Commonwealth Bank of Australia
U.S. Disclosure Document
For the Half Year ended 31 December 2016

Report for the half year ended 31 December 2016	$M	
Revenue from ordinary activities	22,607	Up 3%
Profit/(loss) from ordinary activities after tax attributable to Equity holders	4,895	Up 6%
Net profit/(loss) for the period attributable to Equity holders	4,895	Up 6%
Dividends (distributions)		
Interim dividend - fully franked (cents per share)		199
Record date for determining entitlements to the dividend		23 February 2017

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

- The Commonwealth Bank of Australia Annual U.S. Disclosure Document – Year Ended 30 June 2016 (the "2016 Annual U.S. Disclosure Document");
- The Commonwealth Bank of Australia Financial Report (U.S. Version) – Year Ended 30 June 2016 which contains the Financial Statements for the years ended 30 June 2014, 2015 and 2016 and as of 30 June 2014, 2015 and 2016 (the "2016 Financial Report");
- The Commonwealth Bank of Australia Financial Report (U.S. Version) – Year Ended 30 June 2015 which contains the Financial Statements for the years ended 30 June 2013, 2014 and 2015 and as of 30 June 2013, 2014 and 2015 (the "2015 Financial Report");
- The Commonwealth Bank of Australia Basel III Pillar 3 Capital Adequacy and Risk Disclosure as of 31 December 2016 (the "December 2016 Capital Disclosure Report");
- The Commonwealth Bank of Australia Recent Developments dated 9 November 2016 (the "Recent Developments Report") which includes the Basel III Pillar 3 Capital Adequacy and Risk Disclosures as of 30 September 2016 (the "September 2016 Capital Disclosure Report");
- The announcement related to the appointment of a new Chairman effective from 1 January 2017, dated 12 October 2016; and
- The Commonwealth Bank of Australia Basel III Pillar 3 Capital Adequacy and Risk Disclosures as of 30 June 2016 (the "June 2016 Capital Disclosure Report", and, together with the December 2016 Capital Disclosure Report and the September 2016 Capital Disclosure Report, the "Capital Disclosure Reports").

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

The term "Bank" refers to the Commonwealth Bank of Australia and the term "Group" refers to the Bank and its consolidated subsidiaries. Certain other terms used in this Document are defined in Appendix 16 to this Document.

This Document, the 2016 Annual U.S. Disclosure Document, the 2016 Financial Report, the Recent Developments Report, the Capital Disclosure Reports and the 2015 Financial Report are each presented in Australian dollars unless stated otherwise.

The Group's financial years end on June 30 of each year. References to the 2016 Financial Year are to the year ended 30 June 2016 and prior financial years are referred to in a similar manner.

Except where otherwise stated, all figures in this Document relate to the half year ended 31 December 2016. The term "prior comparative period" refers to the half year ended 31 December 2015, while the term "prior half" refers to the half year ended 30 June 2016 and the terms "current period" or "current half" refers to the half year ended 31 December 2016.

Except where otherwise indicated, references to "Notes" or a "Note" are to Notes or a Note, as the case may be, to the Financial Statements contained in this Document.

Contents

Contents

Special Note Regarding Forward-Looking Statements

Certain statements under the captions "Risk Factors", "Highlights", "Group Performance Analysis", "Group Operations and Business Settings", "Retail Banking Services", "Business and Private Banking", "Institutional Banking and Markets", "Wealth Management", "New Zealand", "Bankwest", "IFS and Other" and elsewhere in this Document constitute "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking statements, including economic forecasts and assumptions and business and financial projections, involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such factors include economic conditions, disruptions in the global financial markets and associated impacts; a downturn in the Australian and New Zealand economies; liquidity and funding risks; adverse financial and credit market conditions affecting the Group's ability to access domestic and international financial markets; failure to meet the capital adequacy and liquidity requirements to which the Group is subject to; the extensive regulation the Group is subject to; future regulatory actions and the outcome of current regulatory actions; failure to maintain the Group's credit ratings; failure to hedge effectively against adverse fluctuations in exchange rates; losses associated with the Group's counterparty exposures; operational risks associated with being a complex financial institution, including ineffective risk management processes and strategies; any inappropriate conduct of the Bank's employees; risks pertaining to the provision of advice, recommendations or guidance about financial products and services in the course of its sales and marketing activities; technology risks associated with being a complex financial institution; information security risks, including cyber-attacks; reputational damage; market risks; insurance risks; strategic business risks; competition in the industries and regions where the Group conducts business; any changes to the Group's accounting policies and their application; risks related to any acquisitions the Group makes; catastrophic events; legal liability or regulatory action against the Group and various other factors beyond the Group's control. Given these risks, uncertainties and other factors, potential investors are cautioned not to place undue reliance on such forward-looking statements.

Risk factors applicable to the Group are detailed on page 8 of this Document and pages 15 to 22 of the 2016 Annual U.S. Disclosure Document.

Disclosures

Financial Information Definitions

Basis of Preparation

The consolidated Financial Statements of the Group for the half years ended 31 December 2016, 30 June 2016 and 31 December 2015 comply with International Financial Reporting Standards ("IFRS").

This Document, the 2016 Annual U.S. Disclosure Document, the 2016 Financial Report, the 2015 Financial Report, the Recent Developments Report and the Capital Disclosure Reports are each presented in Australian dollars, unless otherwise stated.

This Document does not include all notes of the type included in the 2016 Annual U.S. Disclosure Document 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 2016 Annual U.S. Disclosure Document. As a result, this Document should be read in conjunction with the 2016 Annual U.S. Disclosure Document, the 2016 Financial Report and the 2015 Financial Report.

During the current period, the Group has changed its accounting policy in relation to long-term incentives provided to certain employees in the Global Asset Management business, to align the accounting treatment with defined contribution plans under Australian Accounting Standards Board ("AASB") 119 "Employee Benefits". The new accounting policy expenses the long-term incentives when granted, which we believe better aligns the accounting with the economic substance of the arrangements. The change has been applied retrospectively in accordance with AASB 108 and results in a one-off reduction to retained earnings ($183 million decrease for the half year ended 31 December 2015 and $192 million decrease for the half year ended 30 June 2016) and net assets ($84 million decrease to total assets and $99 million increase to total liabilities for the half year ended 31 December 2015, and $77 million decrease to total assets and $115 million increase to total liabilities for the half year ended 30 June 2016), with an immaterial impact on comparative and current half expenses and cash net profit after tax.

Other than the above, the accounting policies and methods of computation adopted in the preparation of the Financial Statements are consistent with those adopted and disclosed in the 2016 Financial Report.

No amendments to Australian Accounting Standards have been adopted during the current period that have a material impact on the Group. Where necessary, comparative information has been restated to conform to changes in presentation in the current period and footnoted throughout this Document. A description of the changes and the impact on each segment's net profit after tax ("cash basis"), Balance Sheet and cost to income ratios for the comparative periods is set out in Appendix 17 to this Document.

Non-GAAP Financial Measures

In addition to its statutory financial results reported in this Document, the 2016 Financial Report and the 2015 Financial Report which are prepared in accordance with IFRS, the Group reports and describes in this Document certain "non-GAAP financial measures" (as defined Regulation G as promulgated by the United States Securities and Exchange Commission) of the financial performance and results of the Group. These non-GAAP financial measures are not calculated in accordance with IFRS. This Document and the 2016 Annual U.S. Disclosure Document contains reconciliations of these non-GAAP financial measures to the Group's financial results prepared in accordance with IFRS.

Net Profit after Tax

The management discussion and analysis discloses the net profit after tax on both a "statutory basis" and a "cash basis".

Net profit after tax ("statutory basis") is prepared in accordance with the Corporations Act 2001 and the Australian Accounting Standards, which comply with IFRS.

Net profit after tax ("cash basis") is a non-GAAP financial measure that is defined by management as net profit after tax and non-controlling interests, before Bankwest non-cash items, the gain/loss on disposal of controlled entities/investments, treasury shares valuation adjustments, and unrealised gains and losses related to hedging and IFRS volatility. This measure is used by management to present a view of the Group's underlying operating results, excluding a number of items that the Group believe introduce volatility and/or one-off distortions of the Group's performance. These items are calculated consistently period on period and do not discriminate between positive and negative adjustments. A reconciliation of the Group's net profit after tax ("cash basis") to net profit after tax ("statutory basis") by business segment is provided in Note 7 to the Financial Statements included in this Document.

Other Non-GAAP Financial Measures

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

- Earnings per share ("cash basis") – the Group presents its earnings per share on both a statutory and a cash basis. Earnings per share ("cash basis") is defined by management as net profit after tax ("cash basis") as described above, divided by the weighted average number of the Group's ordinary shares ("cash basis") over the relevant period. The weighted average number of shares ("cash basis") incorporates an adjustment for the bonus element of any rights issue and excludes treasury shares related to investment in the Bank's shares held by the employee share scheme trust.
- Funds Under Administration ("FUA") represents the market value of funds administered by the Group and excludes Assets Under Management ("AUM"). AUM represents the market value of assets for which the Group acts as appointed manager and manages on behalf of clients. The Group derives funds management fees from FUA and AUM and management believe that the reporting of these measures assists investors in evaluating the Group's funds management operations.
- The dividend payout ratio and dividend cover are presented on both a statutory and cash basis. The dividend payout ratio ("statutory basis") is calculated by dividing the dividends paid on ordinary shares by the net profit after tax ("statutory basis"), net of dividends on other equity instruments. The dividend payout ratio ("cash basis") is calculated by dividing the dividends paid on the Group's ordinary shares by net profit after tax ("cash basis"), net of dividends on other equity instruments. "Dividend cover – statutory" is calculated as net profit after tax ("statutory basis") net of dividends on other equity instruments, divided by dividends on the Group's ordinary shares for the applicable period. "Dividend cover – cash" is calculated as net profit after tax ("cash basis"),

Financial Information Definitions (continued)

net of dividends on other equity instruments, divided by dividends on the Group's ordinary shares for the applicable period. These ratios are provided on both a statutory and cash basis since net profit after tax, the primary component of these ratios, is also presented on a statutory and cash basis, for the reasons described above.

Impact of Foreign Currency Movements

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

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

		As at		
Exchange Rates Utilised (1)	**Currency**	**31 Dec 16**	**30 Jun 16**	**31 Dec 15**
AUD 1.00 =	USD	**0. 7236**	0. 7431	0. 7308
	EUR	**0. 6883**	0. 6689	0. 6688
	GBP	**0. 5899**	0. 5534	0. 4929
	NZD	**1. 0393**	1. 0470	1. 0660
	JPY	**84. 6897**	76. 2441	88. 0051

(1) End of day, Sydney time

		Average Rates		
Exchange Rates Utilised (1)	**Currency**	**31 Dec 16**	**30 Jun 16**	**31 Dec 15**
AUD 1.00 =	USD	**0. 7485**	0. 7287	0. 7237
	EUR	**0. 6837**	0. 6566	0. 6557
	GBP	**0. 5854**	0. 4918	0. 4717
	NZD	**1. 0492**	1. 0907	1. 0975
	JPY	**79. 5844**	85. 0665	88. 1678

(1) Average of end of day Sydney time rates for the six month period.

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

For further information regarding the composition of the Group's income by location please refer to Note 7 to the Financial Statements included in this Document.

The references to the higher Australian dollar in this Document are to the strengthening of the Australian dollar against the currencies disclosed in the table above.

Critical Accounting Policies and Estimates

The application of the Group's accounting policies requires the use of judgement, estimates and assumptions. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, and are reviewed on an ongoing basis. Actual results may differ from these estimates, which could impact the Group's net assets and profit. An explanation of these policies and the related judgements and estimates involved is set out below. For further information regarding the Group's accounting policies, please see Note 1 to the Financial Statements included in this Document.

Provisions for Impairment of Financial Assets

Provisions for impairment of financial assets are raised where there is objective evidence of impairment (where the Group does not expect to receive all of the cash flows contractually due) at an amount adequate to cover assessed credit related losses. Financial assets are either individually or collectively assessed.

Credit losses arise primarily from loans but also from other credit instruments such as bank acceptances, contingent liabilities, guarantees and other financial instruments.

Individually Assessed Provisions

Individually assessed provisions are made against financial assets that are individually significant, and/or which have been individually assessed as impaired. The provisions are established based primarily on estimates of the realisable (fair) value of collateral taken and are measured as the difference between the financial asset's carrying amount and the present value of the expected future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. Short-term balances are not discounted.

Collective Provisions

Loans and receivables that do not have an individually assessed provision are assessed collectively for impairment.

The collective provision is maintained to reduce the carrying amount of portfolios of similar loans and receivables to their estimated recoverable amounts at the Balance Sheet date.

The evaluation process is subject to a series of estimates and judgements. In the risk rated segment, the risk rating system, including the frequency of default and loss given default rates, loss history, and the size, structure and diversity of individual borrowers are considered. Current developments in portfolios (industry, geographic and term) are reviewed.

In the statistically managed (retail) segment, the history of defaults and losses, and the size, structure and diversity of portfolios are considered.

Management also considers overall indicators of portfolio performance, quality and economic conditions.

Changes in these estimates could have a direct impact on the level of provision determined.

Provisions (Other than Loan Impairment)

Provisions are held in respect of a range of future obligations. Some of the provisions involve significant judgement about the likely outcome of various events and estimated future cash flows.

The measurement of these obligations involves the exercise of management judgements about the ultimate outcomes of the transactions. Payments which are expected to be incurred later than one year are discounted at a rate which reflects both current interest rates and the risks specific to that provision.

Life Insurance Policyholder Liabilities

The determination of life insurance policyholder liabilities involves the following key actuarial assumptions:

- Business assumptions including amount, timing and duration of claims/policy payments, policy lapse rates, and acquisition and maintenance expense levels;
- Long-term economic assumptions for discount, interest, inflation and market earnings rates; and
- Determining whether the projection or accumulation method is appropriate. The selection of the method is generally governed by the product type.

The determination of assumptions relies on making judgements on variances from long-term assumptions. Where experience differs from long-term assumptions:

- Recent results may be a statistical aberration; or
- There may be a commencement of a new paradigm requiring a change in long-term assumptions.

The Group's actuaries arrive at conclusions regarding the statistical analysis using their experience and judgement.

Consolidation of Structured Entities

The Group exercises judgement at inception and periodically thereafter, to assess whether a structured entity should be consolidated based on the Bank's power over the relevant activities of the entity and the significance of its exposure to variable returns of the structured entity. Such assessments are predominately required for the Group's securitisation program, structured transactions and involvement with investment funds.

Financial Instruments at Fair Value

A significant portion of financial instruments are carried at fair value on the Group's Balance Sheet.

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

Valuation techniques include using recent arm's length market transactions between knowledgeable willing parties (if available), reference to the current fair value of substantially similar instruments, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique.

The chosen valuation technique aims to make maximum use of market inputs and relies as little as possible on entity specific inputs. It incorporates all factors that the Group believe 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 transactions in the same instrument (i.e.

without modification or repackaging) and any other available observable market data.

Goodwill

Goodwill is allocated to Cash Generating Units ("CGUs") whose recoverable amount is calculated for the purpose of impairment testing. The recoverable amount calculation relies primarily on publicly available earnings multiples.

Taxation

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

Superannuation Obligations

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

The actuarial valuation of plan obligations is dependent upon a series of assumptions, including price inflation, discount rates, salary growth, mortality, morbidity and investment returns assumptions. Different assumptions could significantly alter the amount of the difference between plan assets and obligations, and the superannuation cost charged.

Risk Factors

Details of significant risk factors applicable to the Group are set forth under the section entitled "Risk Factors" on pages 15 to 22 of the 2016 Annual U.S. Disclosure Document. That section describes the principal risk factors that could materially affect the Group's businesses, its revenues, operating income, net income, net assets, liquidity and capital resources, which are in addition to, and should be read in conjunction with, the "Special Note Regarding Forward-Looking Statements" on page 3 of this Document and Appendices 6 and 7 to this Document. Appendix 6 to this Document provides details on how the Group manages its credit, market (traded and non-traded), funding and liquidity and operational risks in the course of carrying on its business. Appendix 7 to this Document provides details on the Group's counterparty and other credit risk exposures. Also refer to Notes 31 – 34 of the 2016 Financial Report.

Contents

Section 2 – Highlights

Highlights

Group Performance Highlights

	Half Year Ended (1) ("statutory basis")			Half Year Ended (1) ("cash basis")				
	31 Dec 16	31 Dec 15	Dec 16 vs Dec 15 %	31 Dec 16	30 Jun 16	31 Dec 15	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Net profit after tax ($M)	**4,895**	4,623	6	**4,907**	4,637	4,808	6	2
Return on equity (%)	**16. 0**	16. 7	(70)bpts	**16. 0**	15. 6	17. 3	40 bpts	(130)bpts
Earnings per share - basic (cents)	**285. 3**	273. 9	4	**285. 8**	270. 3	284. 6	6	-
Dividends per share (cents)	**199**	198	1	**199**	222	198	(10)	1

(1) Comparative information has been restated to reflect the change in incentives accounting policy detailed in Note 1 to the Financial Statements included in this Document. Refer to page 4 and Appendix 17 to this Document for further details.

Financial Performance

The Group's net profit after tax ("statutory basis") for the half year ended 31 December 2016 increased 6% on the prior comparative period to $4,895 million. Return on equity ("statutory basis") was 16.0% and Earnings per share ("statutory basis") was 285.3 cents, an increase of 4% on the prior comparative period.

The management discussion and analysis discloses the net profit after tax on both a statutory and cash basis. The statutory basis is prepared and reviewed in accordance with the Corporations Act 2001 and the Australian Accounting Standards, which comply with IFRS. The cash basis is used by management to present what they believe to be a clear view of the Group's underlying operating results, excluding items that introduce volatility and/or one-off distortions of the Group's current period performance. These items, such as hedging and IFRS volatility, are calculated consistently with the prior comparative period and prior half disclosures and do not discriminate between positive and negative adjustments. A reconciliation of the Group's net profit after tax from "statutory basis" to "cash basis" is set out on page 11 and Appendix 12 to this Document.

The Group's vision is to excel at securing and enhancing the financial wellbeing of people, businesses and communities. The long-term strategies that the Group has pursued to achieve this vision have continued to deliver high levels of customer satisfaction across all businesses and another solid financial result.

Operating income increased, relative to both the prior comparative period and prior half, including a $397 million gain on sale of the Group's remaining investment in Visa Inc.

Operating expenses increased, including a $393 million one-off expense for acceleration of amortisation on certain software assets. Underlying expenses increased due to higher staff costs, partly offset by the incremental benefit generated from productivity initiatives.

Loan impairment expense increased, primarily due to higher provisioning levels in Bankwest and Retail Banking Services. Management believe that the Group's provisioning levels remain prudent, and there has been no change to the economic overlay.

Net profit after tax ("cash basis") for the half year ended 31 December 2016 increased 2% on the prior comparative period to $4,907 million. Earnings per share ("cash basis") was 285.8 cents per share, flat on the prior comparative period. Return on equity ("cash basis") for the half year ended 31 December 2016 was 16.0%, a decrease of 130 basis points on the prior comparative period.

Capital

After allowing for the implementation of the APRA requirement to hold additional capital with respect to the Australian residential mortgages, effective from 1 July 2016, the Group continued to strengthen its capital position during the half year. As at 31 December 2016, the Basel III Common Equity Tier 1 (CET1) ratio was 9.9% on an APRA basis, which is above regulatory minimum levels.

Funding

The Group continued to seek to maintain conservative Balance Sheet settings, with a considerable portion of the Group's lending growth funded by strong growth in customer deposits, which increased to $541 billion, up $41 billion on the prior comparative period.

Dividends

The interim dividend declared was $1.99 per share, an increase of 1 cent on the prior comparative period. This represents a dividend payout ratio ("cash basis") of 69.9%.

The interim dividend payment will be fully franked and is scheduled to be paid on 4 April 2017 to owners of ordinary shares at the close of business on 23 February 2017 (record date). Shares were quoted ex-dividend on 22 February 2017.

Outlook

The discussion below includes forward-looking statements. See "Special Note Regarding Forward-Looking Statements" on page 3 of this Document.

We believe prospects for the Australian economy remain encouraging. Despite the disappointing GDP numbers for the third quarter last year, income growth is on a more positive trajectory. Increased global demand for commodities and some supply cutbacks have raised prices and improved Australia's terms of trade; the negative effects on spending and jobs from the multi-year reduction in mining investment appear to be coming to an end; and the lower Australian dollar has enabled export sensitive industries to make more of a contribution to economic growth, alongside resources and construction.

These trends can broaden the base of Australia's economy, if supported by the right trade, investment, immigration, infrastructure and taxation policies. And they could also stimulate a more vibrant services sector that takes advantage of Australia's links with the high income growth region in Asia. So we remain positive about Australia's medium to long term growth prospects, and we have the confidence to continue to invest. In the shorter term, however, the combination of geopolitical uncertainty and weak economic recovery in parts of the world means the risk of market volatility, and indeed economic shock, remains heightened. The strength of the Australian banking system over the past decade has been critical in insulating Australia from global shocks. Given on-going challenges, we will maintain what we believe to be appropriate capital and liquidity levels, funding strategies and credit origination and management standards. And while continuing to invest, we will also endeavour to continue to manage expenditure carefully to reflect the lower growth environment.

Group Performance Summary	Half Year Ended (1) ("cash basis") 31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %	Half Year Ended (1) ("statutory basis") 31 Dec 16 $M	Dec 16 vs Dec 15 %
Net interest income	**8,743**	8,508	8,427	3	4	**8,741**	4
Other banking income (2)	**2,986**	2,444	2,416	22	24	**2,998**	36
Total banking income	**11,729**	10,952	10,843	7	8	**11,739**	10
Funds management income	**1,004**	984	1,032	2	(3)	**991**	(3)
Insurance income	**393**	308	487	28	(19)	**378**	(32)
Total operating income	**13,126**	12,244	12,362	7	6	**13,108**	7
Investment experience	**16**	83	58	(81)	(72)	**-**	-
Total income	**13,142**	12,327	12,420	7	6	**13,108**	7
Operating expenses (3)	**(5,677)**	(5,224)	(5,210)	9	9	**(5,679)**	8
Loan impairment expense	**(599)**	(692)	(564)	(13)	6	**(599)**	6
Net profit before tax	**6,866**	6,411	6,646	7	3	**6,830**	7
Corporate tax expense (4)	**(1,950)**	(1,765)	(1,827)	10	7	**(1,926)**	9
Non-controlling interests (5)	**(9)**	(9)	(11)	-	(18)	**(9)**	(18)
Net profit after tax ("cash basis")	**4,907**	4,637	4,808	6	2	**n/a**	n/a
Hedging and IFRS volatility (6)	**8**	(49)	(150)	large	large	**n/a**	n/a
Other non-cash items (6)	**(20)**	12	(35)	large	(43)	**n/a**	n/a
Net profit after tax ("statutory basis")	**4,895**	4,600	4,623	6	6	**4,895**	6
Represented by: (1)							
Retail Banking Services	**2,466**	2,268	2,272	9	9		
Business and Private Banking	**791**	748	774	6	2		
Institutional Banking and Markets	**683**	568	622	20	10		
Wealth Management	**230**	249	367	(8)	(37)		
New Zealand	**473**	387	355	22	33		
Bankwest	**354**	374	377	(5)	(6)		
IFS and Other	**(102)**	6	(144)	large	(29)		
Net profit after tax ("statutory basis")	**4,895**	4,600	4,623	6	6		

(1) Comparative information has been restated to reflect refinements to the allocation of customer balances, revenue and expense methodology including updated transfer pricing allocations, and changes to the recognition of Global Asset Management long-term incentives in Wealth Management. Refer to Appendix 17 to this Document for further details.
(2) The current half includes a $397 million gain on sale of the Group's remaining investment in Visa Inc.
(3) The current half includes a $393 million one-off expense for acceleration of amortisation on certain software assets.
(4) For the purposes of presentation of Net profit after tax ("cash basis"), policyholder tax benefit/(expense) components of corporate tax expense are shown on a net basis (31 December 2016: $24 million benefit; 30 June 2016: $92 million expense; 31 December 2015: $9 million expense).
(5) Non-controlling interests include preference dividends paid to holders of preference shares in ASB Capital Limited and ASB Capital No.2 Limited.
(6) Refer to "Financial Information Definitions – Basis of Preparation" on page 4 and Appendix 12 to this Document for further details.

Highlights

Key Performance Indicators	Half Year Ended [1] 31 Dec 16	30 Jun 16	31 Dec 15	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Group					
Statutory net profit after tax ($M)	**4,895**	4,600	4,623	6	6
Net interest margin (%)	**2. 11**	2. 14	2. 15	(3)bpts	(4)bpts
Net interest margin excluding Treasury and Markets (%)	**2. 08**	2. 13	2. 13	(5)bpts	(5)bpts
Average interest earning assets ($M) [2]	**823,058**	800,379	780,921	3	5
Average interest bearing liabilities ($M) [2]	**747,236**	730,246	737,226	2	1
Funds Under Administration (FUA) - average ($M)	**150,134**	145,299	144,751	3	4
Assets Under Management (AUM) - average ($M)	**206,996**	200,075	203,603	3	2
Average inforce premiums ($M)	**3,475**	3,417	3,386	2	3
Statutory operating expenses to total operating income (%) [3]	**43. 3**	42. 2	43. 0	110 bpts	30 bpts
Statutory effective corporate tax rate (%)	**28. 5**	27. 6	27. 4	90 bpts	110 bpts
Retail Banking Services					
Statutory net profit after tax ($M)	**2,466**	2,268	2,272	9	9
Statutory operating expenses to total banking income (%)	**30. 8**	31. 9	32. 3	(110)bpts	(150)bpts
Business and Private Banking					
Statutory net profit after tax ($M)	**791**	748	774	6	2
Statutory operating expenses to total banking income (%)	**39. 3**	38. 8	38. 7	50 bpts	60 bpts
Institutional Banking and Markets					
Statutory net profit after tax ($M)	**683**	568	622	20	10
Statutory operating expenses to total banking income (%)	**36. 7**	38. 2	36. 6	(150)bpts	10 bpts
Wealth Management					
Statutory net profit after tax ($M)	**230**	249	367	(8)	(37)
FUA - average ($M)	**138,146**	134,292	134,352	3	3
AUM - average ($M)	**201,967**	195,513	199,294	3	1
Average inforce premiums ($M)	**2,505**	2,480	2,470	1	1
Statutory operating expenses to total operating income (%)	**71. 5**	70. 6	61. 7	90 bpts	large
New Zealand					
Statutory net profit after tax ($M)	**473**	387	355	22	33
FUA - average ($M)	**11,988**	11,007	10,399	9	15
AUM - average ($M)	**5,029**	4,562	4,309	10	17
Average inforce premiums ($M)	**715**	682	664	5	8
Statutory operating expenses to total operating income (%) [4]	**39. 3**	38. 1	38. 7	120 bpts	60 bpts
Bankwest					
Statutory net profit after tax ($M)	**354**	374	377	(5)	(6)
Statutory operating expenses to total banking income (%)	**41. 5**	41. 7	45. 0	(20)bpts	(350)bpts
Capital (Basel III)					
Common Equity Tier 1 (APRA) (%)	**9. 9**	10. 6	10. 2	(70)bpts	(30)bpts
Leverage Ratio (Basel III) [5]					
Leverage Ratio (APRA) (%)	**4. 9**	5. 0	5. 0	(10)bpts	(10)bpts

(1) Comparative information has been restated to reflect refinements to the allocation of customer balances, revenue and expense methodology including updated transfer pricing allocations, and changes to the recognition of Global Asset Management long-term incentives in Wealth Management. Refer to Appendix 17 to this Document for further details.

(2) Net of average mortgage offset balances.

(3) Excluding a $397 million gain on sale of the Group's remaining investment in Visa Inc. and a $393 million one-off expense for acceleration of amortisation on certain software assets, statutory operating expenses to total operating income is 41.6% for the current period.

(4) Key financial metrics are calculated in New Zealand dollar terms.

(5) The leverage ratio is defined as Tier 1 Capital as a percentage of "total exposures". Total exposures is the sum of on-Balance Sheet items, derivatives, Securities Financing Transactions and off-Balance Sheet items, net of any Tier 1 regulatory deductions that are already included in these items.

Shareholder Summary	Half Year Ended 31 Dec 16	30 Jun 16	31 Dec 15	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Dividends per share - fully franked (cents)	**199**	222	198	(10)	1
Dividend cover - "statutory basis" (times)	**1. 4**	1. 2	1. 4	17	-
Dividend cover - "cash basis" (times)	**1. 4**	1. 2	1. 4	17	-
Earnings Per Share (EPS) (cents) (1) (2)					
Statutory basis - basic	**285. 3**	268. 4	273. 9	6	4
Cash basis - basic	**285. 8**	270. 3	284. 6	6	-
Dividend payout ratio (%) (1) (2)					
Statutory basis	**70. 1**	83. 1	73. 6	large	(350)bpts
Cash basis	**69. 9**	82. 4	70. 8	large	(90)bpts
Weighted average no. of shares ("statutory basis") - basic (M) (2) (3)	**1,715**	1,707	1,676	-	2
Weighted average no. of shares ("cash basis") - basic (M) (2) (3)	**1,717**	1,709	1,678	-	2
Return on equity - "statutory basis" (%) (1) (2)	**16. 0**	15. 6	16. 7	40 bpts	(70)bpts
Return on equity - "cash basis" (%) (1) (2)	**16. 0**	15. 6	17. 3	40 bpts	(130)bpts

(1) Comparative information has been restated to reflect the change in incentives accounting policy detailed in Note 1 to the Financial Statements included in this Document. Refer to page 4 and Appendix 17 to this Document for further details.
(2) For definitions refer to Appendix 16.
(3) Diluted EPS and weighted average number of shares are disclosed in Appendix 13.

Market Share (1)	As at 31 Dec 16 %	30 Jun 16 %	31 Dec 15 %	Dec 16 vs Jun 16	Dec 16 vs Dec 15
Home loans	**25. 4**	25. 3	25. 1	10 bpts	30 bpts
Credit cards - RBA (2)	**24. 3**	24. 4	24. 4	(10)bpts	(10)bpts
Other household lending (3)	**16. 9**	16. 8	16. 9	10 bpts	-
Household deposits	**29. 0**	29. 2	29. 3	(20)bpts	(30)bpts
Business lending - RBA	**16. 6**	16. 9	17. 0	(30)bpts	(40)bpts
Business lending - APRA	**18. 6**	18. 7	18. 7	(10)bpts	(10)bpts
Business deposits - APRA	**19. 8**	20. 2	20. 3	(40)bpts	(50)bpts
Asset Finance	**12. 7**	12. 9	13. 1	(20)bpts	(40)bpts
Equities trading	**4. 0**	4. 7	5. 6	(70)bpts	(160)bpts
Australian Retail - administrator view (4)	**15. 5**	15. 6	15. 5	(10)bpts	-
FirstChoice Platform (4)	**10. 8**	11. 0	10. 9	(20)bpts	(10)bpts
Australia life insurance (total risk) (4)	**11. 2**	11. 4	11. 6	(20)bpts	(40)bpts
Australia life insurance (individual risk) (4)	**10. 3**	10. 7	11. 0	(40)bpts	(70)bpts
NZ home loans	**22. 0**	21. 8	21. 8	20 bpts	20 bpts
NZ retail deposits	**21. 1**	21. 0	20. 9	10 bpts	20 bpts
NZ business lending	**13. 1**	12. 4	11. 9	70 bpts	120 bpts
NZ retail FUA	**15. 5**	15. 4	15. 8	10 bpts	(30)bpts
NZ annual inforce premiums	**28. 0**	28. 4	28. 7	(40)bpts	(70)bpts

(1) Prior periods have been restated in line with market updates and comparatives have not been restated to include the impact of new market entrants in the current period.
(2) As at 30 November 2016.
(3) Other household lending market share includes personal loans, margin loans and other forms of lending to individuals.
(4) As at 30 September 2016.

Credit Ratings	Long-term	Short-term	Outlook
Fitch Ratings	AA-	F1+	Stable
Moody's Investors Service	Aa2	P-1	Negative
S&P Global Ratings	AA-	A-1+	Negative

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

Contents

Section 3 – Group Performance Analysis

Financial Performance and Business Review

December 2016 versus December 2015

The Group's net profit after tax ("statutory basis") increased 6% on the prior comparative period to $4,895 million.

Earnings per share ("statutory basis") increased 4% from the prior comparative period to 285.3 cents per share and return on equity ("statutory basis") decreased 70 basis points on the prior comparative period to 16.0%.

The key components of the Group result were:

- **Net interest income** ("statutory basis") increased 4% to $8,741 million, reflecting 5% growth in average interest earning assets, partly offset by a four basis point decrease in net interest margin. Net interest margin excluding Treasury and Markets decreased five basis points;
- **Other banking income** ("statutory basis") increased 36% to $2,998 million, including a $397 million gain on sale of the Group's remaining investment in Visa Inc., a strong sales and trading performance in Markets, and strong growth in fees and commissions;
- **Funds management income** ("statutory basis") decreased 3% to $991 million, including a 2% unfavourable impact from the higher Australian dollar. This reflects a 4% increase in average Funds Under Administration ("FUA") and a 2% increase in average Assets Under Management ("AUM"), offset by lower FUA margins;
- **Insurance income** ("statutory basis") decreased 32% to $378 million, with average inforce premium growth of 3% and fewer event claims, offset by an increase in income protection claims reserves resulting in loss recognition of $90 million;
- **Operating expenses** ("statutory basis") increased 8% to $5,679 million, including a $393 million one-off expense for acceleration of amortisation on certain software assets. Underlying expense growth of 1% was driven by higher staff costs, partly offset by the continued realisation of incremental benefits from productivity initiatives and the timing of investment spend; and
- **Loan impairment expense** ("statutory basis") increased 6% to $599 million, due to higher provisioning primarily in Bankwest and Retail Banking Services.

December 2016 versus June 2016

The Group's net profit after tax ("statutory basis") increased 6% on the prior half.

Earnings per share ("statutory basis") increased 6% on the prior half to 285.3 cents per share, and return on equity ("statutory basis") increased 40 basis points to 16.0%.

It should be noted when comparing current half financial performance to the prior half that there are two more calendar days, benefiting revenue in the current half. Key points of note in the result included the following:

- **Net interest income** ("statutory basis") increased 3%, reflecting 3% growth in average interest earning assets, partly offset by a three basis point decrease in net interest margin. Net interest margin excluding Treasury and Markets decreased five basis points;
- **Other banking income** ("statutory basis") increased 26%, including a $397 million gain on sale of the Group's remaining investment in Visa Inc. and strong growth in fees and commissions;
- **Funds management income** ("statutory basis") decreased 4%, reflecting a Treasury shares valuation adjustment for unrealised gains on the Group's shares, a 2% unfavourable impact from the higher Australian dollar and lower FUA margins, partly offset by a 3% increase in average FUA and average AUM;
- **Insurance income** ("statutory basis") decreased 17% due to an increase in income protection claims reserves resulting in loss recognition of $90 million, $25 million higher than the prior half and a change in the valuation of policyholder liabilities leading to an unfavourable Policyholder tax movement; partly offset by average inforce premium growth of 2% and fewer event claims;
- **Operating expenses** ("statutory basis") increased 9%, including a $393 million one-off expense for acceleration of amortisation on certain software assets. Underlying expense growth of 1% was driven by higher staff costs, partly offset by the continued realisation of incremental benefits from productivity initiatives and the timing of investment spend; and
- **Loan impairment expense** ("statutory basis") decreased 13%, reflecting lower levels of provisioning in Institutional Banking and Markets, Business and Private Banking and New Zealand, partly offset by increased provisioning in Bankwest.

