Commonwealth Bank of Australia
U.S. Disclosure Document

For the Half Year Ended 31 December 2017

Report for the half year ended 31 December 2017	$M	Dec 17 vs Dec 16 %
Revenue from ordinary activities [(1)]	**21,263**	**up 2%**
Profit/(loss) from ordinary activities after tax attributable to Equity holders	**4,906**	**0%**
Net profit/(loss) for the period attributable to Equity holders	**4,906**	**0%**
Dividends (distributions)		
Interim dividend – fully franked (cents per share)		**200**
Record date for determining entitlements to the dividend		**15 February 2018**

(1) Information has been presented on a continuing operations basis. Discontinued operations include the Group's life insurance businesses in Australia and New Zealand. Refer to Note 7.3 to the Financial Statements included in this Document for further details.

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

- The Commonwealth Bank of Australia Annual U.S. Disclosure Document – Year Ended 30 June 2017 (the "2017 Annual U.S. Disclosure Document");
- The Commonwealth Bank of Australia Financial Report (U.S. Version) – Year Ended 30 June 2017 which contains the Financial Statements for the years ended 30 June 2015, 2016 and 2017 and as at 30 June 2015, 2016 and 2017 (the "2017 Financial Report");
- 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 at 30 June 2014, 2015 and 2016 (the "2016 Financial Report");
- The Commonwealth Bank of Australia Basel III Pillar 3 Capital Adequacy and Risk Disclosure as at 31 December 2017 (the "December 2017 Capital Disclosure Report");
- The Commonwealth Bank of Australia Recent Developments dated 27 December 2017 (the "December Recent Developments Report") which includes CBA's Concise Statement in Response dated 13 December 2017 to civil proceedings commenced by the Australian Transaction Reports and Analysis Centre ("AUSTRAC") on August 3, 2017 (the "AUSTRAC Proceedings")
- The Commonwealth Bank of Australia Recent Developments dated 22 November 2017 (the "November Recent Developments Report") which includes the Basel III Pillar 3 Capital Adequacy and Risk Disclosures as of 30 September 2017 (the "September 2017 Capital Disclosure Report");
- The Commonwealth Bank of Australia Recent Developments dated 13 October 2017 (the "Second October Recent Developments Report");
- The Commonwealth Bank of Australia Recent Developments dated 4 October 2017 (the "First October Recent Developments Report" and, together with the Second October Recent Developments Report, the November Recent Developments Report and the December Recent Developments Report, the "Recent Developments Reports"); and
- The Commonwealth Bank of Australia Basel III Pillar 3 Capital Adequacy and Risk Disclosures as of 30 June 2017 (the "June 2017 Capital Disclosure Report", and, together with the December 2017 Capital Disclosure Report and the September 2017 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" and "CBA" refers to the Commonwealth Bank of Australia and the term "Group", "we" and "our" refers to the Bank and its consolidated subsidiaries. Certain other terms used in this Document are defined in Appendix 4.8 to this Document.

This Document, the 2017 Annual U.S. Disclosure Document, the 2017 Financial Report, the Recent Developments Reports, the Capital Disclosure Reports and the 2016 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 2017 Financial Year are to the year ended 30 June 2017 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 2017. The terms "prior comparative period" and "1H17" refer to the half year ended 31 December 2016, while the terms "prior half" and "2H17" refer to the half year ended 30 June 2017 and the terms "current period", "current half" and "1H18" refer to the half year ended 31 December 2017.

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

Disclosures

Special Note Regarding Forward-Looking Statements

Certain statements under the captions “Highlights”, “Risk Factors” “Group Performance Analysis”, “Retail Banking Services”, “Business and Private Banking”, “Institutional Banking and Markets”, “Wealth Management”, “New Zealand”, “Bankwest”, “IFS and Other”, “Group Operations and Business Settings” 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; current and future legal, regulatory and other actions affecting or involving the Group, including the risk of fines and sanctions; adverse financial and credit market conditions affecting the Group’s ability to access international and domestic financial markets, and the Group’s ability to maintain adequate levels of liquidity; failure to meet the capital adequacy and liquidity requirements the Group is subject to; the extensive regulation and political scrutiny the Group is subject to; compliance risk; 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 or other processes and strategies; any inappropriate conduct of the Bank’s staff; risks pertaining to the provision of advice, recommendations or guidance about financial products and services in the course of its sales and marketing activities; information security risks, including cyber-attacks; reputational damage; market risks; insurance risks; strategic business risks; the loss of key executives, employees or Board members; competition in the industries in which and regions where the Group conducts business; any changes to the Group’s accounting policies and their application; risks related to any acquisitions or divestments that the Group makes or is contemplating; climate change and 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 9 of this Document and pages 15 to 25 of the 2017 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 2017, 30 June 2017 and 31 December 2016 comply with International Financial Reporting Standards ("IFRS").

This Document, the 2017 Annual U.S. Disclosure Document, the 2017 Financial Report, the 2016 Financial Report, the Recent Developments Reports 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 2017 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 2017 Financial Report. As a result, this Document should be read in conjunction with the 2017 Annual U.S. Disclosure Document, the 2017 Financial Report and the 2016 Financial Report.

During the current period, the Group changed its accounting policy in relation to the recognition of deferred tax on indefinite life intangible assets under Australian Accounting Standards Board ("AASB") 112 "Income Taxes". Previously, the Group did not recognise deferred tax on the Bankwest brand acquired through a business combination in 2009 (carrying value $186 million as at 30 June 2017) because the brand was considered to have an indefinite useful life and its carrying value was expected to be realised through sale.

In November 2016 the IFRS Interpretations Committee ("IFRIC") published an agenda decision concluding that an entity cannot assume that the carrying value of an intangible asset with an indefinite useful life will be recovered through sale. As a result, the expected manner of recovery in relation to the Bankwest brand has changed to being realised through use given that there is no planned, expected or potential sale of Bankwest in the near future. Therefore, the Group has retrospectively changed its accounting policy for the accounting of deferred tax on the Bankwest brand. The impact of the change resulted in a decrease in opening retained earnings of $56 million with a corresponding increase in deferred tax liabilities. Deferred tax liabilities have been offset against deferred tax assets. There is no impact on profit.

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 2017 Financial Report.

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

Discontinued operations, are excluded from the results of the continuing operations and are presented as a single line item "net profit after income tax from discontinued operations" in the Consolidated Income Statement. Assets and Liabilities of discontinued operations have been presented separately as "assets held for sale" and "liabilities held for sale", respectively on the Balance Sheet as at 31 December 2017.

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 4.9 to this Document.

Non-GAAP Financial Measures

In addition to its statutory financial results reported in this Document, the 2017 Financial Report and the 2016 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 U.S. 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 2017 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 (the "Corporations Act") 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 2.4 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") 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.

Disclosures

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 17**	30 Jun 17	31 Dec 16
AUD 1.00 =	USD	**0. 7799**	0. 7684	0. 7236
	EUR	**0. 6532**	0. 6720	0. 6883
	GBP	**0. 5797**	0. 5903	0. 5899
	NZD	**1. 0983**	1. 0493	1. 0393
	JPY	**87. 9780**	86. 1110	84. 6897

(1) End of day, Sydney time.

		Average rates		
Exchange Rates Utilised (1)	**Currency**	**31 Dec 17**	30 Jun 17	31 Dec 16
AUD 1.00 =	USD	**0. 7791**	0. 7543	0. 7485
	EUR	**0. 6625**	0. 6970	0. 6837
	GBP	**0. 5913**	0. 5996	0. 5854
	NZD	**1. 0923**	1. 0656	1. 0492
	JPY	**87. 2079**	84. 7882	79. 5844

(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 2.4 and page 108 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 Notes 1.1 to 7.5 to the Financial Statements included in this Document and Note 1 to the 2017 Financial Report.

Provisions for Impairment of Financial Assets

Provisions for impairment of financial assets are raised to cover assessed credit related losses where there is objective evidence of impairment (where the Group does not expect to receive all of the cash flows contractually due). 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 Impairment of Financial Assets)

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 Group recognises a provision for a liability when it is probable that an outflow of economic benefits will be required to settle a present obligation resulting from past events, and a reliable estimate can be made of the amount of the obligation.

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 predominantly 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.

Critical Accounting Policies and Estimates (continued)

Financial instruments at Fair Value (continued)

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 believes market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Data inputs that the Group relies upon when valuing financial instruments relate to counterparty credit risk, volatility, correlation and extrapolation.

Periodically, the Group calibrates its valuation techniques and tests them for validity using prices from any observable current market 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.

Disclosures

Risk Factors

Details of significant risk factors applicable to the Group are set forth under the section entitled "Risk Factors" on pages 15 to 25 of the 2017 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 2.1 and 2.2 to this Document. The risk factors described in the 2017 Annual U.S. Disclosure Document should also be read in conjunction with the Recent Developments Reports and the updates provided in the rest of this Document, in particular "Note 7.2: Litigations, investigations and reviews" on page 126 to 127 of this Document and Appendix 5 of this Document on pages 187 to 196. Appendix 2.1 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 2.2 to this Document provides details on the Group's counterparty and other credit risk exposures. Also refer to Notes 31 to 34 of the 2017 Financial Report.

Highlights

Section 2 – Highlights

1H18 in review – CEO report

Group Strategic Review

This section contains forward-looking statements See "Special Note Regarding Forward-Looking Statements" on page 3 of this Document.

During the six months ended 31 December 2017, our people maintained their focus on our vision, and our strategy. We believe their efforts enabled us to continue our strong operating momentum. Underlying operating performance was up 5.1% ("cash basis") relative to the same period in 2017[(1)]. Expense provisions for expected regulatory, compliance and remediation program costs and for the estimated civil penalty a Court may impose in the AUSTRAC proceedings[(2)], resulted in a slight reduction in net profit after tax ("cash basis"). We believe that our operating momentum is due to consistent execution of our customer focused strategy, and ongoing investment in our people and technology.

We believe customer satisfaction remained high during this reporting period, and resulted in customers choosing to do more with us. Examples include the growth achieved in transaction accounts and deposits – with transaction balances up 14.7%, and 1.9 million new deposit accounts opened. We believe customer preference for transaction and deposit accounts, which are critical for strong customer relationships and funding, is heavily influenced by the quality of the bank's technology.

Ongoing margin management and credit discipline were also features of our first half performance. In order to strike the right balance of growth, margin and credit quality, we consciously grew our balances more slowly than the market in some areas.

Our continuing focus on productivity kept business-as-usual expense growth low, and resulted in further reductions in the Group's cost-to-income ratio on an underlying basis[(1)]. We also maintained credit quality, due to generally positive economic conditions, and active credit portfolio management in our institutional and business portfolios.

The economic environment has given us the opportunity to continue to strengthen our balance sheet. We have been prepared to incur the higher funding costs associated with increasing the proportion of long-term wholesale funding in our portfolio, in order to build a more resilient funding profile. In particular, we continued to lengthen our funding tenor, to spread out maturities and give us more future funding flexibility. Our liquidity coverage ratio and net stable funding ratio also increased on the full year, and are well ahead of regulatory requirements.

Organic capital generation and active capital management enabled us to increase our Common Equity Tier 1 ("CET1") capital ratio to 10.4%. We are now close to the Australian Prudential Regulation Authority's ("APRA") 'unquestionably strong' benchmark (CET1 ratio average benchmark of 10.5%), in advance of the 1 January 2020 deadline, and without factoring in the impact of asset sales.

This combination of strong underlying performance and a strengthened balance sheet, has again supported returns for shareholders. Despite the significant legal and regulatory provisions, we were able to increase our interim dividend slightly to $2.00 per share, up from $1.99 in the prior comparative period.

Beyond our financial performance, this was also a period in which we sought to continue to deliver on our vision to excel at securing and enhancing the financial wellbeing of people, businesses and communities. We introduced a new remuneration framework for branch tellers to ensure the focus is on customer service rather than sales, and launched a range of new digital tools to help customers monitor and take control of their spending.

This is in addition to changes to products in response to customer feedback, such as removing ATM withdrawal fees and introducing a new low rate credit card. We also introduced a new package for victims of domestic and family violence. Over 2,700 people have availed themselves of this package in the three months since we introduced it, which affirms the extremely disturbing prevalence of this scourge in our community, and the importance of our role in helping those affected.

We recognise that our performance has been significantly overshadowed by a number of regulatory and reputational issues. In accordance with accounting standards, we believe we have taken appropriate provisions[(2)]. We take these matters extremely seriously, and acknowledge that we have let down stakeholders in some very important areas. We should have done better, and are committed to doing so. Major improvements have been made, including work that has been underway since 2015 to strengthen and improve our financial crimes compliance. More work remains to be done. We will continue to work hard to exceed remediation expectations, and will engage openly and constructively with the relevant regulators, reviews and inquiries to implement recommendations and to restore trust.

Strategic Outlook

Global growth trends are positive overall, as are Australia's GDP outlook and employment trends. However we remain wary of the risks of market volatility, particularly as expansionist monetary policy unwinds and interest rates rise. Similarly, low wage growth undermines families' sense of confidence and wellbeing. As we have been for many years, we remain very much aware of the inevitability of intensified competition in the financial services sector.

Our people are the most critical determinant of CBA's long term success, so we will continue to invest in their skills and working environment, with a particular focus on helping our people prepare for an increasingly digital future. We will also seek to continue to leverage our existing innovation investments and focus on the next wave of opportunities that will drive operating momentum into the future. The impending roll-out in ASB branches in New Zealand of our in-branch technology that we have developed in South Africa is a tangible sign of our approach to research and development.

Combined with a continued focus on increasing our capital and liquidity strength, we believe our focus on these priorities will enable us to serve and innovate for our customers, provide stable returns for our shareholders, support our community, and remain strong into the future.

(1) In order to present an underlying view of the result, the impact of consolidation and equity accounted profits of AHL Holdings Pty Ltd (trading as Aussie Home Loans) has been excluded, 1H17 has been adjusted to exclude 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, and 1H18 is adjusted to exclude a $375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC Proceedings. Refer to "Section 3 – Group Performance Summary - Financial Performance and Business Review" of this Document for further information.

(2) The Group has provided for a civil penalty in the amount of $375 million in relation to the AUSTRAC Proceedings. The Group believes this to be a reliable estimate of the level of penalty that a Court may impose. This takes into account currently available information, including legal advice received by the Group in relation to AUSTRAC's claims. See Note 7.2 to the Financial Statements in this Document, Appendix 5 to this Document and the Recent Developments Reports for further information. The proceedings are complex and ongoing and other factors may arise that could affect the outcome. The penalty determined by the Court may therefore be higher or lower than the amount provided for. The Group will continue to review the provision in accordance with its obligations.

Highlights

Group Performance Summary

Group Performance Summary	Half Year Ended (1) ("cash basis") 31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %	Half Year Ended (1) ("statutory basis") 31 Dec 17 $M	Dec 17 vs Dec 16 %
Net interest income	**9,253**	8,824	8,710	5	6	**9,253**	6
Other banking income (2)	**2,694**	2,577	3,018	5	(11)	**2,896**	(4)
Total banking income	**11,947**	11,401	11,728	5	2	**12,149**	4
Funds management income	**1,039**	970	943	7	10	**1,047**	11
Insurance income	**136**	61	162	large	(16)	**141**	(15)
Total operating income	**13,122**	12,432	12,833	6	2	**13,337**	4
Investment experience	**13**	21	2	(38)	large	**n/a**	n/a
Total income	**13,135**	12,453	12,835	5	2	**13,337**	4
Operating expenses (3)	**(5,764)**	(5,195)	(5,474)	11	5	**(5,766)**	5
Loan impairment expense	**(596)**	(496)	(599)	20	(1)	**(596)**	(1)
Net profit before tax	**6,775**	6,762	6,762	-	-	**6,975**	3
Corporate tax expense	**(2,031)**	(1,924)	(1,925)	6	6	**(2,071)**	8
Non-controlling interests (4)	**(9)**	(11)	(9)	(18)	-	**(9)**	-
Net profit after tax from continuing operations ("cash basis")	**4,735**	4,827	4,828	(2)	(2)	**4,895**	1
Net profit after tax from discontinued operations	**136**	147	79	(7)	72	**11**	(82)
Net profit after tax ("cash basis")	**4,871**	4,974	4,907	(2)	(1)	**n/a**	n/a
Hedging and IFRS volatility	**96**	65	8	48	large	**n/a**	n/a
Other non-cash items	**(61)**	(6)	(20)	large	large	**n/a**	n/a
Net profit after tax ("statutory basis")	**4,906**	5,033	4,895	(3)	-	**4,906**	-
Represented by: (1)							
Retail Banking Services	**2,711**	2,480	2,453	9	11		
Business and Private Banking	**960**	930	878	3	9		
Institutional Banking and Markets	**591**	630	681	(6)	(13)		
Wealth Management	**372**	300	229	24	62		
New Zealand	**638**	525	467	22	37		
Bankwest	**338**	284	289	19	17		
IFS and Other	**(704)**	(116)	(102)	large	large		
Net profit after tax ("statutory basis")	**4,906**	5,033	4,895	(3)	-		

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
(2) The half year ended 31 December 2016 included a $397 million gain on sale of the Group's remaining investment in Visa Inc.
(3) The half year ended 31 December 2017 includes a $375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC Proceedings (see Note 7.2 to the Financial Statements in this Document, Appendix 5 to this Document and the Recent Developments Reports for further information). The half year ended 31 December 2016 included a $393 million one-off expense for acceleration of amortisation on certain software assets.
(4) Non-controlling interests include preference dividends paid to holders of preference shares in ASB Capital Limited and ASB Capital No.2 Limited.

