other lending	**142,214**	141,727	146,452
Total Australia	**662,938**	653,021	650,406
New Zealand			
Overdrafts	**1,132**	1,265	1,030
Home loans (2) (3)	**56,555**	54,679	52,626
Credit card outstandings	**1,106**	1,069	1,077
Lease financing	**7**	8	14
Term loans and other lending	**30,414**	29,814	29,440
Total New Zealand	**89,214**	86,835	84,187
Other Overseas			
Overdrafts	**537**	577	551
Home loans	**834**	902	896
Term loans and other lending	**17,860**	19,678	23,370
Total Other Overseas	**19,231**	21,157	24,817
Gross loans, bills discounted and other receivables	**771,383**	761,013	759,410
Less:			
Provisions for Loan Impairment:			
Collective provision	**(3,980)**	(3,820)	(3,711)
Individually assessed provisions	**(959)**	(895)	(920)
Unearned income:			
Term loans	**(667)**	(739)	(792)
Lease financing	**(313)**	(386)	(427)
	(5,919)	(5,840)	(5,850)
Net loans, bills discounted and other receivables	**765,464**	755,173	753,560

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Home loans balance includes residential mortgages that have been assigned to securitisation vehicles and covered bond trusts. Further detail on these residential mortgages is disclosed in Note 4.4 of the 2019 Annual Financial Report.
(3) These balances are presented gross of mortgage offset balances as required under accounting standards.

3.1 Loans, Bills Discounted and Other Receivables (continued)

Accounting Policies

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

Loans, bills discounted and other receivables are recognised on settlement date, when funding is advanced to the borrowers. They are initially recognised at their fair value plus directly attributable transaction costs such as broker fees. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method and are presented net of provisions for impairment. For the accounting policy for provisions for impairment, refer to Note 3.2.

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

Critical accounting judgements and estimates

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

3.2 Provisions for Impairment and Asset Quality

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

	As at 31 December 2019				
	Home Loans $M	Other Personal [1] $M	Asset Financing $M	Other Commercial Industrial $M	Total $M
Loans which were neither past due nor impaired					
Investment Grade	313,199	4,319	727	93,310	**411,555**
Pass Grade	197,186	13,930	7,054	105,089	**323,259**
Weak	12,129	1,609	306	4,682	**18,726**
Total loans which were neither past due nor impaired	522,514	19,858	8,087	203,081	**753,540**
Loans which were past due but not impaired [2]					
Past due 1 - 29 days	5,541	725	162	1,585	**8,013**
Past due 30 - 59 days	1,787	196	39	205	**2,227**
Past due 60 - 89 days	919	119	18	98	**1,154**
Past due 90 - 179 days	1,196	19	1	227	**1,443**
Past due 180 days or more	1,283	9	-	419	**1,711**
Total loans past due but not impaired	10,726	1,068	220	2,534	**14,548**

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

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

3.2 Provisions for Impairment and Asset Quality (continued)

	As at 30 June 2019 [1]				
	Home Loans $M	Other Personal [2] $M	Asset Financing $M	Other Commercial Industrial $M	Total $M
Loans which were neither past due nor impaired					
Investment Grade	304,262	4,394	649	88,054	**397,359**
Pass Grade	192,531	15,583	7,140	109,559	**324,813**
Weak	12,214	1,961	275	4,984	**19,434**
Total loans which were neither past due nor impaired	509,007	21,938	8,064	202,597	**741,606**
Loans which were past due but not impaired [3]					
Past due 1 - 29 days	6,158	809	164	1,507	**8,638**
Past due 30 - 59 days	2,113	228	36	214	**2,591**
Past due 60 - 89 days	1,096	138	17	136	**1,387**
Past due 90 - 179 days	1,358	16	2	191	**1,567**
Past due 180 days or more	1,410	11	-	349	**1,770**
Total loans past due but not impaired	12,135	1,202	219	2,397	**15,953**

(1) Information has been restated to conform to presentation in the current period.
(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 31 December 2018 [1]				
	Home Loans $M	Other Personal [2] $M	Asset Financing $M	Other Commercial Industrial $M	Total $M
Loans which were neither past due nor impaired					
Investment Grade	303,438	4,280	752	93,656	**402,126**
Pass Grade	183,621	15,083	7,253	114,405	**320,362**
Weak	12,051	1,758	154	4,289	**18,252**
Total loans which were neither past due nor impaired	499,110	21,121	8,159	212,350	**740,740**
Loans which were past due but not impaired [3]					
Past due 1 - 29 days	6,184	877	156	1,253	**8,470**
Past due 30 - 59 days	1,989	242	71	188	**2,490**
Past due 60 - 89 days	993	141	16	103	**1,253**
Past due 90 - 179 days	1,340	17	5	198	**1,560**
Past due 180 days or more	1,349	9	-	297	**1,655**
Total loans past due but not impaired	11,855	1,286	248	2,039	**15,428**

(1) Information has been restated to conform to presentation in the current period.
(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.

Notes to the Financial Statements

3.2 Provisions for Impairment and Asset Quality (continued)

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

	Half Year Ended		
	31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M
Movement in gross impaired assets [1]			
Gross impaired assets - opening balance	**3,622**	3,560	3,179
New and increased	**1,332**	1,103	1,186
Balances written off	**(475)**	(628)	(617)
Returned to performing or repaid	**(1,342)**	(786)	(542)
Portfolio managed - new/increased/return to performing/repaid	**246**	373	354
Gross impaired assets - closing balance [2]	**3,383**	3,622	3,560

(1) As at 31 December 2019, impaired assets include those assets in Stage 3 that are considered impaired, as well as $42 million of restructured assets in Stage 2 (30 June 2019: $139 million; 31 December 2018: $367 million).

(2) Includes $3,295 million of loans and advances and $88 million of other financial assets (30 June 2019: $3,454 million of loans and advances and $168 million of other financial assets; 31 December 2018: $3,242 million of loans and advances and $318 million of other financial assets).

	As at		
	31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M
Impaired assets by size of asset [1]			
Less than $1 million	**1,949**	1,964	1,711
$1 million to $10 million	**789**	775	728
Greater than $10 million	**645**	883	1,121
Gross impaired assets	**3,383**	3,622	3,560
Less total provisions for impaired assets [2]	**(1,222)**	(1,187)	(1,187)
Net impaired assets	**2,161**	2,435	2,373

(1) As at 31 December 2019, impaired assets include those assets in Stage 3 that are considered impaired, as well as $42 million of restructured assets in Stage 2 (30 June 2019: $139 million; 31 December 2018: $367 million). Provisions for impaired assets include $3 million for restructured assets in Stage 2 (30 June 2019: $9 million; 31 December 2018: $31 million).

(2) Includes $959 million of individually assessed provisions and $263 million of collective provisions (30 June 2019: $895 million of individually assessed provisions and $292 million of collective provisions; 31 December 2018: $920 million of individually assessed provisions and $267 million of collective provisions.

3.2 Provisions for Impairment and Asset Quality (continued)

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

	Half Year Ended		
	31 Dec 19	30 Jun 19	31 Dec 18
	$M	$M	$M
Provision for impairment losses			
Collective provision			
Opening balance	**3,904**	3,814	2,763
Change on adoption of AASB 9	**-**	-	1,055
Net collective provision funding	**446**	412	312
Impairment losses written off	**(406)**	(463)	(438)
Impairment losses recovered	**101**	102	104
Other	**22**	39	18
Closing balance	**4,067**	3,904	3,814
Individually assessed provisions			
Opening balance	**895**	920	870
Net new and increased individual provisioning	**287**	271	348
Write-back of provisions no longer required	**(84)**	(59)	(83)
Discount unwind to interest income	**(11)**	(13)	(10)
Impairment losses written off	**(163)**	(256)	(244)
Other	**35**	32	39
Closing balance	**959**	895	920
Total provisions for impairment losses	**5,026**	4,799	4,734
Less: Provision for Off Balance Sheet exposures	**(87)**	(84)	(103)
Total provisions for loan impairment	**4,939**	4,715	4,631

	As at		
	31 Dec 19	30 Jun 19	31 Dec 18
	%	%	%
Provision ratios			
Total provisions for impaired assets as a % of gross impaired assets	**36. 12**	32. 77	33. 34
Total provisions for impairment losses as a % of gross loans and acceptances	**0. 65**	0. 63	0. 62

	Half Year Ended		
	31 Dec 19	30 Jun 19	31 Dec 18
	$M	$M	$M
Loan impairment expense			
Net collective provision funding	**446**	412	312
Net new and increased individual provisioning	**287**	271	348
Write-back of individually assessed provisions	**(84)**	(59)	(83)
Total loan impairment expense	**649**	624	577

3.2 Provisions for Impairment and Asset Quality (continued)

Movement in provisions for impairment by ECL stage

The following table provides movement in the Group's impairment provision by ECL stage for the half year ended 31 December 2019, 30 June 2019 and 31 December 2018.

	Stage 1 Collectively Assessed $M	Stage 2 Collectively Assessed $M	Stage 3 Collectively Assessed $M	Stage 3 Individually Assessed $M	Total $M
Provisions for impairment losses [1]					
Opening balance as at 1 July 2018	873	2,525	420	870	**4,688**
Net transfers between stages	302	(344)	(13)	55	**-**
Net re-measurement on transfers between stages	(510)	818	279	-	**587**
Impact of transfers between 12 months and lifetime ECL	(208)	474	266	55	**587**
Net financial assets originated	187	(551)	(44)	-	**(408)**
Movements in existing IAP including write-backs	-	-	-	239	**239**
Write-offs	-	-	(438)	(244)	**(682)**
Movements due to risk parameter and other changes	44	67	199	-	**310**
Closing balance as at 31 December 2018	**896**	**2,515**	**403**	**920**	**4,734**
Net transfers between stages	398	(489)	27	64	**-**
Net re-measurement on transfers between stages	(562)	778	289	-	**505**
Impact of transfers between 12 months and lifetime ECL	(164)	289	316	64	**505**
Net financial assets originated	154	(448)	(33)	-	**(327)**
Movements in existing IAP including write-backs	-	-	-	167	**167**
Write-offs	-	-	(463)	(256)	**(719)**
Movements due to risk parameter and other changes	19	163	257	-	**439**
Closing balance as at 30 June 2019	**905**	**2,519**	**480**	**895**	**4,799**
Net transfers between stages	337	(342)	(24)	29	**-**
Net re-measurement on transfers between stages	(520)	679	244	-	**403**
Impact of transfers between 12 months and lifetime ECL	(183)	337	220	29	**403**
Net financial assets originated	194	(505)	(90)	-	**(401)**
Movements in existing IAP including write-backs	-	-	-	198	**198**
Write-offs	-	-	(406)	(163)	**(569)**
Movements due to risk parameter and other changes	49	263	284	-	**596**
Closing balance as at 31 December 2019	**965**	**2,614**	**488**	**959**	**5,026**

(1) Movements in provisions for impairment losses include provisions for Cash and Liquid assets and Receivables from other financial institutions. As at 31 December 2019, collective provisions in stage 1 include $10 million in relation to these assets (30 June 2019: $9 million; 31 December 2018: $10 million).

3.2 Provisions for Impairment and Asset Quality (continued)

The following tables present the Group's total impairment provisions on lending assets by ECL stage as at 31 December 2019, 30 June 2019 and 31 December 2018.

	31 December 2019				
	Impairment provisions, $M				
	Stage 1	Stage 2	Stage 3		
	12 months ECL	Lifetime ECL	Lifetime ECL		
Portfolio [1]	**Collectively assessed**	**Collectively assessed**	**Collectively assessed**	**Individually assessed**	**Total**
Retail					
Secured lending	317	399	173	280	**1,169**
Unsecured lending	463	925	187	2	**1,577**
Total retail	780	1,324	360	282	**2,746**
Non-retail					
Corporate and business lending, bank and sovereign entities	185	1,290	128	677	**2,280**
Total	**965**	**2,614**	**488**	**959**	**5,026**

(1) Exposures subject to impairment provisions include drawn balances, undrawn credit commitments, financial guarantees.

	30 June 2019				
	Impairment provisions, $M				
	Stage 1	Stage 2	Stage 3		
	12 months ECL	Lifetime ECL	Lifetime ECL		
Portfolio [1]	**Collectively assessed**	**Collectively assessed**	**Collectively assessed**	**Individually assessed**	**Total**
Retail					
Secured lending	266	393	132	271	**1,062**
Unsecured lending	474	934	217	3	**1,628**
Total retail	740	1,327	349	274	**2,690**
Non-retail					
Corporate and business lending, bank and sovereign entities	165	1,192	131	621	**2,109**
Total	**905**	**2,519**	**480**	**895**	**4,799**

(1) Exposures subject to impairment provisions include drawn balances, undrawn credit commitments, financial guarantees.

	31 December 2018				
	Impairment provisions, $M				
	Stage 1	Stage 2	Stage 3		
	12 months ECL	Lifetime ECL	Lifetime ECL		
Portfolio [1]	**Collectively assessed**	**Collectively assessed**	**Collectively assessed**	**Individually assessed**	**Total**
Retail					
Secured lending	239	400	122	254	**1,015**
Unsecured lending	505	877	207	5	**1,594**
Total retail	744	1,277	329	259	**2,609**
Non-retail					
Corporate and business lending, bank and sovereign entities	152	1,238	74	661	**2,125**
Total	**896**	**2,515**	**403**	**920**	**4,734**

(1) Exposures subject to impairment provisions include drawn balances, undrawn credit commitments, financial guarantees.

As at 31 December 2019 expected credit losses in relation to debt securities at fair value through Other Comprehensive Income amount to $2 million (30 June 2019: $3 million; 31 December 2018: $2 million). These credit losses have been recognised through Other Comprehensive Income and do not form part of collective provisions disclosed above.

3.2 Provisions for Impairment and Asset Quality (continued)

Accounting Policy

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

Impairment provisions are recognised using an expected credit loss (ECL) impairment model which is forward looking and does not require evidence of an actual loss event for impairment provisions to be raised. The model applies to all financial assets measured at amortised cost, debt securities measured at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contract not measured at fair value through profit and loss.

The model uses a three-stage approach and assets migrate through these stages based on changes in credit risk since origination. On origination, assets are in stage 1 and an impairment provision equal to 12 months ECL is recognised. When there is a significant increase in credit risk (SICR) assets migrate to stage 2 and a lifetime ECL is recognised. The Group assesses SICR based on internal credit rating grades and a significant deterioration in these would lead to an asset being transferred to stage 2. The assessment includes the impact of forward looking adjustments for emerging risks at an industry level, geographic location or portfolio segment. Secondary indicators such as arrears status, financial hardship status (retail exposures) or referral to Group Credit Structuring (non-retail exposures) are used as a backstop in combination with the primary SICR indicator. Assets are migrated to stage 3 when they are considered to be non-performing, that is when they are considered credit impaired as well as when they are considered to be in default but not credit impaired. The definition of default aligns with the regulatory definition of default and occurs when there are indicators that a debtor is unlikely to pay, or the exposure is 90 days past due. Credit losses for financial assets in stage 1 and stage 2 are assessed for impairment collectively, whilst those in stage 3 are subject to either collective or individual assessment.

Critical accounting judgements and estimates

When estimating the provisions for impairment, management judgement was applied in respect of forecasting forward-looking scenarios. Forward looking information is incorporated into both the Group's assessment of whether there has been a SICR event and in the estimate of ECL. The Group uses the following four alternative macro-economic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL:

- *Central scenario:* This scenario considers the Group's base case assumptions used in business planning and forecasting. This scenario considers an increase in business investment and continued growth in GDP per capita, the share market and the labour market supported by stable exchange rates as well as sustained low interest rates. House prices see further improvement from currently observed levels;
- *Upside and Downside scenarios:* These scenarios are set relative to the Central scenario and based on macroeconomic conditions which would lead to the lowest/highest impairment losses expected over an approximate 10 year economic cycle. Under the Upside scenario the economy strengthens from current state where several metrics, including house prices, return to above average growth and the central bank increases interest rates in the next year. The Downside scenario represents a deterioration from current state where the economy observes moderate declines across most metrics, including house price declines, as well as sustained low interest rates; and
- *Severe Downside scenario:* This scenario has been included to account for a potentially severe impact of less likely, extremely adverse macro-economic conditions which would lead to the highest impairment losses expected over a longer horizon such as a 30 year economic cycle. Under this scenario the economy sees a significant deterioration from current state. The scenario contemplates a breakdown in typical economic relationships reflected by significant declines in GDP per capita, investment, house prices and the share market as well as increases in unemployment, interest rates and exchange rates.

Weights are assigned to each scenario based on management's best estimate of the proportion of potential future loss events that each scenario represents.

Sensitivity of provisions for impairment to changes in forward looking assumptions

Assuming 100% weighting on the Central scenario and holding all other assumptions (including forward looking adjustments) constant, the Group's provisions for impairment would be approximately $3,854 million compared to $5,026 million provisions for impairment recognised as at 31 December 2019. Assuming 100% weighting on the Downside Scenario and holding all other assumptions (including forward looking adjustments) constant, the Group's total provisions for impairment would be approximately $4,964 million.

4) Our Deposits and Funding Activities

Overview

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

Our main sources of funding include customer deposits and term funds raised in domestic and offshore wholesale markets via issuing debt securities and loan capital. The Group also relies on repurchase agreements as a source of short-term wholesale funding. Refer to Note 9.4 of the 2019 Annual Report for the Group's management of liquidity and funding risk.