More comprehensive disclosure of performance highlights by key business segments is contained on pages 39-56 of this Document

Net Interest Income

	Half Year Ended (1)				
	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Net interest income - "cash basis"	**8,743**	8,508	8,427	3	4
Hedging and IFRS volatility	**(2)**	1	(1)	large	large
Net interest income - "statutory basis"	**8,741**	8,509	8,426	3	4
Average interest earning assets					
Home loans (2)	**430,408**	414,749	404,644	4	6
Personal loans	**23,460**	23,838	23,608	(2)	(1)
Business and corporate loans	**220,519**	215,027	207,726	3	6
Total average lending interest earning assets	**674,387**	653,614	635,978	3	6
Non-lending interest earning assets	**148,671**	146,765	144,943	1	3
Total average interest earning assets	**823,058**	800,379	780,921	3	5
Net interest margin (%)	**2. 11**	2. 14	2. 15	(3)bpts	(4)bpts
Net interest margin excluding Treasury and Markets (%)	**2. 08**	2. 13	2. 13	(5)bpts	(5)bpts

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.
(2) Net of average mortgage offset balances. Gross average home loans balance, excluding mortgage offset accounts is $463,811 million (30 June 2016: $443,497 million; 31 December 2015: $429,639 million).

December 2016 versus December 2015

Net interest income ("statutory basis") increased 4% on the prior comparative period to $8,741 million. The result was driven by growth in average interest earning assets of 5%, partly offset by a four basis point decrease in net interest margin.

Average Interest Earning Assets

Average interest earning assets increased $42 billion on the prior comparative period to $823 billion, driven by:

- Home loan average balances increased $25 billion or 6% on the prior comparative period to $430 billion. The growth in home loan balances was largely driven by domestic banking growth;
- Average balances for business and corporate lending increased $13 billion or 6% on the prior comparative period to $221 billion, driven by growth in institutional and business banking lending balances; and
- Average non-lending interest earning assets increased $4 billion or 3% on the prior comparative period to $149 billion primarily due to higher trading assets.

Net Interest Margin

The Group's net interest margin decreased four basis points on the prior comparative period to 2.11%. The key drivers of the movement were:

Asset Pricing: Increased margin of four basis points with the benefit of home loan repricing partly offset by the impact of competition on home and business lending.

Funding costs: Decreased margin of five basis points reflecting an increase in deposit costs of three basis points and an increase in wholesale funding costs.

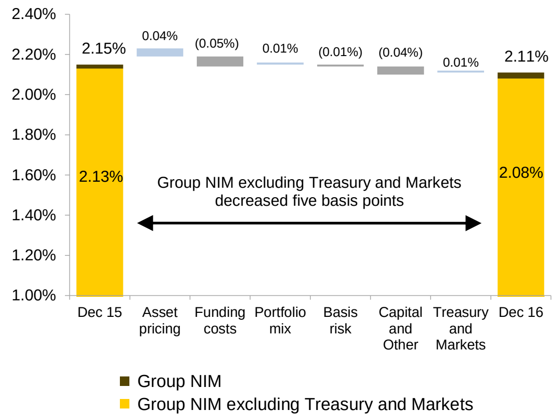
Portfolio mix: Increased margin of one basis point reflecting a favourable change in funding mix from proportionally higher levels of transactions and savings deposits, partly offset by an unfavourable change in lending mix.

Basis risk: Basis risk arises from funding assets which are priced relative to the cash rate with liabilities priced relative to the bank bill swap rate. The margin decreased one basis point as a result of an increase in the spread between the cash rate and the bank bill swap rate during the current period.

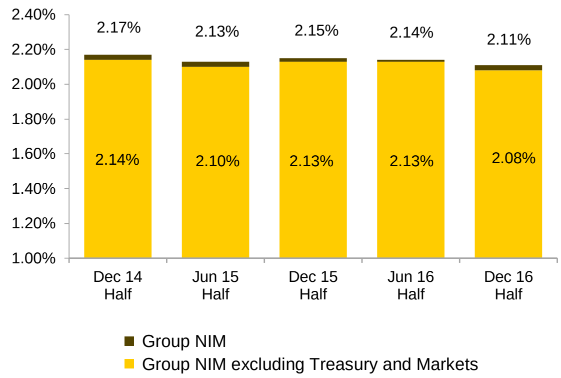
Capital and Other: Decreased margin of four basis points driven by the impact of the falling cash rate environment on free equity funding, and a two basis point reduction in contribution from New Zealand.

Treasury and Markets: Increased margin of one basis point driven by a higher contribution from Treasury.

Net Interest Margin ("NIM") movement since December 2015 (1)



Group NIM (Half Year Ended) (1)



(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.

Net Interest Income (continued)

December 2016 versus June 2016

Net interest income ("statutory basis") increased 3% on the prior half, with growth in average interest earning assets of 3%, partly offset by a three basis point decrease in net interest margin.

Average Interest Earning Assets

Average interest earning assets increased $23 billion on the prior half to $823 billion, driven by:

- Home loan average balances increased $16 billion or 4% on the prior half, primarily driven by growth in the domestic banking business;
- Average balances for business and corporate lending increased $5 billion or 3% on the prior half, driven by growth in business banking lending balances; and
- Average non-lending interest earning assets increased $2 billion or 1% on the prior half.

Net Interest Margin

The Group's net interest margin decreased three basis points on the prior half to 2.11%. The key drivers were:

Asset pricing: Increased margin of three basis points, reflecting the impact of home loan repricing, partly offset by the impact of competition on home and business lending.

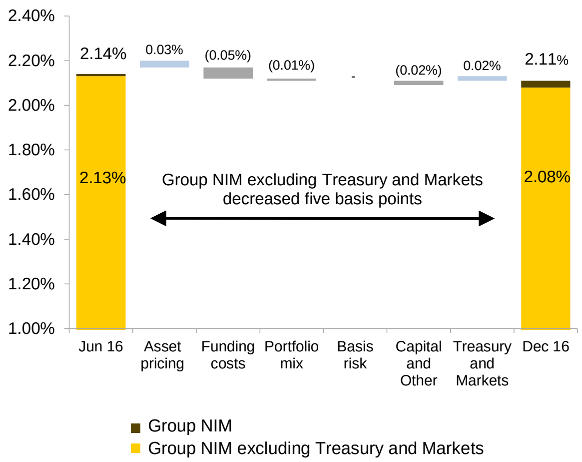
Funding costs: Decreased margin of five basis points, reflecting an increase in deposit costs of three basis points due to the lower cash rate and increased competition, and an increase in wholesale funding costs.

Portfolio mix: Decreased margin of one basis point reflecting an unfavourable change in lending mix from proportionally higher levels of home lending.

Capital and Other: Decreased margin of two basis points driven by the impact of the falling cash rate environment on free equity funding, and a lower contribution from New Zealand.

Treasury and Markets: Increased margin of two basis points driven by a higher contribution from Treasury.

NIM movement since June 2016 (1)



(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.

Other Banking Income

	Half Year Ended				
	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Commissions	1,254	1,064	1,151	18	9
Lending fees	533	503	507	6	5
Trading income	600	591	496	2	21
Other income (1)	599	286	262	large	large
Other banking income - "cash basis" (1)	2,986	2,444	2,416	22	24
Hedging and IFRS volatility	12	(72)	(212)	large	large
Other banking income -"statutory basis"	2,998	2,372	2,204	26	36

(1) The current half includes a $397 million gain on sale of the Group's remaining investment in Visa Inc.

December 2016 versus December 2015

Other banking income ("statutory basis") increased 36% on the prior comparative period to $2,998 million, driven by:

Commissions increased 9% on the prior comparative period to $1,254 million due to higher credit card income from higher purchases and lower customer reward program costs, and increased merchant fee income;

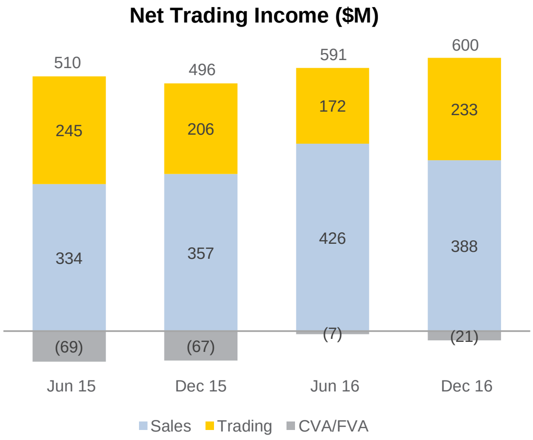
Lending fees increased 5% on the prior comparative period to $533 million, driven by higher business lending fee income;

Trading income increased 21% on the prior comparative period to $600 million, driven by a strong sales and trading performance in Markets and a less unfavourable derivative valuation adjustment;

Other income increased $337 million on the prior comparative period to $599 million, driven by a gain on sale of the Group's remaining investment in Visa Inc., partly offset by a higher realised loss on the hedge of New Zealand earnings; and

Hedging and IFRS volatility increased on the prior comparative period, primarily due to unrealised gains on the hedge of New Zealand earnings.

Other Banking Income (continued)



December 2016 versus June 2016

Other banking income ("statutory basis") increased 26% on the prior half to $2,998 million, driven by:

Commissions increased 18% on the prior half due to higher credit card income from seasonally higher purchases, lower customer reward program costs, and increased foreign exchange income;

Lending fees increased 6% on the prior half, driven by higher business lending fee income;

Trading income increased 2% on the prior half, driven by a strong trading performance in Markets, partly offset by lower sales and unfavourable derivative valuation adjustments;

Other income increased $313 million on the prior half driven by a gain on sale of the Group's remaining investment in Visa Inc. and increased structured asset finance income, partly offset by a higher realised loss on the hedge of New Zealand earnings; and

Hedging and IFRS volatility increased on the prior half, primarily due to unrealised gains on the hedge of New Zealand earnings.

Funds Management Income

	Half Year Ended				
	31 Dec 16 $M	**30 Jun 16 $M**	**31 Dec 15 $M**	**Dec 16 vs Jun 16 %**	**Dec 16 vs Dec 15 %**
Colonial First State (CFS) [(1)]	**447**	462	467	(3)	(4)
CFS Global Asset Management (CFSGAM)	**425**	405	437	5	(3)
CommInsure	**61**	60	60	2	2
New Zealand	**45**	40	40	13	13
Other	**26**	17	28	53	(7)
Funds management income - "cash basis"	**1,004**	984	1,032	2	(3)
Treasury shares valuation adjustment	**(20)**	24	(10)	large	large
Policyholder tax	**17**	3	(11)	large	large
Investment experience	**(10)**	26	13	large	large
Funds management income - "statutory basis"	**991**	1,037	1,024	(4)	(3)

(1) Colonial First State incorporates the results of all Wealth Management Financial Planning businesses.

December 2016 versus December 2015

Funds management income ("statutory basis") decreased 3% on the prior comparative period to $991 million, driven by:

- The impact of the higher Australian dollar;
- A decline in FUA margins as a result of provisioning for customer remediation costs in CFS; and
- A decline in AUM margins as a result of a change in asset mix in the Australian business; partly offset by
- A 4% increase in average FUA reflecting positive investment markets and net flows across the Australia and New Zealand businesses; and
- A 2% increase in average AUM driven by positive investment markets in Australia and New Zealand.

December 2016 versus June 2016

Funds management income ("statutory basis") decreased 4% on the prior half, driven by:

- A Treasury shares valuation adjustment for unrealised gains on the Group's shares;
- The impact of the higher Australian dollar; and
- A decline in FUA margins due to provisioning for customer remediation costs in CFS; partly offset by
- A 3% increase in average FUA reflecting solid investment market returns across the Australian and New Zealand businesses; and
- A 3% increase in average AUM as a result of positive investment markets across the Australia and New Zealand businesses and positive net flows in New Zealand.

Insurance Income

	Half Year Ended				
	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
CommInsure	220	172	330	28	(33)
New Zealand	139	115	127	21	9
IFS	26	22	24	18	8
Other	8	(1)	6	large	33
Insurance income - "cash basis"	393	308	487	28	(19)
Policyholder tax	(41)	89	20	large	large
Investment experience	26	57	45	(54)	(42)
Insurance income - "statutory basis"	378	454	552	(17)	(32)

December 2016 versus December 2015

Insurance income ("statutory basis") decreased 32% on the prior comparative period to $378 million, driven by:

- An increase in CommInsure income protection claims reserves resulting in loss recognition of $90 million; partly offset by
- Fewer severe weather related event claims in CommInsure General Insurance; and
- A 3% increase in average inforce premiums to $3,475 million across the Australia, New Zealand and IFS businesses.

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December 2016 versus June 2016

Insurance income ("statutory basis") decreased 17% on the prior half, driven by:

- An increase in CommInsure income protection claims reserves resulting in loss recognition of $90 million, $25 million higher than the prior half; and
- A change in the valuation of policyholder liabilities leading to an unfavourable Policyholder tax movement; partly offset by
- A 2% increase in average inforce premiums across the Australia and New Zealand businesses;
- An increase in New Zealand and IFS due to premium income growth; and
- Fewer severe weather related event claims in CommInsure General Insurance.

Operating Expenses

	Half Year Ended				
	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Staff expenses (1)	3,108	3,090	3,079	1	1
Occupancy and equipment expenses	568	575	559	(1)	2
Information technology services expenses (2)	1,155	733	752	58	54
Other expenses	846	826	820	2	3
Operating expenses - "cash basis" (2)	5,677	5,224	5,210	9	9
Bankwest non-cash items	2	2	37	-	(95)
Operating expenses - "statutory basis"	5,679	5,226	5,247	9	8
Statutory operating expenses to total operating income (%) (1)(3)	43. 3	42. 2	43. 0	110 bpts	30 bpts
Statutory banking expenses to total banking operating income (%) (3)	39. 4	38. 3	39. 7	110 bpts	(30)bpts

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.
(2) The current half includes a $393 million one-off expense for acceleration of amortisation on certain software assets.
(3) Excluding a $397 million gain on sale of the Group's remaining investment in Visa Inc. and a $393 million one-off expense for acceleration of amortisation on certain software assets, statutory operating expenses to total operating income is 41.6% for the current period and statutory banking expenses to total banking operating income is 37.3% for the current period.

December 2016 versus December 2015

Operating expenses ("statutory basis") increased 8% on the prior comparative period to $5,679 million. Excluding the one-off impact of accelerated software amortisation, operating expenses increased 1%. The key drivers were:

Staff expenses increased 1% to $3,108 million, driven by salary increases, partly offset by a benefit from the higher Australian dollar and productivity initiatives;

Occupancy and equipment expenses increased 2% to $568 million, primarily due to rental reviews and depreciation;

Information technology services expenses increased 54% to $1,155 million, primarily driven by the one-off expense for acceleration of amortisation on certain software assets. Underlying expenses increased 1% due to higher licensing and lease costs, partly offset by a reduction in investment spend;

Other expenses increased 3% to $846 million, due to increased professional fees, partly offset by reduced marketing spend and customer reward program costs; and

Group expense to income ratio increased 30 basis points on the prior comparative period, primarily driven by a gain on sale of the Group's remaining investment in Visa Inc. and the one-off expense for acceleration of amortisation on certain software assets.

Group Performance Analysis

Operating Expenses (continued)

December 2016 versus June 2016

Operating expenses ("statutory basis") increased 9% on the prior half. Excluding the one-off impact of accelerated software amortisation, operating expenses increased 1%. The key drivers were:

Staff expenses increased 1%, driven by salary increases, partly offset by the benefit from the higher Australian dollar and productivity initiatives;

Occupancy and equipment expenses decreased 1%, primarily due to reduced maintenance and investment spend, partly offset by rental reviews and higher depreciation;

Information technology services expenses increased 58%, primarily driven by the one-off expense for acceleration of amortisation on certain software assets. Underlying expenses increased 4% due to higher software licencing, lease and amortisation costs, partly offset by a reduction in investment spend;

Other expenses increased 2%, due to higher professional fees, partly offset by reduced marketing spend and non-lending losses; and

Group expense to income ratio increased 110 basis points on the prior half, primarily driven by a gain on sale of the Group's remaining investment in Visa Inc. and the one-off expense for acceleration of amortisation on certain software assets.

Staff Numbers

	Half Year Ended		
Full-Time Equivalent Staff	**31 Dec 16**	**30 Jun 16**	**31 Dec 15**
Australia	**35,428**	35,179	35,173
Total	**45,271**	45,129	45,221

Investment Spend

	Half Year Ended				
	31 Dec 16 $M	**30 Jun 16 $M**	**31 Dec 15 $M**	**Dec 16 vs Jun 16 %**	**Dec 16 vs Dec 15 %**
Expensed investment spend (1)	**277**	305	299	(9)	(7)
Capitalised investment spend	**323**	387	382	(17)	(15)
Investment spend	**600**	692	681	(13)	(12)
Comprising:					
Productivity and growth	**316**	346	355	(9)	(11)
Risk and compliance	**219**	262	243	(16)	(10)
Branch refurbishment and other	**65**	84	83	(23)	(22)
Investment spend	**600**	692	681	(13)	(12)

(1) Included within Operating Expenses disclosure on page 19.

December 2016 versus December 2015

The Group continues to invest to deliver on the strategic priorities of the business with $600 million incurred in the half year to 31 December 2016, a decrease of 12% on the prior comparative period.

The decrease is due to significant progress made with branch transformations and the roll-out of refreshed ATMs, the completion of key phases of risk and compliance projects in the prior half, and the timing of spend on productivity and growth initiatives.

Spend on productivity and growth continues to focus on delivering further enhancements to the Group's sales management capabilities, digital channels, and customer data insights.

Significant spend on risk and compliance projects continues as systems are implemented to assist in satisfying new regulatory obligations, including Stronger Super and Common Reporting Standard requirements. In addition, the Group continues to invest in safeguarding information security to mitigate risks and provide greater stability for customers.

December 2016 versus June 2016

Investment spend decreased 13% on the prior half, largely due to the timing of spend on productivity and growth initiatives, completion of key phases of risk and compliance projects, and significant progress with the roll-out of refreshed ATMs.

Loan Impairment Expense

	Half Year Ended (1)				
	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Retail Banking Services	**350**	357	306	(2)	14
Business and Private Banking	**64**	106	70	(40)	(9)
Institutional Banking and Markets	**44**	112	140	(61)	(69)
New Zealand	**47**	83	37	(43)	27
Bankwest	**43**	6	(16)	large	large
IFS and Other	**51**	28	27	82	89
Loan impairment expense - "statutory basis"	**599**	692	564	(13)	6

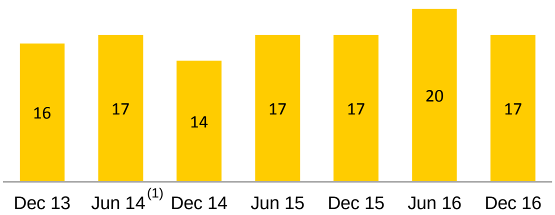
(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.

December 2016 versus December 2015

Loan impairment expense ("statutory basis") increased 6% on the prior comparative period to $599 million. The increase was driven by:

- An increase in Retail Banking Services as a result of higher home loan and personal loan losses, predominantly in Western Australia;
- Lower home loan provision releases and higher growth in New Zealand lending portfolios;
- An increase in Bankwest due to slower run-off of the troublesome book, reduced write-backs and higher home loan losses, predominantly in Western Australia; and
- An increase in IFS as a result of losses in the PT Bank Commonwealth ("PTBC") commercial lending portfolio; partly offset by
- Lower individual provisions in Business and Private Banking; and
- A reduction in Institutional Banking and Markets due to lower collective provisions and a higher level of write-backs.

Half Year Loan Impairment Expense (annualised) as a % of Average Gross Loans and Acceptances (bpts)



(1) 16 basis points, including the Bell group write-back (non-cash item).

December 2016 versus June 2016

Loan impairment expense ("statutory basis") decreased 13% on the prior half mainly driven by:

- Seasonally lower arrears in Retail Banking Services;
- Reduced individual provisions and a lower collective provision charge in Business and Private Banking;
- Fewer large individual provisions in Institutional Banking and Markets; and
- Lower provisioning in the New Zealand dairy sector and a seasonal decrease in unsecured retail provisioning; partly offset by
- Lower collective provision releases in the Bankwest business portfolio; and
- An increase in IFS as a result of losses in the PTBC commercial lending portfolio.

Taxation Expense

	Half Year Ended (1)				
	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Statutory corporate tax expense ($M)	**1,926**	1,845	1,761	4	9
Effective tax rate - "statutory basis" (%)	**28. 5**	27. 6	27. 4	90 bpts	110 bpts

	Half Year Ended (1)				
Income Tax	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Retail Banking Services	**1,052**	966	969	9	9
Business and Private Banking	**341**	321	333	6	2
Institutional Banking and Markets	**213**	206	163	3	31
Wealth Management	**91**	74	147	23	(38)
New Zealand	**174**	145	172	20	1
Bankwest	**154**	160	173	(4)	(11)
IFS and Other	**(75)**	(107)	(130)	(30)	(42)
Total income tax expense ("cash basis")	**1,950**	1,765	1,827	10	7
Non-cash tax expense	**(24)**	80	(66)	large	(64)
Total income tax expense ("statutory basis")	**1,926**	1,845	1,761	4	9

	Half Year Ended (1)				
Effective Tax Rate	31 Dec 16 %	30 Jun 16 %	31 Dec 15 %	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Retail Banking Services	**29. 9**	29. 9	29. 9	-	-
Business and Private Banking	**30. 1**	30. 0	30. 1	10 bpts	-
Institutional Banking and Markets	**23. 8**	26. 6	20. 8	(280)bpts	300 bpts
Wealth Management	**28. 1**	25. 4	28. 3	270 bpts	(20)bpts
New Zealand	**27. 2**	25. 3	26. 1	190 bpts	110 bpts
Bankwest	**30. 2**	29. 8	30. 1	40 bpts	10 bpts
Total – corporate ("statutory basis")	**28. 5**	27. 6	27. 4	90 bpts	110 bpts

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.

December 2016 versus December 2015

Corporate tax expense ("statutory basis") for the half year ended 31 December 2016 increased 9% on the prior comparative period representing a 28.5% effective tax rate. This increase is primarily as a result of lower tax benefits from offshore businesses.

The effective 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.

December 2016 versus June 2016

Corporate tax expense ("statutory basis") for the half year ended 31 December 2016 increased 4% on the prior half.

Review of Group Assets and Liabilities

Total Group Assets and Liabilities	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
	As at				
Interest earning assets					
Home loans [1]	**472,532**	456,074	437,176	4	8
Consumer finance	**23,895**	23,862	24,012	-	-
Business and corporate loans	**221,707**	220,611	213,278	-	4
Loans, bills discounted and other receivables [2]	**718,134**	700,547	674,466	3	6
Non-lending interest earning assets	**159,767**	137,838	138,499	16	15
Total interest earning assets	**877,901**	838,385	812,965	5	8
Other assets [2] [3]	**93,818**	94,616	90,026	(1)	4
Total assets	**971,719**	933,001	902,991	4	8
Interest bearing liabilities					
Transaction deposits [4] [5]	**93,641**	89,780	97,327	4	(4)
Savings deposits [4]	**191,406**	191,313	189,560	-	1
Investment deposits	**211,711**	197,085	195,814	7	8
Other demand deposits	**67,652**	71,293	60,861	(5)	11
Total interest bearing deposits	**564,410**	549,471	543,562	3	4
Debt issues	**177,023**	162,716	162,438	9	9
Other interest bearing liabilities	**58,888**	54,101	58,147	9	1
Total interest bearing liabilities	**800,321**	766,288	764,147	4	5
Non-interest bearing transaction deposits	**39,786**	37,000	15,652	8	large
Other non-interest bearing liabilities [3] [5]	**69,800**	69,149	63,528	1	10
Total liabilities	**909,907**	872,437	843,327	4	8

(1) Gross of mortgage offset balances.
(2) Loans, bills discounted and other receivables exclude provisions for impairment which are included in Other assets.
(3) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.
(4) Includes mortgage offset balances.
(5) During the prior half, following a change in terms, Interest bearing transaction deposits of $18,314 million became Non-interest bearing and have been disclosed accordingly.

December 2016 versus December 2015

Asset growth of $69 billion or 8% on the prior comparative period was driven by increased home lending, business and corporate lending, and higher liquid asset balances.

The Group continued to satisfy a significant portion of lending growth from customer deposits. Customer deposits represented 66% of total funding (31 December 2015: 66%).

Total assets and liabilities include a 1% decrease due to the higher Australian dollar.

Home loans

Home loan balances increased $35 billion to $473 billion, reflecting an 8% increase on the prior comparative period, driven by growth in Retail Banking Services, New Zealand and Bankwest.

Business and corporate loans

Business and corporate loans increased $8 billion to $222 billion, a 4% increase on the prior comparative period. This was driven by strong growth in business lending in Business and Private Banking and New Zealand.

Non-lending interest earning assets

Non-lending interest earning assets increased $21 billion to $160 billion, reflecting a 15% increase on the prior comparative period. This includes a 3% decrease due to currency movements. The increase was driven by higher liquid asset balances held as a result of Balance Sheet growth and a reduction in Committed Liquidity Facility ("CLF") effective 1 January 2017.

Other assets

Other assets, including derivative assets, insurance assets and intangibles, increased $4 billion to $94 billion, a 4% increase on the prior comparative period, reflecting higher settlement account balances and higher derivative balances.

Interest bearing deposits

Interest bearing deposits increased $21 billion to $564 billion, a 4% increase on the prior comparative period, driven by strong growth of $16 billion in investment deposits and a $7 billion increase in other demand deposits, partly offset by $18 billion of interest bearing transaction deposits becoming non-interest bearing following a change in terms.

Debt issues

Debt issues increased $15 billion to $177 billion, a 9% increase on the prior comparative period. While deposits satisfied the majority of the Group's funding requirements, strong access was maintained to both domestic and international wholesale debt markets.

Refer to page 35 for further information on debt programs and issuance as at the half year ended 31 December 2016.

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 $1 billion to $59 billion, a 1% increase on the prior comparative period. This includes a 4% decrease due to currency movements.

Non-interest bearing transaction deposits

Non-interest bearing transaction deposits, including business and personal transaction accounts, increased $24 billion to $40 billion. This includes an $18 billion increase following a change in terms in the prior half, with underlying growth remaining strong.

Other non-interest bearing liabilities

Other non-interest bearing liabilities, including derivative liabilities and insurance policy liabilities, increased $6 billion to $70 billion, a 10% increase on the prior comparative period, reflecting higher settlement account balances and higher derivative liability balances.

Review of Group Assets and Liabilities (continued)

December 2016 versus June 2016

Asset growth of $39 billion or 4% on the prior half was driven by increased home lending and higher liquid asset balances.

Continued deposit growth allowed the Group to continue to satisfy a significant portion of its funding requirements through customer deposits. Customer deposits made up 66% of total funding (30 June 2016: 66%).

Home loans

Home loan balances increased $16 billion, a 4% increase on the prior half, reflecting growth in Retail Banking Services, New Zealand and Bankwest.

Business and corporate loans

Business and corporate loans increased $1 billion on the prior half, reflecting growth in business lending in Business and Private Banking and New Zealand, partly offset by a reduction in institutional lending.

Non-lending interest earning assets

Non-lending interest earning assets increased $22 billion, a 16% increase on the prior half. The increase was driven by higher liquid asset balances held as a result of Balance Sheet growth and a reduction in CLF effective 1 January 2017.

Other assets

Other assets, including derivative assets, insurance assets and intangibles decreased $1 billion, a 1% decrease on the prior half, reflecting lower trading and derivative asset balances.

Interest bearing deposits

Interest bearing deposits increased $15 billion, a 3% increase on the prior half, reflecting strong growth in transaction and investment deposits.

Debt issues

Debt issues increased $14 billion, a 9% increase on the prior half.

Refer to page 35 for further information on debt programs and issuance for the half year ended 31 December 2016.

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 $5 billion, a 9% increase on the prior half.

Non-interest bearing transaction deposits

Non-interest bearing transaction deposits, including business and personal transaction accounts, increased $3 billion, an 8% increase on the prior half, driven by growth in Retail Banking Services.

Other non-interest bearing liabilities

Other non-interest bearing liabilities, including derivative liabilities and insurance policy liabilities, increased $1 billion, a 1% increase on the prior half.

Contents

Section 4 – Group Operations and Business Settings

Loan Impairment Provisions and Credit Quality

Provisions for Impairment

	As at				
	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Provisions for impairment losses					
Collective provision	**2,807**	2,818	2,801	-	-
Individually assessed provisions	**1,017**	944	909	8	12
Total provisions for impairment losses	**3,824**	3,762	3,710	2	3
Less: Provision for Off Balance Sheet exposures	**(35)**	(44)	(47)	(20)	(26)
Total provisions for loan impairment	**3,789**	3,718	3,663	2	3

December 2016 versus December 2015

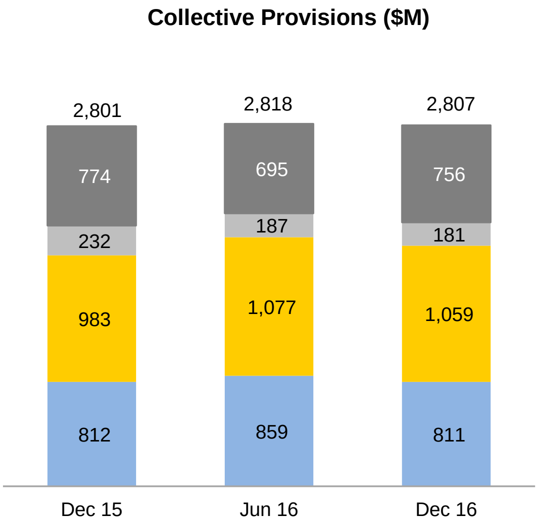
Total provisions for impairment losses increased 3% on the prior comparative period to $3,824 million as at 31 December 2016. The movement in the level of provisioning reflects:

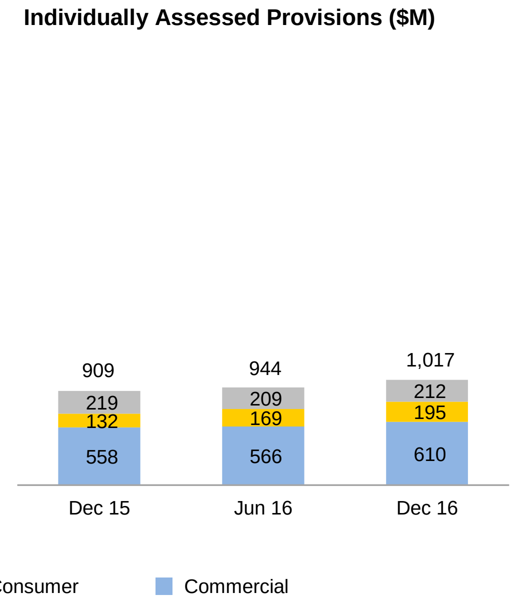
- An increase in consumer collective provisions from home loans and personal loans in Retail Banking Services;
- Higher consumer individually assessed provisions mainly due to home loan impairments in Western Australia; and
- An increase in commercial individually assessed provisions from Institutional Banking and Markets and International Financial Services ("IFS"); partly offset by
- Lower collective provisions in Bankwest due to internal model factor updates and troublesome book run-off; and
- Reduced management overlays, mainly due to model factor updates. Economic overlays remained unchanged on the prior year.

December 2016 versus June 2016

Total provisions for impairment losses increased 2% on the prior half. The movement in the level of provisioning reflects:

- An increase in management overlays predominantly reflecting potential home loan losses in mining towns and Western Australia;
- Higher commercial individually assessed provisions in Institutional Banking and Markets and IFS; and
- An increase in consumer individually assessed provisions primarily due to home loan impairments in Western Australia; partly offset by
- A reduction in commercial collective provisions, mainly due to model factor updates; and
- Reduced consumer collective provisions, predominantly from lower personal loan arrears in Retail Banking Services. Economic overlays remained unchanged.





Loan Impairment Provisions and Credit Quality (continued)

Credit Quality

Credit Quality Metrics	Half Year Ended 31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Gross loans and acceptances (GLAA) ($M)	**719,250**	701,730	675,728	2	6
Risk weighted assets (RWA) ($M) - Basel III	**436,481**	394,667	392,662	11	11
Credit RWA ($M) - Basel III	**373,526**	344,030	334,957	9	12
Gross impaired assets ($M)	**3,375**	3,116	2,788	8	21
Net impaired assets ($M)	**2,193**	1,989	1,756	10	25
Provision Ratios					
Collective provision as a % of credit RWA - Basel III	**0. 75**	0. 82	0. 84	(7)bpts	(9)bpts
Total provisions as a % of credit RWA - Basel III	**1. 02**	1. 09	1. 11	(7)bpts	(9)bpts
Total provisions for impaired assets as a % of gross impaired assets	**35. 02**	36. 17	37. 02	(115)bpts	(200)bpts
Total provisions for impairment losses as a % of GLAAs	**0. 53**	0. 54	0. 55	(1)bpt	(2)bpts
Asset Quality Ratios					
Gross impaired assets as a % of GLAAs	**0. 47**	0. 44	0. 41	3 bpts	6 bpts
Loans 90+ days past due but not impaired as a % of GLAAs	**0. 33**	0. 33	0. 30	-	3 bpts
Loan impairment expense ("cash basis") annualised as a % of average GLAAs	**0. 17**	0. 20	0. 17	(3)bpts	-

Provision Ratios

Management believe the Group's provision coverage ratios remain prudent. The impaired asset portfolio remains well provisioned with provision coverage of 35.02%.

Asset Quality

Gross impaired assets have increased over the half while commercial troublesome assets have decreased.

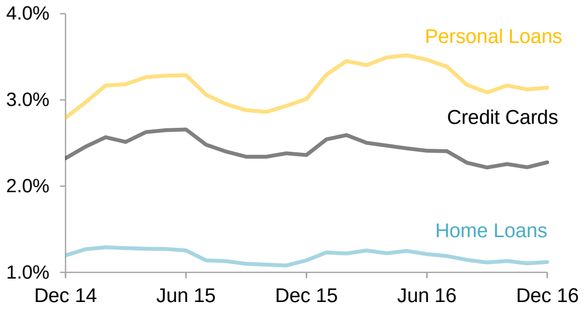
The arrears for the home loan and credit card portfolios are relatively low, however personal loan arrears continue to be elevated driven primarily by Western Australia and Queensland.

Retail Portfolios – Arrears Rates

Retail arrears across all products reduced during the current half reflecting seasonal trends.

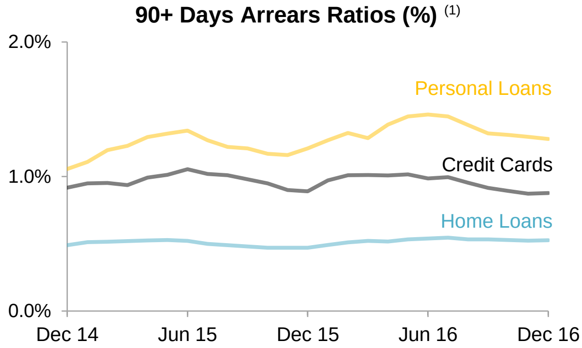
Home loan arrears reduced over the prior half, with 30+ days arrears decreasing from 1.21% to 1.12%, and 90+ days arrears reducing from 0.54% to 0.53%. Unsecured retail arrears improved over the half with credit card 30+ days arrears falling from 2.41% to 2.28%, and 90+ days arrears reducing from 0.99% to 0.88%. Personal loan arrears also improved with 30+ days arrears falling from 3.46% to 3.14% and 90+ days arrears falling from 1.46% to 1.28%.

30+ Days Arrears Ratios (%) (1)



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

90+ Days Arrears Ratios (%) (1)

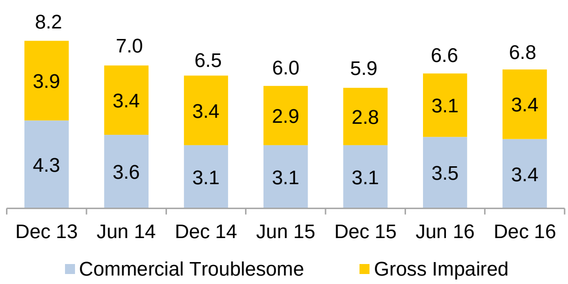


Troublesome and Impaired Assets

Commercial troublesome assets decreased 2% during the half to $3,420 million.