Non-Cash Items Included in Statutory Profit

The management discussion and analysis in this Document 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 and the Australian Accounting Standards, which comply with IFRS. The cash basis is used by management to present what it believes to be a clear view of the Group's operating results. It is not a measure based on cash accounting or cash flows. The items excluded from cash profit, such as hedging and IFRS volatility and gains or losses on disposal and acquisitions of entities net of transaction costs, are calculated consistently with the prior year and prior half disclosures and do not discriminate between positive and negative adjustments. A list of items excluded from cash profit is provided in the table below. A reconciliation of the Group's net profit after tax from "cash basis" to "statutory basis" is set out on page 157 and Appendix 4.4 to this Document.

	Half Year Ended				
Non-Cash Items Included in Statutory Profit	**31 Dec 17 $M**	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Hedging and IFRS volatility	**96**	65	8	48	large
Bankwest non-cash items	**(1)**	(2)	(1)	(50)	-
Treasury shares valuation adjustment	**(3)**	(4)	(19)	(25)	(84)
Gain/(loss) on disposal and acquisition of entities net of transaction costs (1)	**(57)**	-	-	n/a	n/a
Other non-cash items	**(61)**	(6)	(20)	large	large
Total non-cash items (after tax)	**35**	59	(12)	(41)	large

(1) Includes transaction and separation costs associated with the disposal of CommInsure Life and Sovereign ($122 million), gain recognised on acquisition of AHL Holdings Pty Ltd (trading as Aussie Home Loans) ($58 million), a gain on sale of County Banks ($11 million), and a loss due to the dilution of the Group's interest in Qilu Bank Co. Ltd ($4 million).

Highlights

Key Performance Indicators	Half Year Ended 31 Dec 17	30 Jun 17	31 Dec 16	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Group Performance from continuing operations					
Statutory net profit after tax ($M)	**4,895**	4,890	4,835	-	1
Net interest margin (%)	**2. 16**	2. 10	2. 10	6 bpts	6 bpts
Net interest margin excluding Treasury and Markets (%)	**2. 14**	2. 09	2. 07	5 bpts	7 bpts
Statutory operating expenses to total operating income (%) (1) (2)	**43. 2**	41. 4	42. 6	180 bpts	60 bpts
Spot number of full-time equivalent staff (FTE)	**42,959**	44,024	43,660	(2)	(2)
Jaws ("statutory basis") (%) (3)	**(1. 5)**	n/a	n/a	n/a	n/a
Effective corporate tax rate ("statutory basis") (%)	**29. 7**	28. 5	28. 4	120 bpts	130 bpts
Average interest earning assets ($M) (4)	**851,522**	846,619	823,058	1	3
Average interest bearing liabilities ($M) (4)	**757,449**	764,126	747,236	(1)	1
Funds Under Administration (FUA) - average ($M)	**151,008**	144,256	138,024	5	9
Assets Under Management (AUM) - average ($M)	**224,560**	213,838	206,336	5	9
Average inforce premiums ($M)	**1,043**	1,031	1,002	1	4
Group Performance including discontinued operations					
Statutory net profit after tax ($M)	**4,906**	5,033	4,895	(3)	-
Net interest margin (%)	**2. 16**	2. 11	2. 11	5 bpts	5 bpts
Net interest margin excluding Treasury and Markets (%)	**2. 14**	2. 10	2. 08	4 bpts	6 bpts
Statutory operating expenses to total operating income (%) (1) (2)	**43. 8**	41. 5	43. 3	230 bpts	50 bpts
Spot number of full-time equivalent staff (FTE)	**44,458**	45,614	45,271	(3)	(2)
Jaws ("statutory basis") (%) (3)	**(1. 3)**	n/a	n/a	n/a	n/a
Effective corporate tax rate ("statutory basis") (%)	**29. 7**	28. 5	28. 5	120 bpts	120 bpts
Average interest earning assets ($M) (4)	**851,606**	846,619	823,058	1	3
Average interest bearing liabilities ($M) (4)	**758,312**	764,126	747,236	(1)	1
Funds Under Administration (FUA) - average ($M)	**162,219**	155,855	150,134	4	8
Assets Under Management (AUM) - average ($M)	**225,116**	214,446	206,996	5	9
Average inforce premiums ($M)	**3,308**	3,402	3,475	(3)	(5)

(1) The half year ended 31 December 2016 includes 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. Excluding these items, the Statutory operating expenses to Total operating income is 40.8% from continuing operations and 41.6% including discontinued operations.

(2) The half year ended 31 December 2017 includes a $375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC Proceedings (see Note 7.2 to the Financial Statements in this Document, Appendix 5 to this Document and the Recent Developments Reports for further information), and an increase of $94 million in income and $71 million in expenses from AHL Holdings Pty Ltd (trading as Aussie Home Loans) as the Group acquired the remaining 20% share on 25 August 2017. Excluding these items, Statutory operating expenses to Total operating income is 40.2% from continuing operations and 40.8% including discontinued operations for the half year ended 31 December 2017.

(3) The Group uses Jaws as a key measure of financial performance. It is calculated as the difference between Total statutory operating income growth and statutory operating expenses growth compared to the prior comparative period.

(4) Net of average mortgage offset balances.

Highlights

Key Performance Indicators	Half Year Ended 31 Dec 17	30 Jun 17	31 Dec 16	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Shareholder Returns from continuing operations					
Earnings Per Share (EPS) (cents) (1) (2)					
Statutory basis - basic	**281.6**	283.7	281.7	(1)	-
Cash basis - basic	**272.2**	279.9	281.1	(3)	(3)
Return on equity (ROE) (%) (2)					
Statutory basis	**15.1**	15.9	15.8	(80)bpts	(70)bpts
Cash basis	**14.5**	15.6	15.7	(110)bpts	(120)bpts
Shareholder Returns including discontinued operations					
Earnings Per Share (EPS) (cents) (1) (2)					
Statutory basis - basic	**282.2**	292.0	285.2	(3)	(1)
Cash basis - basic	**280.0**	288.4	285.7	(3)	(2)
Return on equity (ROE) (%) (2)					
Statutory basis	**15.1**	16.3	16.0	(120)bpts	(90)bpts
Cash basis	**15.0**	16.1	16.0	(110)bpts	(100)bpts
Dividends per share - fully franked (cents)	**200**	230	199	(13)	1
Dividend cover - "statutory basis" (times)	**1.4**	1.3	1.4	8	-
Dividend cover - "cash basis" (times)	**1.4**	1.3	1.4	8	-
Dividend payout ratio (%) (2)					
Statutory basis	**71.4**	79.0	70.1	large	130 bpts
Cash basis	**72.0**	80.0	69.9	large	210 bpts
Capital (Basel III) including discontinued operations					
Common Equity Tier 1 (APRA) (%)	**10.4**	10.1	9.9	30 bpts	50 bpts
Risk weighted assets (RWA) ($M) - Basel III	**440,836**	437,063	436,481	1	1
Leverage Ratio (Basel III) including discontinued operations					
Leverage Ratio (APRA) (%)	**5.4**	5.1	4.9	30 bpts	50 bpts
Credit Quality Metrics including discontinued operations					
Loan impairment expense annualised as a % of average GLAAs	**0.16**	0.14	0.17	2 bpts	(1)bpt
Gross impaired assets as a % of GLAAs	**0.45**	0.43	0.47	2 bpts	(2)bpts
Credit risk weighted assets (RWA) ($M) - Basel III	**366,985**	377,259	373,526	(3)	(2)

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
(2) For definitions refer to Appendix 4.8.

Highlights

Key Performance Indicators	Half Year Ended [1]				
	31 Dec 17	30 Jun 17	31 Dec 16	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Retail Banking Services					
Statutory net profit after tax ($M)	**2,711**	2,480	2,453	9	11
Net interest margin (%)	**3. 01**	2. 91	2. 90	10 bpts	11 bpts
Average interest earning assets "AIEA" ($M) [2]	**326,256**	320,885	313,281	2	4
Statutory operating expenses to total banking income (%)	**29. 8**	31. 0	31. 0	(120)bpts	(120)bpts
Risk weighted assets ($M)	**140,715**	134,937	120,778	4	17
Business and Private Banking					
Statutory net profit after tax ($M)	**960**	930	878	3	9
Net interest margin (%)	**3. 03**	2. 98	2. 97	5 bpts	6 bpts
Average interest earning assets "AIEA" ($M) [2]	**110,969**	110,412	107,793	1	3
Statutory operating expenses to total banking income (%)	**35. 7**	37. 1	37. 5	(140)bpts	(180)bpts
Risk weighted assets ($M)	**89,449**	87,654	87,664	2	2
Institutional Banking and Markets					
Statutory net profit after tax ($M)	**591**	630	681	(6)	(13)
Net interest margin (%)	**1. 03**	1. 10	1. 10	(7)bpts	(7)bpts
Average interest earning assets "AIEA" ($M)	**142,416**	138,789	138,439	3	3
Statutory operating expenses to total banking income (%)	**38. 3**	38. 5	37. 0	(20)bpts	130 bpts
Risk weighted assets ($M)	**97,732**	102,242	116,075	(4)	(16)
Wealth Management					
Statutory net profit after tax ($M)	**372**	300	229	24	62
Statutory operating expenses to total operating income (%) [3]	**65. 5**	70. 8	71. 8	large	large
FUA - average ($M) [3]	**139,104**	132,239	126,036	5	10
AUM - average ($M) [3]	**219,558**	209,469	201,967	5	9
CommInsure Inforce Premiums - average ($M) [3]	**795**	777	748	2	6
New Zealand					
Statutory net profit after tax ($M)	**638**	525	467	22	37
Risk weighted assets - APRA basis ($M) [4]	**47,489**	48,807	48,524	(3)	(2)
Net interest margin (ASB) (%) [5]	**2. 20**	2. 15	2. 19	5 bpts	1 bpt
Average interest earning assets "AIEA" (ASB) (NZ$M) [5]	**88,525**	85,753	82,455	3	7
Statutory operating expenses to total operating income (%) [3] [5]	**34. 0**	35. 8	35. 3	(180)bpts	(130)bpts
FUA - average (ASB) (NZ$M) [5]	**12,971**	12,743	12,575	2	3
AUM - average (ASB) (NZ$M) [5]	**4,976**	4,635	4,584	7	9
Bankwest					
Statutory net profit after tax ($M)	**338**	284	289	19	17
Net interest margin (%)	**2. 09**	2. 08	2. 06	1 bpt	3 bpts
Average interest earning assets "AIEA" ($M) [2]	**73,670**	71,900	70,496	2	5
Statutory operating expenses to total banking income (%)	**41. 8**	46. 1	44. 3	(430)bpts	(250)bpts
Risk weighted assets ($M)	**40,468**	37,803	34,418	7	18

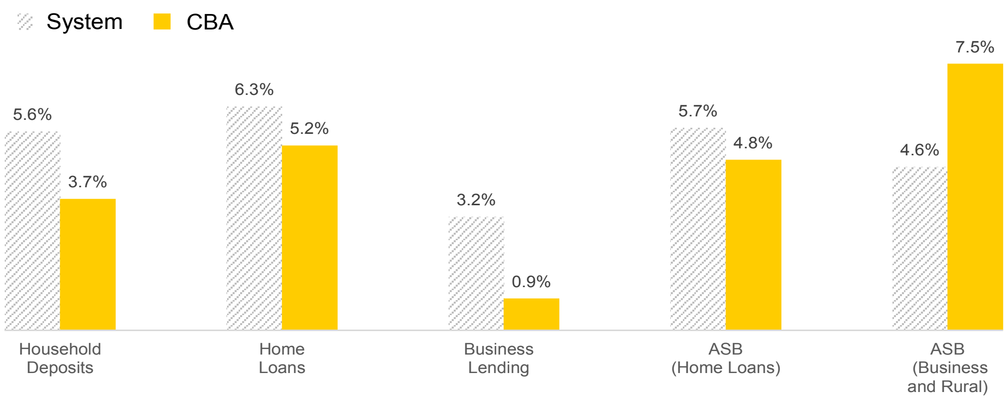
(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
(2) Net of average mortgage offset balances.
(3) Presented on a continuing operations basis.
(4) Risk weighted assets represent ASB only and are calculated in accordance with APRA requirements.
(5) Key financial metrics represent ASB only and are calculated in New Zealand dollar terms.

Highlights

Market Share (1)	31 Dec 17 %	30 Jun 17 %	31 Dec 16 %	Dec 17 vs Jun 17	Dec 17 vs Dec 16
	As at				
Home loans	**24. 6**	24. 8	25. 0	(20)bpts	(40)bpts
Credit cards - RBA (2)	**24. 4**	24. 4	24. 4	-	-
Other household lending (3)	**27. 0**	26. 6	26. 1	40 bpts	90 bpts
Household deposits	**28. 5**	28. 8	29. 0	(30)bpts	(50)bpts
Business lending - RBA	**16. 3**	16. 5	16. 6	(20)bpts	(30)bpts
Business lending - APRA	**18. 4**	18. 6	18. 6	(20)bpts	(20)bpts
Business deposits - APRA	**20. 4**	20. 3	19. 8	10 bpts	60 bpts
Equities trading	**4. 0**	3. 9	4. 0	10 bpts	-
Australian Retail - administrator view (4)	**15. 6**	15. 6	15. 5	-	10 bpts
FirstChoice Platform (4)	**10. 8**	10. 7	10. 8	10 bpts	-
Australia life insurance (total risk) (4) (5)	**9. 8**	9. 9	11. 1	(10)bpts	(130)bpts
Australia life insurance (individual risk) (4) (5)	**9. 8**	10. 0	10. 2	(20)bpts	(40)bpts
NZ home loans (6)	**21. 8**	21. 7	21. 9	10 bpts	(10)bpts
NZ customer deposits (6)	**17. 8**	17. 8	17. 5	-	30 bpts
NZ business lending (6)	**14. 5**	14. 4	13. 9	10 bpts	60 bpts
NZ retail AUM (7)	**13. 0**	12. 4	12. 3	60 bpts	70 bpts
NZ annual inforce premiums (4) (5)	**26. 8**	27. 9	28. 0	(110)bpts	(120)bpts

(1) Comparatives have been restated in line with market updates. This does not include the impact of new market entrants in the current period. Refer to Market Share Definitions section in Appendix 4.8.
(2) As at 30 November 2017.
(3) Other household lending market share includes personal loans, margin loans and other forms of lending to individuals.
(4) As at 30 September 2017.
(5) Metrics relate to discontinued operations.
(6) RBNZ published data collection has changed based on a new collection template implemented with all NZ banks. Accordingly, the December 2016 comparatives have been restated.
(7) Presented on a continuing operations basis.

CBA Growth against System (1) (2)
Balance Growth – 12 months to Dec 17



(1) System has been restated in line with market updates and includes the impact of new market entrants in the current period.
(2) System source RBA/APRA/RBNZ. CBA includes Bankwest.

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

Group Performance Analysis

Financial Performance and Business Review[1]

Performance Overview (continuing operations basis[2])

The Group's net profit after tax ("statutory basis") increased 1.2% on the prior comparative period to $4,895 impacted by a $375 million expense provision for our current estimate of the civil penalty a Court may impose in the AUSTRAC Proceedings[3]. Earnings per share ("statutory basis") remained flat at 281.6 cents per share and return on equity ("statutory basis") decreased 70 basis points to 15.1% driven by increased equity (mainly driven by the discounted 2H17 Dividend Reinvestment Plan).

The Group's net profit after tax ("cash basis") decreased 1.9% on the prior comparative period to $4,735 million impacted by a $375 million expense provision for our current estimate of the civil penalty a Court may impose in the AUSTRAC Proceedings[3]. Earnings per share ("cash basis") decreased 3.2% to 272.2 cents per share and return on equity ("cash basis") decreased 120 basis points to 14.5% driven by lower profits and increased equity (mainly driven by the discounted 2H17 DRP).

The net profit after tax ("cash basis") (excluding the $375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC Proceedings) increased 5.8%, reflecting the Group's long term strategy of focusing on the customer and leveraging our strong franchise and consistent focus on technology and financial strength.

Income growth was strong given the environment, underpinned by a focus on volume and margin management.

Underlying cost growth was disciplined, and we continued to invest through the cycle. The Group continues to drive innovation in technology as one of its core strategic goals, with an increase in investment spend of 8%. Investment in productivity and growth initiatives is focused on improving the customer experience, enhancing the resilience and offering of our Digital Channels, and improving data analytics tools and infrastructure. The Group also continues to invest in strengthening our regulatory and compliance frameworks and implementing systems to satisfy regulatory obligations.

The benign credit environment has resulted in cyclically low impairments (down 1 basis point from the prior comparative period to 16 basis points of gross loans and acceptances ("GLAA")), with both the Consumer portfolio (17 basis points) and the Corporate portfolio (13 basis points) declining 1 basis point from the prior comparative period.

We are adjusting for the environment by:

- Taking a selective approach to growth;
- Strengthening our balance sheet (funding and capital); and
- Continuing to actively manage the portfolio in an attempt to:
  - Manage growth to meet regulatory requirements (e.g. interest only home loan flows at 21% for the December quarter, below APRA's 30% benchmark);
  - Optimise risk-adjusted returns, particularly in the Business and Institutional divisions, resulting in a reduction in credit risk weighted assets; and
  - Strategically refocus (e.g. the divestment of non-core businesses in IFS and our Life Insurance businesses in Australia and New Zealand as well as the ongoing strategic review of the CFS Global Asset Management business).