4.1 Deposits and Other Public Borrowings

	As at		
	31 Dec 19	30 Jun 19	31 Dec 18
	$M	$M	$M
Australia			
Certificates of deposit	**26,067**	30,924	30,849
Term deposits	**146,168**	148,313	155,976
On-demand and short-term deposits	**326,839**	308,299	299,521
Deposits not bearing interest	**56,261**	49,274	48,081
Securities sold under agreements to repurchase	**19,580**	19,099	17,382
Total Australia	**574,915**	555,909	551,809
New Zealand			
Certificates of deposit	**3,235**	3,229	3,450
Term deposits	**32,498**	32,537	31,484
On-demand and short-term deposits	**23,531**	22,167	22,328
Deposits not bearing interest	**6,326**	5,286	5,114
Securities sold under agreements to repurchase	**381**	-	-
Total New Zealand	**65,971**	63,219	62,376
Other Overseas			
Certificates of deposit	**13,895**	8,915	9,347
Term deposits	**6,531**	6,610	11,432
On-demand and short-term deposits	**1,087**	1,324	1,420
Deposits not bearing interest	**40**	63	35
Securities sold under agreements to repurchase	**385**	-	591
Total Other Overseas	**21,938**	16,912	22,825
Total deposits and other public borrowings	**662,824**	636,040	637,010

Accounting Policy

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

Securities sold under repurchase agreements are retained in the Financial Statements 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 19	30 Jun 19	31 Dec 18
	$M	$M	$M
Ordinary Share Capital			
Shares on issue:			
Opening balance	**38,283**	38,283	37,535
Dividend reinvestment plan (net of issue costs) (1) (2)	**(1)**	-	748
	38,282	38,283	38,283
Less treasury shares:			
Opening balance	**(263)**	(268)	(265)
Purchase of treasury shares (3)	**(54)**	(19)	(74)
Sale and vesting of treasury shares (3)	**82**	24	71
Decrease in treasury shares on deconsolidation of CommInsure Life	**79**	-	-
	(156)	(263)	(268)
Closing balance	**38,126**	38,020	38,015
Retained Profits			
Opening balance	**28,482**	27,959	28,360
Changes on adoption of AASB 16 (4)	**(146)**	-	-
Changes on adoption of AASB 9 and AASB 15	**-**	-	(955)
Restated opening balance	**28,336**	27,959	27,405
Actuarial (losses)/gains from defined benefit superannuation plans	**(94)**	30	(79)
Realised gains and dividend income on treasury shares	**13**	5	7
Net profit attributable to equity holders of the Bank	**6,161**	3,972	4,599
Total available for appropriation	**34,416**	31,966	31,932
Transfers from general reserve (5)	**733**	54	72
Transfers from asset revaluation reserve	**6**	3	20
Interim dividend - cash component	**-**	(2,949)	-
Interim dividend - dividend reinvestment plan (1)	**-**	(592)	-
Final dividend - cash component	**(3,474)**	-	(3,316)
Final dividend - dividend reinvestment plan (1) (2)	**(615)**	-	(749)
Closing balance	**31,066**	28,482	27,959

(1) The DRP in respect of 2018/2019 interim and final dividends were both satisfied in full through the on-market purchase and transfer of 8,080,558 shares at $73.21 and 7,810,285 shares at $78.61, respectively to participating shareholders.

(2) The determined dividend includes an amount attributable to the dividend reinvestment plan of $749 million (final 2017/2018). The value of shares issued under plans net of issue costs for the period was $748 million.

(3) Relates to the movements in treasury shares held within the employee share scheme trust. Also includes movements in treasury shares held within life insurance statutory funds prior to deconsolidation of CommInsure Life on 1 November 2019.

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

(5) Following deconsolidation of CommInsure Life on 1 November 2019, the Group is no longer required to quarantine undistributable profits in General Reserve. As a result General Reserve was reclassified to Retained Profits.

5.1 Shareholders' Equity (continued)

	Half Year Ended		
	31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M
Reserves			
General Reserve			
Opening balance	**733**	787	859
Transfer to retained profits (1)	**(733)**	(54)	(72)
Closing balance	**-**	733	787
Asset Revaluation Reserve			
Opening balance	**246**	221	235
Revaluation of properties	**-**	38	-
Transfer to retained profits	**(6)**	(3)	(20)
Income tax effect	**2**	(10)	6
Closing balance	**242**	246	221
Foreign Currency Translation Reserve			
Opening balance	**912**	828	448
Currency translation adjustments of foreign operations	**(35)**	78	413
Currency translation of net investment hedge	**3**	10	(30)
Income tax effect	**3**	(4)	(3)
Closing balance	**883**	912	828
Cash Flow Hedge Reserve (2)			
Opening balance	**787**	57	(160)
Gains and (losses) on cash flow hedging instruments:			
Recognised in other comprehensive income	**(264)**	872	298
Transferred to Income Statement:			
Interest income	**(917)**	(444)	(415)
Interest expense	**827**	608	436
Income tax effect	**115**	(306)	(102)
Closing balance	**548**	787	57
Employee Compensation Reserve			
Opening balance	**161**	103	145
Current period movement	**(65)**	58	(42)
Closing balance	**96**	161	103

(1) Following deconsolidation of CommInsure Life on 1 November 2019, the Group is no longer required to quarantine undistributable profits in General Reserve. As a result General Reserve was reclassified to Retained Profits.

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

Notes to the Financial Statements

5.1 Shareholders' Equity (continued)

	Half Year Ended		
	31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M
Investment Securities Revaluation Reserve			
Opening balance	**253**	55	-
Change on adoption of AASB 9	**-**	-	149
Restated opening balance	**253**	55	149
Net (losses)/gains on revaluation of investment securities	**(93)**	254	(114)
Net gains on investment securities transferred to Income Statement on disposal	**(44)**	(8)	(34)
Income tax effect	**25**	(48)	54
Closing balance	**141**	253	55
Available-for-sale Investments Reserve			
Opening balance	**-**	-	149
Change on adoption of AASB 9	**-**	-	(149)
Restated balance	**-**	-	-
Total Reserves	**1,910**	3,092	2,051
Shareholders' Equity attributable to Equity holders of the Bank	**71,102**	69,594	68,025
Shareholders' Equity attributable to Non-controlling interests	**51**	55	553
Total Shareholders' Equity	**71,153**	69,649	68,578

Accounting Policy

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

Ordinary Share Capital:

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

Retained Profits:

Retained Profits include the accumulated profits and certain amounts recognised directly in retained profits less dividends paid.

Reserves:

General Reserve

In prior periods General Reserve was derived from profits and was available for dividend payments except for undistributable profits in respect of the Group's life insurance business. Following deconsolidation of CommInsure Life on 1 November 2019, the Group is no longer required to quarantine undistributable profits in General Reserve. As a result General Reserve was reclassified to Retained Profits.

Asset Revaluation Reserve

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

Foreign Currency Translation Reserve

Exchange differences arising on translation of the Group's foreign operations are accumulated in the Foreign Currency Translation Reserve. Assets and liabilities are translated at the prevailing exchange rate at Balance Sheet date; revenue and expenses are translated at the transaction date; and all resulting exchange differences are recognised in the foreign currency translation reserve. When a foreign operation is disposed of, exchange differences are reclassified to profit or loss.

5.1 Shareholders' Equity (continued)

Accounting Policy (continued)

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 profit or loss 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 profit or loss when the asset is derecognised. For equity securities, these changes are not reclassified to profit or loss 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. AASB 134 'Interim Financial Reporting' requires the disclosure of the fair value of those financial instruments not already carried at fair value in the Balance Sheet and disclosures about fair value measurements.

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 measurement date.

(a) Fair Value Information for Financial Instruments not measured at Fair Value

The estimated fair values of the Group's financial instruments not measured at fair value as at 31 December 2019 are presented below.

	31 Dec 19		30 Jun 19 [1]	
	Carrying value $M	**Fair value $M**	Carrying value $M	Fair value $M
Financial assets not measured at fair value on a recurring basis				
Cash and liquid assets	**37,105**	**37,105**	29,387	29,387
Receivables due from other financial institutions	**7,710**	**7,710**	8,093	8,093
Investment securities at amortised cost	**6,285**	**6,290**	7,355	7,345
Loans, bills discounted and other receivables	**765,464**	**766,371**	755,173	755,547
Other assets	**5,528**	**5,528**	5,431	5,431
Assets held for sale	**71**	**71**	699	699
Total financial assets	**822,163**	**823,075**	806,138	806,502
Financial liabilities not measured at fair value on a recurring basis				
Deposits and other public borrowings	**662,824**	**663,114**	636,040	636,483
Payables due to other financial institutions	**23,822**	**23,822**	23,370	23,370
Debt issues	**153,327**	**153,750**	164,022	164,327
Bills payable and other liabilities	**5,472**	**5,472**	8,236	8,236
Loan capital	**25,425**	**25,897**	22,966	23,118
Liabilities held for sale	**71**	**71**	3,963	3,963
Total financial liabilities	**870,941**	**872,126**	858,597	859,497

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

6.1 Disclosures about Fair Values (continued)

(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 2019				Fair Value as at 30 June 2019			
	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	Total
	$M	$M	$M	**$M**	$M	$M	$M	$M
Financial assets measured at fair value on a recurring basis								
Assets at fair value through Income Statement:								
Trading	30,151	8,458	-	**38,609**	24,599	7,907	-	32,506
Other	337	860	7	**1,204**	319	852	-	1,171
Derivative assets	268	24,469	81	**24,818**	59	25,072	84	25,215
Investment securities at fair value through Other Comprehensive Income	70,932	1,685	496	**73,113**	77,193	1,666	53	78,912
Assets held for sale	268	424	-	**692**	934	7,631	2,339	10,904
Total financial assets measured at fair value	101,956	35,896	584	**138,436**	103,104	43,128	2,476	148,708
Financial liabilities measured at fair value on a recurring basis								
Liabilities at fair value through Income Statement	2,173	2,579	-	**4,752**	1,583	6,937	-	8,520
Derivative liabilities	286	24,381	25	**24,692**	132	22,579	66	22,777
Liabilities held for sale	-	402	-	**402**	3	6,325	496	6,824
Total financial liabilities measured at fair value	2,459	27,362	25	**29,846**	1,718	35,841	562	38,121

Notes to the Financial Statements

6.1 Disclosures about Fair Values (continued)

(c) Analysis of Movements between Fair Value Hierarchy Levels

During the half year ended 31 December 2019 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 2019

	Financial Assets				Financial Liabilities	
	Derivative Assets	Investment Securities at Fair Value through OCI	Assets at Fair Value through Income Statement - Other	Assets held for sale	Derivative Liabilities	Liabilities held for sale
	$M	$M	$M	$M	$M	$M
As at 30 June 2019	84	53	-	2,339	(66)	(496)
Purchases	6	447	7	15	-	-
Gains/(losses) in the period:						
Recognised in the Income Statement	(20)	-	-	(4)	8	-
Recognised in the Statement of Comprehensive Income	-	(4)	-	-	(11)	-
Transfers in	20	-	-	-	(1)	(21)
Transfers out	(9)	-	-	-	45	-
Derecognised on deconsolidation of controlled entities	-	-	-	(2,350)	-	517
As at 31 December 2019	81	496	7	-	(25)	-
Gains/(losses) recognised in the Income Statement for financial instruments held as at 31 December 2019	(19)	-	-	-	6	-

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 de-recognition of the instrument, as appropriate.

6.1 Disclosures about Fair Values (continued)

Accounting Policy (continued)

The fair value of Over-the-Counter (OTC) derivatives includes credit valuation adjustments (CVA) for derivative assets to reflect the credit worthiness of the counterparty. Fair value of uncollateralised derivative assets and uncollateralised derivative liabilities incorporate funding valuation adjustments (FVA) to reflect funding costs and benefits to the Group. These adjustments are applied after considering any relevant collateral or master netting arrangements.

Fair Value Hierarchy

The Group utilises various valuation techniques and applies a hierarchy for valuation inputs that maximise the use of observable market data, if available. Under AASB 13 'Fair Value Measurement' all financial and non-financial assets and liabilities measured or disclosed at fair value are categorised into one of the following three fair value hierarchy levels:

Quoted Prices in Active Markets – Level 1

This category includes assets and liabilities for which the valuation is determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Financial instruments included in this category are liquid government bonds, financial institution and corporate bonds, certificates of deposit, bank bills, listed equities and exchange traded derivatives.

Valuation Technique Using Observable Inputs – Level 2

This category includes assets and liabilities that have been valued using inputs other than quoted prices as described for Level 1, but which are observable for the asset or liability, either directly or indirectly. The valuation techniques include the use of discounted cash flow analysis, option pricing models and other market accepted valuation models.

Financial instruments included in this category are commercial papers, mortgage-backed securities and OTC derivatives including interest rate swaps, cross currency swaps and currency options.

Valuation Technique Using Significant Unobservable Inputs – Level 3

This category includes assets and liabilities where the valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally derived and extrapolated from observable inputs to match the risk profile of the financial instrument, and are calibrated against current market assumptions, historic transactions and economic models, where available. These inputs may include the timing and amount of future cash flows, rates of estimated credit losses, discount rates and volatility.

Financial instruments included in this category for the Group are certain exotic OTC derivatives and unlisted equity investments.

Critical accounting judgements and estimates

Valuation techniques are used to estimate the fair value of financial instruments. When using valuation techniques the Group makes maximum use of market inputs and relies as little as possible on entity specific inputs. It incorporates all factors that the Group believes market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Data inputs that the Group relies upon when valuing financial instruments relate to counterparty credit risk, volatility, correlation and extrapolation.

Periodically, the Group calibrates its valuation techniques and tests them for validity using prices from any observable current market transaction in the same instruments (i.e. without modification or repackaging) and any other available observable market data.

Notes to the Financial Statements

7) Other Information

7.1 Contingent Liabilities, Contingent Assets and Commitments arising from the banking business

The face (contract) value of credit risk related instruments below represents the maximum potential amount that could be lost if the counterparty fails to meet its financial obligations. The credit equivalent amounts are a measure of potential loss to the Group in the event of non-performance by the counterparty. The credit commitments shown in the table below also constitute contingent assets. These commitments would be classified as Loans, bills discounted and other receivables in the Balance Sheet should they be drawn upon by the customer.

	Face Value		Credit Equivalent	
Credit risk related instruments	**31 Dec 19 $M**	30 Jun 19 $M	**31 Dec 19 $M**	30 Jun 19 $M
Guarantees	**6,217**	6,506	**5,225**	5,387
Documentary letters of credit	**319**	326	**211**	322
Performance related contingencies	**4,265**	4,722	**2,132**	2,362
Commitments to provide credit	**167,157**	162,202	**158,521**	154,408
Other commitments	**1,963**	2,050	**1,953**	2,040
Total credit risk related instruments	**179,921**	175,806	**168,042**	164,519

Accounting Policy

Credit default financial guarantees are unconditional undertakings given to support the obligations of a customer to third parties. Other forms of financial guarantees include documentary letters of credit which are undertakings by the Group to pay or accept drafts drawn by a supplier of goods against presentation of documents in the event of payment default by a customer. Financial guarantees are recognised within other liabilities and are initially measured at their fair value, equal to the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the Income Statement, and the expected credit loss recognised under AASB 9. Any increase in the liability relating to financial guarantees is recorded in the Income Statement. The premium received is recognised in the Income Statement in other banking income on a straight line basis over the life of the guarantee.

Performance related contingencies are undertakings that oblige the Group to pay third parties should a customer fail to fulfil a contractual non-monetary obligation. Performance related contingencies are performance guarantees and do not meet the definition of a financial guarantee, because they do not transfer credit risk. Performance guarantees are recognised when it is probable that an obligation has arisen. The amount of any provision is the best estimate of the amount required to fulfil the obligation.

Commitments to provide credit include all obligations on the part of the Group to provide credit facilities (unutilised credit lines or undrawn portions of credit lines) against which clients can borrow money under defined terms and conditions. Such loan commitments are made either for a fixed period, or are cancellable by the Group subject to notice conditions. As facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements. Under AASB 9 loan commitments must be measured with reference to the quantum of expected credit losses required to be recognised. In the case of undrawn loan commitments, the inherent credit risk is managed and monitored by the Group together with the drawn component as a single credit exposure. The exposure at default on the entire facility is therefore used to calculate the cumulative expected credit losses. Upon a loan drawdown by the counterparty, the amount of the loan is accounted for in accordance with accounting policies for loans and receivables.

Other commitments to provide credit include commitments with certain drawdowns, standby letters of credit and bill endorsements.

The details of the Group's accounting policies and critical judgements and estimates involved in calculating the AASB 9 impairment provisions are provided in Note 3.2.

7.2 Customer Remediation, Litigation, Investigations and reviews, and 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

During the year ended 30 June 2019, the Group raised a $534 million provision for Aligned Advice remediation issues (including interest) and program costs, including ongoing service fees charged where no service was provided. Aligned advisors are not employed by the Group but are representatives authorised to provide financial advice under the licences of the Group's subsidiaries, Financial Wisdom Limited, Count Financial Limited and Commonwealth Financial Planning Limited (Pathways only). As at 31 December 2019, the Group holds a provision of $529 million in relation to Aligned Advice remediation.

The Group's estimate of the proportion of fees to be refunded is based on sample testing and assumes a refund rate of 24%. This compares to a refund rate of 22% which was paid for our salaried advisors. An increase/(decrease) in the failure rate by 1% would result in an increase/(decrease) in the provision of approximately $20 million.

The Group is continuing to engage with ASIC in relation to its remediation approach.

Banking and other Wealth customer remediation

During the year ended 30 June 2019 the Group raised a $384 million provision for Banking and other Wealth Management customer remediation programs. The provision raised for banking remediation includes an estimate of refunds and interest to customers relating to business banking products, including bank guarantees, cash deposit accounts, merchants billing and certain commercial lending products. The wealth remediation provision includes an estimate of refunds and interest relating to advice quality, fees where no service was provided in the Commonwealth Financial Planning business, the Loan Protection Insurance product and certain other products. The provision held in relation to these matters as at 31 December 2019 was $262 million.

Litigation, Investigations and reviews

The Group is party to a number of legal proceedings, and the subject of various investigations and reviews. Provisions have been raised where indicated in accordance with the principles outlined in the accounting policy section of this note.

Litigation

The main litigated claims against the Group as at 31 December 2019 are summarised below.