Gross impaired assets increased 8% on the prior half to $3,375 million. Gross impaired assets as a proportion of Gross Loans and Acceptances of 0.47% was up on the prior half.

Troublesome and Impaired Assets ($B)



Capital

Basel Regulatory Framework

Background

The Basel Committee on Banking Supervision ("BCBS") has implemented a set of capital, liquidity and funding reforms known as "Basel III". 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 major reforms are being implemented on a phased approach to 1 January 2019.

The capital reforms were implemented in Australia from 1 January 2013. APRA has adopted a more conservative approach than the minimum standards published by the BCBS and also adopted an accelerated timetable for implementation.

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%, was effective from 1 January 2016, bringing the CET1 requirement to at least 8%.

Financial System Inquiry

In December 2014, the Government released the final report of the Financial System Inquiry ("FSI").

In July 2015, in connection with the FSI recommendations, APRA released the following:

- Information paper: "International capital comparison study" ("APRA study"), which endorsed the FSI recommendation that the capital of Australian Authorised Deposit-taking Institutions ("ADIs") should be unquestionably strong; and
- An announcement in relation to increases in the capital requirements under the Internal Ratings Based ("IRB") approach for Australian residential mortgages, effective from 1 July 2016, with the change aimed at increasing mortgage competition between the major banks and non-major banks.

In August 2016, APRA reaffirmed its aim to increase the average risk weight on Australian mortgages across all IRB banks to an average of at least 25%. APRA has advised that both recalibration and modelling changes are likely to lead to some volatility in mortgage risk weights as these changes are finalised.

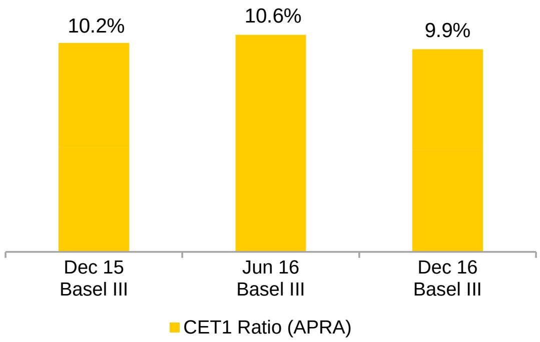
APRA is expected to consult further with the industry on the FSI recommendations during 2017.

(1) In January 2017, APRA announced that the CCyB for Australian exposures will remain at 0%. The Group has limited exposures to those offshore jurisdictions in which a CCyB in excess of 0% has been imposed.

Capital (continued)

Capital Position

The Group's CET1 ratio as measured on an APRA basis was 9.9% at 31 December 2016, compared with 10.6% at 30 June 2016 and 10.2% at 31 December 2015. The capital ratios were maintained well in excess of regulatory minimum capital adequacy requirements at all times throughout the half year ended 31 December 2016.



The Group's CET1 (APRA) ratio decreased 70 basis points for the half year ended 31 December 2016. After allowing for the implementation of the APRA requirement to hold additional capital of 80 basis points with respect to Australian residential mortgages, effective from 1 July 2016, the underlying increase in the Group's CET1 (APRA) ratio was 10 basis points on the prior half. This primarily reflected the impact of the capital generated from earnings, partly offset by the June 2016 final dividend (net of issuance of shares through the Dividend Reinvestment Plan ("DRP") and an increase in Risk Weighted Assets ("RWA").

APRA re-accredited the use of the Advanced Internal Ratings-Based ("AIRB") approach for the Bankwest non-retail portfolio, effective from 30 September 2016. This change had minimal impact on the Group's capital.

Capital Initiatives

The following CET1 capital initiatives were undertaken during the half year ended 31 December 2016:

- The DRP in respect of the 2016 final dividend was satisfied by the issuance of $586 million of ordinary shares, representing a participation rate of 15.4%.

Further details of the Group's current regulatory capital position are included in Appendix 8.

Pillar 3 Disclosures

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

Other Regulatory Changes

Basel Committee on Banking Supervision

The BCBS has issued a number of consultation documents associated with:

- Design of a framework for the application of capital floors based on standardised approaches;
- Revisions to the standardised approach for credit risk;
- Implementation of constraints on the use of internal credit risk models; and
- Revisions to operational risk.

In addition, the BCBS completed a review of the trading book requirements in January 2016 with an effective implementation date of 1 January 2019. The review of Interest Rate Risk in the Banking Book ("IRRBB") was completed in April 2016, with the BCBS concluding that there will be no requirement to include this risk in the regulatory capital calculation. However, additional disclosure requirements will be implemented from 1 January 2018.

APRA is expected to consult on the domestic application of all of the above changes following finalisation by the BCBS.

Composition of Level 2 ADI Groups

In May 2014, APRA provided more clarity on the definition of the Level 2 Banking Group. Subsidiary intermediate holding companies are considered part of the Level 2 Group, regardless of the nature of any activity undertaken by their operating subsidiaries. As a result, capital benefits arising from the debt issued by the Colonial Group are being phased out. APRA granted transition arrangements on these changes, in line with the maturity profile of the debt.

From 31 December 2016, a number of intermediate holding companies within the Colonial Group are now consolidated into the Level 2 Banking Group. This change had minimal impact on the Group's capital.

Conglomerate Groups

APRA is extending its prudential supervision framework to Conglomerate Groups that have material operations in more than one APRA regulated industry and/or have one or more material unregulated entities. In March 2016, APRA advised that it was deferring finalisation of the capital requirements with respect to conglomerates until after the completion of other domestic and international policy initiatives. APRA does not anticipate that consultation on the capital requirements will commence earlier than mid-2017. Non-capital related requirements, which include such items as governance, risk exposures and intra group exposures, will become effective on 1 July 2017.

Financial System Regulation in the United States

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

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

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

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

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

The Group is subject to certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank"). Dodd-Frank regulates many aspects of the business of banking in the United States and internationally. At this time, the Dodd-Frank Act has not had a material effect on the Group's operations, though the ongoing development and monitoring of required compliance programs may require the expenditure of resources and management attention.

The "Volcker Rule" adopted under Dodd-Frank prohibits banks and their affiliates from engaging in certain "proprietary trading" (but allows certain activities such as underwriting, market making-related and risk-mitigating hedging activities) and limits the sponsorship of, and investment in, private equity funds and hedge funds, subject to certain important exceptions and exemptions, including those listed above as well as exemptions applicable to certain transactions and investments occurring solely outside of the United States.

Other Dodd-Frank regulations impose minimum margin requirements on uncleared swaps, require the centralized execution and clearing of many categories of standardized over-the-counter ("OTC") derivatives on regulated trading platforms and clearing houses and provide for heightened supervision of OTC derivatives dealers and major market participants. To date, the U.S. Commodity Futures Trading Commission ("CFTC") has implemented a significant portion of its rules for the regulation of the OTC swaps market, including rules concerning the registration of swap dealers, recordkeeping and reporting of swaps data, and the clearing and trading of certain interest-rate and index credit default swaps. Because we are a registered swap dealer under the CFTC regulations, the Group is subject to these CFTC requirements as well as certain additional business conduct rules that apply to the Group's swap transactions with counterparties that are U.S. persons.

The CFTC has issued Cross-Border Guidance which, among other things, provides guidance as to the circumstances in which non-U.S. swap dealers, such as us, will not be subject to the CFTC's rules when dealing with non-U.S. counterparties. The Cross-Border Guidance establishes a framework for the CFTC to permit "substituted compliance" by swap dealers located in non-U.S. jurisdictions with non-U.S. regulatory schemes determined by the CFTC to be comparable to its own. The CFTC has made such a determination with respect to certain aspects of Australian law and regulation and we are able to rely on substituted compliance with respect to certain aspects of CFTC rules in connection with transactions with non-U.S. counterparties. The CFTC may issue further guidance in the future that could expand or limit the existing substituted compliance regime.

U.S. prudential regulators and the CFTC have finalized and issued their respective rules imposing initial and variation margin requirements on transactions in uncleared swaps and security-based swaps. Such requirements will become effective over a period of time that commenced in September 2016. The margin requirements can be expected to increase the costs of OTC derivative transactions and could adversely affect market liquidity. The requirement for swap dealers to collect and post variation margin with all counterparties, which was scheduled to take effect on March 1, 2017, has effectively been extended to September 1, 2017 through guidance issued by the regulators. However, compliance with respect to those counterparties to which a dealer has "significant exposure" is required on March 1, 2017.

Dodd-Frank also requires us to submit an annual U.S. resolution plan to the FRB and the FDIC for approval. We submitted our most recent annual U.S. resolution plan in December 15, 2016. We are also subject to "enhanced prudential regulations" under Reg. YY, Subpart N (effective July 1, 2016), which require quarterly and annual certification of compliance with the financial and risk oversight requirements thereof.

In 2010, the U.S. enacted the Foreign Account Tax Compliance Act (“FATCA”) that requires non-U.S. banks and other financial institutions to undertake specific customer due diligence and provide information on account holders who are U.S. citizens or residents to the United States Federal tax authority, the Internal Revenue Service (“IRS”). The United States has entered into intergovernmental agreements (“IGAs”) with a number of jurisdictions (including Australia and New Zealand) which generally require such jurisdictions to enact legislation or other binding rules pursuant to which local financial institutions and branches provide such information to their local revenue authority to then forward to the IRS. In countries that have not entered into such an agreement, the financial institution must enter into an agreement directly with the IRS to complete similar obligations and provide similar information directly to the United States. If the aforementioned customer due diligence and provision of account holder information is not undertaken and provided in a manner and form meeting the applicable requirements, the Group and/or persons owning assets in accounts with Group members may be subjected to a 30 percent withholding tax on certain amounts. While such withholding tax may currently apply only to certain payments derived from sources within the United States (and, beginning on January 1, 2019, certain gross proceeds from the disposition of assets that can give rise to such U.S. source payments), no such withholding tax will be imposed on any payments derived from sources outside the United States that are made prior to January 1, 2019, at the earliest. Australia and New Zealand have each signed an IGA with the United States and have enacted legislation to implement their respective IGAs. Local guidance in relation to the enacted legislation is still evolving.

In addition to FATCA, the U.S. may require the Group in certain circumstances to provide certain information to U.S. payers (withholding agents, custodians, etc.), and the Group may face adverse consequences in case it does not provide such information in compliance with the applicable rules and regulations.

A major focus of U.S. governmental policies affecting financial institutions has been combating money laundering and terrorist financing. The USA PATRIOT Act of 2001 (the "Patriot Act") substantially broadened the scope of U.S. anti-money laundering laws by imposing significant compliance and due diligence obligations, identifying crimes and stipulating penalties and expanding the extra-territorial jurisdiction of the U.S. The U.S. Treasury Department has issued a number of regulations implementing various requirements of the Patriot Act that apply to U.S. financial institutions, including subsidiaries and branches of foreign banks such as our U.S. broker-dealer subsidiary and our New York branch.

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

Group Operations and Business Settings

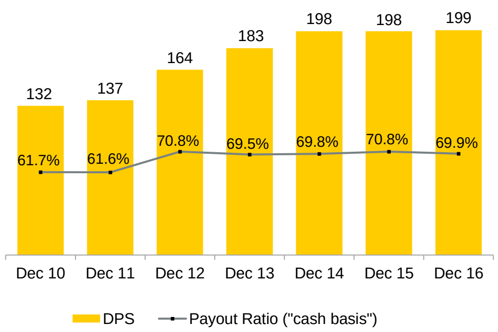
Dividends

Interim Dividend for the Half Year Ended 31 December 2016

An interim dividend of $1.99 per share has been declared, an increase of 1 cent on the prior comparative period. The dividend payout ratio ("cash basis") for the half year to 31 December 2016 was 69.9%.

The interim dividend will be fully franked and is scheduled to be paid on 4 April 2017 to owners of ordinary shares at the close of business on 23 February 2017 (record date). Shares were quoted ex-dividend on 22 February 2017.

Interim Dividend History (cents per share)



Dividend Reinvestment Plan ("DRP")

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

Dividend Policy

The Group 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.

Leverage Ratio

Summary Group Leverage Ratio	As at 31 Dec 16	30 Jun 16	31 Dec 15	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Tier 1 Capital ($M)	**50,218**	48,553	47,972	3	5
Total Exposures ($M) (1)	**1,018,931**	980,846	952,969	4	7
Leverage Ratio (APRA) (%)	**4. 9**	5. 0	5. 0	(10)bpts	(10)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".

The Group's leverage ratio, defined as Tier 1 Capital as a percentage of total exposures, was 4.9% at 31 December 2016 on an APRA basis.

There was a small decline in the ratio across the December 2016 half year with growth in exposures partly offset by an increase in capital levels.

The BCBS has advised that the leverage ratio will migrate to a Pillar 1 minimum capital requirement of 3% from 1 January 2018. The BCBS will confirm the final calibration in 2017.

Liquidity

Level 2	As at 31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Liquidity Coverage Ratio (LCR) Liquid Assets					
High Quality Liquid Assets (HQLA) (1)	**96,244**	75,147	73,657	28	31
Committed Liquidity Facility (CLF)	**58,500**	58,500	66,000	-	(11)
Total LCR liquid assets	**154,744**	133,647	139,657	16	11
Net Cash Outflows (NCO)					
Customer deposits	**71,418**	70,139	67,137	2	6
Wholesale funding (2)	**24,705**	19,406	25,316	27	(2)
Other net cash outflows (3)	**18,693**	21,854	20,754	(14)	(10)
Total NCO	**114,816**	111,399	113,207	3	1
Liquidity Coverage Ratio (%)	**135**	120	123	large	large
LCR surplus	**39,928**	22,248	26,450	79	51

(1) Includes all repo-eligible securities with the Reserve Bank of New Zealand. The Exchange Settlement Account ("ESA") cash balance is netted down by the Reserve Bank of Australia ("RBA") open-repo of internal Residential Mortgage-Backed Securities ("RMBS").

(2) Includes all interbank deposits that are included as short-term wholesale funding on page 92.

(3) Includes cash inflows.

December 2016 versus December 2015

The Group believe that it holds high quality, well diversified liquid assets to meet Balance Sheet liquidity needs and internal and external regulatory requirements, such as APRA's Liquidity Coverage Ratio ("LCR"). At 31 December 2016, the Group's LCR was 135%, up from 123% on the prior comparative period.

High Quality Liquid Assets ("HQLA") in the form of cash, deposits with central banks, Australian Commonwealth Government and Semi-Government securities increased $23 billion to $96 billion, as the group managed its liquidity position ahead of a reduction of $10 billion in the RBA's CLF effective 1 January 2017.

Liquid assets surplus to regulatory requirements increased to $40 billion, with total liquid assets as at 31 December 2016 of $155 billion, including the CLF.

Projected Net Cash Outflows ("NCOs") increased $2 billion on the prior comparative period to $115 billion. Projected customer deposit cash outflows increased $4 billion to $71 billion reflecting the increase in customer deposit balances.

December 2016 versus June 2016

At 31 December 2016, the Group's LCR was 135%, up from 120% on the prior half. LCR liquid assets of $155 billion increased $21 billion on the prior half, primarily due to an increase in projected net cash outflows in anticipation of a decrease in the CLF of $10 billion on 1 January 2017.

Projected NCOs increased $3 billion on the prior half, primarily due to an increase in wholesale funding maturing in the next 30 days. This includes elevated covered bond maturities on the five year anniversary of the program establishment.

Liquidity and Capital Resources

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 and strategy, a risk appetite statement, liquidity risk tolerances, 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 ADIs are subject to the LCR, implemented by the Australian Prudential Regulation Authority (APRA) in ADI Prudential Standard 210 (APS 210). The LCR requires locally-incorporated ADIs to maintain liquid assets to cover NCOs 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 are defined as HQLA, and include cash and government and semi-government debt.

As a shortfall in HQLA exists in Australia relative to the aggregate LCR requirement, the RBA has provided eligible ADIs with a CLF. Under the CLF, the RBA has committed to provide crisis funding secured against approved securities, up to an amount set annually by APRA, for each participating ADI.

Risk tolerances and active forecasting of the LCR ensure that the Group maintains a superior level of liquidity at all times relative to regulatory requirements. Group Treasury works to ensure that the Group is well placed to meet emerging regulation such as the Net Stable Funding Ratio, which is due to be implemented in 2018.

The Group's liquidity and funding policies also establish a framework that seeks to ensure the Group has:

- Predominantly customer deposit funding;
- Diverse and stable sources of wholesale funding;
- A buffer over the regulatory requirement of a 100% LCR;
- Short and long-term wholesale funding limits, which are reviewed regularly and are based on an assessment of the Group's capacity to borrow in the markets;
- Stress tests, covering a range of short-term and protracted idiosyncratic and market-wide stress scenarios, to identify potential sources of liquidity 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 of high quality securities eligible for repurchase with central banks, managed within specific concentration limits, and designated as liquid assets under the LCR, including:
  - HQLA such as cash, government and semi-government bonds;
  - ADI-issued securities, eligible securitisations and covered bonds, and securities issued by supranationals, all of which are repo-eligible by the RBA under normal operations and in crisis under the CLF; and
  - Internal securitisations, being assets securitised by the Group and retained on the Balance Sheet that can be used as collateral for crisis funding from the RBA under the CLF; and
- Specific foreign currency limits and policies that apply to offshore branches and subsidiaries, designed to ensure the holding of appropriate foreign currency liquid assets. Foreign currency liquid assets provide liquidity in addition to the domestic liquid asset portfolio.

The Group's key liquidity risk management measures include:

- An LCR model incorporating the APRA defined behaviour of cash flows in a prescribed liquidity crisis over 30 days. The model calculates the actual and forecast LCR, and is used to monitor the buffer over the regulatory requirement;
- A going concern model that is used to analyse and forecast funding needs over the medium-term;
- Supplementary stress tests used to validate management buffers contained in the 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 a wide range of retail transaction accounts, investment accounts and retirement style accounts for individual consumers;
- Its small business and institutional deposit base;
- Its wholesale international and domestic funding programs that include its Australian dollar Negotiable Certificates of Deposit, Australian dollar bank bills, 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
- Other contingent funding sources including access to various central bank repurchase agreement facilities, such as the CLF, providing the Group with the ability to borrow funds on a secured basis, even when normal markets are not available.

Liquidity and Capital Resources (continued)

	Half Year Ended		
	31 Dec 16	30 Jun 16	31 Dec 15
Debt Issues	$M	$M	$M
Total short-term debt issues	71,927	64,459	66,118
Total long-term debt issues	103,656	96,825	94,680
Total debt issues	175,583	161,284	160,798

	Half Year Ended		
	31 Dec 16	30 Jun 16	31 Dec 15
Debt Issues	$M	$M	$M
Maturity Distribution of Debt Issues (1)			
Less than three months	32,114	18,886	25,259
Between three and twelve months	39,813	45,573	40,859
Between one and five years	80,023	76,203	75,795
Greater than five years	23,633	20,622	18,885
Total debt issues	175,583	161,284	160,798

(1) Represents the contractual maturity of the underlying instruments; other than for RMBS which is based on expected life.

Access in a timely and flexible manner to a diverse range of debt markets and investors is provided by the following programmes as at 31 December 2016.

Debt Programmes and Issuing Shelves

Programme/Issue Shelf	Programme/Issuing Shelf Type
Australia	
Unlimited	Domestic Debt Issuance Programme
Unlimited	CHCL Debt Issuance Programme
Euro Market	
€7 billion	ASB Covered Bond Programme (1)
US$7 billion	ASB Euro Commercial Paper Programme (1)
US$20 billion	CBA Euro Commercial Paper Programme
US$70 billion	Euro Medium-Term Note Programme (2)(3)
Asia	
¥500 billion	Uridashi Shelf (3)
¥500 billion	Samurai Shelf (3)
New Zealand	
Unlimited	ASB Domestic Medium-Term Note Programme (4)
Unlimited	ASB Registered Certificate of Deposit Programme (4)
United States	
US$7 billion	ASB Commercial Paper Programme (1)
US$35 billion	CBA Commercial Paper Programme
US$50 billion	U.S. Rule 144A / Regulation S Medium-Term Note Programme
US$30 billion	CBA Covered Bond Programme
US$25 billion	CBA 3(a)(2) Medium-Term Note Programme

(1) ASB Finance Limited is the issuer under these programmes. Issuances are unconditionally and irrevocable guaranteed by ASB Bank Limited.
(2) This is a joint programme between CBA and ASB Finance Limited. Issuance by ASB Finance Limited under the programme is unconditionally and irrevocable guaranteed by ASB Bank Limited.
(3) Amounts are also reflected under the US$70 billion Euro Medium-Term Note Programme.
(4) ASB Bank Limited is the issuer under these programmes.

In addition to the debt programmes listed above, the Group has made certain contractual and commercial commitments to make expenditures. The contractual obligations profile of the Group is presented under Note 30 of the 2016 Financial Report. The Group is not aware of any material changes to this profile since 30 June 2016.

For more information on the Group's funding programs and liquidity and capital resources, see Note 34 of the 2016 Financial Report.

Details of the Group's regulatory capital position and capital management activities are disclosed in Appendix 8 to this Document and Note 25 of the 2016 Financial Report.

Recent Market Environment

Long-term wholesale funding ("LTWF") conditions improved over the second half of calendar year 2016 despite challenging global economic and political developments. Credit spreads were lower across a range of key international markets as well as domestically. However the introduction of money market reforms in the U.S. saw the cost of issuing Commercial Paper ("CP") rise significantly as investors shifted out of Prime funds in to Government funds.

The Group has managed its debt portfolio to avoid concentrations such as dependence on single sources of funding, by type or by investor, and continues to maintain a diversified funding base and significant funding capacity in the domestic and global unsecured and covered bond debt markets.

Details of the Group's regulatory capital position and capital management activities are disclosed on pages 29 to 30 of this Document.

Off-Balance Sheet Arrangements

For further details regarding the Group's off-balance sheet arrangements, please see "Off-Balance Sheet Arrangements" beginning on page 91 of the 2016 Annual U.S. Disclosure Document.

Corporate Governance

Changes to Executive Team

On 30 June 2016, Alden Toevs retired as Group Chief Risk Officer. David Cohen, formerly Group General Counsel and Group Executive Group Corporate Affairs assumed the role of Group Chief Risk Officer on 1 July 2016.

On 28 November 2016, Anna Lenahan joined the Bank as Group General Counsel and Group Executive, Group Corporate Affairs.

Changes to Board of Directors

On 9 November 2016, Sir John Anderson retired as an independent Non-Executive Director of the Bank.

On 31 December 2016, David Turner retired as Chairman of the Bank and was succeeded by Catherine Livingstone AO with effect from 1 January 2017.

Funding

Group Funding (1)	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
	As at				
Customer deposits	541,351	517,974	500,356	5	8
Short-term wholesale funding (2)	116,186	110,714	108,783	5	7
Long-term wholesale funding - less than or equal to one year residual maturity	29,780	29,297	28,075	2	6
Long-term wholesale funding - more than one year residual maturity (3)	126,062	118,121	113,332	7	11
IFRS MTM and derivative FX revaluations	1,489	4,149	2,488	(64)	(40)
Total wholesale funding	273,517	262,281	252,678	4	8
Short-term collateral deposits (4)	9,813	8,323	9,942	18	(1)
Total funding	824,681	788,578	762,976	5	8

(1) Shareholders' Equity is excluded from this view of funding sources, other than the USD Trust Preferred Securities (redeemed March 2016), which are classified as other equity instruments in the statutory Balance Sheet.

(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 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 RMBS pledged with the Reserve Bank to facilitate intra-day cash flows in the Exchange Settlement Account.

December 2016 versus December 2015

Customer Deposits

Customer deposits accounted for 66% of total funding at 31 December 2016, in line with the prior comparative period. Strong deposit growth has seen the Group satisfy a significant proportion of its funding requirements from retail, business and institutional customer deposits.

Short-Term Wholesale Funding

Short-term wholesale funding accounted for 42% of total wholesale funding at 31 December 2016, a decrease of 1% on the prior comparative period. Short-term wholesale funding increased 7%, partly driven by funding of higher HQLA. Within short-term funding, US commercial paper outstanding fell due to regulatory changes for US investors, while non-US issuance increased due to higher investor appetite.

Long-Term Wholesale Funding

Long-term wholesale funding (including an adjustment for IFRS MTM and derivative FX revaluations) accounted for 58% of total wholesale funding at 31 December 2016, an increase of 1% on the prior comparative period.

During the current period, the Group raised $43 billion of long-term wholesale funding in multiple currencies including AUD, USD, EUR, and GBP. The cost of new long-term wholesale funding decreased compared to the prior comparative period.

Most issuance was in senior unsecured format, although the Group used its covered bond and RMBS programs to provide cost, tenor and diversification benefits. The Group also issued Basel III compliant Tier 2 capital deals in the Australian, Japanese and US markets.

The Weighted Average Maturity ("WAM") of new long-term wholesale debt issued in the year to December 2016 was 5.4 years. The WAM of outstanding long-term wholesale debt with a residual maturity greater than 12 months was 4.2 years at 31 December 2016.

Short-Term Collateral Deposits

Net collateral received remained flat on the prior comparative period.

December 2016 versus June 2016

Customer Deposits

Customer deposits accounted for 66% of total funding at 31 December 2016, in line with the prior half. Strong deposit growth has seen the Group satisfy a significant proportion of its funding requirements from retail, business and institutional customer deposits.

Short-Term Wholesale Funding

Short-term wholesale funding accounted for 42% of total wholesale funding at 31 December 2016, in line with the prior half. Short-term wholesale funding increased 5%, partly driven by funding of higher HQLA. Within short-term funding, US commercial paper increased once investors became comfortable with regulatory changes, and non-US issuance increased due to higher investor appetite.

Long-Term Wholesale Funding

Long-term wholesale funding (including an adjustment for IFRS MTM and derivative FX revaluations) accounted for 58% of total wholesale funding at 31 December 2016, in line with the prior half.

During the half, the Group raised $22 billion of long-term wholesale funding. The cost of new long-term funding improved marginally on the prior half as markets shrugged off any potential negative sentiment associated with the US Presidential election result, a 25 basis points Federal Reserve rate rise, higher global bond yields, and Brexit.

The WAM of new long-term wholesale debt issued in the six months to December 2016 was 5.7 years.

Short-Term Collateral Deposits

Net collateral received increased $1 billion, largely due to the impact of the lower Australian dollar.

For further information on Funding risk, please refer to Appendix 6.

Contents

Section 5 – Divisional Performance

	Half Year Ended (1)				
	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Net interest income	4,584	4,417	4,300	4	7
Other banking income	1,006	853	941	18	7
Total banking income	5,590	5,270	5,241	6	7
Operating expenses	(1,722)	(1,679)	(1,694)	3	2
Loan impairment expense	(350)	(357)	(306)	(2)	14
Net profit before tax	3,518	3,234	3,241	9	9
Corporate tax expense	(1,052)	(966)	(969)	9	9
Net profit after tax - "cash basis"	2,466	2,268	2,272	9	9
Net profit after tax - "statutory basis"	2,466	2,268	2,272	9	9
Income analysis					
Net interest income					
Home loans	2,147	1,947	2,002	10	7
Consumer finance (2)	1,004	1,024	1,007	(2)	-
Retail deposits	1,399	1,411	1,248	(1)	12
Other (3)	34	35	43	(3)	(21)
Total net interest income	4,584	4,417	4,300	4	7
Other banking income					
Home loans	110	106	115	4	(4)
Consumer finance (2)	310	225	282	38	10
Retail deposits	287	251	260	14	10
Distribution (4)	227	202	220	12	3
Other (3)	72	69	64	4	13
Total other banking income	1,006	853	941	18	7
Total banking income	5,590	5,270	5,241	6	7

	As at (1)				
Balance Sheet	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Home loans (5)	325,794	313,682	301,177	4	8
Consumer finance (2)	17,229	17,228	17,316	-	(1)
Other interest earning assets	3,042	2,870	2,891	6	5
Total interest earning assets	346,065	333,780	321,384	4	8
Other assets	1,406	852	788	65	78
Total assets	347,471	334,632	322,172	4	8
Transaction deposits (6) (7)	23,013	18,084	32,655	27	(30)
Savings deposits (6)	120,073	118,913	118,544	1	1
Investment deposits and other	76,676	73,111	74,038	5	4
Total interest bearing deposits	219,762	210,108	225,237	5	(2)
Non-interest bearing transaction deposits (7)	27,241	25,338	6,093	8	large
Other non-interest bearing liabilities	2,685	3,078	2,354	(13)	14
Total liabilities	249,688	238,524	233,684	5	7

	Half Year Ended (1)				
Key Financial Metrics	31 Dec 16	30 Jun 16	31 Dec 15	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Performance indicators					
Statutory return on assets (%)	1. 4	1. 4	1. 4	-	-
Statutory impairment expense annualised as a % of average GLAAs (%)	0. 20	0. 22	0. 19	(2)bpts	1 bpt
Statutory operating expenses to total banking income (%)	30. 8	31. 9	32. 3	(110)bpts	(150)bpts
Other asset/liability information					
Average interest earning assets ($M) (8)	313,679	303,842	297,820	3	5
Average interest bearing liabilities ($M) (8)	189,004	191,516	201,967	(1)	(6)

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.
(2) Consumer finance includes personal loans and credit cards.
(3) Other includes asset finance, merchants and business lending.
(4) Distribution includes income associated with the sale of foreign exchange products, and commissions received from the distribution of wealth management products through the retail network.
(5) Gross of mortgage offset balances.
(6) Includes mortgage offset balances.
(7) During the prior half, following a change in terms, Interest bearing transaction deposits of $17,353 million became Non-interest bearing and have been disclosed accordingly.
(8) Net of average mortgage offset balances.

Retail Banking Services

Financial Performance and Business Review

December 2016 versus December 2015

Retail Banking Services net profit after tax ("statutory basis") for the half year ended 31 December 2016 was $2,466 million, an increase of 9% on the prior comparative period. The result was driven by strong growth in total banking income, partly offset by higher expenses and increased loan impairment expense.

Net Interest Income

Net interest income was $4,584 million, an increase of 7% on the prior comparative period. This reflected strong balance growth in home lending and deposits, and improved net interest margin.

Balance Sheet growth included:

- Home loan growth of 8%, reflecting above system growth; and
- Total deposit balance growth of 7%, resulting from solid growth in transaction and investment accounts; partly offset by
- Consumer finance decrease of 1%, broadly in line with system.

Net interest margin improved, reflecting:

- Higher home lending margin driven by pricing, partly offset by higher cash basis risk; and
- Increased deposit margins, in particular savings margins, partly offset by a reduction in the cash rate.

Other Banking Income

Other banking income was $1,006 million, an increase of 7% on the prior comparative period, reflecting:

- Higher consumer finance income, driven by lower customer reward program costs, higher purchases, and increased foreign exchange income; and
- An increase in deposit fee income from higher transaction volumes.

Operating Expenses

Operating expenses were $1,722 million, an increase of 2% on the prior comparative period. The key drivers were higher staff costs, increased amortisation and ongoing investment in technology and digital capabilities, partly offset by the benefit of productivity savings.

The statutory operating expense to total banking income ratio was 30.8%, a decrease of 150 basis points on the prior comparative period.

Loan Impairment Expense

Loan impairment expense was $350 million, an increase of 14% on the prior comparative period. This result was driven by higher losses from home and personal loans, predominantly in Western Australia.

December 2016 versus June 2016

Net profit after tax ("statutory basis") increased 9% on the prior half. The result was driven by strong revenue growth and lower loan impairment expense, partly offset by higher expenses.

Net Interest Income

Net interest income increased 4% on the prior half, reflecting solid balance growth in home lending and deposits, partly offset by lower net interest margin.

Balance Sheet growth included:

- Home loan growth of 4%, reflecting above system growth;
- Total deposit balance growth of 5%, driven by growth in transaction and investment accounts; and
- Flat consumer finance balances, broadly in line with system.

Net interest margin decreased, reflecting continued competition in deposits and the impact of a cash rate reduction on deposits.

Other Banking Income

Other banking income increased 18% on the prior half, reflecting:

- Higher consumer finance income, driven by lower customer reward program costs, seasonally higher credit card purchases, and increased foreign exchange income;
- An increase in deposit fee income from higher transaction volumes; and
- Higher distribution income, driven by increased foreign exchange transactions.

Operating Expenses

Operating expenses increased 3% on the prior half, driven by higher staff costs and amortisation, and continued investment in technology and digital capabilities, partly offset by benefits from productivity initiatives.

The statutory operating expense to total banking income ratio improved 110 basis points on the prior half.

Loan Impairment Expense

Loan impairment expense decreased 2% on the prior half. This was driven by seasonally lower arrears, partly offset by the deterioration in Western Australia home and personal loans arrears.

	Half Year Ended (1)				
	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Net interest income	**1,513**	1,496	1,505	1	1
Other banking income	**458**	425	414	8	11
Total banking income	**1,971**	1,921	1,919	3	3
Operating expenses	**(775)**	(746)	(742)	4	4
Loan impairment expense	**(64)**	(106)	(70)	(40)	(9)
Net profit before tax	**1,132**	1,069	1,107	6	2
Corporate tax expense	**(341)**	(321)	(333)	6	2
Net profit after tax - "cash basis"	**791**	748	774	6	2
Net profit after tax - "statutory basis"	**791**	748	774	6	2
Income analysis					
Net interest income					
Corporate Financial Services	**548**	545	559	1	(2)
Regional and Agribusiness	**282**	272	274	4	3
Business Banking SME	**452**	450	448	-	1
Private Bank	**153**	154	150	(1)	2
CommSec	**78**	75	74	4	5
Total net interest income	**1,513**	1,496	1,505	1	1
Other banking income					
Corporate Financial Services	**179**	153	153	17	17
Regional and Agribusiness	**50**	47	44	6	14
Business Banking SME	**91**	87	85	5	7
Private Bank	**33**	30	30	10	10
CommSec	**105**	108	102	(3)	3
Total other banking income	**458**	425	414	8	11
Total banking income	**1,971**	1,921	1,919	3	3
Income by product					
Business products	**1,158**	1,115	1,128	4	3
Retail products	**556**	540	521	3	7
Equities and Margin Lending	**155**	166	163	(7)	(5)
Markets	**69**	68	70	1	(1)
Other	**33**	32	37	3	(11)
Total banking income	**1,971**	1,921	1,919	3	3

	As at (1)				
Balance Sheet	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Home loans (2)	**32,661**	31,987	30,748	2	6
Consumer finance	**643**	630	651	2	(1)
Business loans (3)	**68,249**	65,446	62,692	4	9
Margin loans	**2,575**	2,697	2,821	(5)	(9)
Total interest earning assets	**104,128**	100,760	96,912	3	7
Non-lending interest earning assets	**290**	238	346	22	(16)
Other assets (4)	**136**	454	318	(70)	(57)
Total assets	**104,554**	101,452	97,576	3	7
Transaction deposits (3) (5) (6)	**12,714**	12,024	11,721	6	8
Savings deposits (5)	**32,409**	30,812	29,657	5	9
Investment deposits and other	**27,397**	25,773	25,557	6	7
Total interest bearing deposits	**72,520**	68,609	66,935	6	8
Non-interest bearing transaction deposits (6)	**7,300**	6,738	5,378	8	36
Other non-interest bearing liabilities	**552**	834	645	(34)	(14)
Total liabilities	**80,372**	76,181	72,958	6	10

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.
(2) Gross of mortgage offset balances.
(3) Business loans include $248 million of Cash Management Pooling Facilities ("CMPF") (30 June 2016: $281 million; 31 December 2015: $288 million). Transaction Deposits include $808 million of CMPF liabilities (30 June 2016: $778 million; 31 December 2015: $678 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) Includes mortgage offset balances.
(6) During the prior half, following a change in terms, Interest bearing transaction deposits of $961 million became Non-interest bearing and have been disclosed accordingly.