(1) Unless otherwise stated comparisons in this section are to the prior comparative period.

(2) Under accounting standards the planned divestment of the Life Insurance businesses requires separate disclosure of 'discontinued operations'. The financial results of the Life Insurance businesses are therefore excluded from the individual account lines of the Group's performance and reported as a single cash net profit after tax line item. Commentary throughout this Document refers to the Group on a continuing operations basis.

(3) The Group has provided for a civil penalty in the amount of $375 million in relation to the AUSTRAC Proceedings. The Group believes this to be a reliable estimate of the level of penalty that a Court may impose. This takes into account currently available information, including legal advice received by the Group in relation to AUSTRAC's claims. See Note 7.2 to the Financial Statements in this Document, Appendix 5 to this Document and the Recent Developments Reports for further information. The proceedings are complex and ongoing and other factors may arise that could affect the outcome. The penalty determined by the Court may therefore be higher or lower than the amount provided for. The Group will continue to review the provision in accordance with its obligations.

Financial Performance and Business Review (continued)

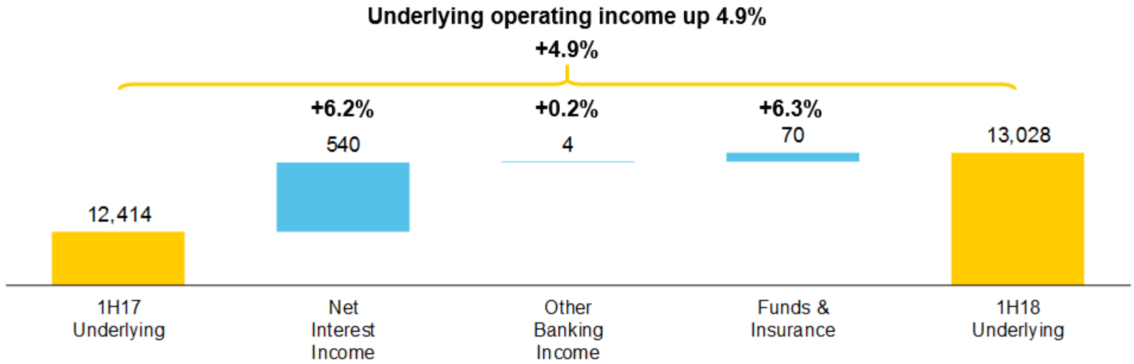
Financial Performance Drivers

The Group's headline result (operating income up 2.3%, operating expenses up 5.3% on the prior comparative period) was impacted by a number of items. In order to present an underlying view of the business performance, the impact of consolidation and equity accounted profits of Aussie Home Loans ("AHL") has been excluded, 1H17 has been adjusted to exclude 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, and 1H18 is adjusted to exclude a $375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC Proceedings. Commentary on the Financial Performance Drivers refers to the Group's underlying result on a continuing operations basis compared to the prior comparative period (1H17). The impact of these adjustments is outlined below:

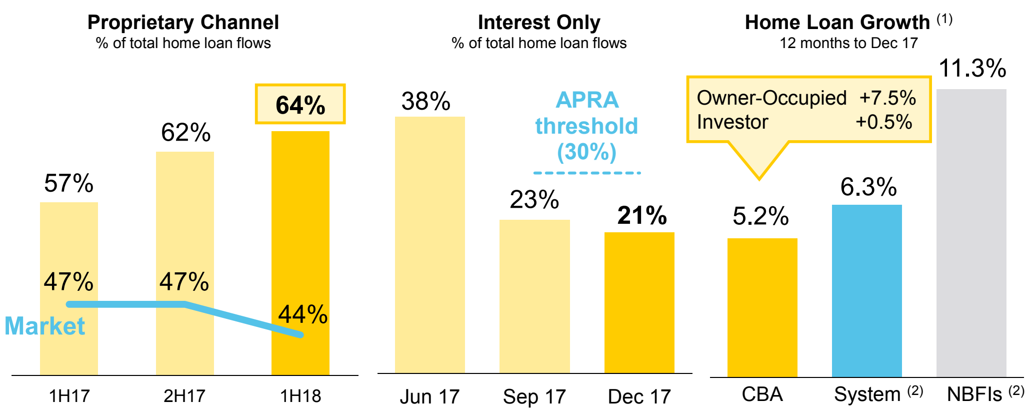
	1H17	1H18	%
Operating Income - Reported	**12,833**	**13,122**	**2.3%**
Visa share sale	*(397)*		
AHL	*(22)*	*(94)*	
Operating Income - Underlying	**12,414**	**13,028**	**4.9%**
Operating Expense - Reported	**5,474**	**5,764**	**5.3%**
Accelerated amortisation	*(393)*		
AHL		*(71)*	
Provision for estimate of AUSTRAC penalty		*(375)*	
Operating Expense - Underlying	**5,081**	**5,318**	**4.7%**
Incremental regulatory and compliance project costs		*(200)*	
Benefit from accelerated amortisation		*64*	
Business as Usual "BAU" costs	**5,081**	**5,182**	**2.0%**

Operating Income

Operating income growth of 4.9% was primarily driven by a 6.2% increase in Net interest income, with average interest earnings assets increasing 3% and margin increasing six basis points.



Domestic home loan volume growth of 5% was below system[1] as the Group balanced growth and returns. Proprietary flows were strong following strategic investment to enhance the home loan experience for customers, while interest only and investor loan growth was managed within regulatory limits.



(1) System source RBA. CBA includes BWA and subsidiaries.
(2) Adjusted for new market entrants/reporting changes.

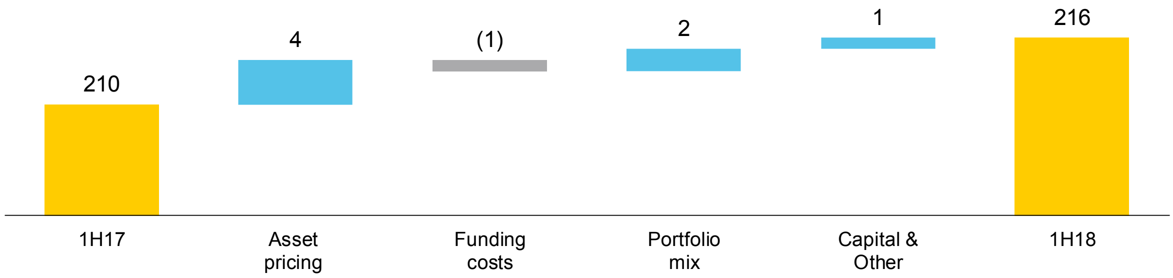
Financial Performance and Business Review (continued)

Operating Income (continued)

Business and corporate lending growth of 1% was subdued as the business continues to rebalance the portfolio. Business lending growth was focused in target industries (e.g. Agriculture and Hospitality), partly offset by a reduction in property development exposures in line with forecast project completions and the decision to tighten pricing and risk parameters. Institutional lending growth (excluding cash management pooling facilities) reduced as a result of active portfolio management and increased competition from offshore banks.

Margin increased six basis points primarily due to volume and margin management across the portfolio, and a favourable change in funding mix from strong growth in transaction deposits, partly offset by the impact of the Major Bank Levy. Wholesale funding costs remained flat in the period, driven by improved global funding conditions, offset by lengthening of the wholesale funding tenor and a change in mix from short term to long term wholesale funding.

Group Net interest margin ("NIM") up 6 basis points



Other banking income growth was flat as a result of a weaker trading performance reflecting lower markets volatility, lower commissions from the RBA interchange rate reduction and lower ATM withdrawal fees, offset by higher business lending fees and favourable derivative valuation adjustments.

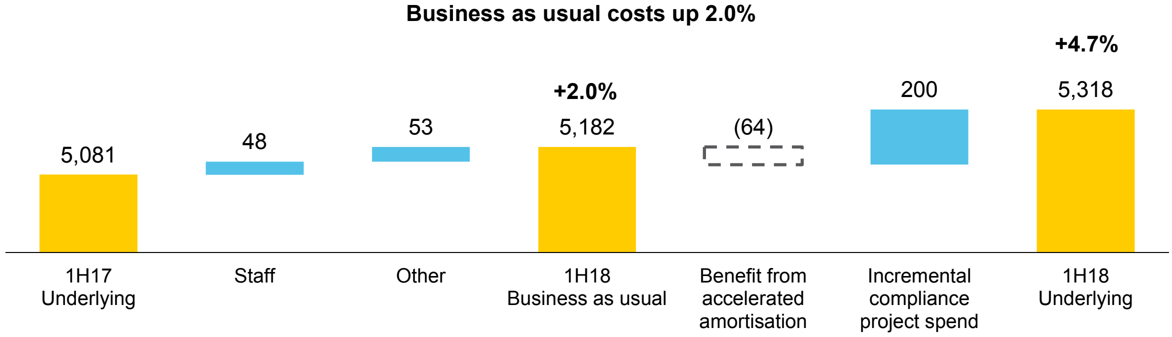
Funds management income growth of 10.2% was driven by funds and asset growth due to strong investment market performances and positive net flows, and the non-recurrence of customer remediation costs. This was partly offset by lower margins as a result of a change in business and investment mix, and the impact of the higher Australian dollar.

Insurance income decreased 16.0% due to increased weather event claims, partly offset by growth in premiums as a result of pricing initiatives.

Operating Expenses

Operating expenses increased 4.7%, including an incremental $200 million for expected regulatory, compliance and remediation related program costs as well as a $64 million benefit from the one-off acceleration of software amortisation in 1H17. Excluding these costs, operating expenses increased 2.0%, with staff expenses up 2% (average Full-time equivalent staff ("FTE") broadly flat excluding AHL) and expensed investment spend up 19% (total investment spend up 8%), partly offset by productivity benefits. Cost management will continue to remain a priority for the Group.

Business as usual costs up 2.0%

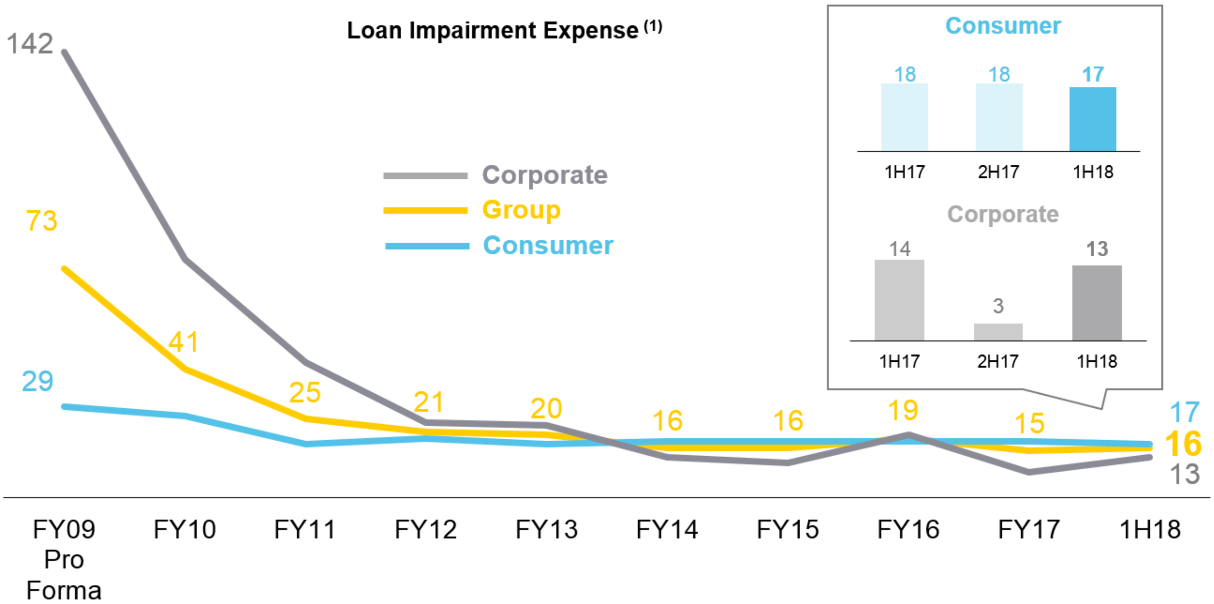


Financial Performance and Business Review (continued)

Credit Quality

Loan impairment expense ("LIE") decreased 0.5%, to 16 basis points (annualised) of GLAA reflective of the continued benign credit environment, both in the Consumer portfolio (17 basis points of GLAA) and the Corporate portfolio (13 basis points of GLAA).

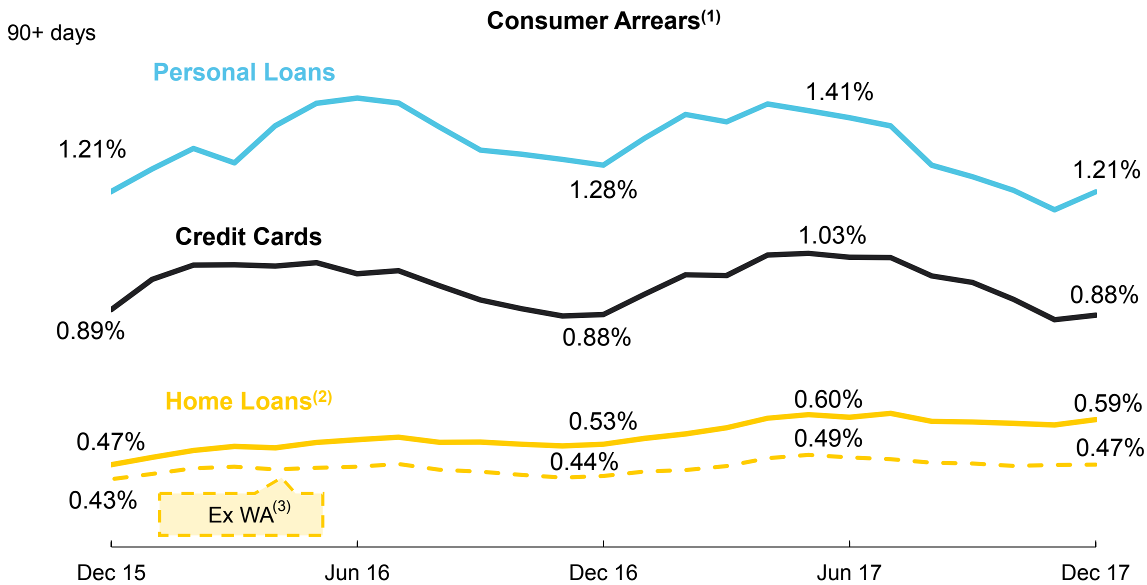
While Corporate LIE has increased to 13 basis points of GLAA (from 3 basis points in 2H17), the increase is not indicative of thematic issues in the portfolio. The uplift was mainly driven by a single name exposure.



(1) Cash LIE as a percentage of average GLAA (bpts). FY09 includes Bankwest on a pro-forma basis and is based on LIE for the year. Statutory LIE for FY10 48 bpts and FY13 21 bpts.

The AASB 9 Accounting Standard is applicable from 1 July 2018. The Group's current estimate of the opening balance sheet adjustment (through opening retained earnings), if applied on 1 July 2017 based on the economic conditions, forecast economic scenarios, management judgements and assumptions as at 1 July 2017, is an increase in impairment provisions of approximately $0.85 billion before tax. This would result in a corresponding reduction in the Group's CET1 ratio of approximately 25 basis points.

The retail portfolio arrears remain low. 90+ days Home Loan arrears were elevated on the prior comparative period primarily due to deteriorating credit quality in Western Australia. Personal Loan arrears have improved on the prior comparative period primarily due to improvements in collections strategies, while Credit Card arrears were flat. Retail arrears across all products have reduced since 30 June 2017 reflecting seasonal trends.



(1) Consumer arrears includes retail portfolios of Retail Banking Services, Business and Private Banking, Bankwest and New Zealand.
(2) Excludes Reverse Mortgage, Commonwealth Portfolio Loan (RBS/BPB only) and Residential Mortgage Group (RBS/BPB only) loans.
(3) Excludes Line of Credit (Viridian LOC/Equity Line).

Financial Performance and Business Review (continued)

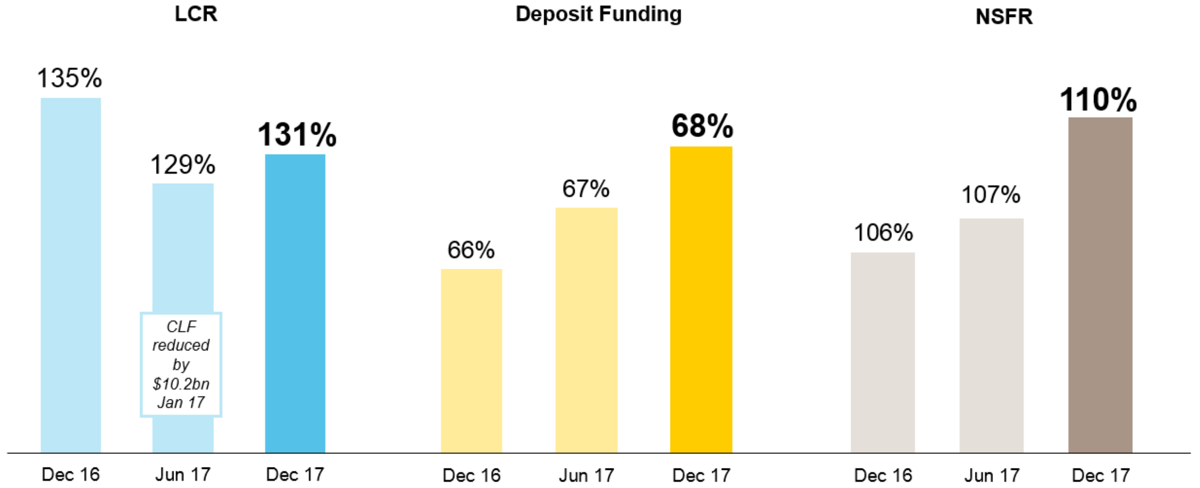
Balance Sheet Strength

Funding and Liquidity

The Group's Liquidity Coverage Ratio ("LCR") was 131%, (up from 129% on the prior half), well above the regulatory minimum of 100%. The ratio improved despite a $10.2 billion decrease in the Reserve Bank of Australia's ("RBA") Committed Liquidity Facility ("CLF") on 1 January 2017.