Shareholder Class Actions

In October 2017 and June 2018 two separate shareholder class action proceedings against CBA were filed 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 proceedings was approved by the Federal Court on 20 June 2018 with CBA paying a penalty of $700 million and legal costs.

It is alleged in the class actions that CBA shareholders who acquired an interest in CBA shares between 16 June 2014 and 3 August 2017 suffered losses as a result of the alleged conduct. The two class actions are being case managed together, with a single harmonised statement of claim. CBA denies the allegations made against it, and it is currently not possible to determine the ultimate impact of these claims, if any, on the Group. The Group has provided for legal costs expected to be incurred in the defence of the claims.

Superannuation Class Actions

The Group is also defending three class action claims in relation to superannuation products.

On 9 October 2018, a class action was filed against CBA and Colonial First State Investments Limited (CFSIL) in the Federal Court of Australia. The claim relates to investment in cash and deposit options (which are cash and deposit products provided by CBA) in the Colonial First State First Choice Superannuation Trust and Commonwealth Essential Super. The primary allegation is that members invested in these cash and deposit options received lower interest rates than they could have received had CFSIL offered similar products made available in the market by an ADI with comparable risk. It is claimed that CBA was involved in CFSIL's alleged breaches as a trustee of the funds and as a Responsible Entity of the underlying managed investment schemes. Both CBA and CFSIL deny the allegations and are defending the proceedings. The Court has ordered the parties participate in a mediation of this matter by 29 May 2020.

On 18 October 2019, another class action was commenced in the Federal Court of Australia against CFSIL. The claim relates to certain fees charged to members of the Colonial First State First Choice Superannuation Trust. It is alleged that CFSIL breached its duties as trustee 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.

On 24 October 2019 a third class action was filed in the Federal Court of Australia against CFSIL and a former

7.2 Customer Remediation, Litigation, Investigations and reviews, and other matters (continued)

executive director of CFSIL, relating to alleged contraventions of statutory obligations under superannuation law in the period 2013 to 2017. The class action relates to the transfer of certain default balances held by members of FirstChoice Employer Super to a MySuper product. The key allegation is that members should have been transferred to a MySuper product earlier than they were, and that the alleged failure to effect the transfer as soon as reasonably practical caused affected members to pay higher fees and receive lower investment returns during the point of delay. The allegations are denied and CFSIL and its former director are defending the class action. It is currently not possible to determine the ultimate impact of these three claims, if any, on the Group. The Group has provided for the legal costs expected to be incurred in the defence of the claims.

Ongoing regulatory investigations and reviews

The Group undertakes ongoing compliance activities, including 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. There remains a contingent liability 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 a statutory obligation, and where a breach has occurred, regulators are likely to impose, or apply to a Court for, fines and/or other sanctions. These matters include investigations by APRA and ASIC of issues which were referred to them by the Financial Services Royal Commission, as well as a number of other matters notified to, or identified by, regulators.

These investigations include ASIC's investigation regarding the AUSTRAC proceedings noted above. In September 2017, following the commencement of the civil proceedings against CBA by AUSTRAC, ASIC launched an investigation in relation to the Group's disclosure concerning the matters the subject of the AUSTRAC proceedings. ASIC is also investigating, among other things, whether the directors and officers of CBA complied with other specific obligations under the *Corporations Act 2001* (Cth). CBA continues to engage with ASIC in respect of the investigation and to respond to requests made by ASIC. It is currently not possible to determine the ultimate impact of this investigation, if any, on the Group. The Group has provided for the legal costs expected to be incurred in relation to this investigation.

CMLA Prosecution

On 19 November 2019, the Colonial Mutual Life Assurance Society (CMLA), a subsidiary which became a non-consolidated entity on 1 November 2019, pleaded guilty to 87 contraventions of the anti-hawking provisions of the *Corporations Act 2001 (Cth)* which it had previously reported to, and which were investigated by ASIC. The contraventions related to telephone sales of insurance products by CMLA in the period 7 October 2014 to 16 December 2014, a practice that ceased at the end of 2014. CMLA was fined $700,000 for the contraventions.

Fair Work Ombudsman (FWO) Investigation

The FWO has commenced an investigation in relation to CBA's self-disclosure of discrepancies in employee arrangements and entitlements, and CBA continues to engage with FWO and respond to its requests for information. It is currently not possible to determine the ultimate impact of this investigation on the Group.

CBA is continuing with its broad review of employee entitlements and is remediating impacted current and former employees as the review progresses. We continue to update both the FWO and the Finance Sector Union on the review. The review is substantially complete and will be finalised this financial year. The Group holds a provision for remediation and program costs related to this matter.

New Zealand Compliance Audit findings

The Labour Inspectorate in New Zealand is undertaking a programme of compliance audits on a number of organisations in respect of the *Holidays Act 2003* (Holidays Act). On 18 December 2018 ASB Bank Limited (ASB) received the Labour Inspectorate's report of its findings on ASB's compliance with the Holidays Act. The findings, based on a sample of employees, include that ASB has not complied with the requirements of the Holidays Act by not including certain incentive payments in ASB's calculation of gross earnings under the Holidays Act. ASB's position in relation to that finding is that the application of the law is uncertain and yet to be definitively determined. That finding, if extrapolated to ASB's entire workforce, would result in an estimated liability of NZD32 million in total for the preceding six years' annual holiday payments. ASB continues to engage with the Labour Inspectorate on the matter.

Home Loan Pricing Inquiry

In October 2019 the ACCC commenced an industry-wide inquiry into home loan pricing. The inquiry involves consideration of a wide range of issues including the interest rates paid by new and existing customers, how the cost of financing for banks has affected bank decisions on interest rates and barriers to customers switching home loans with the focus on the period since 1 January 2019. CBA is co-operating with the ACCC in its requests for information. The final report from the inquiry is due by 30 September 2020.

Other Regulatory matters

The following matters were significant regulatory investigations and reviews which have been completed, but have resulted in ongoing action required by the Group.

7.2 Customer Remediation, Litigation, Investigations and reviews, and other matters (continued)

Enforceable undertaking to ASIC (Foreign Exchange)

In December 2016 CBA provided an enforceable undertaking (EU) to ASIC arising from an investigation into institutional foreign exchange (FX) trading between 2008 and 2013. The EU included the engagement of an independent expert, to review and assess the changes we have made to our trading operating model in recent years, including in training, procedures and oversight.

It also included a voluntary contribution of $2.5 million to support the further development of financial literacy education relating to changes to delivery of care in the aged care sector.

CBA provided details of the implementation of its Final FX EU Program to ASIC in March 2019. The independent expert conducted an assessment of CBA's implementation and submitted its final expert report on 31 May 2019. The report highlighted certain terms of the consolidated Final FX EU Program which were yet to be implemented, certain matters that could not be assessed and some other areas for improvement. CBA has addressed the matters raised in the independent expert's report. CBA is having ongoing discussions with ASIC in respect of the FX EU Program.

Prudential Inquiry into CBA and Enforceable Undertaking to APRA

On 28 August 2017, APRA announced it would establish an independent prudential inquiry (the Inquiry) into the Group focusing on the governance, culture and accountability frameworks and practices within the Group. The final report of the Inquiry was released on 1 May 2018 (the Final Report). The Final Report made a number of findings regarding the complex interplay of organisational and cultural factors within the Group and the need for enhanced management of non-financial risks. In response to the Final Report, the Group acknowledged that it will implement all of the recommendations and agreed to adjust its minimum operational risk capital requirements by an additional $1 billion (an impact to risk weighted assets of $12.5 billion) until such time as the recommendations are implemented to APRA's satisfaction.

CBA has entered into an EU under which CBA's remedial action (Remedial Action Plan) in response to the Final Report would be agreed and monitored regularly by APRA. The Remedial Action Plan provides a detailed program of change outlining how CBA will improve the way it runs its business, manages risk, and works with regulators. The Remedial Action Plan also provides a comprehensive assurance framework, with Promontory Australasia (Sydney) Pty Ltd (Promontory) having been appointed as the independent reviewer, and which is required to report to APRA on the Group's progress against committed milestones every 3 months.

Promontory is continuing to provide APRA with quarterly progress reports, and CBA is committed to report publicly on its progress against the Remedial Action Plan twice a year. Six Promontory reports have been released by CBA. Promontory has noted that the Remedial Action Plan program of work remains on track and CBA's commitment to implementing the Inquiry's recommendations in a timely and comprehensive way continued to be strong with all 173 milestones on schedule to be delivered by the applicable due dates.

The Group has provided for costs associated with the implementation of the Remedial Action Plan.

Financial Crime Compliance

As noted above, in 2018 the Group resolved the AUSTRAC proceedings relating to contraventions of anti-money laundering/counter-terrorism financing (AML/CTF) laws.

Recognising the crucial role that the Group plays, it continues to strengthen and invest significantly in its financial crime capabilities, including in its AML/CTF Compliance team and through the Program of Action with coverage across all aspects of financial crime (including anti-money laundering/counter-terrorism financing, sanctions and anti-bribery and corruption) and all business units. The Group has provided for costs of running the Program of Action.

The Group provides updates to AUSTRAC and the Group's other regulators on the Program of Action implemented by the Group following the civil penalty proceedings commenced against it by AUSTRAC.

However, there is no assurance that AUSTRAC or the Group's other regulators will agree that the Group's Program of Action will be adequate or that the Program of Action will effectively enhance the Group's financial crime compliance programs across its business units and the jurisdictions in which it operates.

While the Group is not currently aware of any other enforcement action by other domestic or foreign regulators in respect of its financial crime compliance, there can be no assurance that the Group will not be subject to such enforcement actions in the future.

Enforceable Undertaking to ASIC (BBSW)

On 21 June 2018 the Federal Court approved an agreement between CBA and ASIC to resolve proceedings concerning alleged market manipulation and unconscionable conduct in respect of the bank bill market. CBA paid a civil penalty of $5 million and a community benefit payment of $15 million to Financial Literacy Australia. It also agreed to pay ASIC's costs of the investigation and legal costs. The Group provided for these costs in an earlier period.

As part of the settlement CBA also entered into an EU with ASIC under which CBA undertook to engage an independent expert to assess changes it has made (and will make) to its policies, procedures, controls systems, training, guidance and framework for the monitoring and supervision of employees and trading in Prime Bank Bills and CBA's BBSW-referenced product businesses. On 5 October 2018, CBA appointed EY as the independent expert. CBA provided its BBSW Program of remediation work to ASIC and EY on 21 December 2018. EY reviewed the BBSW Program and provided certain recommendations in its report dated 23 April 2019. CBA considered those recommendations with ASIC and EY and delivered its Final BBSW Program to ASIC and EY on 23 July 2019.

7.2 Customer Remediation, Litigation, Investigations and reviews, and other matters (continued)

EY delivered its report on CBA's Final BBSW Program on 30 August 2019. CBA and ASIC will next agree the terms of the Final BBSW Program to be implemented. The Group has provided for costs associated with implementation of the BBSW program.

Enforceable Undertaking to the Office of Australian Information Commissioner (OAIC)

In June 2019 the Australian Information Commissioner (Commissioner) accepted an EU offered by CBA, which requires further enhancements to the management and retention of customer personal information within CBA and certain subsidiaries.

The EU follows CBA's work to address two incidents: one relating to the disposal by a third party of magnetic data tapes containing historical customer statements and the other relating to potential unauthorised internal user access to certain systems and applications containing customer personal information. CBA reported the incidents to the Commissioner in 2016 and 2018 respectively and has since been working to address these incidents and respond to inquiries made by the Commissioner. CBA found no evidence that our customers' personal information was compromised by the incident reported in 2016, and has found no evidence to date that there have been any instances of unauthorised access by CBA employees or third parties as a result of the incident reported in 2018.

The Group has provided for certain costs associated with implementation and compliance with the EU provided to the Commissioner.

Other matters

Exposures to divested businesses

The Group has potential exposures to divested businesses, including through the provision of services, warranties and indemnities. These exposures may have an adverse impact on the Group's financial performance and position. The Group has recognised provisions where payments in relation to the exposures are probable and reliably measurable.

Financial Wisdom

Financial Wisdom Limited, a subsidiary of the Group, has agreements pre-dating 2013, which provide authorised representatives with the ability to sell their client book to the subsidiary in certain circumstances contingent upon a number of key conditions being met. The agreements provide for the sale at a multiple of ongoing revenue subject to a range of criteria (including potential discount factors). The authorised representative must apply to commence the conditional sale process. To date, one application has been received. It is not currently possible to reliably estimate the potential financial impact of these agreements.

Accounting Policy

The Group recognises a provision for a liability when it is probable that an outflow of economic benefits will be required to settle a present obligation resulting from past events, and a reliable estimate can be made of the amount of the obligation.

Where a provision is not recognised, a contingent liability may exist. A contingent liability is a possible obligation whose existence will be confirmed only by one or more uncertain future events, or a present obligation where an outflow of economic resources is not probable or the obligation cannot be reliably measured. Contingent liabilities are not recognised on the balance sheet, but are disclosed unless an outflow of economic resources is remote.

7.3 Discontinued Operations

Completed transactions

Life Insurance businesses in New Zealand

On 21 September 2017, the Group announced the sale of 100% of its New Zealand life insurance business (Sovereign) to AIA Group Limited (AIA) for $1.3 billion. The sale agreement includes a long-term partnership with AIA for the provision of life insurance products to customers in New Zealand. The sale of Sovereign completed on 2 July 2018, resulting in a total post-tax gain of $117 million (net of transaction and separation costs). This includes $135 million post-tax gain net of transaction and separation costs recognised during the year ended 30 June 2019, and $18 million post-tax transaction and separation costs recognised during the year ended 30 June 2018.

TymeDigital SA

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

Colonial First State Global Asset Management

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

Count Financial

On 13 June 2019, the Group announced the sale of its 100% interest in Count Financial Limited (Count Financial) to CountPlus Limited (CountPlus) for $2.5 million. The sale completed on 1 October 2019, resulting in a post-tax gain of $19 million (net of transaction and separation costs). This includes a post-tax gain of $52 million (net of transaction and separation costs) recognised during the half year ended 31 December 2019, and post-tax impairment losses of $26 million and post-tax transaction and separation costs of $7 million recognised during the half year ended 30 June 2019. Upon completion, the Group provided an indemnity to CountPlus capped at $200 million. This indemnity amount represents a potential contingent liability of $56 million in excess of a $144 million Count Financial remediation provision included in the Group's total Aligned Advice provision of $529 million as at 31 December 2019. Refer to Note 7.2 for further information. As Count Financial did not constitute a major line of the Group's business, it was not classified as a discontinued operation.

Ongoing transactions

Life insurance businesses in Australia and BoCommLife

On 21 September 2017, the Group entered into an agreement to sell 100% of its life insurance businesses in Australia (CommInsure Life) and New Zealand (Sovereign) to AIA Group Limited (AIA).

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

On 1 November 2019, the Group announced the implementation of a joint cooperation agreement (JCA) which resulted in the full economic interests associated with CommInsure Life being transferred to AIA and AIA obtaining direct management and control of the business (excluding 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 and AIA remain fully committed to completing the divestment of CommInsure Life through either a share sale or a statutory asset transfer. In the event of a share sale, the divestment is expected to complete shortly following the completion of the sale of the Group's 37.5% equity interest in BoCommLife. In the event of a statutory asset transfer, the divestment is expected to complete around the end of calendar year 2020.

The aggregate proceeds, which will be received in instalments under the JCA, are $2,375 million, before completion account adjustments, and includes four partnership milestone payments of $50 million each. The Group recognised a total post-tax loss of $316 million on the deconsolidation and planned divestment of CommInsure Life. This includes a $116 million post-tax loss on deconsolidation, net of transaction and separation costs recognised during the half year ended 31 December 2019. Post-tax transaction and separation costs of $82 million and $118 million were recognised during the years ended 30 June 2019 and 30 June 2018, respectively.

PT Commonwealth Life

On 23 October 2018, the Group announced the sale of its 80% interest in its Indonesian life insurance business, PT Commonwealth Life (PTCL), to FWD Group (FWD). As part of the sale, CBA's Indonesian banking subsidiary, PT Bank Commonwealth (PTBC), will enter into a 15 year life insurance distribution partnership with FWD. On completion, CBA is expected to receive $497 million in consideration for the sale of PTCL and entering the distribution partnership. The sale is subject to regulatory approvals in Indonesia and is expected to complete in the first half of calendar year 2020.

Aligned advice

On 7 August 2019 CBA confirmed it will commence the assisted closure of Financial Wisdom Limited (Financial Wisdom) and allow Commonwealth Financial Planning Limited-Pathways (CFP-Pathways) advisers to transition to a self-licensing arrangement or move to another licensee. The cessation of CFP-Pathways is expected to be completed by 31 March 2020 and the assisted closure of Financial Wisdom is expected to be completed by 30 June 2020.

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

7.3 Discontinued Operations (continued)

Income Statement

Financial Impact of Discontinued Operations on the Group

The performance and net cash flows of CommInsure Life, CFSGAM, PTCL and the Group's interest in BoCommLife classified as discontinued operations are set out in the tables below. Comparative periods also include the performance and net cash flows of Sovereign and TymeDigital SA.

	Half Year Ended (1)		
	31 Dec 19	30 Jun 19	31 Dec 18
	$M	$M	$M
Net interest income	**3**	2	4
Other banking income	**2**	3	17
Net banking operating income	**5**	5	21
Funds management income	**135**	572	530
Investment revenue/(expense)	**142**	535	(144)
Claims, policyholder liability and commission (expense)/revenue	**(156)**	(582)	34
Net funds management operating income	**121**	525	420
Premiums from insurance contracts	**391**	633	623
Investment revenue	**137**	417	122
Claims, policyholder liability and commission expense from insurance contracts	**(469)**	(890)	(613)
Net insurance operating income	**59**	160	132
Total net operating income before operating expenses	**185**	690	573
Operating expenses	**(148)**	(451)	(487)
Net profit before tax	**37**	239	86
Income tax expense	**(3)**	(14)	(34)
Policyholder tax	**(14)**	(91)	41
Net profit after tax and before transaction and separation costs	**20**	134	93
Gains/(losses) on disposals of businesses net of transaction and separation costs	**1,571**	56	(65)
Non-controlling interests	**(3)**	(3)	(4)
Net profit after income tax from discontinued operations attributable to Equity holders of the Bank	**1,588**	187	24

(1) The half year ended 31 December 2019 includes the performance of CFSGAM until 2 August 2019 and the performance of CommInsure Life until 1 November 2019.