Business and Private Banking

Key Financial Metrics	31 Dec 16	30 Jun 16	31 Dec 15	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
	Half Year Ended (1)				
Performance indicators					
Statutory return on assets (%)	**1. 5**	1. 5	1. 6	-	(10)bpts
Statutory impairment expense annualised as a % of average GLAAs (%)	**0. 12**	0. 22	0. 14	(10)bpts	(2)bpts
Statutory operating expenses to total banking income (%)	**39. 3**	38. 8	38. 7	50 bpts	60 bpts
Other asset/liability information					
Average interest earning assets ($M) (2)	**99,282**	95,543	92,845	4	7
Average interest bearing liabilities ($M) (2)	**68,450**	65,271	63,279	5	8

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.
(2) Net of average mortgage offset balances.

Financial Performance and Business Review

December 2016 versus December 2015

Business and Private Banking net profit after tax ("statutory basis") for the half year ended 31 December 2016 was $791 million, an increase of 2% on the prior comparative period. The result was driven by growth in total banking income, and lower loan impairment expense, partly offset by higher expenses.

Net Interest Income

Net interest income was $1,513 million, an increase of 1% on the prior comparative period. This was driven by strong growth in business lending balances and deposits, partly offset by lower net interest margins.

Balance Sheet growth included:

- Deposit growth of 10%, resulting from strong growth in savings accounts and term deposits;
- Business lending growth of 9%, with growth across most industries. Geographically, the growth was driven by New South Wales and Victoria; and
- Home loan growth of 6%, driven by growth in owner occupied loans.

Net interest margin decreased, reflecting lower business lending and deposit margins. Business lending margins were lower due to competitive pricing pressure, higher funding costs and a mix shift towards products with a higher relative proportion of fee income. Deposit margins were impacted by lower cash rates and increased term deposit competition, partly offset by repricing.

Other Banking Income

Other banking income was $458 million, an increase of 11% on the prior comparative period, reflecting:

- Higher business lending fee income; and
- Increased merchant income driven by the interchange rate reduction.

Operating Expenses

Operating expenses were $775 million, an increase of 4% on the prior comparative period, reflecting higher staff costs, investment in frontline and product development initiatives, partly offset by productivity savings.

Loan Impairment Expense

Loan impairment expense was $64 million, a decrease of 9% on the prior comparative period. The decrease was driven by lower individual provisions, partly offset by lower levels of write-backs.

December 2016 versus June 2016

Net profit after tax ("statutory basis") increased 6% on the prior half. The result was driven by growth in total banking income, and lower loan impairment expense, partly offset by higher expenses.

Net Interest Income

Net interest income increased 1% on the prior half, reflecting solid lending and deposit balance growth, partly offset by lower net interest margins.

Balance Sheet growth included:

- Deposit growth of 6%, reflecting continued strong growth in savings and term deposits;
- Business lending growth of 4%; and
- Home loan growth of 2%.

Net interest margin decreased due to lower deposit and business lending margins. Deposit margins were impacted by the low cash rate environment and increased term deposit competition. Business lending margins were lower due to a mix shift towards fee based products.

Other Banking Income

Other banking income increased 8% on the prior half reflecting:

- Higher business lending fee income; and
- Increased merchant income.

Operating Expenses

Operating expenses increased 4% on the prior half, driven by higher staff expenses, investment in frontline and product development initiatives, partly offset by productivity savings.

Loan Impairment Expense

Loan impairment expense reduced $42 million on the prior half, reflecting a decrease in individual provisions and lower collective provisions.

	Half Year Ended (1)				
	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Net interest income	**761**	803	814	(5)	(7)
Other banking income	**724**	631	645	15	12
Total banking income	**1,485**	1,434	1,459	4	2
Operating expenses	**(545)**	(548)	(534)	(1)	2
Loan impairment expense	**(44)**	(112)	(140)	(61)	(69)
Net profit before tax	**896**	774	785	16	14
Corporate tax expense	**(213)**	(206)	(163)	3	31
Net profit after tax - "cash basis"	**683**	568	622	20	10
Net profit after tax - "statutory basis"	**683**	568	622	20	10
Income analysis					
Net interest income					
Institutional Banking	**692**	697	744	(1)	(7)
Markets	**69**	106	70	(35)	(1)
Total net interest income	**761**	803	814	(5)	(7)
Other banking income					
Institutional Banking	**400**	351	396	14	1
Markets	**324**	280	249	16	30
Total other banking income	**724**	631	645	15	12
Total banking income	**1,485**	1,434	1,459	4	2
Income by product					
Institutional products	**891**	895	941	-	(5)
Asset leasing	**158**	122	165	30	(4)
Markets	**419**	393	383	7	9
Other	**43**	31	34	39	26
Total banking income excluding derivative valuation adjustments	**1,511**	1,441	1,523	5	(1)
Derivative valuation adjustments	**(26)**	(7)	(64)	large	(59)
Total banking income	**1,485**	1,434	1,459	4	2

	As at (1)				
Balance Sheet	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Interest earning lending assets (2)	**109,755**	112,432	109,863	(2)	-
Non-lending interest earning assets	**29,152**	27,594	29,466	6	(1)
Other assets (3)	**38,718**	41,226	36,280	(6)	7
Total assets	**177,625**	181,252	175,609	(2)	1
Transaction deposits (2)	**40,136**	41,382	36,481	(3)	10
Savings deposits	**4,115**	6,350	5,808	(35)	(29)
Investment deposits	**45,457**	39,371	40,392	15	13
Certificates of deposit and other	**14,290**	14,435	12,262	(1)	17
Total interest bearing deposits	**103,998**	101,538	94,943	2	10
Due to other financial institutions	**15,477**	15,610	16,391	(1)	(6)
Debt issues and other (4)	**8,458**	9,064	8,058	(7)	5
Non-interest bearing liabilities (3)	**27,120**	28,307	24,812	(4)	9
Total liabilities	**155,053**	154,519	144,204	-	8

	Half Year Ended (1)				
Key Financial Metrics	31 Dec 16	30 Jun 16	31 Dec 15	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Performance indicators					
Statutory return on assets (%)	**0. 8**	0. 6	0. 7	20 bpts	10 bpts
Statutory impairment expense annualised as a % of average GLAAs (%)	**0. 08**	0. 20	0. 27	(12)bpts	(19)bpts
Statutory operating expenses to total banking income (%)	**36. 7**	38. 2	36. 6	(150)bpts	10 bpts
Other asset/liability information					
Average interest earning assets ($M)	**138,398**	138,001	135,702	-	2
Average interest bearing liabilities ($M)	**124,377**	120,257	120,162	3	4

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.
(2) Interest earning lending assets include $20,036 million of CMPF (30 June 2016: $23,743 million; 31 December 2015: $19,296 million). Transaction Deposits include $25,744 million of CMPF liabilities (30 June 2016: $29,319 million; 31 December 2015: $25,611 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, Liabilities at fair value and Loan capital.

Institutional Banking and Markets

Financial Performance and Business Review

December 2016 versus December 2015

Institutional Banking and Markets net profit after tax ("statutory basis") for the half year ended 31 December 2016 was $683 million, an increase of 10% on the prior comparative period. The result was driven by positive sales and trading revenue in Markets, lower losses from derivative valuation adjustments, and lower loan impairment expense.

Net Interest Income

Net interest income was $761 million, a decrease of 7% on the prior comparative period. The result was driven by lower margins, partly offset by balance growth.

Average balance growth included:

- Average deposit balance growth of 11%, resulting from growth in transaction and investment deposits;
- A 2% increase in average lending balances, driven by growth in strategic focus industries of Financial Institutions and Infrastructure, partly offset by active management of the portfolio; and
- Average leasing balances up 2%.

Net interest margin decreased, reflecting higher funding costs and continued competitive pressure on margins.

Other Banking Income

Other banking income was $724 million, an increase of 12% on the prior comparative period, reflecting:

- Strong Markets sales and trading performance, resulting in a $37 million increase on the prior comparative period; and
- Unfavourable derivative valuation adjustments of $26 million, compared to a $64 million unfavourable adjustment in the prior comparative period.

Operating Expenses

Operating expenses were $545 million, an increase of 2% on the prior comparative period. The increase was driven by investment in technology and higher risk and compliance costs, partly offset by the ongoing realisation of productivity benefits.

Loan Impairment Expense

Loan impairment expense was $44 million, a decrease of $96 million on the prior comparative period. The decrease was driven by lower collective provisions and a higher level of write-backs, partly offset by fewer recoveries.

Corporate Tax Expense

The corporate tax expense was $213 million. The effective tax rate of 23.8% was higher than the prior comparative period due to a higher proportion of profits earned domestically, where there is a higher corporate tax rate.

December 2016 versus June 2016

Net profit after tax ("statutory basis") increased 20% on the prior half. The result was driven by higher Markets and Asset Leasing revenue, lower operating expenses and lower loan impairment expense.

Net Interest Income

Net interest income decreased 5% on the prior half, driven by lower average balance growth and lower margins.

Average balance movement included:

- Average deposit balance growth of 7%; offset by
- Lower average lending balances of 3%, driven by industry wide contraction in Australian and New Zealand corporate lending volumes and active management of the portfolio; and
- Lower average leasing balances of 1%.

Net interest margin decreased, reflecting higher funding costs and strong competition for investment deposits.

Other Banking Income

Other banking income increased 15% on the prior half, due to:

- Strong trading revenues in Markets from fixed income and rates; and
- Timing of realised gains and losses on sale of assets in the structured asset finance portfolio.

Operating Expenses

Operating expenses decreased 1% on the prior half, driven by ongoing realisation of productivity benefits.

The statutory operating expense to total banking income ratio was 36.7%, a decrease of 150 basis points on the prior half.

Loan Impairment Expense

Loan impairment expense reduced $68 million on the prior half reflecting fewer large individual provisions.

Corporate Tax Expense

The effective tax rate was lower than the prior half due to a change in the mix of taxable earnings across domestic and offshore locations.

	Half Year Ended (1)				
	31 Dec 16	30 Jun 16	31 Dec 15	Dec 16 vs	Dec 16 vs
	$M	$M	$M	Jun 16 %	Dec 15 %
Funds management income	**933**	927	964	1	(3)
Insurance income	**220**	172	330	28	(33)
Total operating income	**1,153**	1,099	1,294	5	(11)
Operating expenses	**(847)**	(855)	(826)	(1)	3
Net profit before tax	**306**	244	468	25	(35)
Corporate tax expense	**(80)**	(51)	(132)	57	(39)
Underlying profit after tax	**226**	193	336	17	(33)
Investment experience after tax	**23**	43	40	(47)	(43)
Net profit after tax - "cash basis"	**249**	236	376	6	(34)
Other non-cash items	**(19)**	13	(9)	large	large
Net profit after tax - "statutory basis"	**230**	249	367	(8)	(37)
Represented by:					
CFS Global Asset Management	**125**	99	125	26	-
Colonial First State (2)	**92**	115	115	(20)	(20)
CommInsure	**106**	83	191	28	(45)
Other	**(93)**	(48)	(64)	94	45
Net profit after tax - "statutory basis"	**230**	249	367	(8)	(37)

	Half Year Ended (1)				
				Dec 16 vs	Dec 16 vs
Key Financial Metrics	31 Dec 16	30 Jun 16	31 Dec 15	Jun 16 %	Dec 15 %
Performance indicators					
Statutory operating expenses to total operating income (%)	**71. 5**	70. 6	61. 7	90 bpts	large
FUA - average ($M)	**138,146**	134,292	134,352	3	3
FUA - spot ($M)	**140,820**	135,801	135,476	4	4
AUM - average ($M) (3)	**201,967**	195,513	199,294	3	1
AUM - spot ($M) (3)	**203,223**	199,735	195,248	2	4
Annual inforce premiums - average ($M)	**2,505**	2,480	2,470	1	1
Annual inforce premiums - spot ($M)	**2,520**	2,508	2,472	-	2

	Half Year Ended (1)											
	CFS Global Asset Management			Colonial First State (2)			CommInsure			Other		
	Dec 16	Jun 16	Dec 15	Dec 16	Jun 16	Dec 15	Dec 16	Jun 16	Dec 15	Dec 16	Jun 16	Dec 15
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Funds management income	**425**	405	437	**447**	462	467	**61**	60	60	**-**	-	-
Insurance income	**-**	-	-	**-**	-	-	**220**	172	330	**-**	-	-
Total operating income	**425**	405	437	**447**	462	467	**281**	232	390	**-**	-	-
Operating expenses	**(258)**	(287)	(285)	**(323)**	(302)	(307)	**(161)**	(177)	(162)	**(105)**	(89)	(72)
Net profit before tax	**167**	118	152	**124**	160	160	**120**	55	228	**(105)**	(89)	(72)
Corporate tax (expense)/benefit	**(37)**	(20)	(29)	**(37)**	(48)	(51)	**(36)**	(13)	(67)	**30**	30	15
Underlying profit after tax	**130**	98	123	**87**	112	109	**84**	42	161	**(75)**	(59)	(57)
Investment experience after tax	**(5)**	1	2	**5**	3	6	**22**	41	30	**1**	(2)	2
Net profit/(loss) after tax - "cash basis"	**125**	99	125	**92**	115	115	**106**	83	191	**(74)**	(61)	(55)
Other non-cash items	**-**	-	-	**-**	-	-	**-**	-	-	**(19)**	13	(9)
Net profit/(loss) after tax - "statutory basis"	**125**	99	125	**92**	115	115	**106**	83	191	**(93)**	(48)	(64)

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.
(2) Colonial First State incorporates the results of all Financial Planning businesses.
(3) AUM excludes the Group's interest in the First State Cinda Fund Management Company Limited.

Wealth Management

Financial Performance and Business Review

December 2016 versus December 2015

Wealth Management net profit after tax ("statutory basis") for the half year ended 31 December 2016 was $230 million, a decrease of 37% on the prior comparative period. The result was driven by an 11% decrease in total operating income, higher operating expenses and lower investment experience. Insurance income was down 33%, with strong growth in general insurance income offset by a significantly lower life insurance result.

Funds Management Income

Funds management income was $933 million, a decrease of 3% on the prior comparative period.

Average AUM increased 1% to $202 billion, reflecting positive investment markets performance, partly offset by the impact of the higher Australian dollar. Investment performance in CFS Global Asset Management remained strong with 75% of assets outperforming their three year benchmark. Net flows in emerging market equities were impacted by macroeconomic factors, partly offset by positive flows in the infrastructure business. Demand for cash investments remained strong throughout the year.

AUM margins declined slightly reflecting a change in mix toward lower margin investments in a volatile economic environment.

Average FUA increased 3% to $138 billion. The FirstChoice and Custom Solutions platforms experienced continued growth in average FUA of 4% and 11% respectively, reflecting solid performance in investment markets and positive net flows in Custom Solutions.

FUA margins declined due to provisioning for advice customer remediation costs while underlying platform margins remained stable.

Insurance Income

Insurance income was $220 million, a decrease of 33% on the prior comparative period.

General insurance income experienced strong growth as a result of fewer and less severe weather events and a 9% increase in inforce premiums due to higher renewals.

Wholesale life insurance income decreased slightly reflecting higher claims experience, partly offset by benefits from new business.

Retail life income decreased due to higher claims. In addition, an increase in income protection claims reserves resulted in loss recognition of $90 million.

Operating Expenses

Operating expenses were $847 million, an increase of 3% on the prior comparative period. This was driven by increased investment spend, and higher compliance and remediation program costs, partly offset by the benefit of the higher Australian dollar.

Investment Experience

Investment experience after tax decreased 43% as a result of lower returns from shareholder assets and non-recurring revaluation gains.

December 2016 versus June 2016

Net profit after tax ("statutory basis") decreased 8% on the prior half driven by a Treasury shares valuation adjustment for unrealised gains on the Group's shares and lower investment experience, partly offset by strong growth in insurance income and lower operating expenses.

Funds Management Income

Funds management income increased 1% on the prior half.

Average AUM increased 3%, reflecting investment market performance, partly offset by the impact of the higher Australian dollar. AUM margins remained stable.

Average FUA increased 3% driven by positive investment market returns and positive net flows.

FUA margins declined due to provisioning for advice customer remediation costs while platform margins remained stable.

Insurance Income

Insurance income increased 28% on the prior half.

General insurance income increased as a result of fewer and less severe weather events and solid growth in inforce premiums due to higher renewals and new business sales.

Wholesale life results decreased slightly on the prior half due to higher claims, partly offset by new business sales.

Retail life income decreased on the prior half, driven by an increase in income protection claims reserves resulting in loss recognition of $90 million, $25 million higher than the prior half, partly offset by improved lump sum claims experience.

Operating Expenses

Operating expenses decreased 1% on the prior half driven by effective cost management and the benefit of the higher Australian dollar, partly offset by higher compliance and remediation program costs.

Investment Experience

Investment experience decreased 47% on the prior half. The result reflected prior half benefits of annual economic assumption changes relating to the insurance business.

Assets Under Management (AUM) [2]	30 Jun 16 $M	Inflows $M	Outflows $M	Net Flows $M	Other [3] $M	31 Dec 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
	Half Year Ended								
Australian equities	27,240	7,434	(7,478)	(44)	2,053	**29,249**	27,965	7	5
Global equities	90,900	9,764	(12,748)	(2,984)	2,158	**90,074**	89,755	(1)	-
Fixed income [4]	74,670	26,932	(25,716)	1,216	593	**76,479**	71,680	2	7
Infrastructure	6,925	1,567	(765)	802	(306)	**7,421**	5,848	7	27
Total	199,735	45,697	(46,707)	(1,010)	4,498	**203,223**	195,248	2	4

Funds Under Administration (FUA)	30 Jun 16 $M	Inflows $M	Outflows $M	Net Flows $M	Other [3] $M	31 Dec 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
	Half Year Ended [1]								
FirstChoice	75,694	6,936	(7,108)	(172)	3,582	**79,104**	74,874	5	6
Custom Solutions [5]	22,890	3,206	(2,193)	1,013	1,294	**25,197**	22,276	10	13
CFS Non-Platform	15,054	4,196	(4,134)	62	55	**15,171**	16,029	1	(5)
CommInsure Investments	12,272	224	(835)	(611)	206	**11,867**	12,580	(3)	(6)
Other	9,891	559	(518)	41	(451)	**9,481**	9,717	(4)	(2)
Total	135,801	15,121	(14,788)	333	4,686	**140,820**	135,476	4	4

Insurance Inforce	30 Jun 16 $M	Sales $M	Lapses $M	Net Flows $M	Other $M	31 Dec 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
	Half Year Ended								
Life Insurance	1,773	126	(147)	(21)	-	**1,752**	1,766	(1)	(1)
General Insurance	735	74	(41)	33	-	**768**	706	4	9
Total	2,508	200	(188)	12	-	**2,520**	2,472	-	2

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.
(2) AUM excludes the Group's interest in the First State Cinda Fund Management Company Limited.
(3) Includes investment income and foreign exchange gains and losses from translation of internationally sourced business.
(4) Fixed income include short-term investments and global credit.
(5) Custom Solutions include FirstWrap product.

New Zealand

	Half Year Ended (1)				
	31 Dec 16 A$M	30 Jun 16 A$M	31 Dec 15 A$M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Net interest income	**833**	786	795	6	5
Other banking income (2)	**140**	141	147	(1)	(5)
Total banking income	**973**	927	942	5	3
Funds management income	**45**	40	40	13	13
Insurance income	**139**	115	127	21	9
Total operating income	**1,157**	1,082	1,109	7	4
Operating expenses	**(453)**	(448)	(441)	1	3
Loan impairment expense	**(47)**	(83)	(37)	(43)	27
Net profit before tax	**657**	551	631	19	4
Corporate tax expense	**(177)**	(140)	(171)	26	4
Underlying profit after tax	**480**	411	460	17	4
Investment experience after tax	**(9)**	6	4	large	large
Net profit after tax - "cash basis"	**471**	417	464	13	2
Hedging and IFRS volatility (after tax)	**2**	(30)	(109)	large	large
Net profit after tax - "statutory basis"	**473**	387	355	22	33

	Half Year Ended (1)				
	31 Dec 16 NZ$M	30 Jun 16 NZ$M	31 Dec 15 NZ$M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Net interest income	**876**	851	868	3	1
Other banking income	**181**	172	174	5	4
Total banking income	**1,057**	1,023	1,042	3	1
Funds management income	**47**	44	43	7	9
Insurance income	**146**	124	140	18	4
Total operating income	**1,250**	1,191	1,225	5	2
Operating expenses	**(475)**	(484)	(480)	(2)	(1)
Loan impairment expense	**(49)**	(89)	(41)	(45)	20
Net profit before tax	**726**	618	704	17	3
Corporate tax expense	**(198)**	(158)	(191)	25	4
Underlying profit after tax	**528**	460	513	15	3
Investment experience after tax	**(9)**	7	4	large	large
Net profit after tax - "cash basis"	**519**	467	517	11	-
Hedging and IFRS volatility (after tax)	**11**	(5)	(2)	large	large
Net profit after tax - "statutory basis"	**530**	462	515	15	3
Represented by:					
ASB (1)	**518**	432	475	20	9
Sovereign	**44**	51	54	(14)	(19)
Other (3)	**(32)**	(21)	(14)	52	large
Net profit after tax - "statutory basis"	**530**	462	515	15	3

	Half Year Ended (1)				
Key Financial Metrics (4)	31 Dec 16	30 Jun 16	31 Dec 15	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Statutory operating expenses to total operating income (%)	**39. 3**	38. 1	38. 7	120 bpts	60 bpts
FUA - average (NZ$M)	**12,575**	11,902	11,420	6	10
FUA - spot (NZ$M)	**12,586**	12,063	11,731	4	7
AUM - average (NZ$M) (5)	**5,276**	4,932	4,752	7	11
AUM - spot (NZ$M) (5)	**4,980**	5,222	4,791	(5)	4

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.
(2) Other banking income disclosed in AUD includes realised gains or losses associated with the hedge of the New Zealand operations.
(3) Other includes ASB and Sovereign funding entities and elimination entries between Sovereign and ASB.
(4) Key financial metrics are calculated in New Zealand dollar terms.
(5) AUM excludes NZD6,780 million spot balances managed by CFS Global Asset Management (30 June 2016: NZD5,918 million; 31 December 2015: NZD5,569 million). These are included in the AUM balances reported by CFS Global Asset Management.

Financial Performance and Business Review

December 2016 versus December 2015

New Zealand[1] net profit after tax[2] ("statutory basis") for the half year ended 31 December 2016 was NZD530 million, an increase of 3% on the prior comparative period, driven by solid performance in ASB, offset by lower profit in Sovereign.

(1) The New Zealand result incorporates ASB Bank and Sovereign Insurance businesses. 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.

December 2016 versus June 2016

Net profit after tax ("statutory basis") increased 15% on the prior half. ASB's result increased 20% reflecting strong lending growth and a lower loan impairment expense, partly offset by a 14% decrease in Sovereign's profit reflecting lower investment returns.

ASB Bank	Half Year Ended (1) 31 Dec 16 NZ$M	30 Jun 16 NZ$M	31 Dec 15 NZ$M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Net interest income	917	879	884	4	4
Other banking income	202	191	192	6	5
Total banking income	1,119	1,070	1,076	5	4
Funds management income	47	43	42	9	12
Total operating income	1,166	1,113	1,118	5	4
Operating expenses	(414)	(415)	(414)	-	-
Loan impairment expense	(49)	(89)	(41)	(45)	20
Net profit before tax	703	609	663	15	6
Corporate tax expense	(196)	(172)	(186)	14	5
Net profit after tax - "cash basis"	507	437	477	16	6
Hedging and IFRS volatility (after tax)	11	(5)	(2)	large	large
Net profit after tax - "statutory basis"	518	432	475	20	9

Balance Sheet	As at 31 Dec 16 NZ$M	30 Jun 16 NZ$M	31 Dec 15 NZ$M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Home loans	50,248	47,784	45,662	5	10
Business and rural lending	23,991	22,588	21,310	6	13
Other interest earning assets	2,084	1,951	1,910	7	9
Total lending interest earning assets	76,323	72,323	68,882	6	11
Non-lending interest earning assets	8,644	7,130	6,413	21	35
Other assets	1,974	2,106	2,179	(6)	(9)
Total assets	86,941	81,559	77,474	7	12
Customer deposits	51,018	49,811	48,524	2	5
Debt issues	18,380	13,431	11,221	37	64
Other interest bearing liabilities (2)	2,614	3,972	4,812	(34)	(46)
Total interest bearing liabilities	72,012	67,214	64,557	7	12
Non-interest bearing liabilities	6,378	6,192	5,473	3	17
Total liabilities	78,390	73,406	70,030	7	12

Key Financial Metrics (3)	Half Year Ended (1) 31 Dec 16	30 Jun 16	31 Dec 15	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Performance indicators					
Statutory return on assets (%)	1. 2	1. 1	1. 2	10 bpts	-
Statutory impairment expense annualised as a % of average GLAAs (%)	0. 13	0. 25	0. 12	(12)bpts	1 bpt
Statutory operating expenses to total operating income (%)	35. 1	37. 6	37. 1	(250)bpts	(200)bpts
Other asset/liability information					
Average interest earning assets (NZ$M)	82,455	77,412	73,717	7	12
Average interest bearing liabilities (NZ$M)	70,175	65,937	63,203	6	11
FUA - average (NZ$M)	12,575	11,902	11,420	6	10
FUA - spot (NZ$M)	12,586	12,063	11,731	4	7
AUM - average (NZ$M) (4)	4,584	4,232	4,031	8	14
AUM - spot (NZ$M) (4)	4,325	4,523	4,051	(4)	7

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.
(2) Other interest bearing liabilities includes NZD14 million due to Group companies (30 June 2016: NZD119 million; 31 December 2015: NZD1,498 million).
(3) Key financial metrics are calculated in New Zealand dollar terms.
(4) AUM excludes NZD5,336 million spot balances managed by CFS Global Asset Management (30 June 2016: NZD4,394 million; 31 December 2015: NZD4,109 million). These are included in the AUM balances reported by CFS Global Asset Management.

New Zealand

December 2016 versus December 2015

ASB net profit after tax ("statutory basis") for the half year ended 31 December 2016 was NZD518 million, an increase of 9% on the prior comparative period. The result was driven by solid growth in total operating income, partly offset by increased loan impairment expense.

Net Interest Income

Net interest income was NZD917 million, an increase of 4% on the prior comparative period. Strong volume growth was partly offset by continued margin pressure across key portfolios.

Balance Sheet growth included:

- Home loan growth of 10%, above system, with continued customer preference for fixed rate borrowing;
- Business and rural loan growth of 13%, above system, following continued investment in this business; and
- Customer deposit growth of 5%, reflecting a slowing retail deposit market.

Net interest margin decreased, reflecting continued competitive pressure on lending and deposit margins, higher wholesale funding costs and higher net fixed rate loan prepayment expense.

Other Banking and Funds Management Income

Other banking income was NZD202 million, an increase of 5% on the prior comparative period, driven by higher card fees, partly offset by lower insurance commissions and lending fees.

Funds management income was NZD47 million, an increase of 12% on the prior comparative period, due to strong net flows and performance in investment markets.

Operating Expenses

Operating expenses were NZD414 million, flat on the prior comparative period with lower marketing and occupancy costs, and benefits from productivity initiatives, offset by ongoing investment in frontline, technology and digital capabilities.

The statutory operating expense to total operating income ratio was 35.1%, an improvement of 200 basis points reflecting a continued focus on productivity.

Loan Impairment Expense

Loan impairment expense was NZD49 million, an increase of 20% on the prior comparative period, primarily due to lower home loan provision releases and continued growth across all lending portfolios.

December 2016 versus June 2016

Net profit after tax ("statutory basis") increased 20% on the prior half. This result was driven by operating income growth of 5% and a decrease in loan impairment expense.

Net Interest Income

Net interest income increased 4% on the prior half reflecting strong lending growth and improved lending margins, partly offset by increased competitive pressure on retail deposits.

Balance Sheet growth included:

- Home loan growth of 5%, continuing above system;
- Business and rural loan growth of 6%, remaining above system; and
- Customer deposit growth of 2%, reflecting a slowing retail deposit market.

Net interest margin decreased, reflecting pressure on deposit margins, higher wholesale funding costs, and higher net fixed rate loan prepayment expense, partly offset by an increase in lending margins.

Other Banking and Funds Management Income

Other banking income increased 6% on the prior half, driven by higher card fees, partly offset by lower insurance commissions and lower Markets performance.

Funds management income increased 9%, driven by continued solid net flows and market performance.

Operating Expenses

Operating expenses were flat on the prior half, with lower operational losses and marketing costs, offset by higher staff costs following continued investment in frontline capability.

The statutory operating expense to total operating income ratio improved 250 basis points on the prior half.

Loan Impairment Expense

Loan impairment expense decreased NZD40 million on the prior half, due to lower dairy sector provisioning and a seasonal decrease in unsecured retail provisioning. This was partly offset by lower home loan provision releases.

Sovereign	31 Dec 16 NZ$M	30 Jun 16 NZ$M	31 Dec 15 NZ$M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
	Half Year Ended				
Insurance income	127	107	123	19	3
Operating expenses	(62)	(70)	(65)	(11)	(5)
Net profit before tax	65	37	58	76	12
Corporate tax (expense)/benefit	(13)	5	(10)	large	30
Underlying profit after tax	52	42	48	24	8
Investment experience after tax	(8)	9	6	large	large
Net profit after tax - "cash basis"	44	51	54	(14)	(19)
Net profit after tax - "statutory basis"	44	51	54	(14)	(19)
Represented by:					
Planned profit margins	47	48	45	(2)	4
Experience variations	5	(6)	3	large	67
Operating margins	52	42	48	24	8
Investment experience after tax	(8)	9	6	large	large
Net profit after tax - "statutory basis"	44	51	54	(14)	(19)

Key Financial Metrics	31 Dec 16	30 Jun 16	31 Dec 15	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
	Half Year Ended				
Performance indicators					
Average inforce premiums - average (NZ$M)	750	737	727	2	3
Annual inforce premiums - spot (NZ$M)	758	744	733	2	3

Insurance Inforce	30 Jun 16 $M	Sales $M	Lapses $M	Net Flows $M	Other $M	31 Dec 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
	Half Year Ended								
Life Insurance	744	60	(42)	18	(4)	758	733	2	3
Total	744	60	(42)	18	(4)	758	733	2	3

Financial Performance and Business Review

December 2016 versus December 2015

Sovereign net profit after tax ("statutory basis") for the half year ended 31 December 2016 was NZD44 million, a decrease of 19% on the prior comparative period. The result was driven by lower investment experience partly offset by higher insurance income and lower operating expenses.

Insurance Income

Insurance income was NZD127 million, an increase of 3% on the prior comparative period, driven by annual inforce premium growth, partly offset by higher claims expense.

Operating Expenses

Operating expenses were NZD62 million, a decrease of 5% on the prior comparative period, driven by lower spend on technology.

Investment Experience

Investment experience after tax was a loss of NZD8 million, a decrease of NZD14 million on the prior comparative period, driven by an increase in the average discount rate negatively impacting policyholder valuations.

December 2016 versus June 2016

Net profit after tax ("statutory basis") decreased 14% on the prior half, driven by lower investment experience partly offset by higher insurance income and lower operating.

Insurance Income

Insurance income increased 19% on the prior half, driven by annual inforce premium growth, partly offset by higher claims expense.

Operating Expenses

Operating expenses decreased 11% on the prior half, driven by lower spend on technology and lower staff costs.

Corporate Tax Expense

Corporate tax expense increased NZD18 million on the prior half due to timing differences in tax provisions.

Investment Experience

Investment experience after tax decreased NZD17 million from the prior half, driven by an increase in the average discount rate negatively impacting policyholder valuations.

Bankwest

	Half Year Ended (1)				
	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Net interest income	**819**	814	843	1	(3)
Other banking income	**121**	110	107	10	13
Total banking income	**940**	924	950	2	(1)
Operating expenses	**(388)**	(383)	(390)	1	(1)
Loan impairment (expense)/benefit	**(43)**	(6)	16	large	large
Net profit before tax	**509**	535	576	(5)	(12)
Corporate tax expense	**(154)**	(160)	(173)	(4)	(11)
Net profit after tax - "cash basis"	**355**	375	403	(5)	(12)
Other non-cash items	**(1)**	(1)	(26)	-	(96)
Net profit after tax - "statutory basis"	**354**	374	377	(5)	(6)

	As at				
Balance Sheet	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Home loans (2)	**65,377**	64,412	62,041	1	5
Other interest earning assets	**17,996**	18,184	17,832	(1)	1
Total interest earning assets	**83,373**	82,596	79,873	1	4
Other assets	**232**	284	219	(18)	6
Total assets	**83,605**	82,880	80,092	1	4
Transaction deposits (3)	**12,499**	12,155	11,369	3	10
Savings deposits	**9,802**	10,569	11,017	(7)	(11)
Investment deposits	**27,122**	26,152	26,339	4	3
Certificates of deposit and other	**35**	37	45	(5)	(22)
Total interest bearing deposits	**49,458**	48,913	48,770	1	1
Other interest bearing liabilities	**33**	66	27	(50)	22
Non-interest bearing transaction deposits	**1,703**	1,565	1,525	9	12
Other non-interest bearing liabilities	**491**	556	515	(12)	(5)
Total liabilities	**51,685**	51,100	50,837	1	2

	Half Year Ended (1)				
Key Financial Metrics	31 Dec 16	30 Jun 16	31 Dec 15	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Performance indicators					
Statutory return on assets (%)	**0. 8**	0. 9	1. 0	(10)bpts	(20)bpts
Statutory impairment expense annualised as a % of average GLAAs (%)	**0. 10**	0. 01	(0. 04)	9 bpts	14 bpts
Statutory operating expenses to total banking income (%)	**41. 5**	41. 7	45. 0	(20)bpts	(350)bpts
Other asset/liability information					
Average interest earning assets ($M) (4)	**78,659**	77,691	76,040	1	3
Average interest bearing liabilities ($M) (4)	**45,619**	45,748	45,018	-	1

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.
(2) Gross of mortgage offset balances.
(3) Includes mortgage offset balances.
(4) Net of average mortgage offset balances.

Financial Performance and Business Review

December 2016 versus December 2015

Bankwest net profit after tax ("statutory basis") for the half year ended 31 December 2016 was $354 million, a decrease of 6% on the prior comparative period.

The result was driven by higher loan impairment expense and lower total banking income, partly offset by lower operating expenses and lower other non-cash items.

Net Interest Income

Net interest income was $819 million, a decrease of 3% on the prior comparative period. The result was driven by a reduction in net interest margin, particularly in transaction deposit accounts, as a result of the lower cash rate environment, partly offset by balance growth in key product lines.

Balance Sheet growth included:

- Home loan growth of 5%, reflecting a slowing Western Australian economy;
- Core business lending growth of 3%;
- Growth of 10% in total transaction deposits, reflecting a continued focus on deepening customer relationships; and
- Growth of 3% in investment deposits; partly offset by
- A decrease of 11% in savings deposits due to both a focus on margins and customer preferences for term investment deposits; and
- A decrease in higher risk non-core business lending.

Net interest margin decreased on the prior comparative period due to lower lending margins resulting from competitive market pressures, and a reduction in transaction account margins due to the lower cash rate environment. This was partly offset by higher savings deposit margins.

Other Banking Income

Other banking income was $121 million, an increase of 13% on the prior comparative period, reflecting an increase in fee based package offerings and lower reward outlays for cards.

Operating Expenses

Operating expenses were $388 million, a decrease of 1% on the prior comparative period, reflecting a continued focus on productivity and disciplined expense management.

Loan Impairment Expense

Loan impairment expense was $43 million compared to $16 million benefit in the prior comparative period. The increase was driven by continued, albeit slower, run-off of the troublesome book, reduced write-backs and higher home loans losses, predominantly in Western Australia. The quality of the business portfolio has been stable.