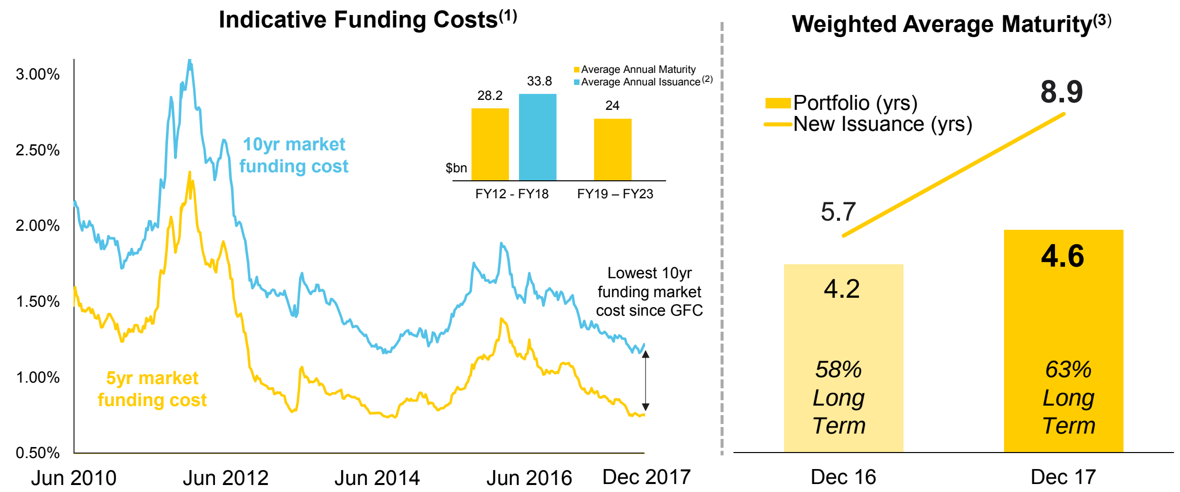
Strong deposit growth has seen the Group satisfy a significant portion of its funding requirements from customer deposits, which accounted for 68% of total funding, up from 66% at 31 December 2016.

The Net Stable Funding Ratio ("NSFR") requirement is effective from 1 January 2018. The Group's NSFR of 110%, (up from 107% at 30 June 2017) is well above the regulatory minimum of 100%.



The Group strengthened its funding position in the current period, taking advantage of favourable global credit conditions to lengthen the term of long-term wholesale debt in anticipation of a likely increase in global interest rates and as central banks begin to unwind quantitative easing which has supported debt markets. Lengthening the maturity of our wholesale debt is expected, over time, to reduce our wholesale debt refinancing risk and support the NSFR. The weighted average maturity ("WAM") of new long-term wholesale debt issued in the period was 8.9 years, bringing the portfolio WAM to 4.6 years (up from 4.2 years at 31 December 2016). Long-term wholesale funding now accounts for 63% of total wholesale funding (up from 58% at 31 December 2016).

As indicated in the chart below, funding conditions during the current period have been favourable, with the 10 year market funding costs at its lowest since the Global Financial Crisis. This dynamic has enabled opportunities to lengthen tenor at broadly flat wholesale funding costs.



(1) Indicative funding costs across major currencies. Represents the spread in BBSW equivalent terms on a swapped basis.
(2) Average Annual Issuance includes an assumption of ~$32bn for FY18.
(3) Long term wholesale funding (>12 months).

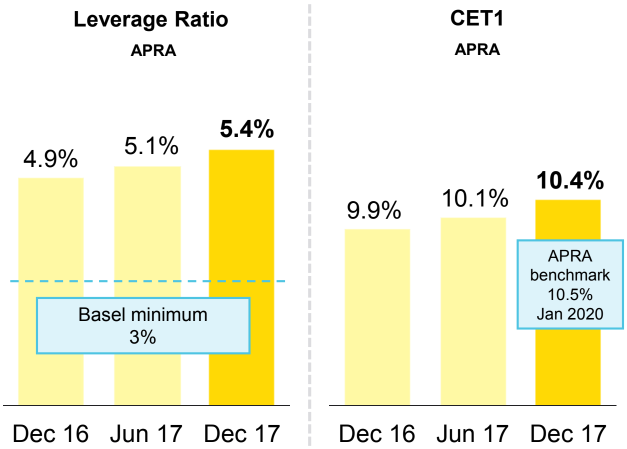
Financial Performance and Business Review (continued)

Leverage and Capital

The leverage ratio was 5.4% on an APRA basis, up from 4.9% on the prior comparative period, benefitting from an increase in capital levels and a reduction in exposures.

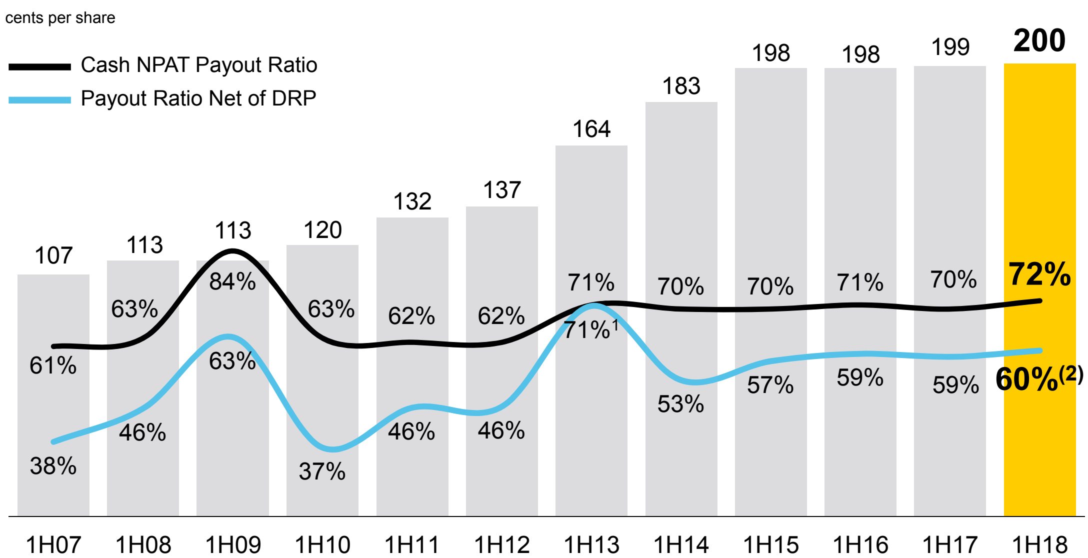
The Group's CET1 ratio (APRA basis) was 10.4%, increasing 30 basis points since 30 June 2017 during the period reflecting organic capital generated from earnings and lower credit risk weighted assets primarily due to a reduction in corporate exposures and improved credit quality across most portfolios. Operational risk weighted assets increased $7.3 billion on the prior half, reflecting the regular assessment of the Group's operational risk profile in the context of the evolving risk and regulatory environment.

The announced sale of the Group's Australian and New Zealand Life Insurance operations is expected to result in a pro-forma uplift to CET1 (APRA basis) of ~70 basis points. Refer to Note 7.3 to the Financial Statements in this Document for further details.



Dividends

The Group's performance supported the Board's aim of consistent dividends for shareholders with the interim dividend of 200 cents per share resulting in a dividend payout ratio ("cash basis") of 72%.



1. DRP Neutralised: 1H13
2. Assumes 1H18 DRP participation of 16.3% based on historical experience.

Group Performance Analysis

Net Interest Income (continuing operations basis)

	Half Year Ended (1)				
	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Net interest income - "cash basis"	**9,253**	8,824	8,710	5	6
Hedging and IFRS volatility	**-**	2	(2)	large	large
Net interest income - "statutory basis"	**9,253**	8,826	8,708	5	6
Average interest earning assets					
Home loans (2)	**447,814**	440,572	430,408	2	4
Consumer finance	**23,148**	23,577	23,460	(2)	(1)
Business and corporate loans	**226,596**	221,868	220,519	2	3
Total average lending interest earning assets	**697,558**	686,017	674,387	2	3
Non-lending interest earning assets (3)	**153,964**	160,602	148,671	(4)	4
Total average interest earning assets	**851,522**	846,619	823,058	1	3
Net interest margin (%)	**2. 16**	2. 10	2. 10	6 bpts	6 bpts
Net interest margin excluding Treasury and Markets (%)	**2. 14**	2. 09	2. 07	5 bpts	7 bpts

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 of this Document for further details.

(2) Net of average mortgage offset balances. Gross average home loans balance, excluding mortgage offset accounts is $487,502 million (30 June 2017: $477,851 million; 31 December 2016: $463,811 million).

(3) On 21 September 2017 CBA announced the sale of 100% of its life insurance businesses including CommInsure Life and Sovereign to AIA Group Limited ("AIA"). For the 6 months ended 31 December 2017, $84 million of Non-lending interest earning assets have been reclassified to Assets held for sale.

December 2017 versus December 2016

Net interest income ("statutory basis") increased 6% on the prior comparative period to $9,253 million. The result was driven by growth in average interest earning assets of 3%, and a six basis point increase in net interest margin.

Average Interest Earning Assets

Average interest earning assets increased $28 billion on the prior comparative period to $852 billion, driven by:

- Home loan average balances increased $17 billion or 4% on the prior comparative period to $448 billion. The growth in home loan balances was largely driven by domestic banking growth, with strong growth in the proprietary channel and owner occupied loans;
- Average balances for business and corporate lending increased $6 billion or 3% on the prior comparative period to $227 billion, driven by growth in business lending in target industries, partly offset by a decline in residential property; and
- Average non-lending interest earning assets increased $5 billion or 4% on the prior comparative period to $154 billion primarily due to higher liquid assets as a result of a reduction in the RBA's CLF.

For further details on the balance sheet movements refer to the "Review of Group Assets and Liabilities" on page 35.

Net Interest Margin

The Group's net interest margin increased six basis points on the prior comparative period to 2.16%. The key drivers of the movement were:

Asset Pricing: Increased margin of four basis points, reflecting the benefit from repricing of interest only and investor home loans to manage regulatory limits, partly offset by business lending and consumer finance.

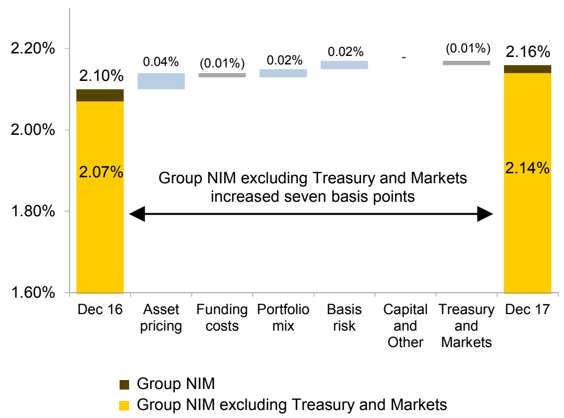
Funding costs: Decreased margin of one basis point with the negative impact from the Major Bank Levy partly offset by the benefit from deposit repricing. Wholesale funding costs remained flat in the period driven by lower short term funding costs and improvement in long term funding conditions, offset by lengthening of the wholesale funding tenor and mix change from short term to long term wholesale funding.

Portfolio mix: Increased margin of two basis points reflecting a favourable change in funding mix from proportionally higher levels of transaction deposits, partly offset by unfavourable changes in lending mix.

Basis risk: Basis risk arises from the differences between liabilities priced relative to the bank bill swap rate and assets which are priced relative to the cash rate. The margin increased two basis points as a result of a decrease in the spread between the bank bill swap rate and the cash rate during the half.

Treasury and Markets: Decreased margin of one basis point driven by increased holdings of liquid assets.

Net Interest Margin "NIM" movement since 31 December 2016 (1)



(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.

Group Performance Analysis

Net Interest Income (continued)

December 2017 versus June 2017

Net interest income ("statutory basis") increased 5% on the prior half, with growth in average interest earning assets of 1% and a six basis point increase in net interest margin.

Average Interest Earning Assets

Average interest earning assets increased $5 billion on the prior half to $852 billion, driven by:

- Home loan average balances increased $7 billion or 2% on the prior half, primarily driven by growth in the domestic banking business, with continued growth in the proprietary channel and owner occupied loans;
- Average balances for business and corporate lending increased $5 billion or 2% on the prior half, driven by growth in business banking and institutional lending; and
- Average non-lending interest earning assets decreased $7 billion or 4% on the prior half due to lower liquid assets due to optimisation of the liquidity position.

For further details on the balance sheet movements refer to the "Review of Group Assets and Liabilities" on page 35.

Net Interest Margin

The Group's net interest margin increased six basis points on the prior half to 2.16%. The key drivers were:

Asset pricing: Increased margin of five basis points, reflecting the benefit from repricing of interest only and investor home loans to manage regulatory limits, partly offset by consumer finance.

Funding costs: Decreased margin of three basis points with the negative impact from the Major Bank Levy partly offset by the benefit from deposit repricing. Wholesale funding costs remained flat in the period driven by lower short term funding costs and improvement in long term funding conditions, offset by lengthening of the wholesale funding tenor and mix change from short term to long term wholesale funding.

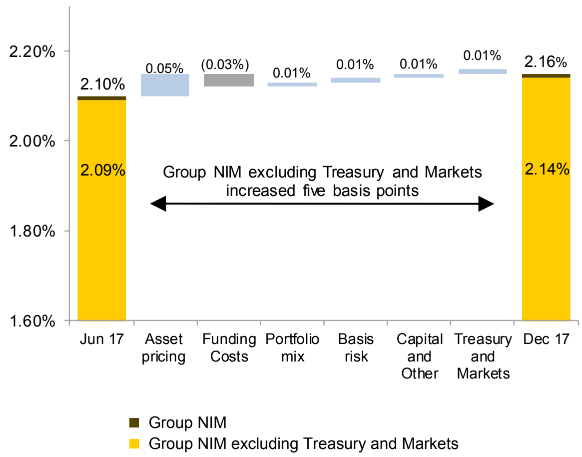
Portfolio mix: Increased margin of one basis point reflecting a favourable change in funding mix from proportionally higher levels of transaction deposits, partly offset by an unfavourable change in lending mix.

Basis risk: Basis risk arises from the differences between liabilities priced relative to the bank bill swap rate and assets which are priced relative to the cash rate. The margin increased one basis point as a result of a decrease in the spread between the bank bill swap rate and the cash rate during the current half.

Capital and Other: Increased margin from a one basis point increase in the contribution from New Zealand.

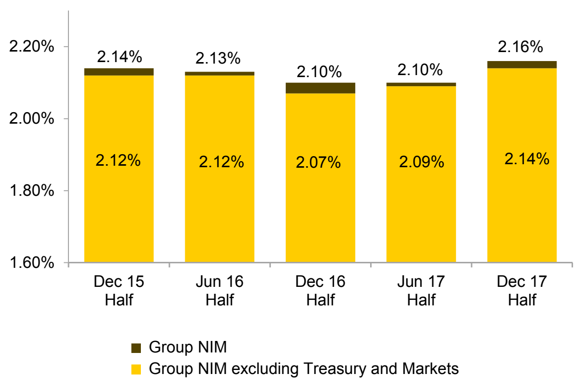
Treasury and Markets: Increased margin of one basis point due to the benefit from lower holdings of liquid assets.

NIM movement since 30 June 2017 (1)



(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.

Group NIM (Half Year Ended) (1)



(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.

Group Performance Analysis

Other Banking Income (continuing operations basis)

	Half Year Ended (1)				
	31 Dec 17	30 Jun 17	31 Dec 16	Dec 17 vs	Dec 17 vs
	$M	$M	$M	Jun 17 %	Dec 16 %
Commissions (excluding AHL) (2)	**1,249**	1,271	1,286	(2)	(3)
AHL Commissions (2)	**84**	-	-	n/a	n/a
Lending fees	**558**	545	533	2	5
Trading income	**556**	549	600	1	(7)
Other income (3)	**247**	212	599	17	(59)
Other banking income - "cash basis" (2) (3)	**2,694**	2,577	3,018	5	(11)
Hedging and IFRS volatility	**137**	94	12	46	large
Gain on disposal and acquisition of entities net of transaction costs	**65**	-	-	n/a	n/a
Other banking income - "statutory basis"	**2,896**	2,671	3,030	8	(4)

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
(2) The half year ended 31 December 2017 includes an increase of $84 million in Commissions from the consolidation of AHL Holdings Pty Ltd (trading as Aussie Home Loans) as the Group acquired the remaining 20% share on 25 August 2017.
(3) The half year ended 31 December 2016 included a $397 million gain on sale of the Group's remaining investment in Visa Inc.