Earnings per share for profit from discontinued operations attributable to equity holders of the Bank:

	Half Year Ended		
	31 Dec 19	30 Jun 19	31 Dec 18
	Cents per Share		
Earnings per share from discontinued operations:			
Basic	**89. 8**	10. 6	1. 4
Diluted	**84. 2**	9. 8	1. 3

7.3 Discontinued Operations (continued)

Cash Flow Statement

	Half Year Ended (1) (2)		
	31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M
Net cash used in operating activities	**(778)**	(131)	(432)
Net cash from investing activities	**837**	447	362
Net cash used in financing activities	**(97)**	(160)	(20)
Net cash (outflows)/inflows from discontinued operations	**(38)**	156	(90)

(1) Represents cash flows from the underlying businesses classified as discontinued operations and excludes proceeds from disposal.
(2) The half year ended 31 December 2019 includes the cash flows of CFSGAM until 2 August 2019 and the cash flows of CommInsure Life until 1 November 2019.

Balance Sheet

The balance sheet of the Group's discontinued operations is set out in the table below.

	As at (1)		
Assets held for sale	**31 Dec 19 $M**	30 Jun 19 $M	31 Dec 18 $M
Cash and liquid assets	**42**	354	292
Assets at fair value through Income Statement	**424**	10,417	9,619
Investment securities at fair value through other comprehensive income	**268**	260	272
Intangible assets	**10**	2,049	1,773
Property, plant and equipment	**1**	1,510	1,699
Investment in associates and joint ventures	**400**	607	587
Deferred tax assets	**4**	145	99
Other assets	**52**	1,207	871
Total assets (2)	**1,201**	16,549	15,212
Liabilities held for sale			
Insurance policy liabilities	**491**	10,854	10,447
Current tax liabilities	**-**	-	66
Deferred tax liabilities	**-**	404	208
Deposits and other public borrowings	**-**	1,268	1,187
Managed funds units on issue	**-**	2,197	1,714
Other liabilities	**71**	1,073	728
Total liabilities	**562**	15,796	14,350

(1) Balances as at 31 December 2019 include assets and liabilities of PT Commonwealth Life and the Group's investment in BoCommLife (30 June 2019: assets and liabilities of CommInsure Life, BoCommLife, PTCL, CFSGAM and Count Financial; 31 December 2018: assets and liabilities of CommInsure Life, BoCommLife, PTCL and CFSGAM).
(2) Excludes $5 million of other assets classified as held for sale as at 31 December 2019 (30 June 2019: $2 million; 31 December 2018: $4 million).

As at 31 December 2019, the foreign currency translation reserve related to discontinued operations was a gain of $3 million (30 June 2019: $50 million gain, 31 December 2018: $57 million gain); the investment securities revaluation reserve related to discontinued operations was a gain of $17 million (30 June 2019: $9 million gain, 31 December 2018: $1 million loss).

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 declared a fully franked interim dividend of 200 cents per share amounting to $3,540 million.

The Bank expects the DRP for the interim dividend for the half year ended 31 December 2019 will be satisfied in full by an on-market purchase of shares of approximately $530 million.

Class action against Colonial First State Investments Limited (CFSIL) and the Colonial Mutual Life Assurance Society (CMLA)

On 22 January 2020 a class action was filed against CFSIL and CMLA in the Federal Court of Australia. The class action alleges that CFSIL did not act in the best interests of members and breached its trustee duties when taking out group insurance policies obtained from CMLA. The key allegation is that CFSIL entered into and maintained insurance policies with CMLA on terms that were less favourable to members than would have reasonably been available in the market. It is alleged that CMLA was knowingly involved in CFSIL's contraventions as trustee and profited from those contraventions.

CBA and CFSIL are reviewing the claim and at this time it is not possible to determine the ultimate impact of this claim, if any, on the Group.

Directors' Declaration

The Directors of the Commonwealth Bank of Australia declare that in their opinion:

a) the consolidated financial statements and notes for the half year ended on 31 December 2019, as set out on pages 74 to 119, are in accordance with the *Corporations Act 2001* (Cth), including:

   (i) complying with the 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 2019 and its performance for the six months ended 31 December 2019; and

b) there are reasonable grounds to believe that the Commonwealth Bank of Australia will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

C.B. Livingstone	
Catherine Livingstone AO	Matt Comyn
Chairman	Managing Director and Chief Executive Officer
12 February 2020	12 February 2020

Independent auditor's review report to the members of the Commonwealth Bank of Australia

Report on the half-year financial report

We have reviewed the accompanying 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 2019, 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, selected other explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Bank are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 and fair view of the Group's financial position as at 31 December 2019 and 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*. As the auditor of the Bank, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Matthew Lunn
Partner

Sydney
12 February 2020

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Appendices

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Section 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 as 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, funds management services, 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 19	30 Jun 19	31 Dec 18
	%	%	%
Australia			
Interest spread (2)	**1. 99**	1. 92	1. 93
Benefit of interest-free liabilities, provisions and equity (3)	**0. 22**	0. 27	0. 26
Net interest margin (4)	**2. 21**	2. 19	2. 19
New Zealand			
Interest spread (2)	**1. 60**	1. 66	1. 68
Benefit of interest-free liabilities, provisions and equity (3)	**0. 29**	0. 33	0. 34
Net interest margin (4)	**1. 89**	1. 99	2. 02
Other Overseas			
Interest spread (2)	**0. 43**	0. 41	0. 45
Benefit of interest-free liabilities, provisions and equity (3)	**0. 09**	0. 12	0. 09
Net interest margin (4)	**0. 52**	0. 53	0. 54
Total Group			
Interest spread (2)	**1. 89**	1. 83	1. 85
Benefit of interest-free liabilities, provisions and equity (3)	**0. 22**	0. 27	0. 25
Net interest margin (4)	**2. 11**	2. 10	2. 10

(1) Interest spread and margin calculations have been adjusted to include intragroup borrowings to more appropriately reflect the overseas cost of funds.
(2) Difference between the average interest rate earned and the average interest rate paid on funds.
(3) A portion of the Group's interest earning assets is funded by net interest-free liabilities and Shareholders' Equity. The benefit to the Group of these interest-free funds is the amount it could cost to replace them at the average cost of funds.
(4) Net interest income divided by average interest earning assets for the half year annualised.

1.2 Average Balances and Related Interest (continuing operations basis)

The following tables list the major categories of interest earning assets and interest bearing liabilities of the Group together with the respective interest earned or paid and the average interest rate for each of the half years ended 31 December 2019, 30 June 2019 and 31 December 2018. 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 and interest rates.

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

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

The official cash rates in Australia and New Zealand decreased 50 basis points during the half year ended 31 December 2019.

	Half Year Ended 31 Dec 19			Half Year Ended 30 Jun 19			Half Year Ended 31 Dec 18		
	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
Interest Earning Assets	$M	$M	%	$M	$M	%	$M	$M	%
Home loans (1)	480,140	9,390	3. 89	470,493	10,012	4. 29	461,693	10,077	4. 33
Consumer finance (2)	21,250	1,231	11. 52	22,275	1,279	11. 58	22,703	1,350	11. 80
Business and corporate loans	215,886	4,147	3. 82	219,367	4,284	3. 94	222,579	4,447	3. 96
Loans, bills discounted and other receivables	717,276	14,768	4. 10	712,135	15,575	4. 41	706,975	15,874	4. 45
Cash and other liquid assets	46,690	287	1. 22	44,573	352	1. 59	48,489	401	1. 64
Assets at fair value through Income Statement (excluding life insurance)	27,441	166	1. 20	25,759	236	1. 85	25,192	263	2. 07
Investment Securities:									
At fair value through Other Comprehensive Income	76,335	594	1. 55	75,433	816	2. 18	76,018	872	2. 28
At amortised cost	6,822	70	2. 04	6,792	94	2. 79	6,990	105	2. 98
Non-lending interest earning assets	157,288	1,117	1. 41	152,557	1,498	1. 98	156,689	1,641	2. 08
Total interest earning assets (3)	874,564	15,885	3. 61	864,692	17,073	3. 98	863,664	17,515	4. 02
Non-interest earning assets (1)	98,579			90,587			98,181		
Assets held for sale	10,246			17,965			15,965		
Total average assets	983,389			973,244			977,810		

(1) Net of average mortgage offset balances which are included in Non-interest earning assets. Gross average home loans balance in the half year ended 31 December 2019, excluding mortgage offset accounts was $527,650 million, (half year ended 30 June 2019: $516,493 million, half year ended 31 December 2018: $506,054 million). While these balances are required to be grossed up under accounting standards, they are netted down for the calculation of customer interest payments and the calculation of the Group's Net interest margin.

(2) Consumer finance includes personal loans, credit cards and margin loans.

(3) Used for calculating Net interest margin.

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

	Half Year Ended 31 Dec 19			Half Year Ended 30 Jun 19 [1]			Half Year Ended 31 Dec 18 [1]		
	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
Interest Bearing Liabilities	$M	$M	%	$M	$M	%	$M	$M	%
Transaction deposits [2]	**87,462**	**205**	**0. 47**	82,937	300	0. 73	84,636	308	0. 72
Savings deposits [2]	**189,991**	**659**	**0. 69**	179,841	973	1. 09	180,104	1,033	1. 14
Investment deposits	**206,933**	**2,414**	**2. 32**	213,107	2,728	2. 58	213,866	2,809	2. 61
Certificates of deposit and other	**66,359**	**882**	**2. 64**	63,111	922	2. 95	61,519	875	2. 82
Total interest bearing deposits	**550,745**	**4,160**	**1. 50**	538,996	4,923	1. 84	540,125	5,025	1. 85
Payables due to other financial institutions	**25,402**	**238**	**1. 86**	20,770	236	2. 29	22,338	228	2. 02
Liabilities at fair value through Income Statement	**6,619**	**48**	**1. 44**	11,514	84	1. 47	9,356	88	1. 87
Debt issues	**154,297**	**1,498**	**1. 93**	164,044	2,192	2. 69	170,152	2,371	2. 76
Loan capital	**23,314**	**427**	**3. 64**	22,194	468	4. 25	22,683	483	4. 22
Lease liabilities [3]	**2,648**	**37**	**2. 78**	-	-	-	-	-	-
Bank levy	**-**	**184**	**-**	-	184	-	-	186	-
Total interest bearing liabilities	**763,025**	**6,592**	**1. 72**	757,518	8,087	2. 15	764,654	8,381	2. 17
Non-interest bearing liabilities [2]	**140,807**			130,665			131,676		
Liabilities held for sale	**9,229**			16,038			13,741		
Total average liabilities	**913,061**			904,221			910,071		

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Net of average mortgage offset balances which are included in Non-interest bearing liabilities.
(3) Current period amounts reflected adoption of AASB 16 'Leases' on 1 July 2019. As permitted by AASB 16 comparative information has not been restated. For details on the adoption of AASB 16 refer to Note 1.1.

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

	Half Year Ended 31 Dec 19			Half Year Ended 30 Jun 19			Half Year Ended 31 Dec 18		
	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
Net Interest Margin	$M	$M	%	$M	$M	%	$M	$M	%
Total interest earning assets	874,564	15,885	3. 61	864,692	17,073	3. 98	863,664	17,515	4. 02
Total interest bearing liabilities	763,025	6,592	1. 72	757,518	8,087	2. 15	764,654	8,381	2. 17
Net interest income and interest spread		9,293	1. 89		8,986	1. 83		9,134	1. 85
Benefit of free funds			0. 22			0. 27			0. 25
Net interest margin			2. 11			2. 10			2. 10

	Half Year Ended 31 Dec 19			Half Year Ended 30 Jun 19			Half Year Ended 31 Dec 18		
Geographical Analysis	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
of Key Categories	$M	$M	%	$M	$M	%	$M	$M	%
Loans, Bills Discounted and Other Receivables									
Australia	610,398	12,387	4. 04	604,877	13,103	4. 37	601,934	13,421	4. 42
New Zealand (1)	86,732	1,967	4. 51	85,323	2,013	4. 76	80,374	1,971	4. 86
Other Overseas (1)	20,146	414	4. 09	21,935	459	4. 22	24,667	482	3. 88
Total	717,276	14,768	4. 10	712,135	15,575	4. 41	706,975	15,874	4. 45
Non-Lending Interest Earning Assets									
Australia	112,449	830	1. 47	109,125	1,157	2. 14	109,144	1,278	2. 32
New Zealand (1)	11,493	85	1. 47	11,214	113	2. 03	11,255	118	2. 08
Other Overseas (1)	33,346	202	1. 20	32,218	228	1. 43	36,290	245	1. 34
Total	157,288	1,117	1. 41	152,557	1,498	1. 98	156,689	1,641	2. 08
Total Interest Bearing Deposits									
Australia	471,024	3,151	1. 33	462,197	3,907	1. 70	463,055	3,996	1. 71
New Zealand (1)	58,561	723	2. 46	57,667	721	2. 52	55,732	736	2. 62
Other Overseas (1)	21,160	286	2. 69	19,132	295	3. 11	21,338	293	2. 72
Total	550,745	4,160	1. 50	538,996	4,923	1. 84	540,125	5,025	1. 85
Other Interest Bearing Liabilities									
Australia	167,343	1,917	2. 28	172,105	2,539	2. 97	176,512	2,728	3. 07
New Zealand (1)	27,535	367	2. 65	26,710	431	3. 25	25,194	414	3. 26
Other Overseas (1)	17,402	148	1. 69	19,707	194	1. 99	22,823	214	1. 86
Total	212,280	2,432	2. 28	218,522	3,164	2. 92	224,529	3,356	2. 96

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

1.3 Interest Rate and Volume Analysis (continuing operations basis)

	Half Year Ended Dec 19 vs Jun 19 (1)			Half Year Ended Dec 19 vs Dec 18 (1)		
	Volume	**Rate**	**Total**	Volume	Rate	Total
Interest Earning Assets (2)	**$M**	**$M**	**$M**	$M	$M	$M
Home loans	**327**	**(949)**	**(622)**	333	(1,020)	(687)
Consumer finance	**(42)**	**(6)**	**(48)**	(88)	(31)	(119)
Business and corporate loans	**(8)**	**(129)**	**(137)**	(141)	(159)	(300)
Loans, bills discounted and other receivables	**321**	**(1,128)**	**(807)**	169	(1,275)	(1,106)
Cash and other liquid assets	**18**	**(83)**	**(65)**	(12)	(102)	(114)
Assets at fair value through Income Statement (excluding life insurance)	**13**	**(83)**	**(70)**	13	(110)	(97)
Investment securities:						
At fair value through Other Comprehensive Income	**18**	**(240)**	**(222)**	-	(278)	(278)
At amortised cost	**2**	**(26)**	**(24)**	(2)	(33)	(35)
Non-lending interest earning assets	**54**	**(435)**	**(381)**	-	(524)	(524)
Total interest earning assets	**415**	**(1,603)**	**(1,188)**	150	(1,780)	(1,630)

	Half Year Ended Dec 19 vs Jun 19 (1)			Half Year Ended Dec 19 vs Dec 18 (1)		
	Volume	**Rate**	**Total**	Volume	Rate	Total
Interest Bearing Liabilities (2)	**$M**	**$M**	**$M**	$M	$M	$M
Transaction deposits	**15**	**(110)**	**(95)**	6	(109)	(103)
Savings deposits	**49**	**(363)**	**(314)**	31	(405)	(374)
Investment deposits	**(34)**	**(280)**	**(314)**	(89)	(306)	(395)
Certificates of deposit and other	**56**	**(96)**	**(40)**	62	(55)	7
Total interest bearing deposits	**157**	**(920)**	**(763)**	66	(931)	(865)
Payables due to other financial institutions	**47**	**(45)**	**2**	28	(18)	10
Liabilities at fair value through Income Statement	**(34)**	**(2)**	**(36)**	(20)	(20)	(40)
Debt issues	**(64)**	**(630)**	**(694)**	(160)	(713)	(873)
Loan capital	**27**	**(68)**	**(41)**	10	(66)	(56)
Lease liabilities (3)	**37**	**-**	**37**	37	-	37
Bank levy	**-**	**-**	**-**	-	(2)	(2)
Total interest bearing liabilities	**159**	**(1,654)**	**(1,495)**	(37)	(1,752)	(1,789)

	Half Year Ended (1)	
	Dec 19 vs Jun 19	Dec 19 vs Dec 18
	Increase/(Decrease)	Increase/(Decrease)
Change in Net Interest Income (2)	**$M**	$M
Due to changes in average volume of interest earning assets	80	91
Due to changes in interest margin	78	68
Due to variation in time period	149	-
Change in net interest income	307	159

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

(2) "Rate" reflects the change due to movements in yield (based on actual yield prior to rounding to the nearest basis point, assuming average volume is consistent across the two periods), "Volume" reflects the change due to balance growth (assuming average rate is consistent across the two periods) and the impact of variation in calendar days. The volume and rate variances for Total interest earning assets and Total interest bearing liabilities have been calculated separately (rather than being the sum of the individual categories).

(3) Current period amounts reflected adoption of AASB 16 'Leases' on 1 July 2019. As permitted by AASB 16 comparative information has not been restated. For details on adopting AASB 16 refer to Note 1.1.