Other non-cash items

The acquisition of Bankwest resulted in the recognition of assets at fair value, representing certain financial instruments, core deposits, customer lists and brand name totalling $463 million. The core deposits and customer lists have been amortising over their useful life and as at 31 December 2015 the core deposits have been fully amortised.

December 2016 versus June 2016

Net profit after tax ("statutory basis") decreased 5% on the prior half. The result was driven by higher loan impairment expense, partly offset by higher total banking income.

Net Interest Income

Net interest income increased 1% on the prior half reflecting balance growth across key products, partly offset by a lower net interest margin.

Balance Sheet growth included:

- Home loan growth of 1%, reflecting continued challenging market conditions, particularly in Western Australia; and
- Continued growth of 4% in total transaction deposits; partly offset by
- Core business lending balances decrease of 1% due to competition and the slowing Western Australia economy; and
- A decrease of 7% in savings deposit balances resulting from repricing.

Net interest margin decreased on the prior half due to the lower cash rate impacting deposit margins, partly offset by higher lending margins.

Other Banking Income

Other banking income increased 10% on the prior half reflecting growth in business lending fees and income from risk management product sales.

Operating Expenses

Operating expenses increased 1% on the prior half driven by targeted business investment, partly offset by continued disciplined expense management.

Loan Impairment Expense

Loan impairment expense increased $37 million on the prior half, predominantly due to lower collective provision releases in the business portfolio.

IFS and Other

	Half Year Ended (1)				
	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
IFS	**31**	37	15	(16)	large
Corporate Centre	**(112)**	(136)	(180)	(18)	(38)
Eliminations/Unallocated	**(27)**	124	62	large	large
Net (loss)/profit after tax - "cash basis"	**(108)**	25	(103)	large	5
Hedging and IFRS volatility (after tax)	**6**	(19)	(41)	large	large
Net (loss)/profit after tax - "statutory basis"	**(102)**	6	(144)	large	(29)

	Half Year Ended (1)				
IFS (2)	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Net interest income	**69**	78	79	(12)	(13)
Other banking income	**157**	138	143	14	10
Total banking income	**226**	216	222	5	2
Insurance income	**26**	22	24	18	8
Total operating income	**252**	238	246	6	2
Operating expenses	**(168)**	(184)	(198)	(9)	(15)
Loan impairment expense	**(52)**	(39)	(27)	33	93
Net profit before tax	**32**	15	21	large	52
Corporate tax (expense)/benefit	**(4)**	4	(9)	large	(56)
Non-controlling interests	**(3)**	(2)	(2)	50	50
Underlying profit after tax	**25**	17	10	47	large
Investment experience after tax	**6**	20	5	(70)	20
Net profit after tax - "cash basis"	**31**	37	15	(16)	large
Net profit after tax - "statutory basis"	**31**	37	15	(16)	large

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.
(2) IFS incorporates the Asian retail and business banking operations (Indonesia, China, Vietnam and India), associate investments in two Chinese and one Vietnamese bank, and a Chinese life insurance business, the life insurance operations in Indonesia and a financial services technology business in South Africa. It does not include the Business and Private Banking, Institutional Banking and Markets and Colonial First State Global Asset Management businesses in Asia.

Financial Performance and Business Review

December 2016 versus December 2015

International Financial Services ("IFS") net profit after tax ("statutory basis") for the half year ended 31 December 2016 was $31 million, an increase of $16 million on the prior comparative period. The result was driven by higher operating income and lower operating expenses, partly offset by higher loan impairment expense.

The economic environment across our markets remained challenging, and continued to adversely impact business volume growth and loan impairment expenses. The ongoing IFS strategic shift away from commercial lending has seen growth in the small-medium enterprises and consumer segment which now represents 88% of the portfolio, up from 67% in the prior comparative period.

The business has continued to invest in its digital capability, risk infrastructure and talent.

The total number of direct customers grew 5% to over 505,000.

Net Interest Income

Net interest income was $69 million, a decrease of 13% on the prior comparative period. This reflected the wind-down of the non-strategic commercial segment, and funding costs associated with the South Africa expansion.

Net interest margin remained stable despite competitive pressure.

Other Banking Income

Other banking income was $157 million, an increase of 10% on the prior comparative period, including a 10% decrease from the higher Australian dollar. This reflected strong contributions from associates in China due to above system asset growth.

Insurance Income

Insurance income in PT Commonwealth Life ("PTCL") was $26 million, an 8% increase on the prior comparative period. The result was driven by higher premiums and lower claims.

Operating Expenses

Operating expenses were $168 million, a decrease of 15% on comparative period, including a 3% benefit from the higher Australian dollar. This reflected disciplined cost control, partly offset by ongoing strategic investment in the business.

Loan Impairment Expense

Loan impairment expense was $52 million, an increase of $25 million on the prior comparative period, driven by losses in the PT Bank Commonwealth ("PTBC") commercial lending portfolio which is in run-off.

December 2016 versus June 2016

Net profit after tax (“statutory basis”) decreased 16% on the prior half. The result was driven by higher loan impairment expense in PTBC, partly offset by higher operating income and lower expenses.

Net Interest Income

Net interest income decreased 12% on the prior half, reflecting lower commercial lending due to the wind-down of the non-strategic commercial segment, and funding costs associated with the South Africa expansion.

Other Banking Income

Other banking income increased 14% on the prior half, including a 4% decrease from the higher Australian dollar. This reflected strong contributions from associates in China.

Insurance Income

Insurance income in PTCL increased 18% on the prior half due to higher premiums, partly offset by higher claims.

Operating Expenses

Operating expenses decreased 9% on the prior half. This reflected strong cost discipline and productivity benefits.

Loan Impairment Expense

Loan impairment expense increased $13 million on the prior half, driven by losses in the PTBC commercial lending portfolio which is in run-off.

Investment Experience

Investment experience decreased $14 million on the prior half driven by strong contributions from investment gains in China in the prior half.

	Half Year Ended (1)				
Corporate Centre (2)	**31 Dec 16 $M**	**30 Jun 16 $M**	**31 Dec 15 $M**	**Dec 16 vs Jun 16 %**	**Dec 16 vs Dec 15 %**
Net interest income	**179**	121	88	48	large
Other banking income	**60**	84	53	(29)	13
Total banking income	**239**	205	141	17	70
Operating expenses	**(386)**	(381)	(385)	1	-
Net loss before tax	**(147)**	(176)	(244)	(16)	(40)
Corporate tax benefit	**35**	40	64	(13)	(45)
Net loss after tax - "cash basis"	**(112)**	(136)	(180)	(18)	(38)
Hedging and IFRS volatility	**6**	(19)	(41)	large	large
Net loss after tax - "statutory basis"	**(106)**	(155)	(221)	(32)	(52)

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.

(2) Corporate Centre includes the results of unallocated Group support functions such as Investor Relations, Group Strategy, Marketing, Secretariat and Treasury.
Treasury is primarily focused on the management of the Group’s interest rate risk, funding and liquidity requirements, and management of the Group’s capital.
The Treasury function includes:

- Portfolio Management: manages the interest rate risk of the Group’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 & Liquidity: manages the Group’s long-term and short-term wholesale funding requirements and the Group’s prudent liquidity requirements; and
- Capital and Regulatory Strategy: manages the Group’s capital requirements.

December 2016 versus December 2015

Corporate Centre net loss after tax (“statutory basis”) for the half year ended 31 December 2016 decreased $115 million on the prior comparative period to a loss of $106 million.

Total banking income increased 70% to $239 million reflecting higher earnings from management of interest rate risk in the banking book.

Operating expenses were $386 million, in line with the prior comparative period.

December 2016 versus June 2016

Net loss after tax (“statutory basis”) decreased $49 million on the prior half.

Total banking income increased 17% to $239 million reflecting higher earnings from management of interest rate risk in the banking book.

Operating expenses increased 1% on the prior half driven by higher spend on technology.

IFS and Other

Eliminations/Unallocated [2]	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
	Half Year Ended [1]				
Net interest income	**(15)**	(7)	3	large	large
Other banking income [3]	**320**	62	(34)	large	large
Total banking income	**305**	55	(31)	large	large
Funds management income	**26**	17	28	53	(7)
Insurance income	**8**	(1)	6	large	33
Total operating income	**339**	71	3	large	large
Operating expenses [4]	**(393)**	-	-	large	large
Loan impairment expense	**1**	11	-	(91)	large
Net profit before tax	**(53)**	82	3	large	large
Corporate tax benefit	**43**	63	72	(32)	(40)
Non-controlling interests	**(6)**	(7)	(9)	(14)	(33)
Underlying profit after tax	**(16)**	138	66	large	large
Investment experience after tax	**(11)**	(14)	(4)	(21)	large
Net (loss)/profit after tax - "cash basis"	**(27)**	124	62	large	large
Net (loss)/profit after tax - "statutory basis"	**(27)**	124	62	large	large

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.
(2) Group wide Eliminations/Unallocated includes intra-group elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses.
(3) The current half includes a $397 million gain on sale of the Group's remaining investment in Visa Inc.
(4) The current half includes a $393 million one-off expense for acceleration of amortisation on certain software assets.

December 2016 versus December 2015

Eliminations/Unallocated net profit after tax ("statutory basis") for the half year ended 31 December 2016 reduced $89 million on the prior comparative period to a loss of $27 million. This was primarily driven by a one-off expense for acceleration of amortisation on certain software assets, and the timing of recognition of unallocated revenue items and eliminations, partly offset by a gain on sale of the Group's remaining investment in Visa Inc.

December 2016 versus June 2016

Net profit after tax ("statutory basis") reduced $151 million on the prior half to a loss of $27 million. This was primarily driven by the one-off expense for acceleration of amortisation on certain software assets, and the timing of recognition of unallocated revenue items and eliminations, partly offset by a gain on sale of the Group's remaining investment in Visa Inc.

Contents

Section 6 – Directors' Report and Financial Statements

Directors' Report

The Directors of the Commonwealth Bank of Australia submit 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 2016.

Directors

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

David Turner	Chairman, retired on 31 December 2016
Catherine Livingstone	Director, Chairman since 1 January 2017
Ian Narev	Managing Director and Chief Executive Officer
Sir John Anderson	Director, retired on 9 November 2016
Shirish Apte	Director
Sir David Higgins	Director
Launa Inman	Director
Brian Long	Director
Andrew Mohl	Director
Wendy Stops	Director
Harrison Young	Director

Review and Results of Operations

The Group earned a consolidated statutory net profit after tax of $4,895 million for the half year ended 31 December 2016, compared with $4,623 million for the prior comparative period, an increase of 6%. The result was driven by revenue growth.

The statutory net profit after tax from Retail Banking Services was $2,466 million (December 2015: $2,272 million) reflecting strong volume growth in home lending and deposits, and improved net interest margin.

The statutory net profit after tax from Business and Private Banking was $791 million (December 2015: $774 million), driven by strong growth in business lending balances and deposits and lower loan impairment expense, partly offset by lower margins and higher operating expenses.

The statutory net profit after tax from Institutional Banking and Markets was $683 million (December 2015: $622 million), driven by positive sales and trading revenue in Markets, lower losses from derivative valuation adjustments, and lower loan impairment expense, partly offset by higher operating expenses.

The statutory net profit after tax from Wealth Management was $230 million (December 2015: $367 million), reflecting lower funds management and insurance income, higher operating expenses and lower investment experience.

The statutory net profit after tax from New Zealand was $473 million (December 2015: $355 million), driven by a solid performance in ASB with strong growth in lending, partly offset by a lower profit in Sovereign and the foreign exchange hedge on earnings.

The statutory net profit after tax from Bankwest was $354 million (December 2015: $377 million), reflecting higher loan impairment expense and lower total banking income, partly offset by lower operating expenses.

Signed in accordance with a resolution of the Directors.

Additional analysis of operations for the financial year is set out in the Highlights and Group 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 2001.

Rounding 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 Commonwealth Bank of Australia for the half year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

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

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

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

M. Laithwaite

Marcus Laithwaite
Partner
PricewaterhouseCoopers

Sydney
14 February 2017

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Liability limited by a scheme approved under Professional Standards Legislation.

Catherine Livingstone

Catherine Livingstone AO
Chairman
14 February 2017

Ian Narev

Ian Narev
Managing Director and Chief Executive Officer
14 February 2017

Consolidated Income Statement

For the half year ended 31 December 2016

		Half Year Ended		
		31 Dec 16	30 Jun 16	31 Dec 15
	Notes	$M	$M	$M
Interest income	2	**16,674**	16,974	16,843
Interest expense	2	**(7,933)**	(8,465)	(8,417)
Net interest income		**8,741**	8,509	8,426
Other banking income		**2,998**	2,372	2,204
Net banking operating income		**11,739**	10,881	10,630
Funds management income		**1,157**	1,129	1,186
Investment revenue		**268**	193	90
Claims, policyholder liability and commission expense		**(434)**	(285)	(252)
Net funds management operating income		**991**	1,037	1,024
Premiums from insurance contracts		**1,510**	1,458	1,463
Investment (expense)/revenue		**(14)**	337	130
Claims, policyholder liability and commission expense from insurance contracts		**(1,118)**	(1,341)	(1,041)
Net insurance operating income		**378**	454	552
Total net operating income before impairment and operating expenses		**13,108**	12,372	12,206
Loan impairment expense	5	**(599)**	(692)	(564)
Operating expenses (1)	2	**(5,679)**	(5,226)	(5,247)
Net profit before income tax		**6,830**	6,454	6,395
Corporate tax expense (1)	3	**(1,950)**	(1,753)	(1,752)
Policyholder tax benefit/(expense)	3	**24**	(92)	(9)
Net profit after income tax		**4,904**	4,609	4,634
Non-controlling interests		**(9)**	(9)	(11)
Net profit attributable to Equity holders of the Bank		**4,895**	4,600	4,623

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

	Half Year Ended (1)		
	31 Dec 16	30 Jun 16	31 Dec 15
	Cents per Share		
Earnings per share:			
Basic	**285. 3**	268. 4	273. 9
Diluted	**276. 7**	261. 8	267. 1

(1) Comparative information has been restated to reflect the change in incentives accounting policy detailed in Note 1. Refer to Appendix 17 to this Document for further details.

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2016

	Half Year Ended		
	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M
Net profit after income tax for the period [1]	**4,904**	4,609	4,634
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit/(loss):			
Foreign currency translation reserve net of tax	**83**	2	381
Gains and (losses) on cash flow hedging instruments net of tax	**(520)**	336	(126)
Losses on available-for-sale investments net of tax	**(143)**	(220)	(96)
Total of items that may be reclassified	**(580)**	118	159
Items that will not be reclassified to profit/(loss):			
Actuarial gains and (losses) from defined benefit superannuation plans net of tax	**142**	(120)	130
Losses on liabilities at fair value due to changes in own credit risk net of tax	**(2)**	-	(1)
Revaluation of properties net of tax	**-**	1	-
Total of items that will not be reclassified	**140**	(119)	129
Other comprehensive income/(expense) net of income tax	**(440)**	(1)	288
Total comprehensive income for the period	**4,464**	4,608	4,922
Total comprehensive income for the period is attributable to:			
Equity holders of the Bank	**4,455**	4,599	4,911
Non-controlling interests	**9**	9	11
Total comprehensive income net of income tax	**4,464**	4,608	4,922

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

	Half Year Ended		
	31 Dec 16	30 Jun 16	31 Dec 15
	Cents per Share		
Dividends per share attributable to shareholders of the Bank:			
Ordinary shares	**199**	222	198
Trust preferred securities	**-**	3,686	4,308

(1) Comparative information has been restated to reflect the change in incentives accounting policy detailed in Note 1. Refer to Appendix 17 to this Document for further details.

Consolidated Balance Sheet

As at 31 December 2016

Assets	Notes	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M
Cash and liquid assets		**44,709**	23,372	31,587
Receivables due from other financial institutions		**10,612**	11,591	12,350
Assets at fair value through Income Statement:				
Trading		**34,199**	34,067	27,140
Insurance		**13,795**	13,547	13,316
Other		**803**	1,480	1,488
Derivative assets		**45,837**	46,567	45,532
Available-for-sale investments		**81,675**	80,898	78,161
Loans, bills discounted and other receivables	4	**712,905**	695,398	669,163
Bank acceptances of customers		**1,440**	1,431	1,640
Property, plant and equipment		**4,094**	3,940	3,321
Investments in associates and joint ventures		**2,842**	2,776	2,673
Intangible assets		**10,000**	10,384	10,018
Deferred tax assets (1)		**782**	389	436
Other assets (1)		**8,026**	7,161	6,166
Total assets		**971,719**	933,001	902,991

Liabilities	Notes	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M
Deposits and other public borrowings	6	**606,091**	588,045	560,498
Payables due to other financial institutions		**34,031**	28,771	35,053
Liabilities at fair value through Income Statement		**8,404**	10,292	9,011
Derivative liabilities		**38,042**	39,921	37,357
Bank acceptances		**1,440**	1,431	1,640
Current tax liabilities		**1,012**	1,022	559
Deferred tax liabilities		**332**	340	360
Other provisions		**1,625**	1,656	1,657
Insurance policy liabilities		**12,388**	12,636	12,611
Debt issues		**175,583**	161,284	160,798
Managed funds units on issue		**2,362**	1,606	1,326
Bills payable and other liabilities (1)		**11,600**	9,889	8,058
		892,910	856,893	828,928
Loan capital		**16,997**	15,544	14,399
Total liabilities		**909,907**	872,437	843,327
Net assets		**61,812**	60,564	59,664

Shareholders' Equity	Notes	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M
Share capital:				
Ordinary share capital	8	**34,455**	33,845	33,252
Other equity instruments	8	**-**	-	939
Reserves	8	**2,144**	2,734	2,554
Retained profits (1)	8	**24,662**	23,435	22,365
Shareholders' Equity attributable to Equity holders of the Bank		**61,261**	60,014	59,110
Non-controlling interests	8	**551**	550	554
Total Shareholders' Equity		**61,812**	60,564	59,664

(1) Comparative information has been restated to reflect the change in incentives accounting policy detailed in Note 1. Refer to Appendix 17 to this Document for further details.

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 2016

	Ordinary share capital $M	Other equity instruments $M	Reserves $M	Retained profits $M	Shareholders' Equity attributable to Equity holders of the Bank $M	Non-controlling interests $M	Total Shareholders' Equity $M
As at 30 June 2015 [(1)]	27,619	939	2,345	21,340	**52,243**	562	**52,805**
Net profit after income tax [(1)]	-	-	-	4,623	**4,623**	11	**4,634**
Net other comprehensive income	-	-	159	129	**288**	-	**288**
Total comprehensive income for the period	-	-	159	4,752	**4,911**	11	**4,922**
Transactions with Equity holders in their capacity as Equity holders:							
Dividends paid on ordinary shares	-	-	-	(3,613)	**(3,613)**	-	**(3,613)**
Dividends paid on other equity instruments	-	-	-	(32)	**(32)**	-	**(32)**
Dividend reinvestment plan (net of issue costs)	657	-	-	-	**657**	-	**657**
Issue of shares (net of issue costs)	5,022	-	-	-	**5,022**	-	**5,022**
Share-based payments	-	-	(37)	-	**(37)**	-	**(37)**
Purchase of treasury shares	(99)	-	-	-	**(99)**	-	**(99)**
Sale and vesting of treasury shares	53	-	-	-	**53**	-	**53**
Redemptions	-	-	-	-	**-**	-	**-**
Other changes	-	-	87	(82)	**5**	(19)	**(14)**
As at 31 December 2015	33,252	939	2,554	22,365	**59,110**	554	**59,664**
Net profit after income tax [(1)]	-	-	-	4,600	**4,600**	9	**4,609**
Net other comprehensive income	-	-	119	(120)	**(1)**	-	**(1)**
Total comprehensive income for the period	-	-	119	4,480	**4,599**	9	**4,608**
Transactions with Equity holders in their capacity as Equity holders:							
Dividends paid on ordinary shares	-	-	-	(3,381)	**(3,381)**	-	**(3,381)**
Dividends paid on other equity instruments	-	-	-	(18)	**(18)**	-	**(18)**
Dividend reinvestment plan (net of issue costs)	552	-	-	-	**552**	-	**552**
Issue of shares (net of issue costs)	-	-	-	-	**-**	-	**-**
Share-based payments	-	-	47	-	**47**	-	**47**
Purchase of treasury shares	(9)	-	-	-	**(9)**	-	**(9)**
Sale and vesting of treasury shares	50	-	-	-	**50**	-	**50**
Redemptions	-	(939)	-	-	**(939)**	-	**(939)**
Other changes	-	-	14	(11)	**3**	(13)	**(10)**
As at 30 June 2016	33,845	-	2,734	23,435	**60,014**	550	**60,564**
Net profit after income tax	-	-	-	4,895	**4,895**	9	**4,904**
Net other comprehensive income	-	-	(580)	140	**(440)**	-	**(440)**
Total comprehensive income for the period	-	-	(580)	5,035	**4,455**	9	**4,464**
Transactions with Equity holders in their capacity as Equity holders:							
Dividends paid on ordinary shares	-	-	-	(3,808)	**(3,808)**	-	**(3,808)**
Dividends paid on other equity instruments	-	-	-	-	**-**	-	**-**
Dividend reinvestment plan (net of issue costs)	586	-	-	-	**586**	-	**586**
Issue of shares (net of issue costs)	(6)	-	-	-	**(6)**	-	**(6)**
Share-based payments	-	-	(25)	-	**(25)**	-	**(25)**
Purchase of treasury shares	(27)	-	-	-	**(27)**	-	**(27)**
Sale and vesting of treasury shares	57	-	-	-	**57**	-	**57**
Redemptions	-	-	-	-	**-**	-	**-**
Other changes	-	-	15	-	**15**	(8)	**7**
As at 31 December 2016	34,455	-	2,144	24,662	**61,261**	551	**61,812**

(1) Comparative information has been restated to reflect the change in incentives accounting policy detailed in Note 1. Refer to Appendix 17 to this Document for further details.

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

Condensed Consolidated Statement of Cash Flows [1]

For the half year ended 31 December 2016

	Half Year Ended		
	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M
Cash flows provided by/(used in) operating activities before changes in operating assets and liabilities	**3,008**	(501)	9,580
Changes in operating assets and liabilities arising from cash flow movements	**(9,836)**	(427)	(13,213)
Net cash used in operating activities	**(6,828)**	(928)	(3,633)
Net cash used in investing activities	**(471)**	(1,222)	(810)
Dividends paid (excluding Dividend Reinvestment Plan)	**(3,216)**	(2,849)	(2,978)
Redemption of other equity instruments (net of costs)	**-**	(939)	-
Proceeds from issuance of debt securities	**53,978**	49,234	49,724
Redemption of issued debt securities	**(37,765)**	(49,398)	(48,342)
Proceeds from issue of shares (net of issue costs)	**(6)**	-	5,022
Other cash provided by financing activities	**1,814**	757	1,389
Net cash provided by/(used in) financing activities	**14,805**	(3,195)	4,815
Net increase/(decrease) in cash and cash equivalents	**7,506**	(5,345)	372
Effect of foreign exchange rates on cash and cash equivalents	**21**	(288)	438
Cash and cash equivalents at beginning of period	**14,447**	20,080	19,270
Cash and cash equivalents at end of period	**21,974**	14,447	20,080

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

Notes to the Financial Statements

Note 1 Accounting Policies

General Information

The Financial Statements of the Commonwealth Bank of Australia (the Bank) and its subsidiaries (the Group) for the half year ended 31 December 2016, were approved and authorised for issue by the Board of Directors on 14 February 2017. The Directors have the power to amend and reissue the Financial Statements.

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 (ASX). The registered office is Ground Floor, Tower 1, 201 Sussex Street, Sydney NSW 2000, Australia.

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

Basis of Accounting

This Interim Financial Report for the half year ended 31 December 2016 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 report should be read in conjunction with the 30 June 2016 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.

The amounts contained in this Financial Report and the Financial Statements 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.

During the period, the Group changed its accounting policy in relation to the recognition of Global Asset Management long-term incentives provided to certain employees in Wealth Management. The new accounting policy expenses the long-term incentives when granted rather than over the vesting period per the previous accounting policy. The new policy more closely aligns the accounting with the economic substance of the arrangements. The change has been applied retrospectively and as at 30 June 2016 results in a reduction of $192 million in retained earnings (31 December 2015: $183 million), a reduction of $77 million in total assets (31 December 2015: $84 million) and an increase in total liabilities of $115 million (31 December 2015: $99 million).

Other than the above, the accounting policies and methods of computation 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 2016.

Where necessary, comparative information has been restated to conform to presentation in the current period. All changes have been footnoted throughout the financial statements.

No amendments to Australian Accounting Standards have been adopted during the period that have a material impact on the Group.

Future Accounting Developments

AASB 9 'Financial Instruments' will replace AASB 139 'Financial Instruments: Recognition and Measurement' and introduces changes in three areas:

- Financial assets will be categorised according to a cash flow and business model test. The outcome of these tests will drive the measurement of financial assets at either amortised cost, fair value through profit or loss or fair value through other comprehensive income;
- Impairment of financial assets will be based on an expected loss rather than incurred loss model; and
- Simplifications to hedge accounting which more closely align with risk management activities.

AASB 9 is not mandatory until 1 July 2018 for the Group. The Group has commenced an implementation program.

AASB 15 'Revenue from Contracts with Customers' replaces AASB 118 'Revenue' and introduces a single model for the recognition of revenue based on the satisfaction of performance obligations. It does not apply to financial instruments. AASB 15 is not mandatory until 1 July 2018 for the Group.

AASB 16 'Leases' amends the accounting for leases and will replace AASB 117 'Leases'. Lessees will be required to bring both operating and finance leases on Balance Sheet as a right of use asset along with the associated lease liability. Interest expense will be recognised in profit or loss using the effective interest rate method, and the right of use asset will be depreciated. Lessor accounting remains largely unchanged. AASB 16 is not mandatory until 1 July 2019 for the Group.

The potential financial impacts of the above to the Group have not yet been determined. Other than the "own credit requirements" of AASB 9, which were early adopted from 1 January 2014, the Group does not intend to early adopt these standards.

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

Note 2 Profit

	Half Year Ended		
	31 Dec 16	30 Jun 16	31 Dec 15
	$M	$M	$M
Interest Income			
Loans and bills discounted	**15,446**	15,506	15,460
Other financial institutions	**59**	91	46
Cash and liquid assets	**118**	162	129
Assets at fair value through Income Statement	**230**	279	297
Available-for-sale investments	**821**	936	911
Total interest income	**16,674**	16,974	16,843
Interest Expense			
Deposits	**5,274**	5,680	6,005
Other financial institutions	**126**	146	131
Liabilities at fair value through Income Statement	**67**	107	104
Debt issues	**2,145**	2,230	1,895
Loan capital	**321**	302	282
Total interest expense	**7,933**	8,465	8,417
Net interest income	**8,741**	8,509	8,426
Other Operating Income			
Lending fees	**533**	503	507
Commissions	**1,254**	1,064	1,151
Trading income	**600**	591	496
Net gain/(loss) on non-trading financial instruments (1) (2)	**374**	95	(122)
Net gain/(loss) on sale of property, plant and equipment	**7**	(15)	(6)
Net gain/(loss) from hedging ineffectiveness	**39**	(37)	(35)
Dividends - Other	**5**	7	5
Net funds management operating income (3)	**991**	1,037	1,024
Insurance contracts income	**378**	454	552
Share of profit from associates and joint ventures net of impairment	**154**	144	145
Other (4)	**32**	20	63
Total other operating income	**4,367**	3,863	3,780
Total net operating income before impairment and operating expenses	**13,108**	12,372	12,206
Impairment Expense			
Loan impairment expense	**599**	692	564
Total impairment expense (Note 5)	**599**	692	564

(1) Includes non-trading derivatives that are held for risk management purposes.
(2) The current half includes a $397 million gain on sale of the Group's remaining investment in Visa Inc.
(3) Includes net profit of $6 million relating to First Gas Limited (30 June 2016: $nil, 31 December 2015: $nil).
(4) Includes depreciation of $45 million (30 June 2016: $55 million; 31 December 2015: $52 million), and impairment of $6 million (30 June 2016: $64 million, 31 December 2015: $5 million) in relation to assets held for lease by the Group.

Note 2 Profit (continued)

	Half Year Ended		
	31 Dec 16	30 Jun 16	31 Dec 15
	$M	$M	$M
Staff Expenses			
Salaries and related on-costs [1]	**2,826**	2,831	2,826
Share-based compensation	**61**	52	50
Superannuation	**221**	207	203
Total staff expenses	**3,108**	3,090	3,079
Occupancy and Equipment Expenses			
Operating lease rentals	**330**	329	321
Depreciation of property, plant and equipment	**143**	136	130
Other occupancy expenses	**95**	110	108
Total occupancy and equipment expenses	**568**	575	559
Information Technology Services			
Application, maintenance and development	**222**	231	280
Data processing	**105**	98	99
Desktop	**99**	82	61
Communications	**93**	95	108
Amortisation of software assets [2]	**613**	202	177
Software write-offs	**-**	-	1
IT equipment depreciation	**23**	25	26
Total information technology services	**1,155**	733	752
Other Expenses			
Postage and stationery	**97**	96	96
Transaction processing and market data	**98**	84	95
Fees and commissions:			
Professional fees	**175**	130	117
Other	**43**	46	47
Advertising, marketing and loyalty	**197**	232	259
Amortisation of intangible assets (excluding software and merger related amortisation)	**7**	7	7
Non-lending losses	**54**	63	40
Other	**175**	168	159
Total other expenses	**846**	826	820
Total operating expenses	**5,677**	5,224	5,210
Investment and Restructuring			
Merger related amortisation [3]	**2**	2	37
Total investment and restructuring	**2**	2	37
Total operating expenses	**5,679**	5,226	5,247
Profit before income tax	**6,830**	6,454	6,395
Net hedging ineffectiveness comprises:			
Gain/(loss) on fair value hedges:			
Hedging instruments	**1,255**	(192)	(517)
Hedged items	**(1,223)**	164	478
Gain/(loss) on cash flow and net investment hedge ineffectiveness	**7**	(9)	4
Net gain/(loss) from hedging ineffectiveness	**39**	(37)	(35)

(1) Comparative information has been restated to reflect the change in incentives accounting policy detailed in Note 1. Refer to Appendix 17 to this Document for further details.
(2) The current half includes a $393 million one-off expense for acceleration of amortisation on certain software assets.
(3) Merger related amortisation relates to Bankwest core deposits and customer lists.

Note 3 Income Tax Expense

	Half Year Ended [1]		
	31 Dec 16	30 Jun 16	31 Dec 15
	$M	$M	$M
Profit before Income Tax	**6,830**	6,454	6,395
Prima facie income tax at 30%	**2,049**	1,936	1,919
Effect of amounts which are non-deductible/(assessable) in calculating taxable income:			
Taxation offsets and other dividend adjustments	**(6)**	-	(4)
Tax adjustment referable to policyholder income	**(17)**	65	6
Tax losses not previously brought to account	**(80)**	(3)	(2)
Offshore tax rate differential	**(36)**	(35)	(44)
Offshore banking unit	**(21)**	(9)	(24)
Effect of changes in tax rates	**2**	1	-
Income tax under/(over) provided in previous years	**7**	(91)	(86)
Other [2]	**28**	(19)	(4)
Total income tax expense	**1,926**	1,845	1,761
Corporate tax expense	**1,950**	1,753	1,752
Policyholder tax (benefit)/expense	**(24)**	92	9
Total income tax expense	**1,926**	1,845	1,761
Effective tax rate (%) [3]	**28. 5**	27. 6	27. 4

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.
(2) Primarily related to amounts in respect of the run-off of specialised financing transactions.
(3) Policyholder tax is excluded from both profit before income tax and tax expense for the purpose of calculating the Group's effective tax rate as it is not incurred directly by the Group.

Note 4 Loans, Bills Discounted and Other Receivables

	As at		
	31 Dec 16	30 Jun 16	31 Dec 15
	$M	$M	$M
Australia			
Overdrafts	**22,813**	26,857	22,066
Home loans	**423,163**	409,452	393,395
Credit card outstandings	**12,280**	12,122	12,243
Lease financing	**4,305**	4,412	4,414
Bills discounted	**7,993**	10,507	11,615
Term loans and other lending	**146,526**	140,784	138,365
Total Australia	**617,080**	604,134	582,098
New Zealand			
Overdrafts	**1,027**	1,119	984
Home loans	**48,347**	45,640	42,834
Credit card outstandings	**997**	912	912
Lease financing	**30**	45	283
Term loans and other lending	**26,207**	24,696	23,196
Total New Zealand	**76,608**	72,412	68,209
Other Overseas			
Overdrafts	**473**	473	480
Home loans	**1,022**	982	947
Lease financing	**18**	27	38
Term loans and other lending	**22,609**	22,271	22,316
Total Other Overseas	**24,122**	23,753	23,781
Gross loans, bills discounted and other receivables	**717,810**	700,299	674,088
Less:			
Provisions for Loan Impairment (Note 5):			
Collective provision	**(2,782)**	(2,783)	(2,763)
Individually assessed provisions	**(1,007)**	(935)	(900)
Unearned income:			
Term loans	**(689)**	(701)	(722)
Lease financing	**(427)**	(482)	(540)
	(4,905)	(4,901)	(4,925)
Net loans, bills discounted and other receivables	**712,905**	695,398	669,163

Note 5 Provisions for Impairment and Asset Quality

	As at 31 December 2016				
	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	301,353	4,564	911	133,714	440,542
Pass Grade	151,134	14,661	7,595	73,096	246,486
Weak	8,533	3,210	235	1,937	13,915
Total loans which were neither past due nor impaired	461,020	22,435	8,741	208,747	700,943
Loans which were past due but not impaired					
Past due 1 - 29 days	5,886	842	105	1,086	7,919
Past due 30 - 59 days	1,805	224	49	242	2,320
Past due 60 - 89 days	849	131	29	114	1,123
Past due 90 - 179 days	977	15	4	175	1,171
Past due 180 days or more	906	10	1	252	1,169
Total loans past due but not impaired	10,423	1,222	188	1,869	13,702

	As at 30 June 2016				
	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	290,404	4,454	768	131,535	427,161
Pass Grade	142,180	15,628	7,468	73,852	239,128
Weak	10,189	3,669	257	1,475	15,590
Total loans which were neither past due nor impaired	442,773	23,751	8,493	206,862	681,879
Loans which were past due but not impaired					
Past due 1 - 29 days	7,494	830	93	1,044	9,461
Past due 30 - 59 days	1,942	229	47	194	2,412
Past due 60 - 89 days	946	139	24	116	1,225
Past due 90 - 179 days	1,065	16	1	183	1,265
Past due 180 days or more	834	11	2	231	1,078
Total loans past due but not impaired	12,281	1,225	167	1,768	15,441

	As at 31 December 2015				
	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	277,388	4,510	959	131,324	414,181
Pass Grade	137,203	14,617	8,312	67,014	227,146
Weak	9,938	3,403	243	1,822	15,406
Total loans which were neither past due nor impaired	424,529	22,530	9,514	200,160	656,733
Loans which were past due but not impaired					
Past due 1 - 29 days	7,326	841	84	838	9,089
Past due 30 - 59 days	2,000	230	49	223	2,502
Past due 60 - 89 days	768	134	23	103	1,028
Past due 90 - 179 days	855	15	1	179	1,050
Past due 180 days or more	732	12	2	249	995
Total loans past due but not impaired	11,681	1,232	159	1,592	14,664

(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.