December 2017 versus December 2016

On 25 August 2017, the Group acquired the remaining 20% share in AHL Holdings Pty Ltd ("AHL"), bringing its shareholding to 100%. As a result, the Group now controls and consolidates AHL. Prior to the acquisition, AHL was equity accounted.

Other banking income ("statutory basis") decreased 4% on the prior comparative period to $2,896 million. Excluding the one-off impact of a gain on sale of the Group's remaining investment in Visa Inc. in the prior comparative period and the increase in commissions from AHL consolidation in the current period, other banking income increased 7%. The key drivers were:

Commissions (excluding AHL) decreased 3% on the prior comparative period to $1,249 million due to lower consumer finance and deposit fee income driven by the reduction in interchange rates following regulatory changes, and the removal of ATM withdrawal fees, partly offset by lower loyalty costs from changes to the rewards program and higher merchant fee income;

Lending fees increased 5% on the prior comparative period to $558 million driven by volume growth and higher business lending fees reflecting a mix shift to fee based products;

Trading income decreased 7% on the prior comparative period to $556 million driven by lower Markets trading performance due to lower volatility, partly offset by favourable derivative valuation adjustments;

Other income decreased 59% on the prior comparative period to $247 million, driven by the non-recurrence of a gain on sale of the Group's remaining investment in Visa Inc. On an underlying basis, growth of 22% was driven by higher Structured Asset Finance income and a lower realised loss on the hedge of New Zealand earnings, partly offset by lower equity accounting profits due to the consolidation of AHL as a result of the Group's acquisition of the remaining 20% share;

Hedging and IFRS volatility increased $125 million on the prior comparative period to $137 million, primarily due to unrealised gains on the hedge of New Zealand earnings; and

Gain on disposal and acquisition of entities net of transaction costs increased by $65 million on the prior comparative period due to a gain recognised on acquisition of AHL ($58 million) and a gain on sale of County Banks ($11 million), partly offset by a loss due to the dilution of the Group's interest in Qilu Bank Co. Ltd ($4 million).

December 2017 versus June 2017

Other banking income ("statutory basis") increased 8% on the prior half. Excluding the increase in commissions from the consolidation of AHL in the current period, other banking income ("statutory basis") increased 5%. The key drivers were:

Commissions (excluding AHL) decreased 2% on the prior half mainly due to lower consumer finance and deposit fee income driven by the reduction in interchange rates following regulatory changes, and the removal of ATM withdrawal fees, partly offset by lower loyalty costs from changes to the rewards program, seasonally higher purchases and higher merchant fee income;

Lending fees increased 2% on the prior half with volume driven growth and higher business lending fees reflecting a mix shift to fee based products;

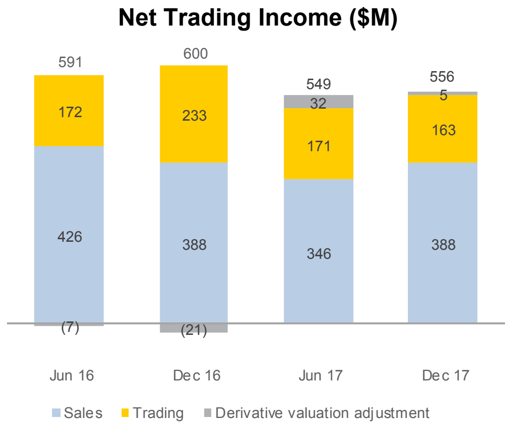
Trading income increased 1% on the prior half due to higher Markets sales performance, partly offset by unfavourable derivative valuation adjustments;

Other income increased 17% on the prior half driven by higher Structured Asset Finance income and lower realised loss on the hedge of New Zealand earnings, partly offset by lower equity accounting profits due to the consolidation of AHL as a result of the Group's acquisition of the remaining 20% share;

Group Performance Analysis

Hedging and IFRS volatility increased by $43 million on the prior half, primarily due to unrealised gains on the hedge of New Zealand earnings; and

Gain on disposal and acquisition of entities net of transaction costs increased by $65 million on the prior half due to a gain recognised on acquisition of AHL ($58 million) and a gain on sale of County Banks ($11 million), partly offset by a loss due to the dilution of the Group's interest in Qilu Bank Co. Ltd ($4 million).



Funds Management Income (continuing operations basis)

	Half Year Ended [(1)]				
	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Colonial First State (CFS) [(2)]	**515**	484	449	6	15
CFS Global Asset Management (CFSGAM)	**472**	429	450	10	5
New Zealand	**50**	47	45	6	11
IFS and Other	**2**	10	(1)	(80)	large
Funds management income - "cash basis"	**1,039**	970	943	7	10
Investment experience	**8**	17	(2)	(53)	large
Funds management income - "statutory basis"	**1,047**	987	941	6	11
Funds Under Administration (FUA) - average ($M)	**151,008**	144,256	138,024	5	9
Assets Under Management (AUM) - average ($M)	**224,560**	213,838	206,336	5	9

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
(2) Colonial First State ("CFS") incorporates the results of all Wealth Management Financial Planning businesses.

December 2017 versus December 2016

Funds management ("statutory basis") income increased 11% on the prior comparative period to $1,047 million, driven by:

- A 9% increase in average FUA reflecting strong investment market returns and positive net flows in the Australian business;
- A 9% increase in average AUM as a result of strong investment markets in the Australian and New Zealand businesses and positive net flows in the New Zealand business, partly offset by net outflows in the Australian business; and
- A reduction in Advice customer remediation provisions[(1)]; partly offset by
- A decline in underlying FUA margins reflecting lower CFS platform margins due to a change in business mix; and
- A decline in AUM margins as a result of a change in investment mix in the Australian business.

(1) See Note 7.2 to the Financial Statements in this Document for further information on customer remediation provisions.

December 2017 versus June 2017

Funds management income ("statutory basis") increased 6% on the prior half, driven by:

- A 5% increase in average FUA reflecting positive net flows and strong investment market returns in the Australian business;
- A 5% increase in average AUM reflecting strong investment markets in the Australian and New Zealand businesses, partly offset by net outflows in the Australian business;
- Increased performance fees in the Australian business; and
- Stable FUA margins and underlying AUM margins in the Australian business.

Insurance Income (continuing operations basis)

	Half Year Ended (1)				
	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
CommInsure (2)	**82**	13	108	large	(24)
IFS	**24**	24	26	-	(8)
Other	**30**	24	28	25	7
Insurance income - "cash basis"	**136**	61	162	large	(16)
Investment experience	**5**	4	4	25	25
Insurance income - "statutory basis"	**141**	65	166	large	(15)

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
(2) CommInsure represents the General Insurance business.

December 2017 versus December 2016

Insurance income ("statutory basis") decreased 15% on the prior comparative period to $141 million, driven by:

- Higher weather event claims in CommInsure General Insurance, partly offset by growth in premiums driven by pricing initiatives; and
- A decline in IFS driven by the impact of the higher Australian dollar; partly offset by
- An increase in Other due to growth in premiums driven by pricing initiatives.

December 2017 versus June 2017

Insurance income ("statutory basis") increased $76 million on the prior half, driven by:

- Lower weather event claims in CommInsure General Insurance and growth in premiums driven by pricing initiatives; and
- An increase in Other due to growth in premiums driven by pricing initiatives.

Group Performance Analysis

Operating Expenses (continuing operations basis)

	Half Year Ended (1)				
	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Staff expenses	**3,044**	3,047	2,996	-	2
Occupancy and equipment expenses	**572**	558	556	3	3
Information technology services expenses	**752**	728	1,102	3	(32)
Other expenses	**1,325**	862	820	54	62
AHL Consolidation	**71**	-	-	n/a	n/a
Operating expenses - "cash basis"	**5,764**	5,195	5,474	11	5
Bankwest non-cash items	**2**	2	2	-	-
Operating expenses - "statutory basis"	**5,766**	5,197	5,476	11	5
Statutory operating expenses to total operating income (%) (2) (3)	**43. 2**	41. 4	42. 6	180 bpts	60 bpts
Statutory banking expenses to total banking income (%) (2) (3)	**41. 4**	39. 1	39. 4	230 bpts	200 bpts
Spot number of full-time equivalent staff - Australia (FTE)	**34,251**	34,796	34,489	(2)	(1)
Spot number of full-time equivalent staff (FTE) (4)	**42,959**	44,024	43,660	(2)	(2)
Average number of full-time equivalent staff (FTE)	**43,830**	43,826	43,604	-	1

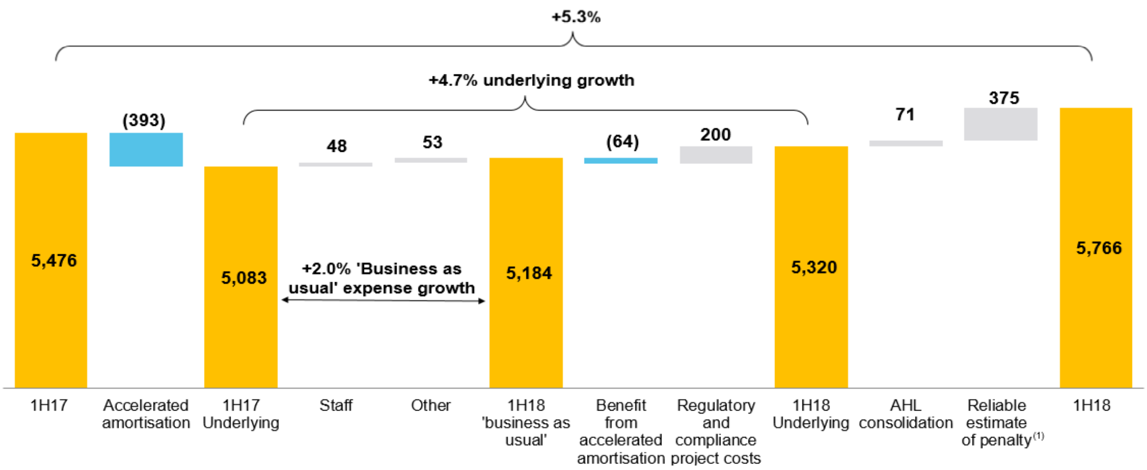
(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.

(2) The half year ended 31 December 2016 included 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. Excluding these items, statutory operating expenses to total operating income was 40.8%. Statutory banking expenses to total banking income is 37.4%.

(3) The half year ended 31 December 2017 includes a $375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC Proceedings (see Note 7.2 to the Financial Statements in this Document, Appendix 5 to this Document and the Recent Developments Reports for further information), an increase of $94 million in income and $71 million in expenses from AHL Holdings Pty Ltd (trading as Aussie Home Loans) as the Group acquired the remaining 20% share on 25 August 2017. Excluding these items, Statutory operating expenses to total operating income is 40.2%. Statutory banking expenses to total banking income is 38.0%.

(4) Excluding the impact of the divestment of non-core businesses in IFS, spot FTE for 31 December 2017 is 43,482; flat on the prior comparative period and a decrease of 1% on the prior half.

Total Operating Expenses - "statutory basis"



(1) The half year ended 31 December 2017 includes a $375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC Proceedings (see Note 7.2 to the Financial Statements in this Document, Appendix 5 to this Document and the Recent Developments Reports for further information).

December 2017 versus December 2016

On 25 August 2017, the Group acquired the remaining 20% share in AHL Holdings Pty Ltd (AHL), bringing its shareholding to 100%. As a result, the Group now controls and consolidates AHL. Prior to the acquisition, AHL was equity accounted.

Operating expenses ("statutory basis") increased 5% on the prior comparative period to $5,766 million. Excluding the impact of a $375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC Proceedings, the impact of AHL consolidation and the one-off expense for acceleration of amortisation on certain software assets in the prior comparative period, operating expenses increased 5%. The key drivers were:

Staff expenses increased 2% to $3,044 million, driven by salary increases, partly offset by productivity initiatives and the impact of foreign exchange ("FX"). Average FTE increased 1% driven by the acquisition of AHL in August 2017. Excluding AHL, underlying average FTE was flat with

Operating Expenses (continued)

an increase in frontline and compliance staff offset by productivity initiatives. Spot FTE decreased 2% primarily due to the divestment of non-core businesses in IFS in December 2017 and productivity initiatives, partly offset by increase in front line and compliance staff.

Occupancy and equipment expenses increased 3% to $572 million, primarily due to relocation of premises, annual rental reviews and depreciation;

Information technology services expenses decreased 32% to $752 million. Excluding the one-off expense for acceleration of amortisation on certain software assets in the prior comparative period, expenses increased 6%. This was driven by higher investment spend and software license costs, partly offset by lower amortisation due to the benefit from the one-off acceleration of amortisation in the prior comparative period;

Other expenses increased 62% to $1,325 million. Excluding the $375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC Proceedings, expenses increased 16%. This was driven by $200 million of higher regulatory, compliance and remediation program costs, partly offset by lower non-lending losses and transaction processing costs;

Group operating expenses to total operating income ratio increased 60 basis points to 43.2%. The underlying ratio decreased 60 basis points.

December 2017 versus June 2017

Operating expenses ("statutory basis") are up 11% on the prior half. The key drivers were:

Staff expenses were flat with salary increases, offset by productivity initiatives and the impact of FX. Spot FTE decreased 2% driven by IFS divestments in December 2017 and productivity initiatives, partly offset by an increase in frontline and compliance staff. Average FTE remained flat;

Occupancy and equipment expenses increased 3%, primarily due to relocation of premises, annual rental reviews and depreciation;

Information technology services expenses increased 3%, primarily driven by increased licensing costs and an increase in amortisation of software assets;

Other expenses increased 54%. Excluding the $375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC Proceedings, expenses increased 10%. This was driven by $200 million of higher regulatory, compliance and remediation program costs, partly offset by lower non-lending losses and transaction processing costs.

Investment Spend (continuing operations basis)

	Half Year Ended [1]				
	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Expensed investment spend [2]	**313**	349	263	(10)	19
Capitalised investment spend	**314**	287	315	9	-
Investment spend	**627**	636	578	(1)	8
Comprising:					
Productivity and growth	**326**	337	304	(3)	7
Risk and compliance	**222**	236	209	(6)	6
Branch refurbishment and other	**79**	63	65	25	22
Investment spend	**627**	636	578	(1)	8

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
(2) Included within the Operating Expenses disclosure on page 30.

December 2017 versus December 2016

The Group continues to invest to deliver on the strategic priorities of the business with $627 million incurred in the half year to 31 December 2017, an increase of 8% on the prior comparative period. The increase is mostly due to higher spend on productivity and growth initiatives, and risk and compliance projects as the Group continues to invest through the cycle.

Productivity and growth initiatives accounted for 52% of investment spend, a decrease of 1% from 53% in the prior comparative period, with continued focus on driving productivity and investing in technology in line with the Group's strategy.

Risk and compliance costs have continued to form a large portion of investment at 35% of investment spend, a decrease of 1% from 36%, as the Group continues to invest in strengthening our regulatory and compliance frameworks and implementing systems to satisfy regulatory obligations Developments across each of these investment categories during the half are outlined below

Productivity and Growth

The Group has invested in the following:

- Delivering tools and capabilities which allow easier and cheaper access to the Group's data, enabling us to meet customers' specific needs and promoting growth and retention of customers;
- In addition to ongoing spend in the development and resilience of our digital channel, the Group has continued to invest in data analytics tools and infrastructure, which have resulted in:
  - 6 million customers now using digital channels, an increase of 8% in the last 12 months with 29% of new accounts opened online;

Group Performance Analysis

Investment Spend (continued)

- More than 50% of transactions by value completed digitally, with digital channels accounting for a quarter of all sales;
- Mobile logins increasing by 25% in the last 12 months;
- Innovative digital experiences for our customers, including a new AI powered chatbot for personalised conversations, as well as real-time alerts in the Commbank app to give customers even more tools to help manage their spending and avoid fees and charges;
- The release of Daily IQ 2.0 business insights tool, which provides customers with valuable insights into their business performance; and
- Significant increase in customers utilising cardless cash and tap and pay facilities.

- Initiatives such as Home Buying, which is driving transformational change in the proprietary channel, improving our end to end process and significantly improving loan quality and origination efficiency. This has helped increase new lending through the proprietary channel from 57% to 64% in the last 12 months; and
- Delivery of the business banking relationship excellence initiative to further enhance frontline banker capabilities and increase client facing time.

Risk and Compliance

Programs have been undertaken to address the following:

- Continued investment in protection against cyber risks and attacks, with a particular focus on data protection and consistent application of cyber security controls which we believe enable the Group to identify and remediate suspicious activity;
- Continued investment in our processes and systems in relation to the Anti-Money Laundering and Counter-Terrorism Financing Act;
- Improving the resilience of the Group's IT infrastructure, including payments and data centres; and
- Implementation of systems in order to fulfil regulatory and compliance requirements.

Branch Refurbishment and Other

The Group has continued to invest in retail branch refurbishment works as our branch design is constantly evolving to reflect changes in customer preferences.

Capitalised Software (continuing operations basis)

	Half Year Ended				
	31 Dec 17 (1) **$M**	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Opening Balance	**1,934**	1,897	2,228	2	(13)
Additions	**213**	209	282	2	(24)
Amortisation and writeoffs (2)	**(202)**	(172)	(613)	17	(67)
Reclassification to assets held for sale	**(49)**	-	-	n/a	n/a
Closing balance	**1,896**	1,934	1,897	(2)	-

(1) Capitalised software for the current period excludes amounts related to the Group's life insurance businesses that have been presented as held for sale.
(2) The half year ended 31 December 2016 included a $393 million one-off expense for acceleration of amortisation on certain software assets.