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

Geographical Analysis of Key Categories (2)	Half Year Ended Dec 19 vs Jun 19 (1)			Half Year Ended Dec 19 vs Dec 18 (1)		
	Volume $M	Rate $M	Total $M	Volume $M	Rate $M	Total $M
Loans, Bills Discounted and Other Receivables						
Australia	293	(1,009)	(716)	135	(1,169)	(1,034)
New Zealand	60	(106)	(46)	139	(143)	(4)
Other Overseas	(30)	(15)	(45)	(94)	26	(68)
Total	321	(1,128)	(807)	169	(1,275)	(1,106)
Non-Lending Interest Earning Assets						
Australia	40	(367)	(327)	21	(469)	(448)
New Zealand	4	(32)	(28)	1	(34)	(33)
Other Overseas	10	(36)	(26)	(19)	(24)	(43)
Total	54	(435)	(381)	-	(524)	(524)
Total Interest Bearing Deposits						
Australia	113	(869)	(756)	42	(887)	(845)
New Zealand	21	(19)	2	33	(46)	(13)
Other Overseas	31	(40)	(9)	(3)	(4)	(7)
Total	157	(920)	(763)	66	(931)	(865)
Other Interest Bearing Liabilities						
Australia	(20)	(602)	(622)	(112)	(699)	(811)
New Zealand	17	(81)	(64)	30	(77)	(47)
Other Overseas	(17)	(29)	(46)	(47)	(19)	(66)
Total	(28)	(704)	(732)	(150)	(774)	(924)

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

(2) "Rate" reflects the change due to movements in yield (based on actual yield prior to rounding to the nearest basis point, assuming average volume is consistent across the two periods), "Volume" reflects the change due to balance growth (assuming average rate is consistent across the two periods) and the impact of variation in calendar days. The volume and rate variances for Total interest earning assets and Total interest bearing liabilities have been calculated separately (rather than being the sum of the individual categories).

1.4 Other Banking Income (continuing operations basis)

	Half Year Ended				
	31 Dec 19	30 Jun 19	31 Dec 18	Dec 19 vs	Dec 19 vs
	$M	$M	$M	Jun 19 %	Dec 18 %
Lending fees	**483**	485	507	-	(5)
Commissions	**1,320**	1,313	1,360	1	(3)
Trading income	**569**	480	494	19	15
Net gain/(loss) on non-trading financial instruments (1)	**45**	(13)	(100)	large	large
Net gain/(loss) on sale of property, plant and equipment	**18**	(5)	(4)	large	large
Net gain/(loss) from hedging ineffectiveness	**18**	3	10	large	80
Dividends	**2**	3	2	(33)	-
Share of profit of associates and joint ventures net of impairment	**96**	118	178	(19)	(46)
Other (2)	**103**	79	84	30	23
Total other banking income - "statutory basis"	**2,654**	2,463	2,531	8	5

(1) Inclusive of non-trading derivatives that are held for risk management purposes.
(2) Includes depreciation of $40 million (30 June 2019: $34 million; 31 December 2018: $38 million).

Other Banking Income – Reconciliation of Cash and Statutory Basis

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

	Half Year Ended				
	31 Dec 19	30 Jun 19	31 Dec 18	Dec 19 vs	Dec 19 vs
	$M	$M	$M	Jun 19 %	Dec 18 %
Other banking income - "cash basis"	**2,603**	2,432	2,636	7	(1)
Revenue hedge of New Zealand operations - unrealised	**19**	4	(138)	large	large
Hedging and IFRS volatility	**35**	11	7	large	large
(Loss)/gain on disposal and acquisition of entities net of transaction costs	**(3)**	16	26	large	large
Other banking income - "statutory basis"	**2,654**	2,463	2,531	8	5

2) Risk Management

Overview

The Group faces a number of risks arising from its business operations and the assets and liabilities it holds. The management and mitigation of these risks varies depending on risk type and is covered more broadly by the Group's Risk Management framework, governance, culture, policies and procedures, and infrastructure. The Group's key risk types are credit, market, liquidity, funding, operational, and compliance which cover a significant proportion of total risk faced by the Group.

2.1 Integrated Risk Management

The Group's approach to risk management is described in Note 9 to the Financial Statements in the 30 June 2019 Annual Report. Further disclosures in respect of capital adequacy and risk are provided in the Group's annual Pillar 3 document.

Credit Risk

The Group uses a portfolio approach for the management of its credit risk, of which a key element is a well-diversified portfolio. The Group uses various portfolio management tools to assist in diversifying the credit portfolio.

Below is a breakdown of the Group's committed exposure across industry, region and commercial credit quality.

	As at (1) (2)		
	31 Dec 19	30 Jun 19	31 Dec 18
By Industry	**%**	%	%
Agriculture, forestry and fishing	**2. 1**	2. 1	2. 1
Banks	**3. 0**	4. 5	4. 6
Business services	**1. 1**	1. 1	1. 3
Construction	**0. 7**	0. 8	0. 8
Consumer	**60. 0**	58. 6	57. 8
Culture and recreational services	**0. 6**	0. 6	0. 6
Energy	**0. 9**	0. 9	0. 9
Finance - Other	**4. 9**	4. 9	4. 9
Health and community service	**0. 8**	0. 8	0. 8
Manufacturing	**1. 3**	1. 4	1. 4
Mining	**1. 0**	1. 1	1. 3
Property	**6. 5**	6. 3	6. 2
Retail trade and wholesale trade	**1. 9**	1. 9	2. 0
Sovereign	**9. 9**	9. 7	10. 0
Transport and storage	**1. 3**	1. 4	1. 5
Other	**4. 0**	3. 9	3. 8
	100. 0	100. 0	100. 0

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

(2) The Group deconsolidated CFSGAM on 2 August 2019 and CommInsure Life on 1 November 2019. Comparative information excludes the Group's exposures in life insurance and funds management businesses.

2.1 Integrated Risk Management (continued)

	As at		
	31 Dec 19	30 Jun 19	31 Dec 18
By Region [1]	**%**	%	%
Australia	**79.5**	78.4	77.9
New Zealand	**10.8**	10.6	10.4
Europe	**2.8**	3.5	3.9
Americas	**4.4**	4.9	4.9
Asia	**2.3**	2.4	2.7
Other	**0.2**	0.2	0.2
	100.0	100.0	100.0

	As at		
	31 Dec 19	30 Jun 19	31 Dec 18
Commercial Portfolio Quality [1]	**%**	%	%
AAA/AA	**33.4**	33.9	33.7
A	**16.2**	17.4	17.6
BBB	**16.8**	16.1	16.6
Other	**33.6**	32.6	32.1
	100.0	100.0	100.0

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

As a measure of individually risk-rated commercial portfolio exposure (including finance and insurance), the Group has 66.4% (June 2019: 67.4%; December 2018: 67.9%) 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 2019 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 is a statistical measure of potential loss using historically observed market movements.

VaR is modelled at a 99.0% confidence level. 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, insurance business market risk and Non-traded equity risk.

Where VaR is deemed not to be an appropriate method of risk measurement other risk measures have been used, as specified by the heading or accompanying footnotes of the tables provided.

	Average VaR (1)		
	31 Dec 19	30 Jun 19	31 Dec 18
Traded Market Risk (2)	**$M**	$M	$M
Risk Type			
Interest rate risk	**21. 2**	18. 3	36. 0
Foreign exchange risk	**9. 4**	6. 5	5. 3
Equities risk	**0. 4**	-	-
Commodities risk	**9. 2**	9. 2	10. 4
Credit spread risk	**7. 6**	6. 6	6. 9
Other market risk (3)	**30. 2**	15. 3	7. 6
Diversification benefit	**(50. 4)**	(33. 1)	(27. 8)
Total general market risk	**27. 6**	22. 8	38. 4
Undiversified risk	**5. 7**	8. 1	8. 4
ASB Bank	**0. 8**	0. 4	2. 2
Total	**34. 1**	31. 3	49. 0

(1) Comparative information has been restated to conform to presentation in the current period. This includes a change in the confidence level from 97.5% to 99.0% and a change in the holding period from 1-day to 10-days.
(2) Average VaR is at 10 day 99.0% confidence and is calculated for each six month period.
(3) Includes Volatility risk and Basis risk.

Non-Traded Equity

Non-traded equity includes all of the Group's equity instruments outside the trading portfolio with the exception of the Group's structural and strategic holdings.

	As at		
	31 Dec 19	30 Jun 19	31 Dec 18
Non-Traded Equity Risk VaR (20 day 97.5% confidence) (1)	**$M**	$M	$M
VaR	**11. 3**	22. 4	23. 3

(1) The Group deconsolidated CFSGAM on 2 August 2019. Excluding CFSGAM Non-Traded Equity VaR as at 30 June 2019 and 31 December 2018 was $9.8 million and $8.8 million, respectively.

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 2019 Annual Report.

(a) Next 12 Months' Earnings

The potential unfavourable change to the Group's net interest earnings based on 100 basis points parallel rate shock is as follows:

Net Interest Earnings at Risk [1]		31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M
Average monthly exposure	AUD	**787. 2**	468. 9	375. 0
	NZD	**5. 3**	6. 1	10. 0
High month exposure	AUD	**1,038. 0**	558. 0	457. 6
	NZD	**10. 7**	9. 7	15. 5
Low month exposure	AUD	**506. 7**	403. 5	217. 8
	NZD	**0. 3**	1. 1	1. 9

(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.

Non-Traded Interest Rate Risk VaR [1] (20 day 99.0% confidence)	31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M
Average daily exposure	**242. 4**	189. 8	199. 7
High daily exposure	**271. 0**	202. 2	214. 3
Low daily exposure	**224. 1**	178. 6	186. 1

(1) Comparative information has been restated to conform to presentation in the current period. This includes a change in the confidence interval in the VaR from 97.5% to 99.0%.

2.1 Integrated Risk Management (continued)

Funding Sources

The following table provides the funding sources for the Group including customer deposits, short-term and long-term wholesale funding. Shareholders' Equity is excluded from this view of funding sources.

	As at [1]				
	31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Transaction deposits	128,294	121,747	117,463	5	9
Savings deposits	201,930	190,397	187,028	6	8
Investment deposits	204,875	205,622	215,690	-	(5)
Other customer deposits [2]	65,357	61,020	58,565	7	12
Total customer deposits	600,456	578,786	578,746	4	4
Wholesale funding					
Short-term					
Certificates of deposit [3]	41,330	39,370	38,046	5	9
Euro commercial paper programme	402	244	328	65	23
US commercial paper programme	16,179	20,474	22,172	(21)	(27)
Euro medium-term note programme	4,450	4,425	6,414	1	(31)
Central Bank deposits	14,127	15,332	15,622	(8)	(10)
Other [4]	5,030	5,725	4,550	(12)	11
Total short-term wholesale funding	81,518	85,570	87,132	(5)	(6)
Net collateral received	153	313	(1,036)	(51)	large
Internal RMBS sold under agreement to repurchase with RBA	5,370	5,416	5,370	(1)	-
Total short-term collateral deposits	5,523	5,729	4,334	(4)	27
Total long-term funding - less than or equal to one year residual maturity [5]	26,032	32,434	35,215	(20)	(26)
Long-term - greater than one year residual maturity					
Domestic debt program	18,616	19,813	17,558	(6)	6
Euro medium-term note programme	22,663	22,587	26,542	-	(15)
US medium-term note programme [6]	20,712	24,892	27,706	(17)	(25)
Covered bond programme	31,660	31,197	28,552	1	11
Securitisation	10,063	9,537	10,066	6	-
Loan capital	24,770	19,497	19,633	27	26
Other	2,781	2,886	3,114	(4)	(11)
Total long-term funding - greater than one year residual maturity	131,265	130,409	133,171	1	(1)
IFRS MTM and derivative FX revaluations	3,012	3,424	357	(12)	large
Total funding	847,806	836,352	838,955	1	1
Reported as					
Deposits and other public borrowings	662,824	636,040	637,010	4	4
Payables due to other financial institutions	23,822	23,370	22,545	2	6
Liabilities at fair value through Income Statement	4,752	8,520	9,030	(44)	(47)
Debt issues	153,327	164,022	168,904	(7)	(9)
Loan capital	25,425	22,966	22,831	11	11
Loans and other receivables - collateral posted	(975)	(2,632)	(3,172)	(63)	(69)
Receivables due from other financial institutions - collateral posted	(4,218)	(3,202)	(4,007)	32	5
Securities purchased under agreements to resell	(17,151)	(12,732)	(14,186)	35	21
Total funding	847,806	836,352	838,955	1	1

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Other customer deposits primarily consist of non-interest bearing deposits and deposits held at fair value through the Income Statement.
(3) Includes Bank acceptances.
(4) Includes net securities sold under agreement to repurchase and purchased under agreement to resell and interbank borrowings.
(5) 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.
(6) Includes notes issued under the Bank's 3(a)(2) program.

2.1 Integrated Risk Management (continued)

Liquidity and Funding Policies and Management

The Group recognises the critical nature of managing liquidity and funding risks to be able to meet financial obligations as they fall due in all market conditions.

The Group liquidity and funding framework comprises a Group liquidity risk policy, a risk appetite statement, liquidity risk limits and triggers, an annual funding strategy, and a Contingent Funding Plan (CFP). Group Treasury is responsible for managing liquidity risk under delegated authorities, subject to the oversight of an independent liquidity risk management function and of internal audit.

Australian Authorised Deposit-taking Institutions (ADIs) are subject to the Liquidity Coverage Ratio (LCR) and, from 1 January 2018, the Net Stable Funding Ratio (NSFR), implemented by the Australian Prudential Regulation Authority (APRA) in ADI Prudential Standard 210 (APS 210). The LCR requires large locally-incorporated ADIs to maintain liquid assets to cover net cash outflows forecast to occur over a prescribed 30 day liquidity stress scenario. Cash flow assumptions and liquid assets in the LCR are defined in APS 210. Liquid assets include cash and Commonwealth government and Semi-government debt. Given the limited amount of government debt in Australia, participating ADIs can access contingent liquidity via the RBA's Committed Liquidity Facility (CLF) and apply it to meet net cash outflows in the LCR. The amount of the CLF for each ADI is set annually by APRA. To access the CLF, ADIs need to meet certain conditions and pledge qualifying securities to the RBA.

The NSFR requires LCR ADIs to fund core assets with stable funding. APRA prescribed factors are used to determine the stable funding requirement of assets and the stability of funding.

Risk tolerances and active forecasting of the LCR and the NSFR ensure that the Group maintains a superior level of liquidity and stable funding at all times relative to regulatory requirements. The Group's liquidity and funding policies also establish a framework that ensures the Group has:

- Predominantly customer deposit funding;
- Diverse and stable sources of wholesale funding;
- Buffers over the regulatory requirements of 100% for the LCR and the NSFR;
- Short and long-term wholesale funding limits and triggers, which are reviewed regularly and are based on an assessment of the Group's capacity to borrow in the markets and balance sheet projections;
- Stress tests, covering a range of short-term and protracted idiosyncratic and market-wide stress scenarios, to identify potential sources of liquidity and funding strain (including from contingent liquidity exposures) and possible contingent funding actions. The stress test results drive management discussions and decisions on appropriate buffers;
- A diversified liquid asset portfolio eligible for repurchase with central banks, managed within specific concentration limits, including:
  - High quality liquid assets such as cash, Commonwealth government and Semi-government bonds;
  - ADI issued securities, eligible securitisations and covered bonds, and securities issues by supranationals, all of which are repo-eligible under the RBA's open market operations and under the CLF; and
  - Internal securitisations of Group mortgages retained on the Balance Sheet that can be used as collateral under the RBA's CLF.
- Specific foreign currency limits and policies that apply to offshore branches and subsidiaries, ensuring the holding of appropriate foreign currency liquid assets, providing liquidity in addition to the domestic liquid asset portfolio.

The Group's key liquidity risk management measures include:

- LCR and NSFR models incorporating APRA definitions of the regulatory measures and calculating actual and forecast positions. The models are used to monitor buffers and inform Group liquidity and funding management actions;
- A funding gap model that is used to analyse and forecast funding needs over the medium-term;
- Stress tests supplementary to the LCR, used to validate management buffers contained in liquidity and funding policies;
- Early warning indicators to identify the emergence of increased risk or vulnerabilities in the liquidity risk position or potential funding needs; and
- A detailed and robust CFP defining the approach to a liquidity shock on a location-specific and Group-wide basis, crisis management actions, roles and responsibilities, contingent sources of liquidity and funding, crisis reporting and operational guidelines. The CFP is tested and updated annually.

The Group's funding sources include:

- Its consumer retail funding base, covering retail transaction accounts, investment accounts and retirement style accounts for individual consumers;
- Its small business and institutional deposit base;
- Issuance of Australian dollar Negotiable Certificates of Deposit and Australian dollar bank bills;
- Its wholesale international and domestic funding programs that include its Asian Transferable Certificates of Deposit programme, Australian, US and Euro Commercial Paper programme, US Extendible Notes programme, Australian dollar Domestic Debt program, US Medium-Term Note programme, Euro Medium-Term Note programme, multi-jurisdiction Covered Bonds programme and its Medallion securitisation programme; and
- Contingent funding sources including access to various central bank facilities, including the CLF, providing the Group with the ability to borrow funds on a secured basis, in all market conditions.

2.2 Counterparty and Other Credit Risk Exposures

Securitisation Vehicles

Reason for establishment – The Group conducts an asset securitisation program that transfers assets to Special Purpose Vehicles (SPV) and issues asset-backed securities to investors. The Group securitises modest amounts of residential home loans to issue residential mortgage-backed securities and also issues covered bonds to diversify the Group's wholesale funding.

Control factors – The Group manages these SPVs, services assets in the SPVs, provides interest rate and currency hedging, or provides other facilities such as liquidity facilities. The Group retains the risks associated with the provision of these services. The Group is also entitled to any residual income from the SPVs after all payments due to investors and costs of the program have been met.