Note 5 Provisions for Impairment and Asset Quality (continued)

	Half Year Ended		
	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M
Movement in gross impaired assets			
Gross impaired assets - opening balance	**3,116**	2,788	2,855
New and increased	**1,194**	1,302	1,068
Balances written off	**(584)**	(698)	(630)
Returned to performing or repaid	**(566)**	(650)	(810)
Portfolio managed - new/increased/return to performing/repaid	**215**	374	305
Gross impaired assets - closing balance (1)	**3,375**	3,116	2,788

(1) Includes $3,165 million of loans and advances and $210 million of other financial assets (30 June 2016: $2,979 million of loans and advances and $137 million of other financial assets; 31 December 2015: $2,690 million of loans and advances and $98 million of other financial assets).

	As at		
	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M
Impaired assets by size of asset			
Less than $1 million	**1,300**	1,293	1,280
$1 million to $10 million	**948**	876	876
Greater than $10 million	**1,127**	947	632
Gross impaired assets	**3,375**	3,116	2,788
Less total provisions for impaired assets (1)	**(1,182)**	(1,127)	(1,032)
Net impaired assets	**2,193**	1,989	1,756

(1) Includes $1,017 million of individually assessed provisions and $165 million of collective provisions (30 June 2016: $944 million of individually assessed provisions and $183 million of collective provisions; 31 December 2015: $909 million of individually assessed provisions and $123 million of collective provisions).

Provisioning Policy

Provisions for impairment are maintained at an amount adequate to cover incurred credit related losses.

For loans and other receivables the Group assesses at each Balance Sheet date whether there is any objective evidence of impairment. Individually assessed provisions are made against financial assets that are individually significant, or which have been individually assessed as impaired. All loans and other receivables that do not have an individually assessed provision are assessed collectively for impairment. If there is objective evidence of impairment, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the expected future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. Short-term balances are not discounted.

	Half Year Ended		
	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M
Provision for impairment losses			
Collective provision			
Opening balance	**2,818**	2,801	2,762
Net collective provision funding	**324**	340	324
Impairment losses written off	**(443)**	(431)	(415)
Impairment losses recovered	**107**	105	120
Other	**1**	3	10
Closing balance	**2,807**	2,818	2,801
Individually assessed provisions			
Opening balance	**944**	909	887
Net new and increased individual provisioning	**370**	454	334
Write-back of provisions no longer required	**(95)**	(102)	(94)
Discount unwind to interest income	**(16)**	(14)	(13)
Impairment losses written off	**(207)**	(339)	(232)
Other	**21**	36	27
Closing balance	**1,017**	944	909
Total provisions for impairment losses	**3,824**	3,762	3,710
Less: Provision for Off Balance Sheet exposures	**(35)**	(44)	(47)
Total provisions for loan impairment	**3,789**	3,718	3,663

Note 5 Provisions for Impairment and Asset Quality (continued)

	As at		
	31 Dec 16 %	30 Jun 16 %	31 Dec 15 %
Provision ratios			
Total provisions for impaired assets as a % of gross impaired assets	**35. 02**	36. 17	37. 02
Total provisions for impairment losses as a % of gross loans and acceptances	**0. 53**	0. 54	0. 55

	Half Year Ended		
	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M
Loan impairment expense			
Net collective provision funding	**324**	340	324
Net new and increased individual provisioning	**370**	454	334
Write-back of individually assessed provisions	**(95)**	(102)	(94)
Total loan impairment expense	**599**	692	564

Note 6 Deposits and Other Public Borrowings

	As at		
	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M
Australia			
Certificates of deposit	**41,018**	43,762	38,800
Term deposits	**151,263**	138,443	140,409
On-demand and short-term deposits	**286,407**	281,648	285,414
Deposits not bearing interest	**37,833**	35,164	13,699
Securities sold under agreements to repurchase	**13,015**	17,124	11,910
Total Australia	**529,536**	516,141	490,232
New Zealand			
Certificates of deposit	**2,521**	2,779	2,210
Term deposits	**24,560**	22,060	21,694
On-demand and short-term deposits	**23,082**	23,752	22,750
Deposits not bearing interest	**3,784**	3,345	3,170
Securities sold under agreements to repurchase	**-**	-	29
Total New Zealand	**53,947**	51,936	49,853
Other Overseas			
Certificates of deposit	**9,343**	6,319	6,962
Term deposits	**10,694**	10,009	10,967
On-demand and short-term deposits	**2,507**	3,575	2,417
Deposits not bearing interest	**64**	65	67
Total Other Overseas	**22,608**	19,968	20,413
Total deposits and other public borrowings	**606,091**	588,045	560,498

Note 7 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 being managed. During the half year, refinements have been made to the allocation of customer balances and associated revenue and expenses between business segments, including updated transfer pricing allocations. These changes have not impacted the Group's cash net profit, but have resulted in changes to the presentation of the Income Statement and the Balance Sheet of the Group and affected segments. There have also been changes to the recognition of Global Asset Management long-term incentives in Wealth Management, as set out in Note 1 Accounting Policies, which have had a minor impact on the Group's cash net profit.

	Half Year Ended 31 December 2016							
	Retail Banking Services	Business and Private Banking	Institutional Banking and Markets	Wealth Management	New Zealand	Bankwest	IFS and Other	Total
	$M	$M	$M	$M	$M	$M	$M	$M
Net interest income	4,584	1,513	761	-	833	819	233	**8,743**
Other banking income (1)	1,006	458	724	-	140	121	537	**2,986**
Total banking income	5,590	1,971	1,485	-	973	940	770	**11,729**
Funds management income	-	-	-	933	45	-	26	**1,004**
Insurance income	-	-	-	220	139	-	34	**393**
Total operating income	5,590	1,971	1,485	1,153	1,157	940	830	**13,126**
Investment experience (2)	-	-	-	34	(12)	-	(6)	**16**
Total income	5,590	1,971	1,485	1,187	1,145	940	824	**13,142**
Operating expenses (3)	(1,722)	(775)	(545)	(847)	(453)	(388)	(947)	**(5,677)**
Loan impairment expense	(350)	(64)	(44)	-	(47)	(43)	(51)	**(599)**
Net profit before tax	3,518	1,132	896	340	645	509	(174)	**6,866**
Corporate tax (expense)/benefit	(1,052)	(341)	(213)	(91)	(174)	(154)	75	**(1,950)**
Non-controlling interests	-	-	-	-	-	-	(9)	**(9)**
Net profit after tax - "cash basis" (4)	2,466	791	683	249	471	355	(108)	**4,907**
Hedging and IFRS volatility	-	-	-	-	2	-	6	**8**
Other non-cash items	-	-	-	(19)	-	(1)	-	**(20)**
Net profit after tax - "statutory basis"	2,466	791	683	230	473	354	(102)	**4,895**
Additional information								
Amortisation and depreciation	(121)	(59)	(63)	(19)	(39)	(13)	(474)	**(788)**
Balance Sheet								
Total assets	347,471	104,554	177,625	21,862	86,085	83,605	150,517	**971,719**
Total liabilities	249,688	80,372	155,053	26,975	79,058	51,685	267,076	**909,907**

(1) The current half includes a $397 million gain on sale of the Group's remaining investment in Visa Inc.
(2) Investment experience is presented on a pre-tax basis.
(3) The current half includes a $393 million one-off expense for acceleration of amortisation on certain software assets.
(4) This balance excludes non-cash items, including unrealised gains and losses relating to hedging and IFRS volatility ($8 million gain), Bankwest non-cash items ($1 million expense) and treasury shares valuation adjustment ($19 million expense).

Note 7 Financial Reporting by Segments (continued)

	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	IFS and Other $M	Total $M
	Half Year Ended 31 December 2015 (1)							
Net interest income	4,300	1,505	814	-	795	843	170	**8,427**
Other banking income	941	414	645	-	147	107	162	**2,416**
Total banking income	5,241	1,919	1,459	-	942	950	332	**10,843**
Funds management income	-	-	-	964	40	-	28	**1,032**
Insurance income	-	-	-	330	127	-	30	**487**
Total operating income	5,241	1,919	1,459	1,294	1,109	950	390	**12,362**
Investment experience (2)	-	-	-	55	5	-	(2)	**58**
Total income	5,241	1,919	1,459	1,349	1,114	950	388	**12,420**
Operating expenses	(1,694)	(742)	(534)	(826)	(441)	(390)	(583)	**(5,210)**
Loan impairment expense	(306)	(70)	(140)	-	(37)	16	(27)	**(564)**
Net profit before tax	3,241	1,107	785	523	636	576	(222)	**6,646**
Corporate tax (expense)/benefit	(969)	(333)	(163)	(147)	(172)	(173)	130	**(1,827)**
Non-controlling interests	-	-	-	-	-	-	(11)	**(11)**
Net profit after tax - "cash basis" (3)	2,272	774	622	376	464	403	(103)	**4,808**
Hedging and IFRS volatility	-	-	-	-	(109)	-	(41)	**(150)**
Other non-cash items	-	-	-	(9)	-	(26)	-	**(35)**
Net profit after tax - "statutory basis"	2,272	774	622	367	355	377	(144)	**4,623**
Additional information								
Amortisation and depreciation	(100)	(54)	(38)	(16)	(39)	(48)	(82)	**(377)**
Balance Sheet								
Total assets	322,172	97,576	175,609	19,670	75,066	80,092	132,806	**902,991**
Total liabilities	233,684	72,958	144,204	24,860	68,087	50,837	248,697	**843,327**

(1) Comparative information has been restated to reflect refinements to the allocation of customer balances, revenue and expense methodology including updated transfer pricing allocations, and changes to the recognition of Global Asset Management long-term incentives in Wealth Management. Refer to Appendix 17 to this Document for further details.

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

(3) This balance excludes non-cash items, including unrealised gains and losses relating to hedging and IFRS volatility ($150 million expense), Bankwest non-cash items ($26 million expense) and treasury shares valuation adjustments ($9 million expense).

Note 7 Financial Reporting by Segments (continued)

Geographical Information Financial Performance and Position	Half Year Ended 31 Dec 16 $M	31 Dec 16 %	31 Dec 15 $M	31 Dec 15 %
Income				
Australia (1)	**18,851**	**83. 4**	18,184	83. 0
New Zealand	**2,554**	**11. 3**	2,514	11. 5
Other locations (2)	**1,202**	**5. 3**	1,218	5. 5
Total Income	**22,607**	**100. 0**	21,916	100. 0
Non-Current Assets				
Australia	**15,557**	**91. 8**	14,689	91. 7
New Zealand	**1,047**	**6. 2**	1,017	6. 4
Other locations (2)	**332**	**2. 0**	306	1. 9
Total non-current assets (3)	**16,936**	**100. 0**	16,012	100. 0

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.
(2) Other locations include: United Kingdom, United States, Japan, Singapore, Malta, Hong Kong, Indonesia, China, India, Vietnam and South Africa.
(3) Non-current assets include Property, plant and equipment, Investments in associates and joint ventures, and Intangibles.

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

Note 8 Shareholders' Equity

	Half Year Ended		
	31 Dec 16	30 Jun 16	31 Dec 15
	$M	$M	$M
Ordinary Share Capital			
Shares on issue:			
Opening balance	**34,129**	33,577	27,898
Issue of shares (net of issue costs) [1]	**(6)**	-	5,022
Dividend reinvestment plan (net of issue costs) [2]	**586**	552	657
	34,709	34,129	33,577
Less treasury shares:			
Opening balance	**(284)**	(325)	(279)
Purchase of treasury shares [3]	**(27)**	(9)	(99)
Sale and vesting of treasury shares [3]	**57**	50	53
	(254)	(284)	(325)
Closing balance	**34,455**	33,845	33,252
Other Equity Instruments			
Opening balance	**-**	939	939
Redemptions [4]	**-**	(939)	-
Closing balance	**-**	-	939
Retained Profits			
Opening balance [5]	**23,435**	22,365	21,340
Actuarial gains and (losses) from defined benefit superannuation plans	**142**	(120)	130
Losses on liabilities at fair value due to changes in own credit risk	**(2)**	-	(1)
Realised gains and dividend income on treasury shares	**15**	13	7
Operating profit attributable to Equity holders of the Bank [5]	**4,895**	4,600	4,623
Total available for appropriation	**28,485**	26,858	26,099
Net loss on sale/redemption of other equity [6]	**-**	(10)	-
Transfers to general reserve	**(21)**	(19)	(101)
Transfers from asset revaluation reserve	**6**	5	14
Transfers to employee compensation reserve	**-**	-	(2)
Interim dividend - cash component	**-**	(2,829)	-
Interim dividend - dividend reinvestment plan [2]	**-**	(552)	-
Final dividend - cash component	**(3,222)**	-	(2,958)
Final dividend - dividend reinvestment plan [2]	**(586)**	-	(655)
Other dividends [7]	**-**	(18)	(32)
Closing balance	**24,662**	23,435	22,365

(1) The Group undertook a capital raising through a rights issue to all eligible shareholders in the 2016 financial year. An accelerated institutional offer closed on 13 August 2015, while the retail entitlement offer closed on 8 September 2015, jointly raising $5,016 million net of issue costs.
(2) The determined dividend includes an amount attributable to Dividend Reinvestment Plan (DRP) of $586 million (final 2015/2016), $552 million (interim 2015/2016) and $655 million (final 2014/2015) with $586 million, $552 million and $657 million ordinary shares being issued under plan rules, which include the carry forward of DRP balance from previous dividends.
(3) Relates to the movements in treasury shares held within Life Insurance Statutory Funds and the employee share scheme trust.
(4) Redemption of Trust Preferred Securities (TPS 2006) on 15 March 2016.
(5) Comparative information has been restated to reflect the change in incentives accounting policy detailed in Note 1. Refer to Appendix 17 to this Document for further details.
(6) Includes other equity instruments of non-controlling interests.
(7) Includes dividends relating to equity instruments on issue other than ordinary shares.

Note 8 Shareholders' Equity (continued)

	Half Year Ended		
	31 Dec 16	30 Jun 16	31 Dec 15
	$M	$M	$M
Reserves			
General Reserve			
Opening balance	939	920	819
Appropriation from retained profits	21	19	101
Closing balance	960	939	920
Asset Revaluation Reserve			
Opening balance	173	177	191
Revaluation of properties	-	2	-
Transfer to retained profits	(6)	(5)	(14)
Tax on revaluation of properties	-	(1)	-
Closing balance	167	173	177
Foreign Currency Translation Reserve			
Opening balance	739	737	356
Currency translation adjustments of foreign operations	69	11	378
Currency translation of net investment hedge	9	(8)	(4)
Tax on translation adjustments	5	(1)	7
Closing balance	822	739	737
Cash Flow Hedge Reserve			
Opening balance	473	137	263
Gains and (losses) on cash flow hedging instruments:			
Recognised in other comprehensive income	(1,031)	249	1
Transferred to Income Statement:			
Interest income	(678)	(410)	(558)
Interest expense	960	639	379
Tax on cash flow hedging instruments	229	(142)	52
Closing balance	(47)	473	137
Employee Compensation Reserve			
Opening balance	132	85	122
Current period movement	(25)	47	(37)
Closing balance	107	132	85
Available-for-sale Investments Reserve			
Opening balance	278	498	594
Net gains and (losses) on revaluation of available-for-sale investments	241	(162)	(74)
Net gains and (losses) on available-for-sale investments transferred to Income Statement on disposal	(437)	(150)	(72)
Tax on available-for-sale investments	53	92	50
Closing balance	135	278	498
Total Reserves	2,144	2,734	2,554
Shareholders' Equity attributable to Equity holders of the Bank	61,261	60,014	59,110
Shareholders' Equity attributable to Non-controlling interests	551	550	554
Total Shareholders' Equity	61,812	60,564	59,664

Note 9 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 value of the Group's financial instruments not measured at fair value as at 31 December 2016 are presented below. The disclosure does not cover assets or liabilities that are not considered to be financial instruments from an accounting perspective.

	31 Dec 16		30 Jun 16	
	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	**44,709**	**44,709**	23,372	23,372
Receivables due from other financial institutions	**10,612**	**10,612**	11,591	11,591
Loans and other receivables	**704,912**	**705,310**	684,891	685,341
Bank acceptances of customers	**1,440**	**1,440**	1,431	1,431
Other assets	**6,113**	**6,113**	5,599	5,599
Total financial assets	**767,786**	**768,184**	726,884	727,334
Financial liabilities not measured at fair value on a recurring basis				
Deposits and other public borrowings	**606,091**	**606,420**	588,045	588,405
Payables due to other financial institutions	**34,031**	**34,031**	28,771	28,771
Bank acceptances	**1,440**	**1,440**	1,431	1,431
Debt issues	**175,583**	**176,246**	161,284	161,049
Managed funds units on issue	**2,362**	**2,362**	1,606	1,606
Bills payable and other liabilities (1)	**9,322**	**9,322**	7,613	7,613
Loan capital	**16,997**	**17,233**	15,544	15,101
Total financial liabilities	**845,826**	**847,054**	804,294	803,976

(1) Comparative information has been restated to reflect the change in incentives accounting policy detailed in Note 1. Refer to Appendix 17 to this Document for further details.

The fair values disclosed above represent estimates of prices at which these instruments could be sold or transferred in an orderly transaction between market participants. However, many of the instruments lack an available trading market and it is the intention to hold to maturity. Thus it is possible that realised amounts may differ to amounts disclosed above.

Due to the wide range of valuation techniques and the numerous estimates that must be made, it may be difficult to make a reasonable comparison of the fair value information disclosed here, against that disclosed by other financial institutions.

Note 9 Disclosures about Fair Values (continued)

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

For financial instruments not carried at fair value, an estimate of fair value has been derived as follows:

Loans and Other Receivables

The carrying value of loans and other receivables is net of accumulated collective and individually assessed provisions for impairment. Customer creditworthiness is regularly reviewed in line with the Group's credit policies and, where necessary, pricing is adjusted in accordance with individual credit contracts.

For the majority of variable rate loans, excluding impaired loans, the carrying amount is considered a reasonable estimate of fair value. For institutional variable rate loans, the fair value is calculated using discounted cash flow models, with a discount rate reflecting market rates offered on similar loans to customers with similar creditworthiness. The fair value of impaired loans is calculated by discounting estimated future cash flows using the loan's market interest rate.

The fair value of fixed rate loans is calculated using discounted cash flow models, where the discount rate reflects market rates offered for loans of similar remaining maturities and creditworthiness of the customer.

Deposits and Other Public Borrowings

Fair value of non-interest bearing, at call and variable rate deposits, and fixed rate deposits repricing within six months, approximate their carrying value as they are short-term in nature or payable on demand.

Fair value of term deposits are estimated using discounted cash flows, applying market rates offered for deposits of similar remaining maturities.

Debt Issues and Loan Capital

The fair values are calculated using quoted market prices, where available. Where quoted market prices are not available, discounted cash flow and option pricing models are used. The discount rate applied reflects the terms of the instrument, the timing of the cash flows, and is adjusted for any change in the Group's applicable credit rating.

Other Financial Assets and Liabilities

For all other financial assets and liabilities fair value approximates carrying value due to their short-term nature, frequent repricing and/or high credit rating.

(b) Valuation Methodology for Financial Instruments carried at Fair Value

A significant number of financial instruments are carried on Balance Sheet at fair value.

The best evidence of fair value is a quoted market price in an active market. Therefore, where possible, fair value is based on quoted market prices. Where no quoted market price for an instrument is available, the fair value is based on present value estimates or other valuation techniques based on current market conditions. These valuation techniques rely on market observable inputs wherever possible, or in a limited number of instances, rely on inputs which are reasonable assumptions based on market conditions.

Determination of 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.

The Group utilises various valuation techniques and applies a hierarchy for valuation inputs that maximise the use of observable market data, if available.

The tables below categorise financial assets and liabilities that are recognised and measured at fair value, and the valuation methodology according to the following hierarchy.

Valuation Inputs

Quoted Prices in Active Markets – Level 1

The valuation of Level 1 financial instruments are determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis.

An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Financial instruments included in this category are liquid government bonds, financial institution and corporate bonds, certificates of deposit, bank bills, listed equities and exchange traded derivatives.

Valuation Technique Using Observable Inputs – Level 2

Level 2 financial instruments are 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, mortgaged-backed securities and OTC derivatives including interest rate swaps, cross currency swaps and FX options.

Valuation Technique Using Significant Unobservable Inputs – Level 3

The valuation of Level 3 financial instruments incorporates significant inputs for the asset or liability 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 certain asset-backed securities valued using unobservable inputs.

Note 9 Disclosures about Fair Values (continued)

(c) 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:

	Fair Value as at 31 December 2016				Fair Value as at 30 June 2016			
	Level 1 $M	Level 2 $M	Level 3 $M	Total $M	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets measured at fair value on a recurring basis								
Assets at fair value through Income Statement:								
Trading	22,897	11,302	-	**34,199**	23,180	10,887	-	34,067
Insurance	3,630	10,093	72	**13,795**	4,014	9,533	-	13,547
Other	43	760	-	**803**	43	1,437	-	1,480
Derivative assets	304	45,444	89	**45,837**	16	46,491	60	46,567
Available-for-sale investments	72,393	9,055	227	**81,675**	71,244	9,353	301	80,898
Bills Discounted (1)	7,993	-	-	**7,993**	10,507	-	-	10,507
Total financial assets measured at fair value	107,260	76,654	388	**184,302**	109,004	77,701	361	187,066
Financial liabilities measured at fair value on a recurring basis								
Liabilities at fair value through Income Statement	2,153	6,251	-	**8,404**	2,749	7,543	-	10,292
Derivative liabilities	2	37,996	44	**38,042**	38	39,819	64	39,921
Life investment contracts	-	8,312	-	**8,312**	-	8,582	-	8,582
Total financial liabilities measured at fair value	2,155	52,559	44	**54,758**	2,787	55,944	64	58,795

(1) These balances are included within loans, bills discounted and other receivables on the face of the Balance Sheet.

(d) Analysis of Movements between Fair Value Hierarchy Levels

During the half year ended 31 December 2016 there have been no reclassifications of available-for-sale securities (30 June 2016: $547 million from Level 2 to Level 1). There were insurance security reclassifications of $488 million (30 June 2016: $628 million) from Level 1 to Level 2. There were no trading security reclassifications (30 June 2016: $nil) from Level 2 to Level 1. Transfers in and out of Levels are due to changes in the observability of the inputs. 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 period.

Level 3 Movement Analysis for the half year ended 31 December 2016

	Insurance Assets $M	Derivative Assets $M	Available for Sale Investments $M	Derivative Liabilities $M	Total $M
As at 1 July 2016	-	60	301	(64)	297
Purchases	-	-	-	-	-
Sales/Settlements	-	10	(71)	3	(58)
Gains/(losses) in the period:					
Recognised in the Income Statement	-	16	(1)	17	32
Recognised in the Statement of Comprehensive Income	-	-	(2)	-	(2)
Transfers in	72	3	-	-	75
Transfers out	-	-	-	-	-
As at 31 December 2016	72	89	227	(44)	344
Gains/(losses) recognised in the Income Statement for financial instruments held as at 31 December 2016	-	16	-	17	33

The Group's exposure to financial instruments measured at fair value based in full or in part on non-market observable inputs is restricted to a small number of financial instruments, which comprise an insignificant component of the portfolios to which they belong. As such, the purchases, sales, as well as any change in the assumptions used to value the instruments to a reasonably possible alternative do not have a material effect on the portfolio balance of the Group's results.

Note 10 Contingent Liabilities, Contingent Assets, Provisions and Commitments

Details of contingent liabilities, provisions and off Balance Sheet business are presented below. The face (contract) value represents the maximum potential amount that could be lost if the counterparty fails to meet its financial obligations. The credit equivalent amounts are a measure of potential loss to the Group in the event of non-performance by the counterparty. The credit commitments shown in the table below also constitute contingent assets. These commitments would be classified as loans and other assets in the Balance Sheet on the occurrence of the contingent event.

				Group
		Face Value		Credit Equivalent
	31 Dec 16	30 Jun 16	31 Dec 16	30 Jun 16
Credit risk related instruments	$M	$M	$M	$M
Guarantees [1]	**6,647**	6,216	**6,647**	6,216
Documentary letters of credit [2]	**1,387**	1,308	**1,378**	1,153
Performance related contingents [3]	**2,422**	2,568	**2,414**	2,560
Commitments to provide credit [4]	**176,063**	170,742	**169,674**	162,967
Other commitments [5]	**1,014**	1,636	**891**	1,359
Total credit risk related instruments	**187,533**	182,470	**181,004**	174,255

(1) Guarantees are unconditional undertakings given to support the obligations of a customer to third parties.
(2) Documentary letters of credit 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.
(3) Performance related contingents are undertakings that oblige the Group to pay third parties should a customer fail to fulfil a contractual non-monetary obligation.
(4) Commitments to provide credit include all obligations on the part of the Group to provide credit facilities. As facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.
(5) Other commitments include underwriting facilities, commitments with certain drawdowns, standby letters of credit and bill endorsements.

There has been no material change in contingent liabilities since those disclosed in the Financial Statements for the year ended 30 June 2016.

Advice Review Program

Certain remediation programs are being undertaken in the Group’s advice business as follows:

- The Open Advice Review program for customers of Commonwealth Financial Planning Limited (CFPL) and Financial Wisdom Limited (FWL), who received advice between 1 September 2003 and 1 July 2012. Registrations for the program closed in July 2015. Customer file assessments are complete and remediation is ongoing. Promontory is expected to release its final independent review of advice assessed through the Open Advice Review program in March 2017.
- Variations to CFPL's and FWL's licence conditions agreed with ASIC in August 2014. The licensees are continuing to work with ASIC and the compliance expert to complete further reviews of customer files for 17 advisers identified by the compliance expert. The reviews will assess if the advice provided before 2012 was appropriate, and where required, customers will be remediated. The compliance expert confirmed in December 2016 that the licensees took appropriate action to contact more than 4,300 customers in 2015, respond to customers’ request for information, and perform further reviews of their advice.
- A review of service delivery against past adviser service package offerings from 1 July 2007 to 30 June 2015. In instances where the Group's records do not show that customers who paid for the service package during this period received an annual review, customers are being refunded. Affected customers will be advised by June 2017 and refunds with interest have commenced.

The Group has provided for the cost of running these programs, together with anticipated remediation costs. Key assumptions in determining the remediation and program cost provisions include customer registrations and responses, remediation rates and amounts, case complexity and program design. These have been developed considering historical evidence, current information available and the exercise of judgement. As the nature of these estimates and assumptions are uncertain, the provisions may change. The Group considers that provisions held are adequate and represent our best estimate of the anticipated future costs.

The Group will re-evaluate the assumptions underpinning the provisions at each reporting date as more information becomes available.

Note 11 Subsequent Events

The Directors have declared a fully franked interim dividend of 199 cents per share amounting to $3,429 million.

The Bank expects the DRP for the interim dividend for the half year ended 31 December 2016 will be satisfied by the issue of shares of approximately $531 million.

The Group is not aware of any further matters or circumstances that have occurred since the end of the period that have significantly affected or will significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

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 2016, as set out on pages 59 to 79, are in accordance with the Corporations Act 2001, 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 2016 and its performance for the six months ended 31 December 2016; 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.

Catherine Livingstone

Catherine Livingstone AO
Chairman
14 February 2017

Ian Narev

Ian Narev
Managing Director and Chief Executive Officer
14 February 2017

Independent auditor's review report to the members of Commonwealth Bank of Australia

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of Commonwealth Bank of Australia (the Company), which comprises the consolidated balance sheet as at 31 December 2016, the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, selected explanatory notes and the directors' declaration for the consolidated entity. The consolidated entity comprises the Company and the entities it controlled during that half year.

Directors' responsibility for the half year financial report

The directors of the Company 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 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 consolidated entity's financial position as at 31 December 2016 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 Commonwealth Bank of Australia, 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 Commonwealth Bank of Australia is not in accordance with the *Corporations Act* 2001 including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half year ended on that date;

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

M. Laithwaite

Marcus Laithwaite
Partner

Sydney
14 February 2017

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Contents

Section 7 - Appendices

1. Net Interest Margin

	Half Year Ended (1)		
	31 Dec 16	30 Jun 16	31 Dec 15
	%	%	%
Australia			
Interest spread (2)	**2. 01**	2. 03	2. 11
Benefit of interest-free liabilities, provisions and equity (3)	**0. 21**	0. 20	0. 13
Net interest margin (4)	**2. 22**	2. 23	2. 24
New Zealand			
Interest spread (2)	**1. 66**	1. 75	1. 86
Benefit of interest-free liabilities, provisions and equity (3)	**0. 34**	0. 35	0. 38
Net interest margin (4)	**2. 00**	2. 10	2. 24
Other Overseas			
Interest spread (2)	**0. 57**	0. 70	0. 69
Benefit of interest-free liabilities, provisions and equity (3)	**0. 03**	0. 05	0. 02
Net interest margin (4)	**0. 60**	0. 75	0. 71
Total Group			
Interest spread (2)	**1. 91**	1. 94	2. 02
Benefit of interest-free liabilities, provisions and equity (3)	**0. 20**	0. 20	0. 13
Net interest margin (4)	**2. 11**	2. 14	2. 15

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.
(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 would cost to replace them at the average cost of funds.
(4) Net interest income divided by average interest earning assets for the half year annualised.

2. Average Balances and Related Interest

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 2016, 30 June 2016 and 31 December 2015. Averages used were predominantly daily averages. Interest is accounted for based on product yield.

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

The New Zealand and Other Overseas components comprise overseas branches of the 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 rate in Australia decreased 25 basis points during the half year, while rates in New Zealand decreased 50 basis points during the half year.

	Half Year Ended 31 Dec 16			Half Year Ended 30 Jun 16 (1)			Half Year Ended 31 Dec 15 (1)		
	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
Interest Earning Assets	$M	$M	%	$M	$M	%	$M	$M	%
Home loans (2)	430,408	9,541	4. 40	414,749	9,637	4. 67	404,644	9,646	4. 74
Consumer finance (3)	23,460	1,433	12. 12	23,838	1,464	12. 35	23,608	1,458	12. 28
Business and corporate loans	220,519	4,472	4. 02	215,027	4,406	4. 12	207,726	4,355	4. 17
Loans, bills discounted and other receivables	674,387	15,446	4. 54	653,614	15,507	4. 77	635,978	15,459	4. 84
Cash and other liquid assets	42,801	177	0. 82	42,328	253	1. 20	45,838	175	0. 76
Assets at fair value through Income Statement (excluding life insurance)	25,252	230	1. 81	24,246	279	2. 31	20,661	297	2. 86
Available-for-sale investments	80,618	823	2. 03	80,191	936	2. 35	78,444	911	2. 31
Non-lending interest earning assets	148,671	1,230	1. 64	146,765	1,468	2. 01	144,943	1,383	1. 90
Total interest earning assets (4)	823,058	16,676	4. 02	800,379	16,975	4. 27	780,921	16,842	4. 29
Non-interest earning assets	134,122			123,061			128,358		
Total average assets	957,180			923,440			909,279		

	Half Year Ended 31 Dec 16			Half Year Ended 30 Jun 16 (1)			Half Year Ended 31 Dec 15 (1)		
	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
Interest Bearing Liabilities	$M	$M	%	$M	$M	%	$M	$M	%
Transaction deposits (5)	68,620	266	0. 77	68,664	303	0. 89	79,791	303	0. 76
Savings deposits (5)	180,106	1,302	1. 43	180,815	1,578	1. 76	173,624	1,816	2. 08
Investment deposits	206,527	2,619	2. 52	195,980	2,674	2. 74	196,068	2,747	2. 79
Certificates of deposit and other	68,717	1,087	3. 14	68,315	1,127	3. 32	64,646	1,137	3. 50
Total interest bearing deposits	523,970	5,274	2. 00	513,774	5,682	2. 22	514,129	6,003	2. 32
Payables due to other financial institutions	30,182	126	0. 83	32,390	146	0. 91	41,622	131	0. 63
Liabilities at fair value through Income Statement	8,105	67	1. 64	7,583	107	2. 84	6,155	104	3. 36
Debt issues	169,388	2,145	2. 51	161,879	2,230	2. 77	162,155	1,895	2. 32
Loan capital	15,591	321	4. 08	14,620	302	4. 15	13,165	282	4. 26
Total interest bearing liabilities	747,236	7,933	2. 11	730,246	8,467	2. 33	737,226	8,415	2. 27
Non-interest bearing liabilities	148,756			134,057			115,817		
Total average liabilities	895,992			864,303			853,043		

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.

(2) Net of average mortgage offset balances. Gross average home loans balance, excluding mortgage offset accounts is $463,811 million (30 June 2016: $443,497 million, 31 December 2015: $429,639 million).

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

(4) Used for calculating Net interest margin.

(5) Net of average mortgage offset balances.

2. Average Balances and Related Interest (continued)

Net Interest Margin	Half Year Ended 31 Dec 16 Avg Bal $M	Interest $M	Yield %	Half Year Ended 30 Jun 16 [1] Avg Bal $M	Interest $M	Yield %	Half Year Ended 31 Dec 15 [1] Avg Bal $M	Interest $M	Yield %
Total interest earning assets	**823,058**	**16,676**	**4. 02**	800,379	16,975	4.27	780,921	16,842	4.29
Total interest bearing liabilities	**747,236**	**7,933**	**2. 11**	730,246	8,467	2.33	737,226	8,415	2.27
Net interest income and interest spread		**8,743**	**1. 91**		8,508	1. 94		8,427	2. 02
Benefit of free funds			**0. 20**			0. 20			0. 13
Net interest margin			**2. 11**			2. 14			2. 15

Geographical Analysis of Key Categories	Half Year Ended 31 Dec 16 Avg Bal $M	Interest $M	Yield %	Half Year Ended 30 Jun 16 [1] Avg Bal $M	Interest $M	Yield %	Half Year Ended 31 Dec 15 [1] Avg Bal $M	Interest $M	Yield %
Loans, Bills Discounted and Other Receivables									
Australia	**576,123**	**13,218**	**4. 55**	560,995	13,369	4. 79	547,493	13,251	4. 81
New Zealand [2]	**74,127**	**1,889**	**5. 06**	68,358	1,787	5. 26	64,496	1,874	5. 78
Other Overseas [2]	**24,137**	**339**	**2. 79**	24,261	351	2. 91	23,989	334	2. 77
Total	**674,387**	**15,446**	**4. 54**	653,614	15,507	4. 77	635,978	15,459	4. 84
Non-Lending Interest Earning Assets									
Australia	**104,530**	**1,045**	**1. 98**	102,338	1,197	2. 35	99,318	1,177	2. 36
New Zealand [2]	**7,659**	**85**	**2. 20**	7,058	90	2. 56	6,392	101	3. 14
Other Overseas [2]	**36,482**	**100**	**0. 54**	37,369	181	0. 97	39,233	105	0. 53
Total	**148,671**	**1,230**	**1. 64**	146,765	1,468	2. 01	144,943	1,383	1. 90
Total Interest Bearing Deposits									
Australia	**451,960**	**4,385**	**1. 92**	446,216	4,829	2. 18	450,632	5,018	2. 21
New Zealand [2]	**49,188**	**716**	**2. 89**	46,935	720	3. 08	45,819	828	3. 59
Other Overseas [2]	**22,822**	**173**	**1. 50**	20,623	133	1. 30	17,678	157	1. 77
Total	**523,970**	**5,274**	**2. 00**	513,774	5,682	2. 22	514,129	6,003	2. 32
Other Interest Bearing Liabilities									
Australia	**164,546**	**2,007**	**2. 42**	161,790	2,200	2. 73	167,733	1,905	2. 26
New Zealand [2]	**22,420**	**416**	**3. 68**	17,828	347	3. 91	14,766	311	4. 19
Other Overseas [2]	**36,300**	**236**	**1. 29**	36,854	238	1. 30	40,598	196	0. 96
Total	**223,266**	**2,659**	**2. 36**	216,472	2,785	2. 59	223,097	2,412	2. 15

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.

(2) The New Zealand and Other Overseas components comprise overseas branches of the Group and overseas domiciled controlled entities. Overseas intragroup borrowings have been adjusted into the interest spread and margin calculations to more appropriately reflect the overseas cost of funds. Non-accrual loans were included in Interest earning assets under Loans, bills discounted and other receivables.