December 2017 versus December 2016

Capitalised software balance was flat at $1,896 million primarily driven by investment in productivity and growth, and risk and compliance projects as the Group continues to invest through the cycle to deliver on strategic priorities of the business. This was offset by the reclassification of capitalised software within the life insurance businesses to assets held for sale.

Additions decreased by 24% to $213 million, driven by a lower capitalisation rate due to the mix of projects. Specifically, additional spend on regulatory and digital projects decreased the portion of capitalised investment spend in the current period.

Amortisation and write-offs decreased 67% to $202 million driven by the prior comparative period including a $393 million one-off expense for acceleration of amortisation on certain software assets. Underlying amortisation decreased 8% driven by lower capitalised software balances following the one-off acceleration of amortisation.

December 2017 versus June 2017

Capitalised software balance decreased 2% on the prior half, driven by the reclassification of capitalised software within the life insurance businesses to assets held for sale partly offset by continued investment in both productivity and growth and risk and compliance projects.

Additions increased 2% driven by an increase in the capitalisation rate, as the prior period included higher spend on risk and compliance projects, which were expensed.

Amortisation and write-offs increased 17% primarily due to an increase in capitalised software levels and change in project mix.

Loan Impairment Expense

	Half Year Ended (1)				
	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Retail Banking Services	**356**	350	352	2	1
Business and Private Banking	**49**	7	55	large	(11)
Institutional Banking and Markets	**105**	20	44	large	large
New Zealand	**23**	18	47	28	(51)
Bankwest	**30**	49	50	(39)	(40)
IFS and Other	**33**	52	51	(37)	(35)
Loan impairment expense	**596**	496	599	20	(1)

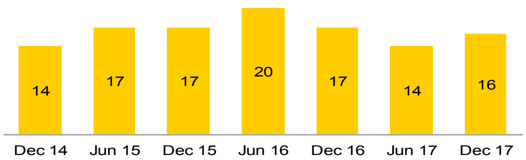
(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.

December 2017 versus December 2016

Loan impairment expense decreased 1% on the prior comparative period to $596 million. Loan impairment expense annualised as a percentage of average Gross Loans and Acceptances ("GLAAs") decreased 1 basis point to 16 basis points. The decrease was driven by:

- A decrease in Business and Private Banking due to lower individual provisions, partly offset by higher collective provisions;
- Lower provisions in the New Zealand dairy sector;
- Lower home loan impairment and business loan collective provisions in Bankwest; and
- A decrease in IFS provisions as a result of run-off in the commercial lending portfolio; partly offset by
- An increase in Retail Banking Services as a result of higher home loan and personal loan collective provisions; and
- An increase in Institutional Banking and Markets due to higher individual and collective provisions, partly offset by a higher level of write-backs.

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



December 2017 versus June 2017

Loan impairment expense increased 20% on the prior half mainly driven by:

- An increase in Retail Banking Services as a result of higher home loan and personal loan collective provisions;
- An increase in Business and Private Banking reflecting higher collective provisions, partly offset by lower individual provisions;
- An increase in Institutional Banking and Markets reflecting higher individual and collective provisions, partly offset by a higher level of write-backs; and
- An increase in New Zealand as a result of lower provision releases in dairy sector; partly offset by
- A decrease in Bankwest primarily from reduced home loan impairments and improved performance in the business portfolio.

Taxation Expense (continuing operations basis)

	Half Year Ended (1) (2)				
	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Corporate tax expense ($M)	**2,071**	1,955	1,926	6	8
Effective tax rate - "statutory basis" (%)	**29. 7**	28. 5	28. 4	120 bpts	130 bpts

	Half Year Ended (1)				
Income Tax	**31 Dec 17 $M**	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Retail Banking Services	**1,136**	1,050	1,047	8	9
Business and Private Banking	**413**	400	378	3	9
Institutional Banking and Markets	**178**	201	212	(11)	(16)
Wealth Management	**92**	68	74	35	24
New Zealand	**188**	172	164	9	15
Bankwest	**148**	122	126	21	17
IFS and Other	**(124)**	(89)	(76)	39	63
Total income tax expense - "cash basis"	**2,031**	1,924	1,925	6	6
Non-cash tax expense	**40**	31	1	29	large
Total income tax expense - "statutory basis"	**2,071**	1,955	1,926	6	8

	Half Year Ended (1) (2)				
Effective Tax Rate	**31 Dec 17 %**	30 Jun 17 %	31 Dec 16 %	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Retail Banking Services	**29. 5**	29. 7	29. 9	(20)bpts	(40)bpts
Business and Private Banking	**30. 1**	30. 1	30. 1	-	-
Institutional Banking and Markets	**23. 1**	24. 2	23. 7	(110)bpts	(60)bpts
Wealth Management	**24. 7**	24. 4	26. 0	30 bpts	(130)bpts
New Zealand	**28. 3**	28. 0	28. 0	30 bpts	30 bpts
Bankwest	**30. 7**	30. 0	30. 7	70 bpts	-
Total corporate - "statutory basis"	**29. 7**	28. 5	28. 4	120 bpts	130 bpts

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
(2) Including discontinued operations, the effective tax rate “statutory basis” is 29.7% for the half year ended 31 December 2017, 28.5% for the half year ended 30 June 2017, and 28.5% for the half year ended 31 December 2016.

December 2017 versus December 2016

Corporate tax expense for the half year ended (“statutory basis”) 31 December 2017 increased 8% on the prior comparative period, representing a 29.7% effective tax rate.

The 130 basis points increase in the effective tax rate is due to the expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC Proceedings being non-deductible for tax purposes. Excluding this item, the effective tax rate is 28.2%. The 28.2% 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 2017 versus June 2017

Corporate tax expense (“statutory basis”) for the half year ended 31 December 2017 increased 6% on the prior half, representing a 29.7% effective tax rate.

The 120 basis points increase in the effective tax rate is due to the expense provision, which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC Proceedings being non-deductible for tax purposes. Excluding this item, the effective tax rate is 28.2%. The 28.2% is below the Australian company tax rate of 30% primarily as a result of the profit earned by the offshore banking unit and offshore jurisdictions that have lower corporate tax rates.

Group Performance Analysis

Review of Group Assets and Liabilities

Total Group Assets and Liabilities	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
	As at				
Interest earning assets					
Home loans [1]	**492,688**	485,857	472,532	1	4
Consumer finance	**23,593**	23,577	23,895	-	(1)
Business and corporate loans	**223,981**	226,484	221,707	(1)	1
Loans, bills discounted and other receivables [2]	**740,262**	735,918	718,134	1	3
Non-lending interest earning assets [3]	**151,695**	163,665	159,767	(7)	(5)
Total interest earning assets	**891,957**	899,583	877,901	(1)	2
Other assets [2] [3] [4]	**55,078**	76,735	93,762	(28)	(41)
Assets held for sale [3]	**14,895**	-	-	n/a	n/a
Total assets	**961,930**	976,318	971,663	(1)	(1)
Interest bearing liabilities					
Transaction deposits [5]	**106,407**	98,884	93,641	8	14
Savings deposits [5]	**189,709**	191,245	191,406	(1)	(1)
Investment deposits	**219,251**	220,530	211,711	(1)	4
Other demand deposits [3]	**61,299**	70,313	67,652	(13)	(9)
Total interest bearing deposits	**576,666**	580,972	564,410	(1)	2
Debt issues	**166,732**	168,034	177,023	(1)	(6)
Other interest bearing liabilities	**53,983**	57,531	58,888	(6)	(8)
Total interest bearing liabilities	**797,381**	806,537	800,321	(1)	-
Non-interest bearing transaction deposits	**46,608**	44,032	39,786	6	17
Other non-interest bearing liabilities [3]	**37,307**	62,089	69,800	(40)	(47)
Liabilities held for sale [3]	**14,543**	-	-	n/a	n/a
Total liabilities	**895,839**	912,658	909,907	(2)	(2)

(1) Gross of mortgage offset balances.
(2) Loans, bills discounted and other receivables exclude provisions for impairment which are included in Other assets.
(3) On 21 September 2017 CBA announced the sale of 100% of its life insurance businesses including CommInsure Life and Sovereign to AIA Group Limited ("AIA"). For 31 December 2017, $84 million of Non-lending interest earning assets and $14,803 million of Other assets have been reclassified to Assets held for sale, and $863 million of Other demand deposits and $13,680 million of Other non-interest bearing liabilities have been reclassified to Liabilities held for sale. Assets held for sale also includes $8 million of assets that reside outside the Group's Life Insurance business as at 31 December 2017.
(4) Comparatives restated following a change in accounting policy to recognise deferred tax on the Bankwest brand name acquired by the Group. Further details on the change are provided in Note 1.1 to the Financial Statements in this Document.
(5) Includes mortgage offset balances.

December 2017 versus December 2016

Total assets decreased $10 billion or 1% on the prior comparative period. Excluding the impact of FX, total assets growth was flat driven by lower derivative and liquid asset balances, partly offset by increased home and business lending.

Total liabilities decreased $14 billion or 2% on the prior comparative period. Excluding the impact of FX, total liabilities decreased by 1% primarily driven by lower derivative liability balances and debt issues, partly offset by increased transaction and investment deposits.

The Group continued to satisfy a significant portion of lending growth from customer deposits. Customer deposits represent 68% of total funding (31 December 2016: 66%).

Home loans

Home loan balances increased $20 billion to $493 billion, reflecting a 4% increase on the prior comparative period. The increase excluding FX was 5%, which was driven by Retail Banking Services, Bankwest and New Zealand. Domestic growth of 5% was 1% below system[(1)].

Home loans in Australia amount to $444 billion (31 December 2016: $423 billion) of which 64% are owner occupied, 32% are investment home loans and 4% are lines of credit (31 December 2016: 63% were owner occupied, 33% were investment home loans and 4% were lines of credit).

Consumer finance

Consumer finance, which includes personal loans, credit cards and margin lending, decreased 1% on the prior comparative period to $24 billion, broadly in line with system[(1)].

(1) System source RBA/APRA/RBNZ. CBA includes Bankwest.

Review of Group Assets and Liabilities (continued)

Business and corporate loans

Business and corporate loans increased $2 billion to $224 billion, a 1% increase on the prior comparative period. The increase excluding FX was 2%, which was driven by growth of 1% in Business and Private Banking primarily in target industries and core business lending growth of 6% in Bankwest. Growth in New Zealand of 8% was 3% above system(1) reflecting strong business and rural loan growth with the long-term strategic focus on this segment continuing to deliver strong results. This was partly offset by the impact of a higher Australian dollar. Institutional lending growth was flat, impacted by subdued levels of activity in domestic lending and increased competition from offshore banks.

Domestic business lending grew at 1%, which was 2% below system(1).

Non-lending interest earning assets

Non-lending interest earning assets decreased $8 billion to $152 billion, reflecting a 5% decrease on the prior comparative period. The decrease was driven by lower liquid asset balances primarily due to a decrease in modelled net cash outflows.

Other assets

Other assets, including derivative assets, insurance assets and intangibles, decreased $39 billion to $55 billion, a 41% decrease on the prior comparative period, impacted by the reclassification of life insurance assets to Assets held for sale. The underlying decrease of 25% reflected lower derivative asset balances primarily from hedging asset maturities and foreign exchange volatility.

Interest bearing deposits

Interest bearing deposits increased $12 billion to $577 billion, a 2% increase on the prior comparative period. This was driven by strong growth in transaction deposits in Retail Banking Services, Business and Private Banking, and Institutional Banking and Markets. Higher investment deposits were partly offset by lower other demand deposits.

Collectively, domestic household deposits grew at 4%, which was 2% below system(1) as the Group managed the volume and margin trade-off in a competitive environment.

Debt issues

Debt issues decreased $10 billion to $167 billion, a 6% decrease on the prior comparative period. The decrease excluding FX was 5%, reflecting lower wholesale funding requirements. This was primarily driven by subdued interest earning asset growth and growth in deposit funding, as a result of strategic balance sheet management.

Deposits satisfied the majority of the Group's funding requirements, however strong access was maintained to both domestic and international wholesale debt markets.

Refer to page 51-52 for further information on debt programs and issuances for the half year ended 31 December 2017.

Other interest bearing liabilities

Other interest bearing liabilities, including loan capital, liabilities at fair value through income statement and amounts due to other financial institutions, was $54 billion, an 8% decrease on the prior comparative period. The decrease excluding FX was 7%, which was driven by a net decrease in cash collateral received from counterparties due to initiatives to improve collateral management.

Non-interest bearing transaction deposits

Non-interest bearing transaction deposits increased $7 billion, a 17% increase on the prior comparative period, primarily driven by strong growth in personal and business transaction accounts in Retail Banking Services.

Other non-interest bearing liabilities

Other non-interest bearing liabilities, including derivative liabilities and insurance policy liabilities, decreased $32 billion to $37 billion, a 47% decrease on the prior comparative period, impacted by the reclassification of life insurance liabilities to Liabilities held for sale. The underlying decrease of 27% reflected lower derivative liability balances primarily from hedging liability maturities and foreign exchange volatility.

December 2017 versus June 2017

Total assets decreased $14 billion or 1% on the prior half, primarily driven by lower derivative and liquid asset balances, partly offset by increased home lending.

Total liabilities decreased $17 billion or 2% on the prior half. Excluding the impact of FX, total liabilities decreased 1% driven by lower derivative liability balances and other demand deposits, partly offset by increased transaction deposits.

Customer deposits made up 68% of total funding (30 June 2017: 67%).

Home loans

Home loan balances increased $7 billion, reflecting a 1% increase on the prior half. The increase excluding FX was 2%, which was driven by Retail Banking Services, Bankwest and New Zealand.

Home loans in Australia amount to $444 billion (30 June 2017: $436 billion) of which 64% are owner occupied, 32% are investment home loans and 4% are lines of credit (30 June 2017: 63% were owner occupied, 33% were investment home loans and 4% were lines of credit).

Consumer finance

Consumer finance, which includes personal loans, credit cards and margin lending, was flat on the prior half, broadly in line with system(1).

Business and corporate loans

Business and corporate loans decreased $3 billion, a 1% decrease on the prior half, driven by lower institutional lending, which was impacted by subdued levels of activity in domestic lending and increased competition from offshore banks, partly offset by business and rural loan growth in New Zealand and core business lending growth in Bankwest. Business and Private Banking was flat as growth in target industries was offset by a decline in residential property.

Non-lending interest earning assets

Non-lending interest earning assets decreased $12 billion, a 7% decrease on the prior half. The decrease was driven by lower liquid asset balances primarily due to a decrease in modelled net cash outflows.

(1) System source RBA/APRA/RBNZ. CBA includes Bankwest.

Review of Group Assets and Liabilities (continued)

Other assets

Other assets, including derivative assets, insurance assets and intangibles, decreased $22 billion, a 28% decrease on the prior half, impacted by the reclassification of life insurance assets to Assets held for sale. The underlying decrease of 9% reflected lower derivative asset balances primarily from hedging asset maturities and foreign exchange volatility, partly offset by higher trading asset balances.

Interest bearing deposits

Interest bearing deposits decreased $4 billion, a 1% decrease on the prior half, reflecting lower other demand deposits mainly from reduced repo positions, and lower investment and savings deposits, partly offset by higher transaction deposits.

Debt issues

Debt issues decreased $1 billion, a 1% decrease on the prior half. Excluding FX, debt issues remained flat which reflected lower wholesale funding requirements. This was primarily driven by subdued interest earning asset growth and growth in deposit funding, as a result of strategic balance sheet management.

Refer to page 51 to 52 for further information on debt programs and issuances for the half year ended 31 December 2017.

Other interest bearing liabilities

Other interest bearing liabilities, including loan capital, liabilities at fair value through income statement and amounts due to other financial institutions, decreased $4 billion, a 6% decrease on the prior half. The decrease excluding FX was 5%, which was driven by a net decrease in cash collateral received from counterparties.

Non-interest bearing transaction deposits

Non-interest bearing transaction deposits increased $3 billion, a 6% increase on the prior half, primarily driven by strong growth in personal and business transaction accounts in Retail Banking Services.

Other non-interest bearing liabilities

Other non-interest bearing liabilities, including derivative liabilities and insurance policy liabilities, decreased $25 billion, a 40% decrease on the prior half, impacted by the reclassification of life insurance liabilities to Liabilities held for sale. The underlying decrease of 18% reflected lower derivative liability balances primarily from hedging liability maturities and foreign exchange volatility.

Contents

Loan Impairment Provisions and Credit Quality

Provisions for Impairment

	As at				
	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Provisions for impairment losses					
Collective provision	**2,772**	2,747	2,807	1	(1)
Individually assessed provisions	**978**	980	1,017	-	(4)
Total provisions for impairment losses	**3,750**	3,727	3,824	1	(2)
Less: Provision for Off Balance Sheet exposures	**(27)**	(34)	(35)	(21)	(23)
Total provisions for loan impairment	**3,723**	3,693	3,789	1	(2)

December 2017 versus December 2016

Total provisions for impairment losses decreased 2% on the prior comparative period to $3,750 million as at 31 December 2017. The movement in the level of provisioning reflects:

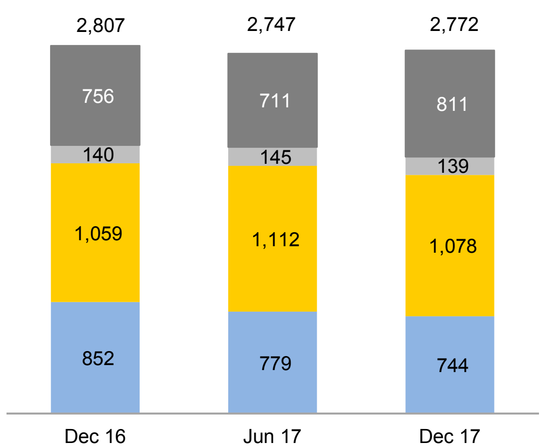
- Lower corporate collective provisions, driven by internal model factor updates, reduced loan term maturity dates and improvements in the New Zealand dairy sector; and
- A reduction in Bankwest individually assessed provisions predominantly in the business lending portfolio, driven by write-backs and write-offs following the workout of impaired assets; partly offset by
- An increase in management overlays driven by corporate lending in Institutional Banking and Markets. Economic overlays remained unchanged on the prior year; and
- An increase in consumer individually assessed and collective provisions due to the home loan portfolio in Retail Banking Services.