Asset-backed Securities

Asset-backed securities are debt securities where the cash flow is dependent on the performance of the assets assigned to SPVs, which may consist of residential mortgages, commercial mortgages or other types of receivables. The Group has acquired asset-backed securities primarily as part of its trading activities (classified as Trading assets), liquidity management (classified as Amortised Cost investments), and balance sheet holdings (classified as Fair Value Through Other Comprehensive Income investments).

The primary source of repayment of the debt instruments is the cash flow from the underlying assets. Investors in the debt instruments have no recourse to the general assets of the sponsor (except in the case of covered bonds where investors have recourse to both the underlying pool and the sponsor for repayment of principal and interest). The majority of the Group's asset-backed securities portfolio consists of notes externally rated AAA.

Special Purpose Vehicles

The Group invests in or establishes SPVs in the ordinary course of business, primarily to provide funding and financial services for its customers. These SPVs are consolidated in the Financial Statements whenever they meet the criteria of control as outlined in Note 4.4 to the Financial Statements of the 2019 Annual Report. The definition of control depends upon substance rather than form and accordingly, determination of the existence of control involves management judgement.

The Group assesses, at inception and periodically, whether an SPV should be consolidated based on the power the Group has over relevant activities of the entity, and the significance of the Group's exposure to variable returns of the structured entity.

The lending and investment arrangements are entered into under the Group's approved lending criteria and are subject to appropriate credit approval processes. The assets arising from these financing activities are generally included in Receivables due from other financial institutions, investment securities or Loans, bills discounted and other receivables. Exposures in the form of guarantees or undrawn credit lines are included within contingent liabilities and credit related commitments.

Control factors – The Group may manage these vehicles, hold minor amounts of capital, provide financing or transact derivatives with these entities. These entities may be consolidated by the Group.

Other Exposures

Leveraged Finance

The Group provides leveraged finance to companies. This can include companies acquired or owned by private equity sponsors which are highly leveraged, primarily domiciled in Australia and New Zealand and exhibit stable and established earnings providing the ability to reduce borrowing levels. The Group's exposure to firms owned by private equity sponsors is well diversified across industries and private equity sponsors. All highly leveraged debt facilities provided to private equity sponsors are senior with first ranking security over the cash flows and assets of the businesses.

Hedge Funds

There were no material movements in exposures to hedge funds since 30 June 2019 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.

2.2 Counterparty and Other Credit Risk Exposures (continued)

Securitisation and Covered Bond Vehicles

An analysis of the assets of, and exposures to, consolidated securitisation and covered bond vehicles which the Group has established or manages is outlined in the tables below.

	Covered Bonds		Securitisation	
	31 Dec 19	30 Jun 19	**31 Dec 19**	30 Jun 19
	$M	$M	**$M**	$M
Carrying amount of transferred assets	**38,095**	39,129	**14,076**	13,521
Carrying amount of associated liabilities	**34,461**	33,314	**12,855**	12,177
Net position	**3,634**	5,815	**1,221**	1,344

Asset-backed Securities

An analysis of the exposure to non-Group originated asset-backed securities and related facilities is outlined in the tables below.

	Carrying Amount	
	31 Dec 19	30 Jun 19
Summary of Asset-backed Securities	**$M**	$M
Commercial mortgage-backed securities	**43**	72
Residential mortgage-backed securities	**6,617**	7,618
Other asset-backed securities	**326**	404
Total	**6,986**	8,094

Asset-backed Securities by Underlying Asset

	Trading Portfolio		Investment securities at FVOCI		Other (1)		Total	
	31 Dec 19	30 Jun 19	**31 Dec 19**	30 Jun 19	**31 Dec 19**	30 Jun 19	**31 Dec 19**	30 Jun 19
	$M	$M	**$M**	$M	**$M**	$M	**$M**	$M
Non-conforming	**-**	-	**501**	500	**-**	-	**501**	500
Prime mortgages	**-**	-	**86**	91	**6,030**	7,027	**6,116**	7,118
Commercial mortgages	**-**	-	**43**	72	**-**	-	**43**	72
Other assets	**-**	-	**85**	126	**241**	278	**326**	404
Total	**-**	-	**715**	789	**6,271**	7,305	**6,986**	8,094

(1) Includes Investment securities at amortised cost.

Asset-backed Securities by Credit Rating

	AAA & AA		A		BBB		BB and below including not rated		Total	
	31 Dec 19	30 Jun 19	**31 Dec 19**	30 Jun 19	**31 Dec 19**	30 Jun 19	**31 Dec 19**	30 Jun 19	**31 Dec 19**	30 Jun 19
	$M	$M	**$M**	$M	**$M**	$M	**$M**	$M	**$M**	$M
Australia	**6,983**	8,091	**-**	-	**3**	3	**-**	-	**6,986**	8,094
Total	**6,983**	8,091	**-**	-	**3**	3	**-**	-	**6,986**	8,094

2.2 Counterparty and Other Credit Risk Exposures (continued)

Asset-backed Securities by Geography

	Funded Commitments		Unfunded Commitments		Total	
	31 Dec 19	30 Jun 19	**31 Dec 19**	30 Jun 19	**31 Dec 19**	30 Jun 19
Warehousing Financing Facilities	**$M**	$M	**$M**	$M	**$M**	$M
Australia	**4,561**	2,801	**3,954**	3,137	**8,515**	5,938
New Zealand	**481**	531	**128**	143	**609**	674
UK	**-**	247	**-**	3	**-**	250
Total	**5,042**	3,579	**4,082**	3,283	**9,124**	6,862

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 Shareholder's Equity including changes during the period.

3.1 Capital

The tables below show the APRA Basel III capital adequacy calculation at 31 December 2019 together with prior period comparatives.

	As at		
	31 Dec 19	30 Jun 19	31 Dec 18
Risk Weighted Capital Ratios	**%**	%	%
Common Equity Tier 1	**11. 7**	10. 7	10. 8
Tier 1	**14. 1**	12. 7	12. 9
Tier 2	**3. 3**	2. 8	2. 9
Total Capital	**17. 4**	15. 5	15. 8

	As at		
	31 Dec 19	30 Jun 19	31 Dec 18
	$M	$M	$M
Ordinary Share Capital and Treasury Shares			
Ordinary Share Capital	**38,126**	38,020	38,015
Treasury Shares (1)	**54**	194	268
Ordinary Share Capital and Treasury Shares	**38,180**	38,214	38,283
Reserves			
Reserves	**1,910**	3,092	2,051
Reserves related to non-consolidated subsidiaries (2)	**(7)**	52	73
Total Reserves	**1,903**	3,144	2,124
Retained Earnings and Current Period Profits			
Retained earnings and current period profits	**31,066**	28,482	27,959
Retained earnings adjustment from non-consolidated subsidiaries (3)	**(258)**	(437)	(434)
Net Retained Earnings	**30,808**	28,045	27,525
Non-controlling interests			
Non-controlling interests (4)	**51**	55	553
Less ASB perpetual preference shares (5)	**-**	-	(505)
Less other non-controlling interests not eligible for inclusion in regulatory capital	**(51)**	(55)	(48)
Non-controlling interests	**-**	-	-
Common Equity Tier 1 Capital before regulatory adjustments	**70,891**	69,403	67,932

(1) December 2019 balance represents eligible employee share scheme trusts. Comparatives also include treasury shares held within the life insurance statutory funds.
(2) Represents equity reserve balances associated with the insurance and funds management entities, and those entities through which securitisation of the Group's assets are conducted. These entities are classified as non-consolidated subsidiaries by APRA and are excluded from the Level 2 Regulatory Consolidated Banking Group.
(3) Cumulative current period profit and retained earnings adjustments for subsidiaries not consolidated for regulatory purposes.
(4) Non-controlling interests predominantly comprise of external equity interests of subsidiaries.
(5) In May 2019 the Group redeemed ASB perpetual shares issued by its New Zealand subsidiaries.

3.1 Capital (continued)

	As at		
	31 Dec 19	30 Jun 19	31 Dec 18
	$M	$M	$M
Common Equity Tier 1 regulatory adjustments			
Goodwill [(1)]	**(6,007)**	(7,680)	(7,504)
Other intangibles (including software) [(2)]	**(1,665)**	(2,013)	(2,108)
Capitalised costs and deferred fees	**(768)**	(720)	(741)
Defined benefit superannuation plan surplus [(3)]	**(244)**	(324)	(308)
General reserve for credit losses [(4)]	**-**	(360)	(378)
Deferred tax asset	**(2,463)**	(2,581)	(2,286)
Cash flow hedge reserve	**(548)**	(787)	(57)
Employee compensation reserve	**(96)**	(161)	(103)
Equity investments [(5)]	**(3,579)**	(3,088)	(3,113)
Equity investments in non-consolidated subsidiaries [(6)]	**(2,685)**	(2,906)	(2,887)
Unrealised fair value adjustments [(7)]	**(34)**	(52)	(74)
Other	**(422)**	(364)	(347)
Common Equity Tier 1 regulatory adjustments	**(18,511)**	(21,036)	(19,906)
Common Equity Tier 1	**52,380**	48,367	48,026
Additional Tier 1 Capital			
Basel III complying instruments [(8)]	**10,695**	9,045	9,045
Basel III non-complying instruments net of transitional amortisation [(9)]	**143**	143	647
Holding of Additional Tier 1 Capital [(10)]	**-**	(200)	(200)
Additional Tier 1 Capital	**10,838**	8,988	9,492
Tier 1 Capital	**63,218**	57,355	57,518
Tier 2 Capital			
Basel III complying instruments [(11)]	**13,986**	11,368	11,586
Basel III non-complying instruments net of transitional amortisation [(12)]	**288**	613	605
Holding of Tier 2 Capital	**(21)**	(30)	(23)
Prudential general reserve for credit losses [(13)]	**482**	799	764
Total Tier 2 Capital	**14,735**	12,750	12,932
Total Capital	**77,953**	70,105	70,450

(1) Includes goodwill from discontinued operations.
(2) Other intangibles (including capitalised software costs), net of any associated deferred tax liability.
(3) Represents the surplus in the Group's defined benefit superannuation fund, net of any deferred tax liability.
(4) Adjustment to ensure the Group has sufficient provisions and capital to cover credit losses estimated to arise over the full life of individual facilities, as required by APRA Prudential Standard APS 220. From December 2019 the General Reserve for Credit Losses (GRCL) is lower than the provisions recognised for accounting purposes, resulting in no additional GRCL requirement.
(5) Represents the Group's non-controlling interest in other entities.
(6) Non-consolidated subsidiaries primarily represent the insurance and funds management companies operating in the Colonial Group.
(7) Includes gains due to changes in our credit risk on fair valued liabilities and other prudential valuation adjustments.
(8) As at 31 December 2019, comprises PERLS XII $1,650 million (November 2019), PERLS XI $1,590 million (December 2018), PERLS X $1,365 million (April 2018), PERLS IX $1,640 million (March 2017), PERLS VIII $1,450 million (March 2016), and PERLS VII $3,000 million (October 2014).
(9) Represents APRA Basel III non-compliant Additional Tier 1 Capital Instruments that are eligible for Basel III transitional relief.
(10) Represents holdings of Additional Tier 1 capital instruments issued by the Colonial Mutual Life Assurance Society Limited.
(11) In the half year ended 31 December 2019, the Group issued two USD 1.25 billion of subordinated notes and an AUD 100 million subordinated note that were all Basel III compliant.
(12) Includes both perpetual and term instruments subordinated to depositors and general creditors, having an original maturity of at least five years. APRA require these to be included as if they were unhedged. Term instruments are amortised 20% of the original amount during each of the last five years to maturity. These instruments are eligible for Basel III transitional relief.
(13) Represents collective provisions for exposures in the Group which are measured for capital purposes under the Standardised approach to credit risk. Comparative periods also include the GRCL.

3.1 **Capital** (continued)

Risk Weighted Assets (RWA)	**31 Dec 19 $M**	30 Jun 19 $M	31 Dec 18 $M
Credit Risk			
Subject to AIRB approach (1)			
Corporate	**67,236**	64,683	68,915
SME Corporate	**31,560**	30,478	30,121
SME retail	**5,976**	6,896	5,400
SME retail secured by residential mortgage	**3,314**	3,335	3,415
Sovereign	**1,682**	2,456	2,330
Bank	**7,964**	9,451	9,741
Residential mortgage	**147,865**	147,956	143,017
Qualifying revolving retail	**7,802**	8,486	8,942
Other retail	**13,490**	13,990	15,729
Total RWA subject to AIRB approach	**286,889**	287,731	287,610
Specialised lending exposures subject to slotting criteria	**56,024**	53,796	53,453
Subject to Standardised approach			
Corporate	**1,309**	1,590	1,406
SME corporate	**756**	822	1,034
SME retail	**4,586**	4,628	5,010
Sovereign	**218**	233	222
Bank	**66**	66	53
Residential mortgage	**6,478**	6,732	6,632
Other retail	**1,225**	1,256	1,493
Other assets	**9,752**	8,854	5,674
Total RWA subject to Standardised approach	**24,390**	24,181	21,524
Securitisation	**3,191**	2,905	3,049
Credit valuation adjustment	**4,358**	2,932	2,729
Central counterparties	**365**	1,029	991
Total RWA for Credit Risk Exposures	**375,217**	372,574	369,356
Traded market risk	**5,428**	10,485	5,263
Interest rate risk in the banking book	**8,998**	9,898	13,872
Operational risk	**59,511**	59,805	56,653
Total risk weighted assets	**449,154**	452,762	445,144

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

Appendices

3.2 Share Capital

	Half Year Ended		
	31 Dec 19	30 Jun 19	31 Dec 18
Shares on Issue	**Number**	Number	Number
Opening balance (excluding Treasury Shares deduction)	**1,770,239,507**	1,770,239,507	1,759,842,930
Dividend reinvestment plan issues:			
2017/2018 Final dividend fully paid ordinary shares $72.05	**-**	-	10,396,577
2018/2019 Interim dividend fully paid ordinary shares $73.21 (1)	**-**	-	-
2018/2019 Final dividend fully paid ordinary shares $78.61 (1)	**-**	-	-
Closing balance (excluding Treasury Shares deduction)	**1,770,239,507**	1,770,239,507	1,770,239,507
Less: Treasury Shares (2)	**(816,689)**	(2,508,628)	(2,171,022)
Closing balance	**1,769,422,818**	1,767,730,879	1,768,068,485

(1) The DRP in respect of 2018/2019 interim and final dividends were both satisfied in full through the on-market purchase and transfer of 8,080,558 shares at $73.21 and 7,810,285 shares at $78.61, respectively to participating shareholders.

(2) Relates to treasury shares held within the employee share scheme. Comparatives also include treasury shares held within the life insurance statutory funds.

Dividend Franking Account

After fully franking the interim dividend to be paid for the half year, the amount of credits available at the 30% tax rate as at 31 December 2019 to frank dividends for subsequent financial years, is $1,255 million (June 2019: $1,190 million; December 2018: $1,730 million). This figure is based on the franking accounts of the Bank at 31 December 2019, adjusted for franking credits that will arise from the payment of income tax payable on profits for the half year and prior years, franking debits that will arise from the payment of dividends proposed, and franking credits that may not be available to be distributed in subsequent financial periods.

The Bank expects that future tax payments will generate sufficient franking credits for the Bank to be able to continue to fully frank future dividend payments. These calculations have been based on the taxation law as at 31 December 2019.

Dividends

The Directors have declared a fully franked interim dividend of 200 cents per share amounting to $3,540 million. There is no foreign conduit income attributed to the interim dividend. The dividend will be payable on 31 March 2020 to shareholders on the register at 5:00pm AEDT on 20 February 2020.

The Board determines the dividends 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 the DRP rank equally with ordinary shares on issue. The DRP participation rate for the distribution for the full year ended 30 June 2019 (based on issued capital) was 15% with no discount applied. For the half year ended 31 December 2018 it was 16.7% and 18.4% for the full year ended 30 June 2018 with no discount applied.

The DRP for the 2020 interim dividend is anticipated to be satisfied in full by an on-market purchase of shares.

Record Date

The register closes for determination of dividend entitlement at 5:00pm AEDT on 20 February 2020. The deadline for notifying participation in the DRP is 5:00pm AEDT on 21 February 2020.

Ex-Dividend Date

The ex-dividend date is 19 February 2020.

4) Other Information

4.1 General Insurance Sources of Profit

	Half Year Ended				
	31 Dec 19	30 Jun 19	31 Dec 18	Dec 19 vs	Dec 19 vs
Source of Profit from General Insurance	**$M**	$M	$M	Jun 19 %	Dec 18 %
General insurance operating margins	**(18)**	18	9	large	large
Investment experience after tax	**2**	4	4	(50)	(50)
Cash net profit after tax	**(16)**	22	13	large	large

4.2 Intangible Assets (continuing operations basis)

	As at		
	31 Dec 19	30 Jun 19	31 Dec 18
	$M	$M	$M
Goodwill			
Purchased goodwill at cost	**5,997**	5,974	6,022
Closing balance	**5,997**	5,974	6,022
Computer Software Costs			
Cost	**4,898**	4,837	4,703
Accumulated amortisation	**(3,480)**	(3,125)	(2,921)
Closing balance	**1,418**	1,712	1,782
Brand Names (1)			
Cost	**201**	203	205
Impairment	**-**	(2)	(1)
Closing balance	**201**	201	204
Other Intangibles (2)			
Cost	**319**	351	370
Accumulated amortisation	**(206)**	(273)	(217)
Closing balance	**113**	78	153
Total intangible assets	**7,729**	7,965	8,161

(1) Brand names predominantly represent the value of royalty costs foregone by the Group through acquiring the Bankwest brand name. The royalty costs that would have been incurred by an entity using the Bankwest brand name are based on an annual percentage of income generated by Bankwest. The Bankwest brand name has an indefinite useful life as there is no foreseeable limit to the period over which the brand name is expected to generate cash flows. This balance also includes the Aussie Home Loans brand name ($16 million) which has an indefinite useful life. They are not subject to amortisation, but require annual impairment testing. No impairment was required this period.