3. Interest Rate and Volume Analysis

	Half Year Ended Dec 16 vs Jun 16 (1)			Half Year Ended Dec 16 vs Dec 15 (1)		
	Volume	Rate	Total	Volume	Rate	Total
Interest Earning Assets (2)	$M	$M	$M	$M	$M	$M
Home loans	355	(451)	(96)	593	(698)	(105)
Consumer finance	(23)	(8)	(31)	(9)	(16)	(25)
Business and corporate loans	112	(46)	66	264	(147)	117
Loans, bills discounted and other receivables	484	(545)	(61)	907	(920)	(13)
Cash and other liquid assets	2	(78)	(76)	(12)	14	2
Assets at fair value through Income Statement (excluding life insurance)	10	(59)	(49)	54	(121)	(67)
Available-for-sale investments	5	(118)	(113)	24	(112)	(88)
Non-lending interest earning assets	17	(255)	(238)	33	(186)	(153)
Total interest earning assets	470	(769)	(299)	881	(1,047)	(166)

	Half Year Ended Dec 16 vs Jun 16 (1)			Half Year Ended Dec 16 vs Dec 15 (1)		
	Volume	Rate	Total	Volume	Rate	Total
Interest Bearing Liabilities (2)	$M	$M	$M	$M	$M	$M
Transaction deposits	-	(37)	(37)	(43)	6	(37)
Savings deposits	(6)	(270)	(276)	57	(571)	(514)
Investment deposits	139	(194)	(55)	140	(268)	(128)
Certificates of deposit and other	6	(46)	(40)	68	(118)	(50)
Total interest bearing deposits	108	(516)	(408)	107	(836)	(729)
Payables due to other financial institutions	(10)	(10)	(20)	(42)	37	(5)
Liabilities at fair value through Income Statement	6	(46)	(40)	25	(62)	(37)
Debt issues	99	(184)	(85)	88	162	250
Loan capital	20	(1)	19	51	(12)	39
Total interest bearing liabilities	189	(723)	(534)	110	(592)	(482)

	Half Year Ended (1)	
	Dec 16 vs Jun 16	Dec 16 vs Dec 15
	Increase/(Decrease)	Increase/(Decrease)
Change in Net Interest Income (3)	$M	$M
Due to changes in average volume of interest earning assets	243	451
Due to changes in interest margin	(125)	(135)
Due to variation in time period	117	-
Change in net interest income	235	316

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.

(2) 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) “Volume” reflects the change in net interest income over the period due to balance growth (assuming average rates were held constant), and “Rate” reflects the change due to movements in yield (assuming average volumes were held constant). “Variation in time periods” only applies to reporting periods of differing lengths (e.g. between half years).

3. Interest Rate and Volume Analysis (continued)

Geographical Analysis of Key Categories [2]	Half Year Ended Dec 16 vs Jun 16 [1] Volume $M	Rate $M	Total $M	Half Year Ended Dec 16 vs Dec 15 [1] Volume $M	Rate $M	Total $M
Loans, Bills Discounted and Other Receivables						
Australia	354	(505)	(151)	675	(708)	(33)
New Zealand	149	(47)	102	263	(248)	15
Other Overseas	(2)	(10)	(12)	2	3	5
Total	484	(545)	(61)	907	(920)	(13)
Non-Lending Interest Earning Assets						
Australia	24	(176)	(152)	57	(189)	(132)
New Zealand	7	(12)	(5)	17	(33)	(16)
Other Overseas	(3)	(78)	(81)	(7)	2	(5)
Total	17	(255)	(238)	33	(186)	(153)
Total Interest Bearing Deposits						
Australia	59	(503)	(444)	14	(647)	(633)
New Zealand	34	(38)	(4)	55	(167)	(112)
Other Overseas	15	25	40	42	(26)	16
Total	108	(516)	(408)	107	(836)	(729)
Other Interest Bearing Liabilities						
Australia	36	(229)	(193)	(38)	140	102
New Zealand	87	(18)	69	152	(47)	105
Other Overseas	(4)	2	(2)	(24)	64	40
Total	84	(210)	(126)	2	245	247

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.
(2) The volume and rate variances for total loans, bills discounted and other receivables, total non-lending interest earning assets, total interest bearing deposits and total other interest bearing liabilities have been calculated separately (rather than being the sum of the individual categories).

4. Other Banking Income

	Half Year Ended 31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Lending fees	**533**	503	507	6	5
Commissions	**1,254**	1,064	1,151	18	9
Trading income	**600**	591	496	2	21
Net gain/(loss) on non-trading financial instruments [1] [2]	**374**	95	(122)	large	large
Net gain/(loss) on sale of property, plant and equipment	**7**	(15)	(6)	large	large
Net gain/(loss) from hedging ineffectiveness	**39**	(37)	(35)	large	large
Dividends	**5**	7	5	(29)	-
Share of profit of associates and joint ventures net of impairment	**154**	144	145	7	6
Other	**32**	20	63	60	(49)
Total other banking income - "statutory basis"	**2,998**	2,372	2,204	26	36

(1) Inclusive of non-trading derivatives that are held for risk management purposes.
(2) The current half includes a $397 million gain on sale of the Group's remaining investment in Visa Inc.

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 16 $M	30 Jun 16 $M	31 Dec 15 $M
Other banking income - "cash basis"	**2,986**	2,444	2,416
Revenue hedge of New Zealand operations - unrealised	**(2)**	(46)	(151)
Hedging and IFRS volatility	**14**	(26)	(61)
Other banking income - "statutory basis"	**2,998**	2,372	2,204

5. CommInsure and Sovereign Sources of Profit

Wealth Management – CommInsure

Sources of Profit from CommInsure	Half Year Ended 31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Life insurance operating margins:					
Planned profit margins	**80**	94	98	(15)	(18)
Experience variations	**(94)**	(112)	-	(16)	large
Funds management operating margins	**38**	41	37	(7)	3
General insurance operating margins	**60**	19	26	large	large
Operating margins	**84**	42	161	large	(48)
Investment experience after tax	**22**	41	30	(46)	(27)
Cash net profit after tax	**106**	83	191	28	(45)
Statutory net profit after tax	**106**	83	191	28	(45)

New Zealand – Sovereign

Sources of Profit from Sovereign	Half Year Ended 31 Dec 16 NZ$M	30 Jun 16 NZ$M	31 Dec 15 NZ$M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Planned profit margins	**47**	48	45	(2)	4
Experience variations	**5**	(6)	3	large	67
Operating margins	**52**	42	48	24	8
Investment experience after tax	**(8)**	9	6	large	large
Cash net profit after tax	**44**	51	54	(14)	(19)
Statutory net profit after tax	**44**	51	54	(14)	(19)

6. Integrated Risk Management (Excludes Insurance and Funds Management)

The major categories of risk actively managed by the Group include credit risk, market risk, liquidity and funding risk and operational risks.

The Group's approach to risk management including governance, management, material business risks, and policies and procedures are described in the Notes to the 2016 Financial Report of the Group. 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		
	31 Dec 16	30 Jun 16	31 Dec 15
By Industry [1]	%	%	%
Agriculture, forestry and fishing	**2.0**	1.9	1.8
Banks	**6.3**	6.8	7.8
Business services	**1.3**	1.2	1.3
Construction	**0.8**	0.8	0.8
Consumer	**54.8**	54.9	54.0
Culture and recreational services	**0.7**	0.7	0.7
Energy	**1.2**	1.1	1.1
Finance - Other	**5.1**	5.2	5.1
Health and community service	**0.7**	0.7	0.7
Manufacturing	**1.6**	1.6	1.8
Mining	**1.4**	1.5	1.8
Property	**6.7**	6.6	6.4
Retail trade and wholesale trade	**2.4**	2.4	2.3
Sovereign	**9.5**	9.0	8.7
Transport and storage	**1.5**	1.5	1.6
Other	**4.0**	4.1	4.1
	100.0	100.0	100.0

	As at		
	31 Dec 16	30 Jun 16	31 Dec 15
By Region [1]	%	%	%
Australia	**76.4**	76.7	75.4
New Zealand	**9.7**	9.2	8.8
Europe	**5.8**	5.4	6.4
Americas	**4.2**	4.5	5.1
Asia	**3.7**	3.8	4.1
Other	**0.2**	0.4	0.2
	100.0	100.0	100.0

	As at		
	31 Dec 16	30 Jun 16	31 Dec 15
Commercial Portfolio Quality [1]	%	%	%
AAA/AA	**32.0**	31.8	30.7
A	**17.6**	17.8	19.0
BBB	**19.1**	19.1	20.1
Other	**31.3**	31.3	30.2
	100.0	100.0	100.0

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

As a measure of individually risk-rated commercial portfolio exposure (including finance and insurance), the Group has 68.7% (June 2016: 68.7%; December 2015: 69.8%) of commercial exposures at investment grade quality.

6. Integrated Risk Management (continued)

Market Risk

Market risk in the Balance Sheet is discussed within Note 33 of the 2016 Financial Report.

Value at Risk ("VaR")

The Group uses Value at Risk (VaR) as one of the measures of Traded and Non-Traded Market Risk. VaR is a statistical measure of potential loss using historically observed market movements.

VaR is modelled at a 97.5% confidence level. A 1-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		
	31 Dec 16	30 Jun 16	31 Dec 15
Traded Market Risk (1)	$M	$M	$M
Risk Type			
Interest rate risk (2)	**12. 0**	9. 6	6. 3
Foreign exchange risk	**2. 3**	1. 9	2. 6
Equities risk	**0. 6**	0. 5	0. 4
Commodities risk	**2. 7**	2. 2	2. 1
Credit spread risk	**3. 6**	3. 1	2. 9
Diversification benefit	**(11. 1)**	(8. 2)	(8. 4)
Total general market risk	**10. 1**	9. 1	5. 9
Undiversified risk	**2. 2**	2. 3	2. 3
ASB Bank	**0. 2**	0. 1	0. 2
Total	**12. 5**	11. 5	8. 4

(1) Average VaR is at 1 day 97.5% confidence, and is calculated for each six month period.
(2) The increase in traded market risk average VaR relative to prior comparative periods was mainly driven by a conservative measurement approach for some longer term interest rates, particularly in currencies with negative or near zero rates. The approach has been reviewed and an enhanced methodology commenced in September 2016. While this methodology results in lower daily VaR, the average VaR across the current period is not fully reflective of this change.

	Average VaR (1)		
Non-Traded VaR in Australian Life Insurance Business	31 Dec 16	30 Jun 16	31 Dec 15
(20 day 97.5% Confidence)	$M	$M	$M
Shareholder funds (2)	**1. 3**	2. 1	5. 7
Guarantees (to Policyholders) (3)	**21. 6**	21. 7	17. 0

(1) For the half year ended.
(2) VaR in relation to the investment of Shareholder Funds.
(3) VaR in relation to product portfolios where the Group has a guaranteed liability to policyholders (e.g. annuities where we receive a lump sum payment and guarantee to pay a series of future payments).

Non-Traded Equity

Non-traded equity includes all equity instruments outside the trading portfolio with the exception of the Group's structural and strategic holdings.

	As at VaR		
	31 Dec 16	30 Jun 16	31 Dec 15
Non-Traded Equity Risk VaR (20 day 97.5% confidence)	$M	$M	$M
VaR	**26. 9**	34. 0	43. 5

6. Integrated Risk Management (continued)

Interest Rate Risk in the Banking Book

Interest Rate Risk in the Banking Book is discussed within Note 33 of the 2016 Financial Report.

(a) Next 12 Months' Earnings

The potential unfavourable change to the Group's net interest earnings based on 100 basis point parallel rate shock is as follows:

Net Interest Earnings at Risk [1]		31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M
Average monthly exposure	AUD	**284. 9**	307. 6	324. 6
	NZD	**27. 9**	31. 0	29. 5
High month exposure	AUD	**309. 7**	338. 5	408. 7
	NZD	**33. 5**	38. 9	37. 7
Low month exposure	AUD	**260. 7**	286. 5	227. 1
	NZD	**21. 4**	16. 5	23. 9

(1) For the half year ended. NZD amounts are presented in NZD.

(b) Economic Value

A 20-day 97.5% VaR measure is used to capture the economic impact of adverse changes in interest rates on all banking book assets and liabilities.

	Average VaR [1]		
Non-Traded Interest Rate Risk (20 day 97.5% confidence)	**31 Dec 16 $M**	**30 Jun 16 $M**	**31 Dec 15 $M**
AUD Interest rate risk	**99. 3**	79. 5	51. 8
NZD Interest rate risk [2]	**4. 7**	3. 3	3. 8

(1) For the half year ended. NZD amounts are presented in NZD.
(2) Relates specifically to ASB data as at month end.

6. 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 other than the USD Trust Preferred Securities which are classified as other equity instruments in the statutory Balance Sheet.

	As at				
	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Transaction deposits	**93,641**	89,780	97,327	4	(4)
Savings deposits	**191,406**	191,313	189,560	-	1
Investment deposits	**211,711**	197,085	195,814	7	8
Other customer deposits (1)	**44,593**	39,796	17,655	12	large
Total customer deposits	**541,351**	517,974	500,356	5	8
Wholesale funding					
Short-term					
Certificates of deposit (2)	**44,100**	43,702	37,438	1	18
Euro commercial paper programme	**2,597**	2,210	3,518	18	(26)
US commercial paper programme	**32,013**	28,395	37,919	13	(16)
Euro medium-term note programme	**12,749**	9,135	6,092	40	large
Central Bank deposits	**20,626**	17,826	18,120	16	14
Other (3)	**4,101**	9,446	5,696	(57)	(28)
Total short-term wholesale funding	**116,186**	110,714	108,783	5	7
Net collateral received	**5,728**	4,009	5,642	43	2
Internal RMBS sold under agreement to repurchase with RBA	**4,085**	4,314	4,300	(5)	(5)
Total short-term collateral deposits	**9,813**	8,323	9,942	18	(1)
Total long-term funding - less than or equal to one year residual maturity	**29,780**	29,297	28,075	2	6
Long-term - greater than one year residual maturity (4)					
Domestic debt program	**18,029**	17,001	12,292	6	47
Euro medium-term note programme	**26,160**	25,272	23,199	4	13
US medium-term note programme (4)	**28,502**	24,602	23,418	16	22
Covered bond programme	**25,589**	21,777	27,839	18	(8)
Securitisation	**7,890**	9,431	9,205	(16)	(14)
Loan capital	**16,747**	14,945	12,778	12	31
Other	**3,145**	5,093	4,601	(38)	(32)
Total long-term funding - greater than one year residual maturity	**126,062**	118,121	113,332	7	11
IFRS MTM and derivative FS revaluations	**1,489**	4,149	2,488	(64)	(40)
Total funding	**824,681**	788,578	762,976	5	8
Reported as					
Deposits and other public borrowings	**606,091**	588,045	560,498	3	8
Payables due to other financial institutions	**34,031**	28,771	35,053	18	(3)
Liabilities at fair value through Income Statement	**8,404**	10,292	9,011	(18)	(7)
Bank acceptances	**1,440**	1,431	1,640	1	(12)
Debt issues	**175,583**	161,284	160,798	9	9
Loan capital	**16,997**	15,544	14,399	9	18
Shareholders' equity - other equity instruments (5)	**-**	-	939	-	large
Loans and other recievables - collateral posted	**(520)**	(720)	(502)	(28)	4
Receivables due from other financial institutions - collateral posted	**(6,263)**	(7,144)	(7,352)	(12)	(15)
Securities purchased under agreements to resell	**(11,082)**	(8,925)	(11,508)	24	(4)
Total Funding	**824,681**	788,578	762,976	5	8

(1) Other customer deposits primarily consist of non-interest bearing deposits and deposits held at fair value through the Income Statement.
(2) Includes Bank acceptances.
(3) Includes net securities sold under agreement to repurchase and purchased under agreement to resell and interbank borrowings.
(4) Includes notes issued under the Bank's 3(a)(2) program.
(5) Redemption of Trust Preferred Securities (TPS 2006) on 15 March 2016.

6. Integrated Risk Management (continued)

Liquidity and Funding Policies and Management

Please refer to Page 34 of this Document for more information on liquidity and funding policies and management.

7. Counterparty and Other Credit Risk Exposures

Securitisation Vehicles

Reason for establishment – The Group conducts an asset securitisation program that transfers assets to a Special Purpose Vehicle (SPV) and issues asset-backed securities to investors. The Group securitises modest amounts of residential home loans to issue residential mortgage-backed securities and covered bonds to diversify the Group's wholesale funding.

Control factors – The Group manages these securitisation vehicles, services assets in the SPV, 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 the SPV, 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 Available-for-sale investments), or through investments in SPVs.

The primary source of repayment of the debt instruments is the cash flows 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 that are carried at fair value on the Balance Sheet.

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 36 to the 2016 Financial 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, Available-for-sale investments 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 are generally consolidated by the Group.

Other Exposures

Leveraged Finance

The Group provides debt financing to companies acquired or owned by private equity firms. These acquisitions can be highly leveraged. The businesses are domiciled in Australia and New Zealand with stable and established earnings and the ability to reduce borrowing levels.

The Group's exposure is well diversified across industries and private equity sponsors. All highly leveraged debt facilities provided 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 2016 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.

7. 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 16	30 Jun 16	31 Dec 16	30 Jun 16
	$M	$M	$M	$M
Carrying amount of transferred assets	34,978	36,770	11,515	13,863
Carrying amount of associated liabilities	36,106	31,802	10,208	12,106
Net position [1]	(1,128)	4,968	1,307	1,757

(1) Net position on covered bonds exclude hedging derivatives, and cash received.

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 16	30 Jun 16
Summary of Asset-backed Securities	$M	$M
Commercial mortgage-backed securities	87	35
Residential mortgage-backed securities	6,877	7,118
Other asset-backed securities	718	836
Total	7,682	7,989

Asset-backed Securities by Underlying Asset

	Trading Portfolio		AFS Portfolio [1]		Other		Total	
	31 Dec 16	30 Jun 16	31 Dec 16	30 Jun 16	31 Dec 16	30 Jun 16	31 Dec 16	30 Jun 16
	$M	$M	$M	$M	$M	$M	$M	$M
Sub-prime	-	-	-	-	-	-	-	-
Non-conforming	-	-	333	355	-	-	333	355
Prime mortgages	1	4	6,544	6,759	-	-	6,545	6,763
Consumer Receivables	-	-	-	-	-	-	-	-
Other assets	-	-	804	871	-	-	804	871
Total	1	4	7,681	7,985	-	-	7,682	7,989

(1) Available-for-sale investments ("AFS").

Asset-backed Securities by Credit Rating and Geography

	AAA & AA		A		BBB		BB and below including not rated		Total	
	31 Dec 16	30 Jun 16	31 Dec 16	30 Jun 16	31 Dec 16	30 Jun 16	31 Dec 16	30 Jun 16	31 Dec 16	30 Jun 16
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Australia	7,633	7,922	2	5	3	3	13	24	7,651	7,954
UK	-	-	31	35	-	-	-	-	31	35
Total	7,633	7,922	33	40	3	3	13	24	7,682	7,989

	Funded Commitments		Unfunded Commitments		Total	
	31 Dec 16	30 Jun 16	31 Dec 16	30 Jun 16	31 Dec 16	30 Jun 16
Warehousing Financing Facilities	$M	$M	$M	$M	$M	$M
Australia	3,362	3,664	2,303	1,408	5,665	5,072
New Zealand	318	362	96	121	414	483
UK	182	11	72	260	254	271
Total	3,862	4,037	2,471	1,789	6,333	5,826

8. Capital

The tables below show the APRA Basel III capital adequacy calculation at 31 December 2016 together with prior period comparatives.

	Half Year Ended		
	31 Dec 16	30 Jun 16	31 Dec 15
Risk Weighted Capital Ratios	**%**	**%**	**%**
Common Equity Tier 1	**9. 9**	10. 6	10. 2
Tier 1	**11. 5**	12. 3	12. 2
Tier 2	**2. 2**	2. 0	1. 9
Total Capital	**13. 7**	14. 3	14. 1

	Half Year Ended		
	31 Dec 16	30 Jun 16	31 Dec 15
	$M	**$M**	**$M**
Ordinary Share Capital and Treasury Shares			
Ordinary Share Capital	**34,455**	33,845	33,252
Treasury Shares (1)	**254**	284	325
Ordinary Share Capital and Treasury Shares	**34,709**	34,129	33,577
Reserves			
Reserves	**2,144**	2,734	2,554
Reserves related to non-consolidated subsidiaries (2)	**(152)**	(143)	(181)
Total Reserves	**1,992**	2,591	2,373
Retained Earnings and Current Period Profits (3)			
Retained earnings and current period profits	**24,662**	23,435	22,365
Retained earnings adjustment from non-consolidated subsidiaries (4)	**(505)**	(259)	(298)
Net Retained Earnings	**24,157**	23,176	22,067
Non-controlling interest			
Non-controlling interest (5)	**551**	550	554
Less ASB perpetual preference shares	**(505)**	(505)	(505)
Less other non-controlling interests not eligible for inclusion in regulatory capital	**(46)**	(45)	(49)
Non-controlling interest	**-**	-	-
Common Equity Tier 1 Capital before regulatory adjustments	**60,858**	59,896	58,017

(1) Represents shares held by the Group's life insurance operations ($112 million) and employee share scheme trusts ($142 million).

(2) Represents foreign currency translation reserve and available-for-sale investments 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) Comparative information has been restated to reflect the change in incentives accounting policy detailed in Note 1 to the Financial Statements included in this Document. Refer to page 4 and Appendix 17 to this Document for further details.

(4) Cumulative current period profit and retained earnings adjustments for subsidiaries not consolidated for regulatory purposes.

(5) Non-controlling interests predominantly comprise ASB Perpetual Preference Shares of NZD550 million issued by a New Zealand subsidiary entity. These are non-redeemable and carry limited voting rights. These are classified as Additional Tier 1 Capital.

8. Capital (continued)

	Half Year Ended		
	31 Dec 16	30 Jun 16	31 Dec 15
	$M	$M	$M
Common Equity Tier 1 regulatory adjustments			
Goodwill [(1)]	**(7,624)**	(7,603)	(7,597)
Other intangibles (including software) [(2)]	**(2,104)**	(2,313)	(2,294)
Capitalised costs and deferred fees	**(696)**	(535)	(498)
Defined benefit superannuation plan surplus [(3)]	**(299)**	(183)	(307)
General reserve for credit losses [(4)]	**(372)**	(386)	(270)
Deferred tax asset	**(1,524)**	(1,443)	(1,078)
Cash flow hedge reserve	**47**	(473)	(137)
Employee compensation reserve	**(107)**	(132)	(85)
Equity investments [(5)]	**(2,741)**	(3,120)	(3,263)
Equity investments in non-consolidated subsidiaries [(1) (6)]	**(1,632)**	(1,458)	(1,688)
Shortfall of provisions to expected losses [(7)]	**(220)**	(314)	(245)
Gain due to changes in own credit risk on fair valued liabilities	**(147)**	(161)	(132)
Other	**(114)**	(112)	(207)
Common Equity Tier 1 regulatory adjustments	**(17,533)**	(18,233)	(17,801)
Common Equity Tier 1	**43,325**	41,663	40,216
Additional Tier 1 Capital			
Basel III complying instruments [(8)]	**6,450**	6,450	5,000
Basel III non-complying instruments net of transitional amortisation [(9)]	**643**	640	2,756
Holding of Additional Tier 1 Capital [(10)]	**(200)**	(200)	-
Additional Tier 1 Capital	**6,893**	6,890	7,756
Tier 1 Capital	**50,218**	48,553	47,972
Tier 2 Capital			
Basel III complying instruments [(11)]	**7,639**	5,834	5,033
Basel III non-complying instruments net of transitional amortisation [(12)]	**1,580**	1,934	2,141
Holding of Tier 2 Capital	**(34)**	(25)	(19)
Prudential general reserve for credit losses [(13)]	**188**	181	178
Total Tier 2 Capital	**9,373**	7,924	7,333
Total Capital	**59,591**	56,477	55,305

(1) Goodwill excludes $256 million which is included in equity investments in non-controlled subsidiaries.
(2) Other intangibles (including capitalised software costs), net of any associated deferred tax liability.
(3) In accordance with APRA regulations, the surplus in the Group's defined benefit superannuation fund, net of any deferred tax liability, must be deducted from Common Equity Tier 1.
(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.
(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. The adjustment at 31 December 2016 is net of $1,665 million of Colonial non-recourse debt and subordinated notes that are subject to APRA approved transitional relief for regulatory capital purposes. Effective 31 December 2016 a number of intermediate holding companies within the Colonial Group were consolidated into the Level 2 Banking Group. The Group's insurance and funds management operating entities held $1,201 million of capital in excess of minimum regulatory requirements at 31 December 2016.
(7) Regulatory Expected Loss (pre-tax) using stressed loss given default assumptions associated with the loan portfolio in excess of eligible credit provisions (pre-tax).
(8) As at 31 December 2016, comprises PERLS VIII $1,450 million issued March 2016, PERLS VII $3,000 million issued in October 2014 and PERLS VI $2,000 million issued in October 2012.
(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 December 2016 half year, the Group issued a series of subordinated notes that are Basel III compliant Tier 2 Capital: USD750 million, NZD400 million (issued through ASB, the Group's New Zealand subsidiary) and three separate JPY notes totalling JPY40 billion.
(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 the collective provision and general reserve for credit losses for exposures in the Group which are measured for capital purposes under the Standardised approach to credit risk.

8. Capital (continued)

Risk Weighted Assets	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M
	As at		
Credit Risk			
Subject to Advanced IRB approach (1)			
Corporate (2)	**79,392**	71,682	73,555
SME Corporate (2)	**35,239**	29,957	26,570
SME Retail	**4,747**	4,953	5,648
SME Retail secured by residential mortgage	**2,812**	2,813	2,830
Sovereign	**6,742**	6,622	6,516
Bank	**13,481**	13,098	13,336
Residential mortgage (3)	**115,647**	83,758	79,511
Qualifying revolving retail	**9,413**	9,897	9,864
Other retail	**14,970**	15,102	15,104
Total Risk Weighted Assets subject to Advanced IRB approach	**282,443**	237,882	232,934
Specialised lending exposures subject to slotting criteria	**60,504**	56,795	54,885
Subject to Standardised approach			
Corporate (2)	**1,128**	10,982	10,284
SME corporate (2)	**596**	4,133	4,571
SME retail	**6,089**	6,122	6,093
Sovereign	**242**	268	206
Bank	**192**	224	236
Residential mortgage (2)	**4,788**	7,428	7,044
Other retail	**2,776**	2,750	2,744
Other assets	**5,385**	5,360	5,811
Total Risk Weighted Assets subject to Standardised approach	**21,196**	37,267	36,989
Securitisation	**1,572**	1,511	1,567
Credit valuation adjustment	**6,332**	8,273	7,686
Central counterparties	**1,479**	2,302	896
Total Risk Weighted Assets for Credit Risk Exposures	**373,526**	344,030	334,957
Traded market risk	**5,707**	9,439	7,451
Interest rate risk in the banking book	**23,498**	7,448	17,511
Operational risk	**33,750**	33,750	32,743
Total Risk Weighted Assets	**436,481**	394,667	392,662

(1) Pursuant to APRA requirements, RWA amounts derived from AIRB risk weight functions have been multiplied by a scaling factor of 1.06. Comparatives have been restated to conform to presentation in the current period.

(2) APRA has re-accredited the use of the advanced AIRB approach for the Bankwest non-retail portfolio, effective 30 September 2016.

(3) Includes $32.0 billion due to implementation of APRA requirements to increase the average risk weight applied to Australian residential mortgages using the AIRB approach, effective 1 July 2016.

9. Share Capital

Shares on Issue	Half Year Ended 31 Dec 16 Number	30 Jun 16 Number	31 Dec 15 Number
Opening balance (excluding Treasury Shares deduction)	**1,715,142,177**	1,707,544,714	1,627,592,713
Issue of shares (1)	**-**	-	71,161,207
Dividend reinvestment plan issue:			
2014/2015 Final dividend fully paid ordinary shares $74.75	**-**	-	8,790,794
2015/2016 Interim dividend fully paid ordinary shares $72.68	**-**	7,597,463	-
2015/2016 Final dividend fully paid ordinary shares $72.95	**8,036,332**	-	-
Closing balance (excluding Treasury Shares deduction)	**1,723,178,509**	1,715,142,177	1,707,544,714
Less: Treasury Shares (2)	**(3,421,776)**	(4,080,435)	(4,578,698)
Closing balance	**1,719,756,733**	1,711,061,742	1,702,966,016

(1) The Group undertook a capital raising through a rights issue to all eligible shareholders in the 2016 financial year. An accelerated institutional offer closed on 13 August 2015 resulting in the issue of 28,897,186 shares on 26 August 2015. The retail entitlement offer closed on 8 September 2015 resulting in the issue of 42,264,021 shares on 18 September 2015.

(2) Relates to Treasury shares held within the Life Insurance statutory funds and the employees share scheme trust.

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 2016 to frank dividends for subsequent financial years, is $537 million (June 2016: $532 million; December 2015: $395 million). This figure is based on the franking accounts of the Bank at 31 December 2016, adjusted for franking credits that will arise from the payment of income tax payable on profits for the half year, franking debits that will arise from the payment of dividends proposed, and franking credits that the Bank may be prevented from distributing 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 2016.

Dividends

The Directors have declared a fully franked interim dividend of 199 cents per share amounting to $3,429 million. There is no foreign conduit income attributed to the final dividend. The dividend is scheduled to be paid on 4 April 2017 to shareholders on the register at 5:00pm EST on 23 February 2017.

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

Participation in the DRP is optional and offers ordinary shareholders in certain jurisdictions the opportunity to acquire fully paid ordinary shares instead of receiving the dividend in cash. Shares allocated under the DRP will rank equally with other ordinary shares already on issue.

Record Date

The register closed for determination of dividend entitlement at 5:00pm EST on 23 February 2017. The deadline for notifying participation in the DRP was 5:00pm EST on 24 February 2017.

Ex-Dividend Date

The ex-dividend date was 22 February 2017.

10. Intangible Assets

	As at		
	31 Dec 16	30 Jun 16	31 Dec 15
	$M	$M	$M
Goodwill			
Purchased goodwill at cost	**7,880**	7,925	7,597
Closing balance	**7,880**	7,925	7,597
Computer Software Costs			
Cost	**4,095**	3,823	3,592
Accumulated amortisation	**(2,198)**	(1,595)	(1,409)
Closing balance	**1,897**	2,228	2,183
Core Deposits (1)			
Cost	**495**	495	495
Accumulated amortisation	**(495)**	(495)	(495)
Closing balance	**-**	-	-
Brand Names (2)			
Cost	**190**	190	190
Accumulated amortisation	**(1)**	(1)	(1)
Closing balance	**189**	189	189
Other Intangibles (3)			
Cost	**155**	156	154
Accumulated amortisation	**(121)**	(114)	(105)
Closing balance	**34**	42	49
Total intangible assets	**10,000**	10,384	10,018

(1) Core deposits represent the value of the Bankwest deposit base compared to the avoided cost of alternative funding sources such as securitisation and wholesale funding. This asset was acquired on 19 December 2008 with a useful life of seven years based on the weighted average attrition rates of the Bankwest deposit portfolio. It was fully amortised during the 2016 financial year.

(2) 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. It is not subject to amortisation, but is subject to annual impairment testing. No impairment was required as a result of this test. The balance also includes Count Financial Limited brand name ($4 million) that is amortised over the estimated useful life of 20 years.

(3) Other intangibles include the value of credit card relationships acquired from Bankwest and Count franchise relationships. This value represents future net income generated from the relationships that existed at Balance Sheet date. The assets have a useful life of 10 years based on the attrition rates of customers.

11. ASX Appendix 4D

Details of entities over which control was gained and lost during the period (Rule 4.2A.3 Item No. 4)

The Group has gained control over Water Utilities Australia Pty Ltd on 23 December 2016.

Details of Associates and Joint Ventures (Rule 4.2A.3 Item No. 7)

As at 31 December 2016	Ownership Interest Held (%)
AHL Holdings Pty Limited (1)	80%
Aegis Correctional Partnership Pty Limited	50%
Aegis Correctional Partnership Trust	50%
Aegis Securitisation Nominees Pty Limited	50%
Aegis Securitisation Trust	50%
equigroup Holdings Pty Limited	50%
First State Cinda Fund Management Co. Ltd.	46%
BoComm Life Insurance Company Limited	38%
Countplus Limited	36%
Vipro Pty Limited	33%
Cardlink Services Limited	25%
Cash Services Australia Pty Limited	25%
Paymark Limited (2)	25%
Qilu Bank Co., Ltd.	20%
Vietnam International Commercial Joint Stock Bank	20%
Payments NZ Limited	19%
Bank of Hangzhou Co., Ltd.	18%
Property Exchange Australia Ltd	14%
First State European Diversified Infrastructure Fund FCP-SIF	3%

(1) The Group's 80% interest in AHL Holdings Pty Limited (trading as Aussie Home Loans) is jointly controlled as the key financial and operating decisions require unanimous consent of all directors.

(2) Formerly known as Electronic Transaction Services Limited.

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.

12. Profit Reconciliation

Profit Reconciliation	Net profit after tax "cash basis" $M	Hedging and IFRS volatility $M	Bankwest non-cash items [1] $M	Treasury shares valuation adjustment $M	Policyholder tax $M	Investment experience $M	Net profit after tax "statutory basis" $M
	Half Year Ended 31 December 2016						
Group							
Interest income	**16,676**	(2)	-	-	-	-	**16,674**
Interest expense	**(7,933)**	-	-	-	-	-	**(7,933)**
Net interest income	**8,743**	(2)	-	-	-	-	**8,741**
Other banking income	**2,986**	12	-	-	-	-	**2,998**
Total banking income	**11,729**	10	-	-	-	-	**11,739**
Funds management income	**1,004**	-	-	(20)	17	(10)	**991**
Insurance income	**393**	-	-	-	(41)	26	**378**
Total operating income	**13,126**	10	-	(20)	(24)	16	**13,108**
Investment experience	**16**	-	-	-	-	(16)	**-**
Total income	**13,142**	10	-	(20)	(24)	-	**13,108**
Operating expenses	**(5,677)**	-	(2)	-	-	-	**(5,679)**
Loan impairment expense	**(599)**	-	-	-	-	-	**(599)**
Net profit before tax	**6,866**	10	(2)	(20)	(24)	-	**6,830**
Corporate tax (expense)/benefit	**(1,950)**	(2)	1	1	24	-	**(1,926)**
Non-controlling interests	**(9)**	-	-	-	-	-	**(9)**
Net profit after tax	**4,907**	8	(1)	(19)	-	-	**4,895**

(1) Includes merger related amortisation through operating expenses of $2 million and an income tax benefit of $1 million.

12. Profit Reconciliation (continued)

	Half Year Ended 30 June 2016 (1)						
Profit Reconciliation	Net profit after tax "cash basis" $M	Hedging and IFRS volatility $M	Bankwest non-cash items (2) $M	Treasury shares valuation adjustment $M	Policyholder tax $M	Investment experience $M	Net profit after tax "statutory basis" $M
Group							
Interest income	**16,975**	(1)	-	-	-	-	**16,974**
Interest expense	**(8,467)**	2	-	-	-	-	**(8,465)**
Net interest income	**8,508**	1	-	-	-	-	**8,509**
Other banking income	**2,444**	(72)	-	-	-	-	**2,372**
Total banking income	**10,952**	(71)	-	-	-	-	**10,881**
Funds management income	**984**	-	-	24	3	26	**1,037**
Insurance income	**308**	-	-	-	89	57	**454**
Total operating income	**12,244**	(71)	-	24	92	83	**12,372**
Investment experience	**83**	-	-	-	-	(83)	**-**
Total income	**12,327**	(71)	-	24	92	-	**12,372**
Operating expenses	**(5,224)**	-	(2)	-	-	-	**(5,226)**
Loan impairment expense	**(692)**	-	-	-	-	-	**(692)**
Net profit before tax	**6,411**	(71)	(2)	24	92	-	**6,454**
Corporate tax (expense)/benefit	**(1,765)**	22	1	(11)	(92)	-	**(1,845)**
Non-controlling interests	**(9)**	-	-	-	-	-	**(9)**
Net profit after tax	**4,637**	(49)	(1)	13	-	-	**4,600**

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.
(2) Includes merger related amortisation through operating expenses of $2 million, and an income tax benefit of $1 million.