December 2017 versus June 2017

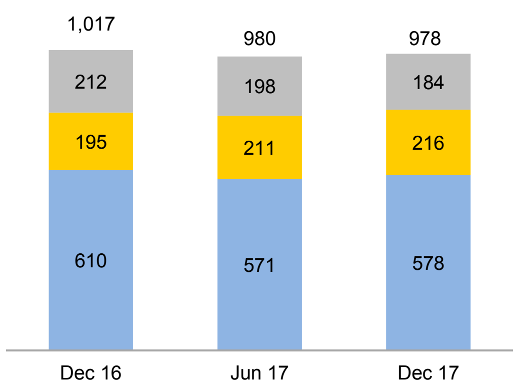
Total provisions for impairment losses increased 1% on the prior half. The movement in the level of provisioning reflects:

- An increase in management overlays driven by corporate lending in Institutional Banking and Markets and model calibration updates in Retail Banking Services. Economic overlays remained unchanged;
- An increase in corporate individually assessed provisions due to higher individual provisions in Institutional Banking and Markets; and
- An increase in consumer individually assessed provisions due to the home loan portfolio in Retail Banking Services; partly offset by
- A reduction in corporate collective provisions, driven by the transfer of collective provisions to individually assessed provisions for clients that became impaired; and
- Reduced consumer collective provisions predominately from seasonally lower consumer finance arrears in Retail Banking Services.

Collective Provisions ($M) (1)



Individually Assessed Provisions ($M)



Overlay Bankwest Consumer Corporate

(1) Comparative information has been restated to conform to presentation in the current period. Refer to appendix 4.9 to this Document for further details.

Loan Impairment Provisions and Credit Quality (continued)

Credit Quality

	Half Year Ended				
Credit Quality Metrics	**31 Dec 17**	30 Jun 17	31 Dec 16	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Gross loans and acceptances (GLAA) ($M)	**741,318**	737,002	719,250	1	3
Risk weighted assets (RWA) ($M) - Basel III	**440,836**	437,063	436,481	1	1
Credit RWA ($M) - Basel III	**366,985**	377,259	373,526	(3)	(2)
Gross impaired assets ($M)	**3,367**	3,187	3,375	6	-
Net impaired assets ($M)	**2,207**	2,038	2,193	8	1
Provision Ratios					
Collective provision as a % of credit RWA - Basel III	**0. 76**	0. 73	0. 75	3 bpts	1 bpt
Total provisions as a % of credit RWA - Basel III	**1. 02**	0. 99	1. 02	3 bpts	-
Total provisions for impaired assets as a % of gross impaired assets	**34. 45**	36. 05	35. 02	(160)bpts	(57)bpts
Total provisions for impaired assets as a % of gross impaired assets (corporate)	**40. 52**	42. 82	38. 65	(230)bpts	187 bpts
Total provisions for impaired assets as a % of gross impaired assets (consumer)	**27. 00**	28. 45	29. 52	(145)bpts	(252)bpts
Total provisions for impairment losses as a % of GLAAs	**0. 51**	0. 51	0. 53	-	(2)bpts
Asset Quality Ratios					
Gross impaired assets as a % of GLAAs	**0. 45**	0. 43	0. 47	2 bpts	(2)bpts
Loans 90+ days past due but not impaired as a % of GLAAs	**0. 36**	0. 36	0. 33	-	3 bpts
Loan impairment expense annualised as a % of average GLAAs	**0. 16**	0. 14	0. 17	2 bpts	(1)bpt
Net write-offs annualised as a % of GLAAs	**0. 15**	0. 16	0. 15	(1)bpt	-
Corporate total committed exposures rated investment grade (%) (1)	**68. 00**	69. 20	68. 70	(120)bpts	(70)bpts
Australian Home Loan Portfolio					
Portfolio dynamic LVR (%) (2)	**49. 76**	50. 33	50. 69	(57)bpts	(93)bpts
Customers in advance (%) (3)	**77. 48**	77. 31	77. 38	17 bpts	10 bpts

(1) Investment grades based on CBA grade in S&P equivalent.
(2) Loan to value ratio (LVR) defined as current balance as a percentage of the current valuation on Australian home loan portfolio.
(3) Any amount ahead of monthly minimum repayment (including offset facilities).

Provision Ratios and Impaired Assets

Management believes the provision coverage ratios remain prudent. The impaired asset portfolio remains well provisioned with provision coverage of 34.45%.

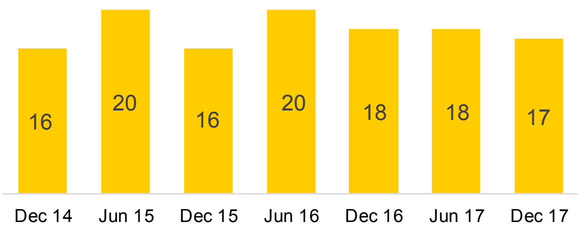
Gross impaired assets increased 6% on the prior half to $3,367 million. Gross impaired assets as a proportion of GLAAs were 0.45% which is an increase of 2 basis points on the prior half.

Retail Portfolio Asset Quality

The retail consumer portfolio's credit quality remained sound during the period. The consumer LIE as a percentage of average gross loans and acceptances of 17 basis points is 1 basis point lower than the prior half due to a reduction in consumer LIE in Bankwest and New Zealand.

Consumer LIE

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



Group Operations and Business Settings

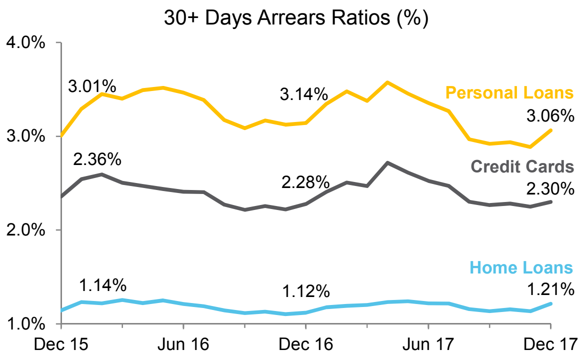
Loan Impairment Provisions and Credit Quality (continued)

Retail Portfolio Asset Quality (continued)

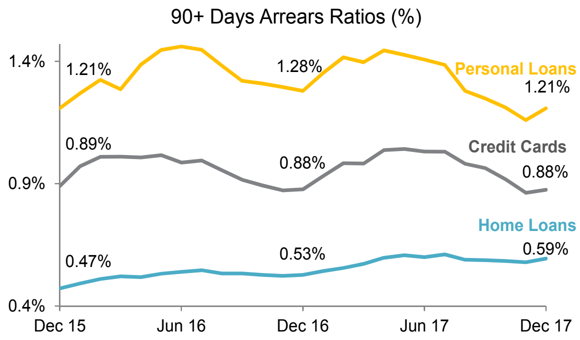
The retail portfolio arrears remain low. Home loan arrears are elevated on the prior comparative period due to deteriorating credit quality in Western Australia on the prior comparative period, whilst Personal Loans have improved driven by improvement in collections strategies. Retail arrears across all products reduced during the current half reflecting seasonal trends.

The home lending book remains well secured with the dynamic LVR stable at 49.76% for the period. The majority of home lending customers remain in advance of scheduled repayments and the loan serviceability buffer remains at 2.25% above the customer interest rate, with a minimum floor rate of 7.25% for Retail Banking Services and 7.35% for Bankwest. Further caps and limits remain in place for higher risk loans including a 90% LVR limit and lenders mortgage insurance requirements.

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



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



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

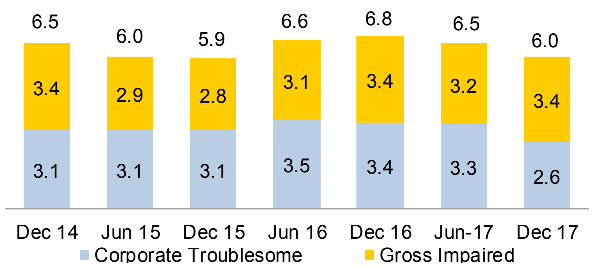
Corporate Portfolio Asset Quality

Corporate troublesome exposures reduced from $3.3 billion in the prior half to $2.6 billion. This reduction was mainly driven by improvements in the New Zealand dairy sector.

Investment grade rated exposures decreased 120 basis points on the prior half to 68.0% of overall portfolio risk graded counterparties driven by a reduction in exposure to the Banking sector.

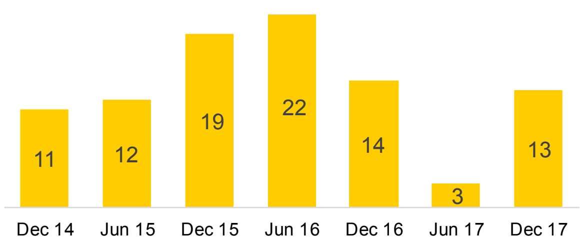
Corporate LIE as a percentage of gross loans and acceptances was up 10 basis points on the prior half to 13 basis points, however remained lower than the prior comparative period. The increase in the half is predominately due to higher individual provisions.

Troublesome and Impaired Assets ($B)



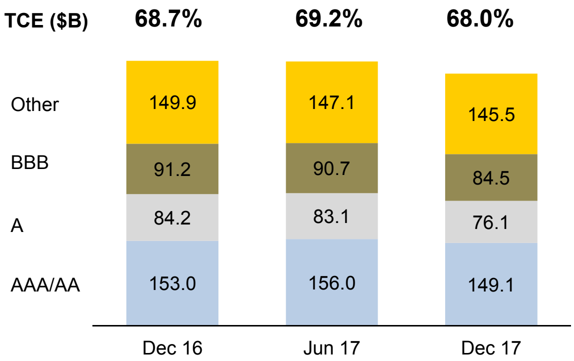
Corporate LIE

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



Corporate Portfolio Quality

% of book rated investment grade [(1)]



(1) CBA grades in S&P equivalents.

Loan Impairment Provisions and Credit Quality (continued)

Industry Exposure and Asset Quality

The distribution of the Group's credit exposures by industry remained consistent during the period. The largest movement was driven by home loan growth in the Consumer sector with the next largest change being a reduction in the Banking sector due to less exposure to overseas banks.

Troublesome and impaired assets ("TIA") improved across most industry sectors. The largest favourability came from agriculture driven by improvement in the New Zealand dairy sector. Improvement in the manufacturing sector reflected the exit of one single name exposure. This favourability was partly offset by an increase in Business Services due to the impairment of a single name exposure.

TIA as a percentage of TCE improved across most industry sectors, led by a reduction in Energy sector troublesome assets due to a credit upgrade and a loan repayment. Business Services experienced the largest deterioration due to the impairment of a large single name exposure.

Credit Exposures by Industry (1)

	Total Committed Exposures (TCE)		Troublesome and Impaired Assets (TIA)		TIA % of TCE	
	Dec 17	Jun 17	**Dec 17**	Jun 17	**Dec 17**	Jun 17
	%	%	**$M**	$M	**%**	%
Consumer	**56. 6**	55. 4	**1,581**	1,578	**0. 26**	0. 26
Sovereign	**9. 7**	9. 7	**-**	-	**-**	-
Property	**6. 3**	6. 4	**586**	693	**0. 86**	0. 99
Banks	**5. 2**	6. 1	**9**	9	**0. 02**	0. 01
Finance - Other	**5. 1**	5. 0	**35**	50	**0. 06**	0. 09
Retail & Wholesale Trade	**2. 1**	2. 2	**488**	474	**2. 13**	2. 00
Agriculture	**2. 0**	2. 0	**876**	1,019	**4. 07**	4. 70
Manufacturing	**1. 4**	1. 6	**290**	430	**1. 90**	2. 47
Transport	**1. 5**	1. 6	**399**	436	**2. 49**	2. 51
Mining	**1. 3**	1. 4	**409**	477	**2. 97**	3. 23
Business Services	**1. 3**	1. 3	**349**	165	**2. 56**	1. 13
Energy	**1. 1**	1. 1	**9**	90	**0. 08**	0. 72
Construction	**0. 8**	0. 7	**223**	290	**2. 73**	3. 70
Health & Community	**0. 9**	0. 8	**225**	197	**2. 42**	2. 27
Culture & Recreation	**0. 7**	0. 7	**47**	54	**0. 66**	0. 73
Other	**4. 0**	4. 0	**509**	538	**1. 18**	1. 24
Total	**100. 0**	100. 0	**6,035**	6,500	**0. 56**	0. 60

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.

Group Operations and Business Settings

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 and are scheduled to be fully implemented on 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%, (effective from 1 January 2016), bringing the CET1 requirement to at least 8%.

Unquestionably Strong Capital Ratios

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

APRA's expectation in relation to the concept of unquestionably strong is that the Australian major banks will operate with a CET1 ratio average benchmark of 10.5% or more by 1 January 2020.

Following the finalisation of the reforms announced by the BCBS in December 2017, as detailed on page 45, APRA has advised that these reforms have been incorporated within the targets set by APRA in July 2017.

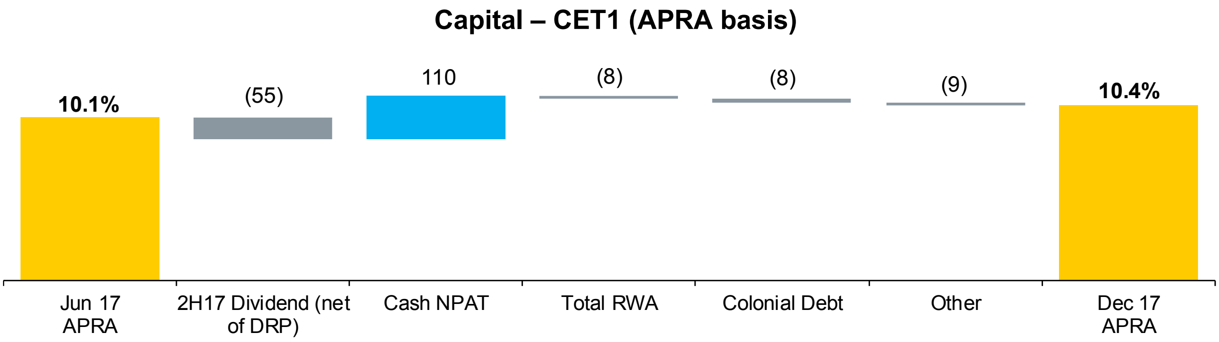
APRA is expected to commence consultation in early 2018 covering:

- The proposed revisions required to achieve unquestionably strong capital ratios;
- Domestic application of the BCBS reforms;
- Additional measures to address Australian Authorised Deposit-taking Institutions ("ADIs") structural concentration to residential mortgages; and
- Improving transparency and international comparability of capital ratios.

(1) In December 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)

Summary Group Capital Adequacy Ratios	Half Year Ended 31 Dec 17 %	30 Jun 17 %	31 Dec 16 %
Common Equity Tier 1	**10. 4**	10. 1	9. 9
Tier 1	**12. 4**	12. 1	11. 5
Tier 2	**2. 4**	2. 1	2. 2
Total Capital (APRA)	**14. 8**	14. 2	13. 7



Capital Position

The Group's CET1 ratio (APRA basis) was 10.4% as at 31 December 2017, compared with 10.1% at 30 June 2017 and 9.9% at 31 December 2016. The capital ratios were maintained well in excess of regulatory minimum capital adequacy requirements at all times throughout the half year ended 31 December 2017.

The Group's CET1 ratio (APRA basis) increased 30 basis points for the half year ended 31 December 2017. This primarily reflected capital generated from earnings, partly offset by the June 2017 final dividend, which included the issuance of shares at a 1.5% discount under the Dividend Reinvestment Plan ("DRP"), higher Total Risk Weighted Assets ("RWA") and the maturity of a further $350 million of Colonial debt. The final tranche of the Colonial debt still subject to transitional relief is due to mature in the half year to June 2018 ($315 million, a decrease of approximately seven basis points in the Group's CET1 ratio).

As detailed below Total RWA increased across the half year with higher Operational and Interest Rate Risk in the Banking Book ("IRRBB") RWAs partly offset by a reduction in Credit RWAs.

On 21 September 2017 the Group announced the sale of its Australian and New Zealand life insurance operations to AIA Group Limited ("AIA"). The transaction, which is due to be completed in calendar year 2018, is expected to result in an uplift to the Group's CET1 ratio (APRA basis) of approximately 70 basis points.