(2) Other intangibles include the value of customer and credit card relationships acquired from Bankwest and Aussie Home Loans. This value represents future net income generated from the relationships that existed at Balance Sheet date. The assets have a useful life of between 6 and 10 years based on the attrition rates of customers. Other intangibles also include prepaid software licenses with a net book value of $92 million (30 June 2019: $54 million; 31 December 2018: $111 million).

4.3 ASX Appendix 4D

Cross Reference Index	Page
Details of Reporting Period and Previous Period (Rule 4.2A.3 Item No. 1)	Inside front cover
Results for Announcement to the Market (Rule 4.2A.3 Item No. 2)	Inside front cover
Dividends (Rule 4.2A.3 Item No. 5)	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)	155

Details of entities over which control was gained and lost during the period (Rule 4.2A.3 Item No. 4)

On 2 August 2019, the Group lost control over the following entities: Colonial First State Managed Infrastructure Limited, First State Investments (US) LLC, Colonial First State Asset Management (Australia) Limited, CFSGAM Services Pty Ltd, Realindex Investments Pty Limited, First State Investments Managers (Asia) Ltd, FSIB Ltd, First State Investments Holdings (Singapore) Ltd, First State Investments (Singapore), First State Investments (Hong Kong) Ltd, First State Investments (Japan) Ltd, Total Keen Investment Limited, First State Nominees (Hong Kong) Ltd, First State Investments (UK Holdings) Ltd, Colonial First State Investment Managers (UK) Ltd, First State Investments (UK) Limited, First State Investment Services (UK) Ltd, First State Investments International Inc., SI Holdings Limited, First State Investment Management (UK) Limited, First State Investments International Limited, Colonial First State Infrastructure Holdings Limited, Colonial First State Infrastructure Managers (Australia) Pty Ltd, First State Infrastructure Managers (International) Limited, CFSPAI Europe HoldCo Limited, CFSPAI Europe Co Limited, First State Investments Fund Management S.a.r.l, First State Investments GIP Management S.a.r.l, First State European Diversified Infrastructure S.a.r.l, EDIF II GP S.a.r.l, CFSGAM IP Holdings Pty Limited, and First Gas Limited.

On 1 October 2019, the Group lost control over Count Financial Limited.

On 1 November 2019, the Group lost control over the following entities: The Colonial Mutual Life Assurance Society Limited, Jacques Martin Pty Ltd, CMLA Services Pty Ltd, and Jacques Martin Administration & Consulting Pty Ltd.

On 2 December 2019, the Group lost control over Aegis Limited and Investment Custodial Services Limited.

Details of Associates and Joint Ventures (Rule 4.2A.3 Item No. 7)

As at 31 December 2019	Ownership Interest Held (%)
Digital Wallet Pty Ltd	56%
Aegis Correctional Partnership Pty Limited	50%
Aegis Correctional Partnership Trust	50%
Aegis Securitisation Nominees Pty Limited	50%
Aegis Securitisation Trust	50%
First State Cinda Fund Management Co., Ltd.	46%
BoCommLife Insurance Company Limited	38%
CountPlus Limited	36%
Trade Window Limited	25%
BPAY Group Limited	25%
Vietnam International Commercial Joint Stock Bank	20%
Payments NZ Limited	19%
Silicon Quantum Computing Pty Ltd	19%
Qilu Bank Co., Ltd.	18%
Bank of Hangzhou Co., Ltd.	18%
Torrens Group Holdings Pty Ltd	16%

Foreign Entities (Rule 4.2A.3 Item No.8)

Not applicable.

Independent auditor's review report subject to a modified opinion, emphasis of matter or other matter (Rule 4.2A.3 Item No.9)

Not applicable.

4.4 Profit Reconciliation

Non-cash items are excluded from net profit after tax ("cash basis"), which is management's preferred measure of the Group's financial performance, as they tend to be non-recurring in nature or are not considered representative of the Group's ongoing financial performance. The impact of these items on the Group's net profit after tax ("statutory basis") is outlined below and treated consistently with the prior financial year.

	Half Year Ended 31 December 2019						
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	Bankwest non-cash items [2] $M	Treasury shares valuation adjustment $M	Investment experience $M	**Net profit after tax "statutory basis" $M**
Group							
Interest income [3]	**15,885**	-	-	-	-	-	**15,885**
Interest expense	**(6,592)**	-	-	-	-	-	**(6,592)**
Net interest income	**9,293**	-	-	-	-	-	**9,293**
Other banking income	**2,603**	(3)	54	-	-	-	**2,654**
Total banking income	**11,896**	(3)	54	-	-	-	**11,947**
Funds management income	**489**	-	-	-	-	2	**491**
Insurance income	**31**	-	-	-	-	1	**32**
Total operating income	**12,416**	(3)	54	-	-	3	**12,470**
Investment experience	**3**	-	-	-	-	(3)	**-**
Total income	**12,419**	(3)	54	-	-	-	**12,470**
Operating expenses	**(5,429)**	(5)	-	-	-	-	**(5,434)**
Loan impairment expense	**(649)**	-	-	-	-	-	**(649)**
Net profit before tax	**6,341**	(8)	54	-	-	-	**6,387**
Corporate tax (expense)/benefit	**(1,864)**	68	(18)	-	-	-	**(1,814)**
Non-controlling interests	**-**	-	-	-	-	-	**-**
Net profit after income tax from continuing operations	**4,477**	60	36	-	-	-	**4,573**
Net profit after income tax from discontinued operations [4]	**17**	1,571	-	-	-	-	**1,588**
Net profit after income tax	**4,494**	1,631	36	-	-	-	**6,161**

(1) Continuing operations net profit after tax includes: a $52 million gain net of transaction and separation costs associated with the disposal of Count Financial and a $9 million gain net of transaction and separation costs associated with the disposal of Aegis, partly offset by a $1 million loss on disposal and closure of other businesses. Discontinued operations net profit after tax includes: a $1,688 million gain net of transaction and separation costs associated with the disposal of CFSGAM, partly offset by a $116 million loss net of transaction and separation costs associated with the deconsolidation and planned divestment of CommInsure Life and a $1 million loss on disposal and closure of other businesses.

(2) Bankwest merger related amortisation was fully amortised in the half year ended 31 December 2018.

(3) Interest income includes total effective interest income and other interest income.

(4) Statutory net profit after income tax from discontinued operations is presented net of non-controlling interests.

4.4 Profit Reconciliation (continued)

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 and/or are not considered representative of the Group's ongoing financial performance. The items are treated consistently each period and a description of these items is provided below.

Gain/(Loss) on acquisition, disposal, closure and demerger of businesses

Gains and losses on these transactions are inclusive of foreign exchange impacts, impairments, restructuring, separation and transactions costs and cover both controlled businesses and associates.

Hedging and IFRS volatility

Hedging and IFRS volatility represents timing differences between fair value movements on qualifying economic hedges and the underlying exposure. They do not affect the Group's performance over the life of the hedge relationship, and are recognised over the life of the hedged transaction. To qualify as an economic hedge the terms and/or risk profile must match or be substantially the same as the underlying exposure.

Bankwest non-cash items

The acquisition of Bankwest resulted in the recognition of assets at fair value, some of which have been amortising over their useful life. The transaction was considered one-off in nature. Bankwest customer lists were fully amortised in the half year ended 31 December 2018.

Treasury shares valuation adjustment

These valuation adjustments represent the elimination of gains and losses on CBA shares held through funds in the Wealth Management business.

Investment experience

Investment experience includes returns and revaluations on shareholder capital invested, in the wealth management businesses. It also includes changes in economic assumptions impacting the insurance businesses and investment profits on the annuity portfolio. This item is classified separately within cash profit.

4.4 Profit Reconciliation (continued)

Profit Reconciliation	Half Year Ended 30 June 2019 Net profit after tax "cash basis" $M	Gain/(loss) on disposal and acquisition of controlled entities (1) $M	Hedging and IFRS volatility $M	Bankwest non-cash items (2) $M	Treasury shares valuation adjustment $M	Investment experience $M	Net profit after tax "statutory basis" $M
Group							
Interest income (3)	**17,073**	-	-	-	-	-	**17,073**
Interest expense	**(8,087)**	-	-	-	-	-	**(8,087)**
Net interest income	**8,986**	-	-	-	-	-	**8,986**
Other banking income	**2,432**	16	15	-	-	-	**2,463**
Total banking income	**11,418**	16	15	-	-	-	**11,449**
Funds management income	**502**	-	-	-	-	-	**502**
Insurance income	**79**	-	-	-	-	1	**80**
Total operating income	**11,999**	16	15	-	-	1	**12,031**
Investment experience	**1**	-	-	-	-	(1)	**-**
Total income	**12,000**	16	15	-	-	-	**12,031**
Operating expenses	**(5,980)**	(76)	-	-	-	-	**(6,056)**
Loan impairment expense	**(624)**	-	-	-	-	-	**(624)**
Net profit before tax	**5,396**	(60)	15	-	-	-	**5,351**
Corporate tax (expense)/benefit	**(1,574)**	17	(3)	-	-	-	**(1,560)**
Non-controlling interests	**(6)**	-	-	-	-	-	**(6)**
Net profit after income tax from continuing operations	**3,816**	(43)	12	-	-	-	**3,785**
Net profit after income tax from discontinued operations (4)	**122**	56	-	-	9	-	**187**
Net profit after income tax	**3,938**	13	12	-	9	-	**3,972**

(1) Continuing operations net profit after tax includes: $36 million demerger costs for NewCo, $33 million impairment loss and transaction costs associated with the disposal of Count Financial, partly offset by a $26 million net gain on disposals of other businesses. Discontinued operations net profit after tax includes: a $29 million benefit from the release of provisions for transaction and separation costs associated with the disposal of CFSGAM, a $22 million gain net of transaction and separation costs associated with the disposal of Sovereign, and a $49 million net gain on disposals of other businesses, partly offset by $44 million transaction and separation costs associated with the divestment of CommInsure Life.

(2) Bankwest merger related amortisation was fully amortised in the half year ended 31 December 2018.

(3) Interest income includes total effective interest income and other interest income.

(4) Statutory net profit after income tax from discontinued operations is presented net of non-controlling interests.

4.4 Profit Reconciliation (continued)

Profit Reconciliation	Net profit after tax "cash basis" $M	Gain/(loss) on disposal and acquisition of controlled entities [2] $M	Hedging and IFRS volatility $M	Bankwest non-cash items [3] $M	Treasury shares valuation adjustment $M	Investment experience $M	Net profit after tax "statutory basis" $M
	Half Year Ended 31 December 2018 [1]						
Group							
Interest income [4]	**17,515**	-	-	-	-	-	**17,515**
Interest expense	**(8,381)**	-	-	-	-	-	**(8,381)**
Net interest income	**9,134**	-	-	-	-	-	**9,134**
Other banking income	**2,636**	26	(131)	-	-	-	**2,531**
Total banking income	**11,770**	26	(131)	-	-	-	**11,665**
Funds management income	**570**	-	-	-	-	1	**571**
Insurance income	**68**	-	-	-	-	2	**70**
Total operating income	**12,408**	26	(131)	-	-	3	**12,306**
Investment experience	**3**	-	-	-	-	(3)	**-**
Total income	**12,411**	26	(131)	-	-	-	**12,306**
Operating expenses	**(5,289)**	(26)	-	(2)	-	-	**(5,317)**
Loan impairment expense	**(577)**	-	-	-	-	-	**(577)**
Net profit before tax	**6,545**	-	(131)	(2)	-	-	**6,412**
Corporate tax (expense)/benefit	**(1,863)**	(9)	40	1	-	-	**(1,831)**
Non-controlling interests	**(6)**	-	-	-	-	-	**(6)**
Net profit after income tax from continuing operations	**4,676**	(9)	(91)	(1)	-	-	**4,575**
Net profit after income tax from discontinued operations [5]	**92**	(65)	-	-	(3)	-	**24**
Net profit after income tax	**4,768**	(74)	(91)	(1)	(3)	-	**4,599**

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Continuing operations net profit after tax includes: $18 million demerger costs for NewCo, partly offset by a $9 million gain net of transaction and separation costs associated with the disposal of other businesses. Discontinued operations net profit after tax includes: $100 million transaction and separation costs associated with the disposal of CFSGAM, $38 million transaction and separation costs associated with the divestment of CommInsure Life, $22 million transaction and separation costs associated with the disposal of TymeDigital SA and $18 million transaction and separation costs associated with the disposal of other businesses, partly offset by a $113 million gain net of transaction and separation costs associated with the disposal of Sovereign.
(3) Includes merger related amortisation through operating expenses of $2 million, and an income tax benefit of $1 million.
(4) Interest income includes total effective interest income and other interest income.
(5) Statutory net profit after income tax from discontinued operations is presented net of non-controlling interests.

Appendices

4.5 Analysis Template

	Half Year Ended (1)		
	31 Dec 19	30 Jun 19	31 Dec 18
Ratios - Output Summary (continuing operations basis)	**$M**	$M	$M
Earnings Per Share (EPS)			
Net profit after tax - "cash basis"	**4,477**	3,816	4,676
Average number of shares (M) - "cash basis"	**1,769**	1,769	1,763
Earnings Per Share basic - "cash basis" (cents)	**253. 1**	215. 7	265. 2
Net profit after tax - "statutory basis"	**4,573**	3,785	4,575
Average number of shares (M) - "statutory basis"	**1,769**	1,768	1,762
Earnings Per Share basic - "statutory basis" (cents)	**258. 6**	214. 1	259. 6
Interest expense (after tax) - PERLS VI	**-**	-	38
Interest expense (after tax) - PERLS VII	**31**	37	37
Interest expense (after tax) - PERLS VIII	**25**	27	27
Interest expense (after tax) - PERLS IX	**31**	35	36
Interest expense (after tax) - PERLS X	**23**	26	26
Interest expense (after tax) - PERLS XI	**28**	31	3
Interest expense (after tax) - PERLS XII	**6**	-	-
Profit impact of assumed conversions (after tax)	**144**	156	167
Weighted average number of shares - PERLS VI (M)	**-**	-	26
Weighted average number of shares - PERLS VII (M)	**38**	43	43
Weighted average number of shares - PERLS VIII (M)	**18**	21	21
Weighted average number of shares - PERLS IX (M)	**20**	24	23
Weighted average number of shares - PERLS X (M)	**17**	20	19
Weighted average number of shares - PERLS XI (M)	**20**	23	2
Weighted average number of shares - PERLS XII (M)	**5**	-	-
Weighted average number of shares - Employee share plans (M)	**1**	1	2
Weighted average number of shares - dilutive securities (M)	**119**	132	136
Net profit after tax - "cash basis"	**4,477**	3,816	4,676
Add back profit impact of assumed conversions (after tax)	**144**	156	167
Adjusted diluted profit for EPS calculation	**4,621**	3,972	4,843
Average number of shares (M) - "cash basis"	**1,769**	1,769	1,763
Add back weighted average number of shares (M)	**119**	132	136
Diluted average number of shares (M)	**1,888**	1,901	1,899
Earnings Per Share diluted - "cash basis" (cents)	**244. 7**	208. 9	255. 1
Net profit after tax - "statutory basis"	**4,573**	3,785	4,575
Add back profit impact of assumed conversions (after tax)	**144**	156	167
Adjusted diluted profit for EPS calculation	**4,717**	3,941	4,742
Average number of shares (M) - "statutory basis"	**1,769**	1,768	1,762
Add back weighted average number of shares (M)	**119**	132	136
Diluted average number of shares (M)	**1,888**	1,900	1,898
Earnings Per Share diluted - "statutory basis" (cents)	**249. 8**	207. 4	249. 8

(1) Calculations are based on actual numbers prior to rounding to the closest million.

4.5 Analysis Template (continued)

Ratios - Output Summary (including discontinued operations)	Half Year Ended (1) 31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M
Earnings Per Share (EPS)			
Net profit after tax - "cash basis"	**4,494**	3,938	4,768
Average number of shares (M) - "cash basis"	**1,769**	1,769	1,763
Earnings Per Share basic - "cash basis" (cents)	**254. 0**	222. 6	270. 4
Net profit after tax - "statutory basis"	**6,161**	3,972	4,599
Average number of shares (M) - "statutory basis"	**1,769**	1,768	1,762
Earnings Per Share basic - "statutory basis" (cents)	**348. 4**	224. 7	261. 0
Interest expense (after tax) - PERLS VI	**-**	-	38
Interest expense (after tax) - PERLS VII	**31**	37	37
Interest expense (after tax) - PERLS VIII	**25**	27	27
Interest expense (after tax) - PERLS IX	**31**	35	36
Interest expense (after tax) - PERLS X	**23**	26	26
Interest expense (after tax) - PERLS XI	**28**	31	3
Interest expense (after tax) - PERLS XII	**6**	-	-
Profit impact of assumed conversions (after tax)	**144**	156	167
Weighted average number of shares - PERLS VI (M)	**-**	-	26
Weighted average number of shares - PERLS VII (M)	**38**	43	43
Weighted average number of shares - PERLS VIII (M)	**18**	21	21
Weighted average number of shares - PERLS IX (M)	**20**	24	23
Weighted average number of shares - PERLS X (M)	**17**	20	19
Weighted average number of shares - PERLS XI (M)	**20**	23	2
Weighted average number of shares - PERLS XII (M)	**5**	-	-
Weighted average number of shares - Employee share plans (M)	**1**	1	2
Weighted average number of shares - dilutive securities (M)	**119**	132	136
Net profit after tax - "cash basis"	**4,494**	3,938	4,768
Add back profit impact of assumed conversions (after tax)	**144**	156	167
Adjusted diluted profit for EPS calculation	**4,638**	4,094	4,935
Average number of shares (M) - "cash basis"	**1,769**	1,769	1,763
Add back weighted average number of shares (M)	**119**	132	136
Diluted average number of shares (M)	**1,888**	1,901	1,899
Earnings Per Share diluted - "cash basis" (cents)	**245. 6**	215. 3	259. 9
Net profit after tax - "statutory basis"	**6,161**	3,972	4,599
Add back profit impact of assumed conversions (after tax)	**144**	156	167
Adjusted diluted profit for EPS calculation	**6,305**	4,128	4,766
Average number of shares (M) - "statutory basis"	**1,769**	1,768	1,762
Add back weighted average number of shares (M)	**119**	132	136
Diluted average number of shares (M)	**1,888**	1,900	1,898
Earnings Per Share diluted - "statutory basis" (cents)	**334. 0**	217. 2	251. 1

(1) Calculations are based on actual numbers prior to rounding to the closest million.