12. Profit Reconciliation (continued)

Profit Reconciliation	Net profit after tax "cash basis" $M	Hedging and IFRS volatility $M	Bankwest non-cash items [2] $M	Treasury shares valuation adjustment $M	Policyholder tax $M	Investment experience $M	Net profit after tax "statutory basis" $M
	Half Year Ended 31 December 2015 [1]						
Group							
Interest income	**16,842**	1	-	-	-	-	**16,843**
Interest expense	**(8,415)**	(2)	-	-	-	-	**(8,417)**
Net interest income	**8,427**	(1)	-	-	-	-	**8,426**
Other banking income	**2,416**	(212)	-	-	-	-	**2,204**
Total banking income	**10,843**	(213)	-	-	-	-	**10,630**
Funds management income	**1,032**	-	-	(10)	(11)	13	**1,024**
Insurance income	**487**	-	-	-	20	45	**552**
Total operating income	**12,362**	(213)	-	(10)	9	58	**12,206**
Investment experience	**58**	-	-	-	-	(58)	**-**
Total income	**12,420**	(213)	-	(10)	9	-	**12,206**
Operating expenses	**(5,210)**	-	(37)	-	-	-	**(5,247)**
Loan impairment expense	**(564)**	-	-	-	-	-	**(564)**
Net profit before tax	**6,646**	(213)	(37)	(10)	9	-	**6,395**
Corporate tax (expense)/benefit	**(1,827)**	63	11	1	(9)	-	**(1,761)**
Non-controlling interests	**(11)**	-	-	-	-	-	**(11)**
Net profit after tax	**4,808**	(150)	(26)	(9)	-	-	**4,623**

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.
(2) Includes merger related amortisation through operating expenses of $37 million, and an income tax benefit of $11 million.

13. Analysis Template

Profit Summary - Input Schedule	Half Year Ended (1) 31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M
Net interest income	**8,743**	8,508	8,427
Other banking income	**2,986**	2,444	2,416
Total banking income	**11,729**	10,952	10,843
Funds management income	**1,004**	984	1,032
Insurance income	**393**	308	487
Total operating income	**13,126**	12,244	12,362
Investment experience	**16**	83	58
Total income	**13,142**	12,327	12,420
Operating Expenses			
Retail Banking Services	**(1,722)**	(1,679)	(1,694)
Business and Private Banking	**(775)**	(746)	(742)
Institutional Banking and Markets	**(545)**	(548)	(534)
Wealth Management	**(847)**	(855)	(826)
New Zealand	**(453)**	(448)	(441)
Bankwest	**(388)**	(383)	(390)
IFS and Other	**(947)**	(565)	(583)
Total operating expenses	**(5,677)**	(5,224)	(5,210)
Profit before loan impairment expense	**7,465**	7,103	7,210
Loan impairment expense	**(599)**	(692)	(564)
Net profit before income tax	**6,866**	6,411	6,646
Corporate tax expense	**(1,950)**	(1,765)	(1,827)
Operating profit after tax	**4,916**	4,646	4,819
Non-controlling interests	**(9)**	(9)	(11)
Net profit after tax - "cash basis"	**4,907**	4,637	4,808
Treasury shares valuation adjustment (after tax)	**(19)**	13	(9)
Hedging and IFRS volatility (after tax)	**8**	(49)	(150)
Bankwest non-cash items (after tax)	**(1)**	(1)	(26)
Net profit after tax - "statutory basis"	**4,895**	4,600	4,623
Total Operating Income			
Retail Banking Services	**5,590**	5,270	5,241
Business and Private Banking	**1,971**	1,921	1,919
Institutional Banking and Markets	**1,485**	1,434	1,459
Wealth Management	**1,153**	1,099	1,294
New Zealand	**1,157**	1,082	1,109
Bankwest	**940**	924	950
IFS and Other	**830**	514	390

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.

13. Analysis Template (continued)

Profit Summary - Input Schedule	Half Year Ended (1) 31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M
Other Data			
Net interest income	**8,743**	8,508	8,427
Average interest earning assets	**823,058**	800,379	780,921
Average net assets (2)	**61,188**	60,113	56,235
Average non-controlling interests (2)	**551**	552	558
Average other equity instruments (2)	**-**	469	939
Average treasury shares (2)	**(269)**	(304)	(302)
Distributions - other equity instruments	**-**	18	32
Interest expense (after tax) - PERLS III	**-**	6	10
Interest expense (after tax) - PERLS VI	**42**	44	45
Interest expense (after tax) - PERLS VII	**36**	38	38
Interest expense (after tax) - PERLS VIII	**26**	14	-
Weighted average number of shares - statutory basic (M)	**1,715**	1,707	1,676
Weighted average number of shares - statutory diluted (M)	**1,806**	1,789	1,753
Weighted average number of shares - cash basic (M)	**1,717**	1,709	1,678
Weighted average number of shares - cash diluted (M)	**1,808**	1,791	1,755
Weighted average number of shares - PERLS III (M)	**-**	8	14
Weighted average number of shares - PERLS VI (M)	**27**	25	24
Weighted average number of shares - PERLS VII (M)	**41**	37	36
Weighted average number of shares - PERLS VIII (M)	**20**	9	-
Weighted average number of shares - Employee share plans (M)	**3**	3	3
Dividends per share (cents) - fully franked	**199**	222	198
No. of shares at end of period excluding Treasury shares deduction (M)	**1,723**	1,715	1,708
Funds Under Administration (FUA) - average	**150,134**	145,299	144,751
Assets Under Management (AUM) - average	**206,996**	200,075	203,603
Average inforce premiums	**3,475**	3,417	3,386
Net assets	**61,812**	60,564	59,664
Total intangible assets	**10,000**	10,384	10,018
Non-controlling interests	**551**	550	554
Other equity instruments	**-**	-	939

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.
(2) Average of reporting period balances.

13. Analysis Template (continued)

Ratios - Output Summary	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M
	Half Year Ended [1] [2]		
Earnings Per Share (EPS)			
Net profit after tax - "cash basis"	4,907	4,637	4,808
Less distribution - other equity instruments	-	(18)	(32)
Adjusted profit for EPS calculation	4,907	4,619	4,776
Average number of shares (M) - "cash basis"	1,717	1,709	1,678
Earnings Per Share basic - "cash basis" (cents)	285. 8	270. 3	284. 6
Net profit after tax - "statutory basis"	4,895	4,600	4,623
Less distribution - other equity instruments	-	(18)	(32)
Adjusted profit for EPS calculation	4,895	4,582	4,591
Average number of shares (M) - "statutory basis"	1,715	1,707	1,676
Earnings Per Share basic - "statutory basis" (cents)	285. 3	268. 4	273. 9
Interest expense (after tax) - PERLS III	-	6	10
Interest expense (after tax) - PERLS VI	42	44	45
Interest expense (after tax) - PERLS VII	36	38	38
Interest expense (after tax) - PERLS VIII	26	14	-
Profit impact of assumed conversions (after tax)	104	102	93
Weighted average number of shares - PERLS III (M)	-	8	14
Weighted average number of shares - PERLS VI (M)	27	25	24
Weighted average number of shares - PERLS VII (M)	41	37	36
Weighted average number of shares - PERLS VIII (M)	20	9	-
Weighted average number of shares - Employee share plans (M)	3	3	3
Weighted average number of shares - dilutive securities (M)	91	82	77
Adjusted cash profit for EPS calculation	4,907	4,619	4,776
Add back profit impact of assumed conversions (after tax)	104	102	93
Adjusted diluted profit for EPS calculation	5,011	4,721	4,869
Average number of shares (M) - "cash basis"	1,717	1,709	1,678
Add back weighted average number of shares (M)	91	82	77
Diluted average number of shares (M)	1,808	1,791	1,755
Earnings Per Share diluted - "cash basis" (cents)	277. 2	263. 6	277. 4
Adjusted profit for EPS calculation	4,895	4,582	4,591
Add back profit impact of assumed conversions (after tax)	104	102	93
Adjusted diluted profit for EPS calculation	4,999	4,684	4,684
Average number of shares (M) - "statutory basis"	1,715	1,707	1,676
Add back weighted average number of shares (M)	91	82	77
Diluted average number of shares (M)	1,806	1,789	1,753
Earnings Per Share diluted - "statutory basis" (cents)	276. 7	261. 8	267. 1
Dividends Per Share (DPS)			
Dividends			
Dividends per share (cents) - fully franked	199	222	198
No. of shares at end of period excluding Treasury Shares deduction (M)	1,723	1,715	1,708
Total dividends	3,429	3,808	3,381
Dividend payout ratio - "cash basis"			
Net profit after tax - "cash basis"	4,907	4,637	4,808
Net profit after tax - attributable to ordinary shareholders	4,907	4,619	4,776
Total dividends	3,429	3,808	3,381
Payout ratio - "cash basis" (%)	69. 9	82. 4	70. 8
Dividend cover			
Net profit after tax - attributable to ordinary shareholders	4,907	4,619	4,776
Total dividends	3,429	3,808	3,381
Dividend cover - "cash basis" (times)	1. 4	1. 2	1. 4

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.
(2) Calculations are based on actual numbers prior to rounding to the nearest million.

13. Analysis Template (continued)

Ratios - Output Summary	Half Year Ended (1) 31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M
Return on Equity (ROE)			
Return on Equity - "cash basis"			
Average net assets	**61,188**	60,113	56,235
Less:			
Average non-controlling interests	**(551)**	(552)	(558)
Average other equity instruments	**-**	(469)	(939)
Average equity	**60,637**	59,092	54,738
Add average treasury shares	**269**	304	302
Net average equity	**60,906**	59,396	55,040
Net profit after tax - "cash basis"	**4,907**	4,637	4,808
Less distribution - other equity instruments	**-**	(18)	(32)
Adjusted profit for ROE calculation	**4,907**	4,619	4,776
ROE - "cash basis" (%)	**16. 0**	15. 6	17. 3
Return on Equity - "statutory basis"			
Average net assets	**61,188**	60,113	56,235
Average non-controlling interests	**(551)**	(552)	(558)
Average other equity interests	**-**	(469)	(939)
Average equity	**60,637**	59,092	54,738
Net profit after tax - "statutory basis"	**4,895**	4,600	4,623
Less distribution other equity instruments	**-**	(18)	(32)
Adjusted profit for ROE calculation	**4,895**	4,582	4,591
ROE - "statutory basis" (%)	**16. 0**	15. 6	16. 7
Net Tangible Assets per share (2)			
Net assets	**61,812**	60,564	59,664
Less:			
Intangible assets	**(10,000)**	(10,384)	(10,018)
Non-controlling interests	**(551)**	(550)	(554)
Other equity instruments	**-**	-	(939)
Total net tangible assets	**51,261**	49,630	48,153
No. of shares at end of period excluding Treasury Shares deduction (M)	**1,723**	1,715	1,708
Net Tangible Assets per share ($)	**29. 75**	28. 94	28. 20

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.
(2) Calculations are based on actual numbers prior to rounding to the nearest million.

14. Summary

Group		Half Year Ended [1] 31 Dec 16	30 Jun 16	31 Dec 15	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Net profit after tax - "cash basis"	$M	**4,907**	4,637	4,808	6	2
Treasury shares valuation adjustment (after tax)	$M	**(19)**	13	(9)	large	large
Hedging and IFRS volatility (after tax)	$M	**8**	(49)	(150)	large	large
Bankwest non-cash items (after tax)	$M	**(1)**	(1)	(26)	-	(96)
Net profit after tax - "statutory basis"	$M	**4,895**	4,600	4,623	6	6
Earnings per share basic - "cash basis"	cents	**285. 8**	270. 3	284. 6	6	-
Dividends per share (fully franked)	cents	**199**	222	198	(10)	1
Dividend payout ratio - "cash basis"	%	**69. 9**	82. 4	70. 8	large	(90)bpts
Common Equity Tier 1 (APRA) - Basel III	%	**9. 9**	10. 6	10. 2	(70)bpts	(30)bpts
Leverage ratio (APRA)	%	**4. 9**	5. 0	5. 0	(10)bpts	(10)bpts
Number of full time equivalent staff	No.	**45,271**	45,129	45,221	-	-
Return on equity - "cash basis"	%	**16. 0**	15. 6	17. 3	40 bpts	(130)bpts
Return on equity - "statutory basis"	%	**16. 0**	15. 6	16. 7	40 bpts	(70)bpts
Weighted average no. of shares - "statutory basis" - basic	M	**1,715**	1,707	1,676	-	2
Net tangible assets per share	$	**29. 75**	28. 94	28. 20	3	5
Net interest income - "cash basis"	$M	**8,743**	8,508	8,427	3	4
Net interest margin	%	**2. 11**	2. 14	2. 15	(3)bpts	(4)bpts
Net interest margin excluding Treasury and Markets	%	**2. 08**	2. 13	2. 13	(5)bpts	(5)bpts
Other banking income - "cash basis"	$M	**2,986**	2,444	2,416	22	24
Other banking income to total banking income - "cash basis"	%	**25. 5**	22. 3	22. 3	320 bpts	320 bpts
Operating expenses to total operating income - "cash basis"	%	**43. 3**	42. 7	42. 1	60 bpts	120 bpts
Average interest earning assets	$M	**823,058**	800,379	780,921	3	5
Average interest bearing liabilities	$M	**747,236**	730,246	737,226	2	1
Loan impairment expense - "cash basis"	$M	**599**	692	564	(13)	6
Loan impairment expense - "cash basis" annualised as a % of average gross loans and acceptances	%	**0. 17**	0. 20	0. 17	(3)bpts	-
Total provisions for impaired assets as a % of gross impaired assets	%	**35. 02**	36. 17	37. 02	(115)bpts	(200)bpts
Risk weighted assets (APRA) - Basel III	$M	**436,481**	394,667	392,662	11	11
Retail Banking Services						
Cash net profit after tax	$M	**2,466**	2,268	2,272	9	9
Operating expenses to total banking income	%	**30. 8**	31. 9	32. 3	(110)bpts	(150)bpts
Effective tax rate - "cash basis"	%	**29. 9**	29. 9	29. 9	-	-
Business and Private Banking						
Cash net profit after tax	$M	**791**	748	774	6	2
Operating expenses to total banking income	%	**39. 3**	38. 8	38. 7	50 bpts	60 bpts
Effective tax rate - "cash basis"	%	**30. 1**	30. 0	30. 1	10 bpts	-
Institutional Banking and Markets						
Cash net profit after tax	$M	**683**	568	622	20	10
Operating expenses to total banking income	%	**36. 7**	38. 2	36. 6	(150)bpts	10 bpts
Effective tax rate - "cash basis"	%	**23. 8**	26. 6	20. 8	(280)bpts	300 bpts

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.

14. Summary (continued)

		Half Year Ended [1]				
		31 Dec 16	30 Jun 16	31 Dec 15	Dec 16 vs Jun 16 %	Dec 16 vs Dec 15 %
Wealth Management						
Cash net profit after tax	$M	**249**	236	376	6	(34)
Underlying profit after tax	$M	**226**	193	336	17	(33)
Investment experience after tax	$M	**23**	43	40	(47)	(43)
FUA - average	$M	**138,146**	134,292	134,352	3	3
FUA - spot	$M	**140,820**	135,801	135,476	4	4
AUM - average	$M	**201,967**	195,513	199,294	3	1
AUM - spot	$M	**203,223**	199,735	195,248	2	4
Annual inforce premiums - average	$M	**2,505**	2,480	2,470	1	1
Annual inforce premiums - spot	$M	**2,520**	2,508	2,472	-	2
Operating expenses to total operating income	%	**73. 5**	77. 8	63. 8	(430)bpts	large
Effective tax rate - "cash basis"	%	**26. 8**	23. 9	28. 1	290 bpts	(130)bpts
New Zealand						
Cash net profit after tax	$M	**471**	417	464	13	2
Underlying profit after tax	$M	**480**	411	460	17	4
FUA - average	$M	**11,988**	11,007	10,399	9	15
FUA - spot	$M	**12,110**	11,522	11,004	5	10
AUM - average	$M	**5,029**	4,562	4,309	10	17
AUM - spot	$M	**4,792**	4,988	4,495	(4)	7
Annual inforce premiums - average	$M	**715**	682	664	5	8
Annual inforce premiums - spot	$M	**729**	710	688	3	6
Operating expenses to total operating income [2]	%	**38. 0**	40. 6	39. 2	(260)bpts	(120)bpts
Effective tax rate - "cash basis" [2]	%	**27. 3**	25. 9	27. 2	140 bpts	10 bpts
Bankwest						
Cash net profit after tax	$M	**355**	375	403	(5)	(12)
Operating expenses to total banking income	%	**41. 3**	41. 5	41. 1	(20)bpts	20 bpts
Effective tax rate - "cash basis"	%	**30. 3**	29. 9	30. 0	40 bpts	30 bpts

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 17 to this Document for further details.
(2) Key financial metrics are calculated in New Zealand dollar terms.

15. Foreign Exchange Rates

Exchange Rates Utilised [1]	Currency	As at 31 Dec 16	30 Jun 16	31 Dec 15
AUD 1.00 =	USD	**0. 7236**	0. 7431	0. 7308
	EUR	**0. 6883**	0. 6689	0. 6688
	GBP	**0. 5899**	0. 5534	0. 4929
	NZD	**1. 0393**	1. 0470	1. 0660
	JPY	**84. 6897**	76. 2441	88. 0051

(1) End of day, Sydney time

16. Definitions

The definitions of terms used throughout and not otherwise defined in this Document, including market share definitions, can be found on: https://www.commbank.com.au/about-us/shareholders/financial-information/results.html under the heading “Results Glossary” and are incorporated into this Document by reference. No other information on that website is incorporated into this Document by reference.

17. Disclosure Changes

During the current half, the Group has made the following changes to financial reporting:

- **Re-segmentation and Allocations:**

  Minor refinements have been made to the allocation of customer balances and associated revenue and expenses between business segments.

- **Changes to Recognition of Long-Term Incentives in CFS GAM:**

  The Group has changed its accounting policy in relation to long-term incentives provided to certain employees in the Global Asset Management business, to align the accounting treatment with defined contribution plans under AASB 119 "Employee Benefits". The new accounting policy expenses the long-term incentives when granted, which better aligns the accounting with the economic substance of the arrangements.

  The change has been applied retrospectively in accordance with AASB 108 and results in a one-off reduction to retained earnings ($183 million decrease for the half year ended 31 December 2015 and $192 million decrease for the half year ended 30 June 2016) and net assets ($84 million decrease to total assets and $99 million increase to total liabilities for the half year ended 31 December 2015, and $77 million decrease to total assets and $115 million increase to total liabilities for the half year ended 30 June 2016), with an immaterial impact on comparative and current half expenses and cash net profit after tax.

- **Change to Calculation of Net Interest Margin (NIM):**

  In calculating the Group's NIM, mortgage offset balances are now being deducted from average interest earning assets to reflect their non-interest earning nature, and to align with peers and industry practice. This results in changes to the Group's NIM for current and prior periods.

- **Funds Under Administration (FUA):**

  Minor enhancements have been made to the disclosure of FUA balances.

Of the above financial reporting enhancements, only changes to the recognition of long-term incentives in CFS GAM impacts the Group's Cash and Statutory net profit after tax (NPAT). The remaining financial reporting enhancements result in changes to the presentation of the Profit and Loss and the Balance Sheet of the Group and affected segments.

The impact of these changes on each segment's net profit after tax ("statutory basis"), Balance Sheet and cost to income ratios for the comparative periods is set out below:

Segment Statutory NPAT (impact by adjustment type)

	Half Year Ended 30 June 2016							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	IFS and Other $M	Group $M
Statutory NPAT - as published	2,221	764	556	258	384	366	60	**4,609**
Restatements:								
CFS GAM Long-Term Incentives	-	-	-	(9)	-	-	-	**(9)**
Re-segmentation and Allocations	47	(16)	12	-	3	8	(54)	**-**
Statutory NPAT - as restated	**2,268**	**748**	**568**	**249**	**387**	**374**	**6**	**4,600**

	Half Year Ended 31 December 2015							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	IFS and Other $M	Group $M
Statutory NPAT - as published	2,215	803	608	363	354	370	(95)	**4,618**
Restatements:								
CFS GAM Long-Term Incentives	-	-	-	5	-	-	-	**5**
Re-segmentation and Allocations	57	(29)	14	(1)	1	7	(49)	**-**
Statutory NPAT - as restated	**2,272**	**774**	**622**	**367**	**355**	**377**	**(144)**	**4,623**

17. Disclosure Changes (continued)

Segment Statutory NPAT (impact by P&L line item)

	Half Year Ended 30 June 2016							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	IFS and Other $M	Group $M
Statutory NPAT - as published	2,221	764	556	258	384	366	60	**4,609**
Restatements:								
Increase/(decrease) in Total operating income	69	(26)	19	-	4	9	(75)	**-**
(Increase)/decrease in Operating expenses	-	1	(1)	(11)	-	-	-	**(11)**
(Increase)/decrease in Loan impairment expense	(2)	2	-	-	-	-	-	**-**
Increase/(decrease) in Investment experi	-	-	-	(1)	-	-	1	**-**
(Increase)/decrease in Corporate tax expense	(20)	7	(6)	3	(1)	(1)	20	**2**
Statutory NPAT - as restated	**2,268**	**748**	**568**	**249**	**387**	**374**	**6**	**4,600**

	Half Year Ended 31 December 2015							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	IFS and Other $M	Group $M
Statutory NPAT - as published	2,215	803	608	363	354	370	(95)	**4,618**
Restatements:								
Increase/(decrease) in Total operating income	81	(42)	21	-	2	10	(72)	**-**
(Increase)/decrease in Operating expenses	-	-	-	7	-	-	-	**7**
(Increase)/decrease in Loan impairment expense	(1)	1	-	-	-	-	-	**-**
Increase/(decrease) in Investment experience	-	-	-	(1)	-	-	1	**-**
(Increase)/decrease in Corporate tax expense	(23)	12	(7)	(2)	(1)	(3)	22	**(2)**
Statutory NPAT - as restated	**2,272**	**774**	**622**	**367**	**355**	**377**	**(144)**	**4,623**

17. Disclosure Changes (continued)

Segment Balance Sheet

	As at 30 June 2016							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	IFS and Other $M	Group $M
Total Assets - as published	331,818	104,211	182,199	21,080	80,386	82,880	130,504	**933,078**
(Increase)/decrease	2,814	(2,759)	(947)	(77)	-	-	892	**(77)**
Total Assets - as restated	**334,632**	**101,452**	**181,252**	**21,003**	**80,386**	**82,880**	**131,396**	**933,001**
Total Liabilities - as published	237,765	76,690	154,769	26,119	73,831	51,100	252,048	**872,322**
(Increase)/decrease	759	(509)	(250)	115	-	-	-	**115**
Total Liabilities - as restated	**238,524**	**76,181**	**154,519**	**26,234**	**73,831**	**51,100**	**252,048**	**872,437**

	As at 31 December 2015							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	IFS and Other $M	Group $M
Total Assets - as published	318,877	100,600	176,668	19,754	75,066	80,092	132,018	**903,075**
(Increase)/decrease	3,295	(3,024)	(1,059)	(84)	-	-	788	**(84)**
Total Assets - as restated	**322,172**	**97,576**	**175,609**	**19,670**	**75,066**	**80,092**	**132,806**	**902,991**
Total Liabilities - as published	232,765	74,098	143,983	24,761	68,087	50,837	248,697	**843,228**
(Increase)/decrease	919	(1,140)	221	99	-	-	-	**99**
Total Liabilities - as restated	**233,684**	**72,958**	**144,204**	**24,860**	**68,087**	**50,837**	**248,697**	**843,327**

Segment Cost to Income Ratios

	Half Year Ended 30 June 2016							
	Retail Banking Services %	Business and Private Banking %	Institutional Banking and Markets %	Wealth Management %	New Zealand %	Bankwest %	IFS and Other %	Group %
Statutory Operating expenses to total operating income - as published	32. 3	38. 4	38. 7	69. 6	38. 1	42. 1	n/a	**42. 6**
Statutory Operating expenses to total operating income - as restated	31. 9	38. 8	38. 2	70. 6	38. 1	41. 7	n/a	**42. 2**

	Half Year Ended 31 December 2015							
	Retail Banking Services %	Business and Private Banking %	Institutional Banking and Markets %	Wealth Management %	New Zealand %	Bankwest %	IFS and Other %	Group %
Statutory Operating expenses to total operating income - as published	32. 8	37. 8	37. 1	62. 2	37. 3	45. 4	n/a	**43. 0**
Statutory Operating expenses to total operating income - as restated	32. 3	38. 7	36. 6	61. 7	38. 7	45. 0	n/a	**43. 0**

17. Disclosure Changes (continued)

Impact of changes to Recognition of Long-Term Incentives in CFS GAM

	As Restated		As Published	
	Half Year Ended		Half Year Ended	
	30 Jun 16	31 Dec 15	30 Jun 16	31 Dec 15
Group Performance Summary	$M	$M	$M	$M
Net interest income	8,508	8,427	8,508	8,427
Other banking income	2,444	2,416	2,444	2,416
Total banking income	**10,952**	**10,843**	**10,952**	**10,843**
Funds management income	984	1,032	984	1,032
Insurance income	308	487	308	487
Total operating income	**12,244**	**12,362**	**12,244**	**12,362**
Investment experience	83	58	83	58
Total income	**12,327**	**12,420**	**12,327**	**12,420**
Operating expenses	(5,224)	(5,210)	(5,213)	(5,216)
Loan impairment expense	(692)	(564)	(692)	(564)
Net profit before tax	**6,411**	**6,646**	**6,422**	**6,640**
Corporate tax expense	(1,765)	(1,827)	(1,767)	(1,825)
Non controlling interests	(9)	(11)	(9)	(11)
Net profit after tax ("cash basis")	**4,637**	**4,808**	**4,646**	**4,804**
Hedging and IFRS volatility	(49)	(150)	(49)	(151)
Other non-cash items	12	(35)	12	(35)
Net profit after tax ("statutory basis")	**4,600**	**4,623**	**4,609**	**4,618**

17. Disclosure Changes (continued)

Consolidated Balance Sheet	As Restated		As Published	
	30 Jun 16	31 Dec 15	30 Jun 16	31 Dec 15
Assets	$M	$M	$M	$M
Cash and liquid assets	23,372	31,587	23,372	31,587
Receivables due from other financial institutions	11,591	12,350	11,591	12,350
Assets at fair value through Income Statement:				
Trading	34,067	27,140	34,067	27,140
Insurance	13,547	13,316	13,547	13,316
Other	1,480	1,488	1,480	1,488
Derivative assets	46,567	45,532	46,567	45,532
Available-for-sale investments	80,898	78,161	80,898	78,161
Loans, bills discounted and other receivables	695,398	669,163	695,398	669,163
Bank acceptances of customers	1,431	1,640	1,431	1,640
Property, plant and equipment	3,940	3,321	3,940	3,321
Investment in associates and joint ventures	2,776	2,673	2,776	2,673
Intangible assets	10,384	10,018	10,384	10,018
Deferred tax assets	389	436	345	394
Other assets	7,161	6,166	7,282	6,292
Total assets	**933,001**	**902,991**	**933,078**	**903,075**
Liabilities				
Deposits and other public borrowings	588,045	560,498	588,045	560,498
Payables due to other financial institutions	28,771	35,053	28,771	35,053
Liabilities at fair value through Income Statement	10,292	9,011	10,292	9,011
Derivative liabilities	39,921	37,357	39,921	37,357
Bank acceptances	1,431	1,640	1,431	1,640
Current tax liabilities	1,022	559	1,022	559
Deferred tax liabilities	340	360	340	360
Other provisions	1,656	1,657	1,656	1,657
Insurance policy liabilities	12,636	12,611	12,636	12,611
Debt issues	161,284	160,798	161,284	160,798
Managed funds units on issue	1,606	1,326	1,606	1,326
Bills payable and other liabilities	9,889	8,058	9,774	7,959
	856,893	828,928	856,778	828,829
Loan capital	15,544	14,399	15,544	14,399
Total liabilities	**872,437**	**843,327**	**872,322**	**843,228**
Net assets	**60,564**	**59,664**	**60,756**	**59,847**
Shareholders' Equity				
Share capital:				
Ordinary share capital	33,845	33,252	33,845	33,252
Other equity instruments	-	939	-	939
Reserves	2,734	2,554	2,734	2,554
Retained profits	23,435	22,365	23,627	22,548
Shareholders' Equity attributable to Equity holders of the Bank	**60,014**	**59,110**	**60,206**	**59,293**
Non-controlling interests	550	554	550	554
Total Shareholders' Equity	**60,564**	**59,664**	**60,756**	**59,847**

17. Disclosure Changes (continued)

Change of Calculation of Net Interest Margin

	As Restated		As Published	
	Half Year Ended		Half Year Ended	
	30 Jun 16	31 Dec 15	30 Jun 16	31 Dec 15
	$M	$M	$M	$M
Net interest income - "cash basis"	**8,508**	**8,427**	**8,508**	**8,427**
Average interest earning assets				
Home loans	414,749	404,644	443,497	429,639
Consumer finance	23,838	23,608	23,838	23,608
Business and corporate loans	215,027	207,726	215,027	207,726
Total average lending interest earning assets	**653,614**	**635,978**	**682,362**	**660,973**
Non-lending interest earning assets	146,765	144,943	146,765	144,943
Total average interest earning assets	**800,379**	**780,921**	**829,127**	**805,916**
Net interest margin (%)	2. 14	2. 15	2. 06	2. 08
Net interest margin excluding Treasury and Markets (%)	2. 13	2. 13	2. 05	2. 06

Average Balance Sheet and Related Interest

	As Restated			As Published		
	Half Year Ended 30 June 16			Half Year Ended 30 June 16		
	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
Interest Earning Assets	$M	$M	%	$M	$M	%
Home loans	414,749	9,637	4. 67	443,497	9,637	4. 37
Consumer finance	23,838	1,464	12. 35	23,838	1,464	12. 35
Business and corporate loans	215,027	4,406	4. 12	215,027	4,406	4. 12
Loans, bills discounted and other receivables	653,614	15,507	4. 77	682,362	15,507	4. 57
Cash and other liquid assets	42,328	253	1. 20	42,328	253	1. 20
Assets at fair value through Income Statement (excluding life insurance)	24,246	279	2. 31	24,246	279	2. 31
Available-for-sale investments	80,191	936	2. 35	80,191	936	2. 35
Non-lending interest earning assets	146,765	1,468	2. 01	146,765	1,468	2. 01
Total interest earning assets	800,379	16,975	4. 27	829,127	16,975	4. 12
Non-interest earning assets	123,061			94,394		
Total average assets	923,440			923,521		

	As Restated			As Published		
	Half Year Ended 30 June 16			Half Year Ended 30 June 16		
	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
Interest Bearing Liabilities	$M	$M	%	$M	$M	%
Transaction deposits	68,664	303	0. 89	84,951	303	0. 72
Savings deposits	180,815	1,578	1. 76	193,276	1,578	1. 64
Investment deposits	195,980	2,674	2. 74	195,980	2,674	2. 74
Certificates of deposit and other	68,315	1,127	3. 32	68,315	1,127	3. 32
Total interest bearing deposits	513,774	5,682	2. 22	542,522	5,682	2. 11
Payables due to other financial institutions	32,390	146	0. 91	32,390	146	0. 91
Liabilities at fair value through Income Statement	7,583	107	2. 84	7,583	107	2. 84
Debt issues	161,879	2,230	2. 77	161,879	2,230	2. 77
Loan capital	14,620	302	4. 15	14,620	302	4. 15
Total interest bearing liabilities	730,246	8,467	2. 33	758,994	8,467	2. 24
Non-interest bearing liabilities	134,057			105,202		
Total average liabilities	864,303			864,196		

17. Disclosure Changes (continued)

Interest Earning Assets	As Restated Half Year Ended 31 Dec 15 Avg Bal $M	Interest $M	Yield %	As Published Half Year Ended 31 Dec 15 Avg Bal $M	Interest $M	Yield %
Home loans	404,644	9,646	4. 74	429,639	9,646	4. 47
Consumer finance	23,608	1,458	12. 28	23,608	1,458	12. 28
Business and corporate loans	207,726	4,355	4. 17	207,726	4,355	4. 17
Loans, bills discounted and other receivables	635,978	15,459	4. 84	660,973	15,459	4. 65
Cash and other liquid assets	45,838	175	0. 76	45,838	175	0. 76
Assets at fair value through Income Statement (excluding life insurance)	20,661	297	2. 86	20,661	297	2. 86
Available-for-sale investments	78,444	911	2. 31	78,444	911	2. 31
Non-lending interest earning assets	144,943	1,383	1. 90	144,943	1,383	1. 90
Total interest earning assets	780,921	16,842	4. 29	805,916	16,842	4. 16
Non-interest earning assets	128,358			103,383		
Total average assets	909,279			909,299		

Interest Bearing Liabilities	As Restated Half Year Ended 31 Dec 15 Avg Bal $M	Interest $M	Yield %	As Published Half Year Ended 31 Dec 15 Avg Bal $M	Interest $M	Yield %
Transaction deposits	79,791	303	0. 76	92,066	303	0. 65
Savings deposits	173,624	1,816	2. 08	186,344	1,816	1. 94
Investment deposits	196,068	2,747	2. 79	196,068	2,747	2. 79
Certificates of deposit and other	64,646	1,137	3. 50	64,646	1,137	3. 50
Total interest bearing deposits	514,129	6,003	2. 32	539,124	6,003	2. 21
Payables due to other financial institutions	41,622	131	0. 63	41,622	131	0. 63
Liabilities at fair value through Income Statement	6,155	104	3. 36	6,155	104	3. 36
Debt issues	162,155	1,895	2. 32	162,155	1,895	2. 32
Loan capital	13,165	282	4. 26	13,165	282	4. 26
Total interest bearing liabilities	737,226	8,415	2. 27	762,221	8,415	2. 20
Non-interest bearing liabilities	115,817			90,657		
Total average liabilities	853,043			852,878		

Funds Under Administration (FUA) changes

Group FUA

Key Performance Indicators	As Restated 30 Jun 16	As Restated 31 Dec 15	As Published 30 Jun 16	As Published 31 Dec 15
Funds Under Administration (FUA) - average ($M)	145,299	144,751	143,730	143,120

Wealth Management FUA

Funds Under Administration (FUA)	As Restated 30 Jun 16 $M	As Restated 31 Dec 15 $M	As Published 30 Jun 16 $M	As Published 31 Dec 15 $M
FirstChoice	75,694	74,874	75,694	74,874
Custom Solutions	22,890	22,276	22,890	22,276
CFS Non-Platform	15,054	16,029	15,054	16,029
CommInsure Investments	12,272	12,580	12,272	12,580
Other	9,891	9,717	8,338	8,127
Total	135,801	135,476	134,248	133,886

18. Independent Auditors

With respect to the unaudited financial information contained in the half-year financial report of Commonwealth Bank of Australia which comprises the balance sheet, the income statement, the statement of comprehensive income, statement of changes in equity, statement of cash flows and related notes for the six-month periods ended 31 December 2016, 30 June 2016, and 31 December 2015, included in this Document, PricewaterhouseCoopers, an Australian partnership ("PwC Australia") reported that they have applied review procedures in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report by the Independent Auditor of the Entity. Their separate report dated 14 February 2017 appearing herein states that they did not perform an audit and they do not express an audit opinion on that unaudited financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.