4.5 Analysis Template (continued)

	Half Year Ended [1]		
Dividends Per Share (DPS)	**31 Dec 19**	30 Jun 19	31 Dec 18
Dividends (including discontinued operations)	**$M**	$M	$M
Dividends per share (cents) - fully franked	**200**	231	200
No. of shares at end of period excluding Treasury shares deduction (M)	**1,770**	1,770	1,770
Total dividends	**3,540**	4,089	3,540
Dividend payout ratio - "cash basis"			
Net profit after tax - attributable to ordinary shareholders	**4,494**	3,938	4,768
Total dividends	**3,540**	4,089	3,540
Payout ratio - "cash basis" (%)	**78. 8**	103. 8	74. 3
Dividend cover			
Net profit after tax - attributable to ordinary shareholders	**4,494**	3,938	4,768
Total dividends	**3,540**	4,089	3,540
Dividend cover - "cash basis" (times)	**1. 3**	1. 0	1. 3

(1) Calculations are based on actual numbers prior to rounding to the nearest million.

4.5 Analysis Template (continued)

Ratios - Output Summary (continuing operations basis)	Half Year Ended (1) 31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M
Return on Equity (ROE)			
Return on Equity - "cash basis"			
Average net assets	**70,328**	69,113	67,740
Less:			
Average non-controlling interests	**(53)**	(304)	(554)
Average equity	**70,275**	68,809	67,186
Add average treasury shares	**43**	86	86
Net average equity	**70,318**	68,895	67,272
Net profit after tax - "cash basis"	**4,477**	3,816	4,676
ROE - "cash basis" (%)	**12. 7**	11. 2	13. 8
Return on Equity - "statutory basis"			
Average net assets	**70,328**	69,113	67,740
Average non-controlling interests	**(53)**	(304)	(554)
Average equity	**70,275**	68,809	67,186
Net profit after tax - "statutory basis"	**4,573**	3,785	4,575
ROE - "statutory basis" (%)	**12. 9**	11. 1	13. 5

(1) Calculations are based on actual numbers prior to rounding to the nearest million.

4.5 Analysis Template (continued)

Ratios - Output Summary (including discontinued operations)	Half Year Ended [1] 31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M
Return on Equity (ROE)			
Return on Equity - "cash basis"			
Average net assets	**70,328**	69,113	67,740
Less:			
Average non-controlling interests	**(53)**	(304)	(554)
Average equity	**70,275**	68,809	67,186
Add average treasury shares	**43**	86	86
Net average equity	**70,318**	68,895	67,272
Net profit after tax - "cash basis"	**4,494**	3,938	4,768
ROE - "cash basis" (%)	**12. 7**	11. 5	14. 1
Return on Equity - "statutory basis"			
Average net assets	**70,328**	69,113	67,740
Average non-controlling interests	**(53)**	(304)	(554)
Average equity	**70,275**	68,809	67,186
Net profit after tax - "statutory basis"	**6,161**	3,972	4,599
ROE - "statutory basis" (%)	**17. 4**	11. 6	13. 6
Net Tangible Assets per share			
Net assets	**71,153**	69,649	68,578
Less:			
Intangible assets	**(7,739)**	(10,014)	(9,934)
Non-controlling interests	**(51)**	(55)	(553)
Total net tangible assets	**63,363**	59,580	58,091
No. of shares at end of period excluding Treasury shares deduction (M)	**1,770**	1,770	1,770
Net Tangible Assets per share ($)	**35. 79**	33. 66	32. 82

(1) Calculations are based on actual numbers prior to rounding to the nearest million.

4.6 Group Performance Summary

Group Performance Summary	Summary from continuing operations Half Year Ended ("cash basis") 31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %	Summary including discontinued operations Half Year Ended ("cash basis") 31 Dec 19 $M	30 Jun 19 $M	31 Dec 18 $M	Dec 19 vs Jun 19 %	Dec 19 vs Dec 18 %
Net interest income	**9,293**	8,986	9,134	3	2	**9,315**	9,029	9,178	3	1
Other banking income	**2,603**	2,432	2,636	7	(1)	**2,603**	2,426	2,641	7	(1)
Total banking income	**11,896**	11,418	11,770	4	1	**11,918**	11,455	11,819	4	1
Funds management income	**489**	502	570	(3)	(14)	**598**	1,011	1,050	(41)	(43)
Insurance income	**31**	79	68	(61)	(54)	**48**	81	140	(41)	(66)
Total operating income	**12,416**	11,999	12,408	3	-	**12,564**	12,547	13,009	-	(3)
Investment experience	**3**	1	3	large	-	**23**	69	18	(67)	28
Total income	**12,419**	12,000	12,411	3	-	**12,587**	12,616	13,027	-	(3)
Operating expenses	**(5,429)**	(5,980)	(5,289)	(9)	3	**(5,577)**	(6,431)	(5,776)	(13)	(3)
Loan impairment expense	**(649)**	(624)	(577)	4	12	**(649)**	(624)	(577)	4	12
Net profit before tax	**6,341**	5,396	6,545	18	(3)	**6,361**	5,561	6,674	14	(5)
Corporate tax expense	**(1,864)**	(1,574)	(1,863)	18	-	**(1,864)**	(1,614)	(1,896)	15	(2)
Non-controlling interests	**-**	(6)	(6)	large	large	**(3)**	(9)	(10)	(67)	(70)
Net profit after tax	**4,477**	3,816	4,676	17	(4)	**4,494**	3,938	4,768	14	(6)
Net profit after tax from discontinued operations	**17**	122	92	(86)	(82)	**-**	-	-	-	-
Net profit after tax including discontinued operations	**4,494**	3,938	4,768	14	(6)	**4,494**	3,938	4,768	14	(6)

4.7 Foreign Exchange Rates

Exchange Rates Utilised [1]	Currency	As at 31 Dec 19	30 Jun 19	31 Dec 18
AUD 1.00 =	USD	**0. 7004**	0. 7013	0. 7057
	EUR	**0. 6253**	0. 6170	0. 6175
	GBP	**0. 5341**	0. 5533	0. 5563
	NZD	**1. 0409**	1. 0460	1. 0515
	JPY	**76. 1235**	75. 6460	77. 9848

(1) End of day, Sydney time.

Average Exchange Rates Utilised	Currency	Half Year Ended 31 Dec 19	30 Jun 19	31 Dec 18
AUD 1.00 =	USD	**0. 6846**	0. 7062	0. 7245
	EUR	**0. 6170**	0. 6251	0. 6289
	GBP	**0. 5440**	0. 5459	0. 5596
	NZD	**1. 0589**	1. 0511	1. 0822
	JPY	**73. 9688**	77. 7297	81. 2578

4.8 Definitions

Glossary of Terms

Term	Description
Assets Under Management (AUM)	Assets Under Management (AUM) represents the market value of assets for which the Group acts as appointed manager. Growth and volatility in this balance is a key performance indicator for the Wealth Management (discontinued operations) and New Zealand businesses.
Bankwest	Bankwest is active in all domestic market segments, with lending diversified between the business, rural, housing and personal markets, including a full range of deposit products.
Business and Private Banking	Business and Private Banking serves the banking needs of business, corporate and agribusiness customers across the full range of financial services solutions, as well as providing banking and advisory services for high net worth individuals. It also provides equities trading and margin lending services through our CommSec business. From 1 July 2018, the Small Business banking segment has been transferred out of Retail Banking Services into Business and Private Banking.
Common Equity Tier 1 (CET1) Capital	The highest quality of capital available to the Group reflecting the permanent and unrestricted commitment of funds that are freely available to absorb losses. It comprises ordinary share capital, retained earnings and reserves less prescribed deductions.
Corporate Centre (including eliminations)	Corporate Centre includes the results of unallocated Group support functions such as Treasury, Investor Relations, Group Strategy, Legal and Corporate Affairs. It also includes Group wide elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses.
Corporations Act	Corporations Act 2001 (Cth).
Customer Deposit Ratio	Customer deposits divided by total funding sources. Funding sources include customer deposits, short-term and long-term wholesale funding. Shareholders' equity is excluded from this calculation.
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 (EPS) (basic)	Basic earnings per share is the net profit attributable to ordinary equity holders of the Bank, divided by the weighted average number of ordinary shares on issue during the period, per the requirements of relevant accounting standards.
Earnings per share (EPS) (diluted)	Diluted earnings per share adjusts the net profit attributable to ordinary equity holders of the Bank and the weighted average number of ordinary shares on issue used in the calculation of basic earnings per share, for the effects of dilutive potential ordinary shares, per the requirements of relevant accounting standards.
Full-time equivalent staff (FTE)	Includes all permanent full-time staff, part-time staff equivalents and external contractors employed through third-party agencies.
Funds Under Administration (FUA)	Funds Under Administration (FUA) represents the market value of funds administered by the Group and excludes AUM. Growth and volatility in this balance is a key performance indicator for the Wealth Management and New Zealand businesses.
International Financial Services	International Financial Services (IFS) incorporates the Indonesian retail and business banking operations, and associate investments in China (Bank of Hangzhou and Qilu Bank) and Vietnam (Vietnam International Bank). It does not include the Business and Private Banking, Institutional Banking and Markets and Colonial First State Global Asset Management businesses in Asia.

Glossary of Terms (continued)

Term	Description
Institutional Banking and Markets	Institutional Banking and Markets serves the commercial and wholesale banking needs of large corporate, institutional and government clients across a full range of financial services solutions including access to debt capital markets, transaction banking, working capital and risk management through dedicated product and industry specialists.
Interest Rate Risk in the Banking Book (IRRBB)	Interest Rate Risk in the Banking Book (IRRBB) is the risk that the Bank's profit derived from Net Interest Income (interest earned less interest paid), in current and future periods, is adversely impacted from changes in interest rates. This is measured from two perspectives: firstly by quantifying the change in the net present value of the Balance Sheet's future earnings potential, and secondly as 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.
Leverage Ratio	Tier 1 Capital divided by Total Exposures, with this ratio expressed as a percentage.
Liquidity Coverage Ratio (LCR)	The LCR is a quantitative liquidity measure that is part of the Basel III reforms. It was implemented by APRA in Australia on 1 January 2015. It requires Australian ADIs to hold sufficient liquid assets to meet 30 day net cash outflows projected under an APRA-prescribed stress scenario.
Net profit after tax ("cash basis") (cash NPAT)	Represents net profit after tax and non-controlling interests before non-cash items including, hedging and IFRS volatility, Bankwest non-cash items, treasury shares valuation adjustment, and losses or gains on acquisitions, disposal, closure and demerger of businesses. This is Management's preferred measure of the Group's financial performance.
Net profit after tax ("statutory basis")	Represents net profit after tax and non-controlling interests, calculated in accordance with Australian Accounting Standards. This is equivalent to the statutory item "Net profit attributable to Equity holders of the Bank".
Net Stable Funding Ratio (NSFR)	The NSFR more closely aligns the behaviour term of assets and liabilities. It is the ratio of the amount of available stable funding (ASF) to the amount of required stable funding (RSF). ASF is the portion of an Authorised Deposit-taking Institution's (ADI) capital and liabilities expected to be a reliable source of funds over a one year time horizon. RSF is a function of the liquidity characteristics and residual maturities of an ADI's assets and off-balance sheet activities.
Net tangible assets per share	Net assets excluding intangible assets, non-controlling interests, and other equity instruments divided by ordinary shares on issue at the end of the period (excluding Treasury Shares deduction).
NewCo	NewCo represents the Wealth Management and Mortgage Broking businesses CBA intended to demerge. On 14 March 2019 CBA announced the suspension of the demerger. NewCo would have included Colonial First State, Count Financial, Financial Wisdom, Aussie Home Loans and CBA's minority shareholdings in ASX-listed companies CountPlus and Mortgage Choice.
New Zealand	New Zealand includes the banking, funds management and insurance businesses operating in New Zealand (excluding Institutional Banking and Markets), under the ASB and Sovereign brands. On 2 July 2018, CBA completed the sale of Sovereign.
Profit after capital charge (PACC)	The Group uses PACC, a risk-adjusted measure, as a key measure of financial performance. It takes into account the profit achieved, the risk to capital that was taken to achieve it, and other adjustments.
Operating expenses to total operating income	Represents operating expenses as a percentage of total operating income. The ratio is a key efficiency measure.
Other Overseas	Represents amounts booked in branches and controlled entities outside Australia and New Zealand.
Retail Banking Services	Retail Banking Services provides home loan, consumer finance and retail deposit products and servicing to all Retail bank customers under the CBA Bankwest and Aussie brands. In addition, commission is received for the distribution of Wealth Management products through the retail distribution network.

Glossary of Terms (continued)

Term	Description
Return on equity (ROE) ("cash basis")	Based on net profit after tax ("cash basis") divided by average shareholders' equity, including treasury shares relating to life insurance statutory funds and excluding non-controlling interests.
Return on equity (ROE) ("statutory basis")	Based on net profit after tax ("statutory basis") divided by average shareholders' equity, excluding non-controlling interests.
Risk Weighted Assets (RWA)	The value of the Group's On and Off Balance Sheet assets are adjusted by risk weights calculated according to various APRA prudential standards. For more information, refer to the APRA website.
Total Committed Exposure (TCE)	Total Committed Exposure is defined as the balance outstanding and undrawn components of committed facility limits. It is calculated before collateralisation and excludes settlement exposures on derivatives.
Wealth Management	Wealth Management provides superannuation, investment and retirement products which help improve the financial wellbeing of our customers.
Weighted average number of shares ("cash basis")	The calculation incorporates the bonus element of any rights issue, discount element of any DRP and excludes "Treasury Shares" related to investment in the Bank's shares held by the employee share scheme trust.
Weighted average number of shares ("statutory basis")	The calculation incorporates the bonus element of any rights issue, discount element of any DRP and excludes "Treasury Shares" related to investments in the Bank's shares held both by the life insurance statutory funds and by the employee share scheme trust.

Appendices

Market Share Definitions

Retail Banking Services	
Home loans (APRA)	CBA Loans to individuals that are Securitised Owner Occupied and Investment Home Loans.
	APRA monthly ADI Statistics back series.
Home loans (RBA)	CBA Loans to individuals are Owner Occupied and Investment Home Loans (including securitisation) as per APRA monthly ADI Statistics + separately reported subsidiaries: Wallaby Trust, Residential Group Mortgage Group P/L.
	RBA Financial Aggregates Owner Occupied and Investor Home Lending (includes ADIs and RFCs).
Credit cards (APRA)	CBA Personal Credit Card Lending (APRA).
	Loans to Households: Credit Cards (APRA Monthly ADI Statistics back series).
Consumer finance (other household lending)	CBA Lending to Individuals which includes: Personal Loans, Margin Lending, Personal Leasing, Revolving Credit, Overdrafts and Home Loans for personal purposes.
	Loans to Households: Other (APRA Monthly ADI Statistics back series).
Household deposits	Total CBA transaction and non-transaction account deposit balances from residents as reported under APRA definitions for Households (individuals) excluding Self-Managed Super Funds (as per deposit balances submitted to APRA in ARF720.2A Deposits).
	Deposits from Households (from APRA Monthly ADI Statistics back series).
Business Banking	
Business lending (APRA)	CBA Total loans to residents as reported under APRA definitions for the Non-Financial Corporations sector (as per lending balances submitted to APRA in ARF720.1A ABS/RBA Loans and Finance Leases) (this includes some Housing Loans to Business).
	Loans to Non-Financial Corporations sector (from 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, ARF720.4 ABS/RBA Debt Securities Held, ARF720.7 ABS/RBA Bill Acceptances and Endorsements, excluding sub-categories of Banks, ADIs and RFCs and Governments.
	RBA Total business lending (adjusted for series breaks).
Business deposits (APRA)	Total CBA transaction and non-transaction account deposit balances from residents as reported under APRA definitions for the non-financial corporation’s sector (as per deposit balances submitted to APRA in ARF720.2A Deposits).
	Loans to Non-Financial Corporations (from APRA Monthly ADI Statistics back series).
Equities trading	Twelve months rolling average of total value of equities trades as measured by ASX.
	Twelve months rolling average of total value of equities market trades as measured by ASX.
Wealth Management	
Australian Retail	Total funds in CBA Wealth Management retail investment products (including WM products badged by other parties).
	Total funds in retail investment products market (from Strategic Insight).
FirstChoice Platform	Total funds in FirstChoice platform.
	Total funds in platform/masterfund market (from Strategic Insight).
	Total risk inforce premium for all Australian life insurance companies (from Strategic Insight).
	Individual risk inforce premium for all Australian life insurance companies (from Strategic insight).

Market Share Definitions (continued)

New Zealand

Home Loans	All ASB residential mortgages for owner occupier and residential investor property use.
	Total New Zealand residential mortgages for owner occupier and residential investor property use of all New Zealand registered banks (from RBNZ).
Customer Deposits	All resident and non-resident deposits on ASB Balance Sheet.
	Total resident and non-resident deposits of all New Zealand registered banks (from RBNZ).
Business Lending	All New Zealand dollar loans for business use on ASB Balance Sheet excluding agriculture loans.
	Total New Zealand dollar loans for business use of all New Zealand registered banks excluding agriculture loans (from RBNZ).
Retail AUM (1)	Total ASB AUM.
	Total Market net Retail AUM (from Fund Source Research Limited).

(1) Presented on a continuing operations basis.