Capital Initiatives

The following capital initiatives were undertaken during the half year ended 31 December 2017:

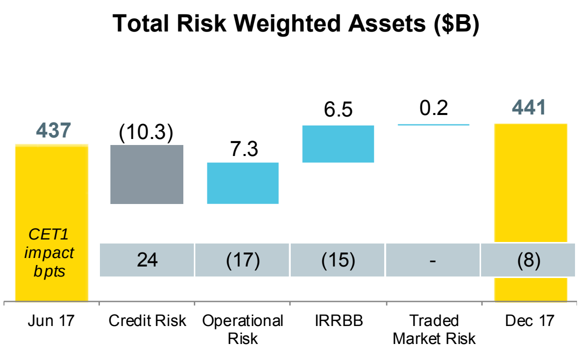
- The DRP in respect of the 2017 final dividend was satisfied by the allocation of $1,573 million of ordinary shares, which included a 1.5% discount, representing a participation rate of 39.5%; and
- In October 2017, the Group issued a EUR 1 billion subordinated note that is Basel III compliant Tier 2 capital.

In January 2018, the Group issued a USD 1.25 billion subordinated note that is Basel III compliant Tier 2 capital. This will add approximately 35 basis points in Tier 2 capital over and above the 31 December 2017 reported level.

Risk Weighted Assets

Total Group Risk Weighted Assets

Total RWA increased 1% to $441 billion, on the prior half, driven by higher Operational Risk and IRRBB RWAs, partly offset by lower Credit Risk RWA.



Capital (continued)

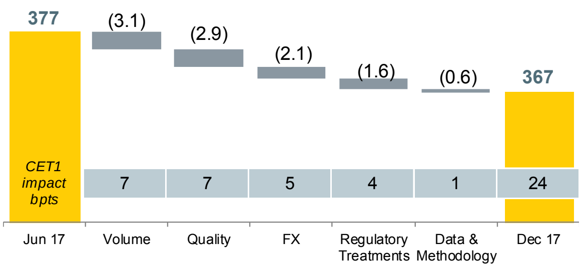
Credit Risk Weighted Assets

Credit RWA decreased $10.3 billion or 3% on the prior half due to:

- Reduction of exposure across non-retail portfolios;
- Improved credit quality across most portfolios;
- Foreign currency movements; and
- Refresh of credit risk estimates across some portfolios.

These decreases were partly offset by an increase in residential mortgages due to growth in exposures.

Credit Risk Weighted Assets ($B)



Interest Rate Risk Weighted Assets

Interest Rate Risk in the Banking Book ("IRRBB") RWA increased $6.5 billion or 31% due to interest rate risk management activity and the higher level of rates, partly offset by model enhancements.

Traded Market Risk Weighted Assets

Traded Market Risk RWA increased by $0.2 billion or 4%. This was predominantly driven by the stressed VaR component(1).

Operational Risk Weighted Assets

Operational Risk RWA increased $7.3 billion or 22% on the prior half to $41.1 billion. This reflects the regular assessment of the Group's operational risk profile in the context of the evolving risk and regulatory environment.

The Group will continue to review and update Operational Risk RWA to reflect material changes in its risk profile in accordance with the Group's Operational Risk Management Framework and governance processes.

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 Group's US Investor Website.

(1) Further details on stressed VAR are provided in the December 2017 Capital Disclosure Report.

Other Regulatory Changes

Basel Committee on Banking Supervision

In December 2017, the BCBS released "Basel III: Finalising post-crisis reforms" (commonly referred to as "Basel IV").

These reforms include:

- Revisions of Internal Ratings Based ("IRB") approach to credit risk including: removal of the 1.06 scaling factor, constraints on the use of IRB for certain asset classes (large corporates, banks and financial institutions); and application of minimum input parameters to the remaining IRB credit exposures;
- Improved granularity and risk sensitivity for the standardised approach for credit risk;
- Removal of the operational risk Advanced Measurement Approach and replaced by a single risk sensitive standardised approach to be used by all banks; and
- Introduction of an aggregate output floor based on the revised Basel III Standardised Approach RWA. The floor will be phased in over a 5 year period starting at 50% from 1 January 2022, increasing to 72.5% from 1 January 2027.

All of the above reforms are scheduled to be implemented from 1 January 2022.

In addition, the BCBS confirmed that the implementation date for revised market risk framework has been deferred to 1 January 2022 in order to align to the implementation date for the changes detailed above.

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. Non-capital related requirements, which include such items as governance, risk exposures and intra group exposures, were effective from 1 July 2017 and have no impact on the Group's capital.

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.

In particular, the CFTC has indicated that swap dealers will be required to comply, and has issued proposed rules that would require compliance with the CFTC's rules, without substituted compliance, in connection with transactions between us and non-U.S. counterparty, if the transaction is "arranged, negotiated or executed" through personnel located in the U.S. It is unclear whether the CFTC will implement this requirement and whether (and the extent to which) it will affect our business.

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

Financial System Regulation in the United States (continued)

swap dealers to collect and post variation margin with all counterparties, became effective on March 1, 2017.

The compliance date was effectively extended with respect to certain swap entities through guidance issued by the regulators, and compliance became mandatory for those swap entities on September 1, 2017. The CFTC has proposed rules that would impose position limits on (1) futures and options contracts on specified physical commodities and (2) swaps that are “economically equivalent” to such contracts. The Group would be subject to any such rules that are adopted by the CFTC, which could limit the Group’s trading activities.

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

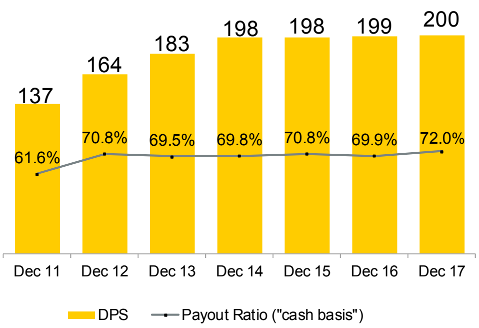
Dividends

Interim Dividend for the Half Year Ended 31 December 2017

An interim dividend of $2.00 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 2017 was 72.0%.

The interim dividend will be fully franked and is scheduled to be paid on 28 March 2018 to owners of ordinary shares at the close of business on 15 February 2018 (record date). Shares were quoted ex-dividend on 14 February 2018.

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

	As at				
Summary Group Leverage Ratio	**31 Dec 17 $M**	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Tier 1 Capital ($M)	**54,465**	52,684	50,218	3	8
Total Exposures ($M) (1)	**1,012,503**	1,027,958	1,018,931	(2)	(1)
Leverage Ratio (APRA) (%)	**5. 4**	5. 1	4. 9	30 bpts	50 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 5.4% at 31 December 2017 on an APRA basis.

The ratio increased across the December 2017 half year benefitting from an increase in capital levels and a reduction in exposures

In December 2017, as part of the final calibration of the leverage ratio, the BCBS announced:

- Confirmation that the leverage ratio will have a minimum regulatory requirement of 3% effective from 1 January 2018; and
- Changes in the definition of exposures, related to derivatives and off balance sheet items, effective from 1 January 2022.

Liquidity

Level 2	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
	As at				
Liquidity Coverage Ratio (LCR) Liquid Assets					
High Quality Liquid Assets (HQLA) [1]	**90,239**	93,402	96,244	(3)	(6)
Committed Liquidity Facility (CLF)	**48,300**	48,300	58,500	-	(17)
Total LCR liquid assets	**138,539**	141,702	154,744	(2)	(10)
Net Cash Outflows (NCO)					
Customer deposits	**71,676**	77,298	71,418	(7)	-
Wholesale funding [2]	**17,510**	17,579	24,705	-	(29)
Other net cash outflows [3]	**16,257**	15,271	18,693	6	(13)
Total NCO	**105,443**	110,148	114,816	(4)	(8)
Liquidity Coverage Ratio (%)	**131**	129	135	200 bpts	(400)bpts
LCR surplus	**33,096**	31,554	39,928	5	(17)

(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 open-repo of internal Residential Mortgage-Backed Securities (RMBS).

(2) Includes all interbank deposits that are included as short-term wholesale funding on page 145.

(3) Includes cash inflows.

Liquidity Coverage Ratio ("LCR")

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

At 31 December 2017, the Group's LCR of 131% was well above the regulatory minimum of 100%, despite a $10.2 billion decrease in the CLF on 1 January 2017. HQLAs decreased $6 billion on the prior year, along with a decline in modelled NCOs of $9 billion. The decrease in modelled NCOs over the year was driven by a reduction of wholesale funding maturities in the next 30 days of $7 billion and a reduction in other NCOs of $2 billion.

In the half to 31 December 2017, HQLAs decreased $3 billion, along with a decline in modelled NCOs of $5 billion. The decrease in modelled NCOs over the half was driven by customer deposit NCOs reducing $6 billion due to a more LCR efficient deposit mix.

Group Operations and Business Settings

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, a risk appetite statement, liquidity risk limits and triggers, an annual funding strategy, and a Contingent Funding Plan ("CFP"). Group Treasury is responsible for managing liquidity risk under delegated authorities, subject to the oversight of an independent liquidity risk management function and of internal audit.

Australian Authorised Deposit-taking Institutions ("ADIs") are subject to the Liquidity Coverage Ratio ("LCR") and, from 1 January 2018, the NSFR, implemented by APRA in ADI Prudential Standard 210 ("APS 210"). The LCR requires large locally-incorporated ADIs to maintain liquid assets to cover net cash outflows forecast to occur over a prescribed 30 day liquidity stress scenario. Cash flow assumptions and liquid assets in the LCR are defined in APS 210. Liquid assets include cash and Commonwealth government and Semi-government debt. Given the limited amount of government debt in Australia, participating ADIs can access contingent liquidity via the RBA's CLF and apply it to meet net cash outflows in the LCR. The amount of the CLF for each ADI is set annually by APRA. To access the CLF, ADIs need to meet certain conditions and pledge qualifying securities to the RBA. The NSFR requires LCR ADIs to fund core assets with stable funding. APRA prescribed factors are used to determine the stable funding requirement of assets and the stability of funding.

Risk tolerances and active forecasting of the LCR and the NSFR are designed to ensure that the Group maintains a superior level of liquidity and stable funding at all times relative to regulatory requirements.

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

- Predominantly customer deposit funding;
- Diverse and stable sources of wholesale funding;
- Buffers over the regulatory requirements of 100% for the LCR and the NSFR;
- Short and long-term wholesale funding limits and triggers, which are reviewed regularly and are based on an assessment of the Group's capacity to borrow in the markets and balance sheet projections;
- Stress tests, covering a range of short-term and protracted idiosyncratic and market-wide stress scenarios, to identify potential sources of liquidity and funding strain (including from contingent liquidity exposures) and possible contingent funding actions. The stress test results drive management discussions and decisions on appropriate buffers;
- A diversified liquid asset portfolio eligible for repurchase with central banks, managed within specific concentration limits, including:
  - High quality liquid assets such as cash, Commonwealth government and Semi-government bonds;
  - ADI-issued securities, eligible securitisations and covered bonds, and securities issued by supranationals, all of which are repo-eligible under the RBA's open market operations and under the CLF; and
  - Internal securitisations of Group mortgages retained on the Balance Sheet that can be used as collateral under the RBA's CLF; 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, providing liquidity in addition to the domestic liquid asset portfolio.

The Group's key liquidity risk management measures include:

- LCR and NSFR models incorporating APRA definitions of the regulatory measures and calculating actual and forecast positions. The models are used to monitor buffers and inform Group liquidity and funding management actions;
- A funding gap model that is used to analyse and forecast funding needs over the medium-term;
- Stress tests supplementary to the LCR, used to validate management buffers contained in liquidity and funding policies;
- Early warning indicators to identify the emergence of increased risk or vulnerabilities in the liquidity risk position or potential funding needs; and
- A detailed and robust CFP defining the approach to a liquidity shock on a location-specific and Group-wide basis, crisis management actions, roles and responsibilities, contingent sources of liquidity and funding, crisis reporting and operational guidelines. The CFP is tested and updated annually.

The Group's funding sources include:

- Its consumer retail funding base, covering retail transaction accounts, investment accounts and retirement style accounts for individual consumers;
- Its small business and institutional deposit base;
- Issuance of Australian dollar Negotiable Certificates of Deposit and Australian dollar bank bills;
- Its wholesale international and domestic funding programs that include its Asian Transferable Certificates of Deposit programme, Australian, US and Euro Commercial Paper programme, US Extendible Notes programme, Australian dollar Domestic Debt program, US Medium-Term Note programme, Euro Medium-Term Note programme, multi-jurisdiction Covered Bonds programme and its Medallion securitisation programme; and
- Contingent funding sources including access to various central bank facilities, including the CLF, providing the Group with the ability to borrow funds on a secured basis, in all market conditions.

Liquidity and Capital Resources (continued)

	Half Year Ended		
	31 Dec 17	30 Jun 17	31 Dec 16
Debt Issues	**$M**	$M	$M
Total short-term debt issues	**56,926**	57,640	71,927
Total long-term debt issues	**109,584**	109,931	103,656
Total debt issues	**166,510**	167,571	175,583

	Half Year Ended		
	31 Dec 17	30 Jun 17	31 Dec 16
Debt Issues	**$M**	$M	$M
Maturity Distribution of Debt Issues [1]			
Less than three months	**18,400**	20,603	32,114
Between three and twelve months	**38,526**	37,037	39,813
Between one and five years	**81,774**	89,391	80,023
Greater than five years	**27,810**	20,540	23,633
Total debt issues	**166,510**	167,571	175,583

(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 2017.

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 in Note 7.1 to the Financial Statements in this Document.

For more information on the Group's funding programs and liquidity and capital resources, see Note 34 of the 2017 Financial Report.

Details of the Group's regulatory capital position and capital management activities are disclosed in Appendix 3.1 to this Document and Note 25 of the 2017 Financial Report.

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 2017 Annual U.S. Disclosure Document.

Corporate Governance

Changes to Executive Team

On 1 July 2017, Rob Jesudason, formerly Group Executive International Financial Services assumed the role of Group Executive Financial Services and Chief Financial Officer.

On 1 July 2017, Coenraad Jonker commenced as Group Executive International Financial Services.

On 31 December 2017, Annabel Spring ceased as Group Executive Wealth Management.

On 29 January 2018, the Group announced that Matt Comyn, currently Group Executive Retail Banking Services, will be the new Chief Executive Officer of the Bank effective 9 April 2018, replacing Ian Narev, who will retire as Managing Director and Chief Executive Officer effective 8 April 2018.

On 3 February 2018, Vittoria Shortt, formerly Group Executive Market and Strategy assumed the role of ASB Chief Executive Officer.

Details of new Chief Executive Officer

Matt Comyn has nearly 20 years' experience in banking across business, institutional, retail and wealth management. He joined the Bank in 1999 and has held a number of senior leadership roles, including his appointment as Group Executive Retail Banking Services in 2012. At the Bank, Matt has gained a broad experience across financial services, including in institutional banking with various roles in product management, equities and trading operations. He has also played a key role in building CommSee, CBA's customer relationship system used across all customer-facing and operations team in the retail and business bank.

Between 2006 and 2010, Matt was Managing Director of the Bank's biggest digital business, CommSec, overseeing a modernisation of its technology platform. In 2009, Matt was also asked to lead the Bank's response to the Storm Financial Planning issue, working closely with then CEO Ralph Norris, to identify where the Bank's failures had occurred and to ensure customers were compensated fairly. In 2010, Matt left the Bank for a short time to become CEO of Morgan Stanley's wealth business in Australia.

Matt is a director of Unicef Australia.

Matt holds an Executive MBA from Sydney University, a Master's degree in Commerce, majoring in finance, and a Bachelor's degree in Aviation, both from the University of New South Wales. He has also completed the General Management Program at Harvard Business School.

Summary of the Main Terms and Conditions of the Executive Service Agreement between the Commonwealth Bank of Australia and Matt Comyn:

Appointment

The appointment is to the position of Managing Director and Chief Executive Officer on 9 April 9 2018.

Term

The appointment is ongoing with no fixed term. The termination provisions are set out below.

Duties

The duties of Matt Comyn are those expected of the CEO, reporting to and taking direction from the Board.

Remuneration

There are three components of Matt Comyn's remuneration:

(a) Fixed Remuneration

Mr Comyn will receive an annual fixed remuneration of $2,200,000 (inclusive of cash salary, superannuation and salary sacrificed items) which will be reviewed annually.

(b) Short Term Variable Remuneration ("STVR")

Mr Comyn will be eligible to annually participate in an STVR Plan. The initial annual STVR target is $2,200,000 (100% of fixed remuneration), and for the current year will be pro-rated for the period from 9 April 2018 to 30 June 2018. The target STVR will be renewed annually by the Board.

Half of any STVR will be paid in cash following the end of the performance year and, subject to any necessary regulatory and shareholder approvals, the remaining 50% of the STVR will be deferred for two years into equity (50% of deferred STVR award vests after one year and remaining 50% vests after two years).

(c) Long Term Variable Remuneration ("LTVR")

At the discretion of the Board and subject to any necessary regulatory and shareholder approvals, Mr Comyn will be eligible to annually participate in the LTVR Plan.

The LTVR award to be made during the financial year ended 30 June 2019 is an allocation of reward rights with a total maximum face value of $3,960,000 (180% of fixed remuneration). Vesting of this award will be subject to satisfaction of relevant key performance indicators, as determined by CBA's Board. The financial year ended 30 June 2019 award is subject to shareholder approval at the 2018 Annual General Meeting.

The amount and terms of subsequent grants will be determined by the Board in its discretion and will be subject to any necessary regulatory and shareholder approvals.

Corporate Governance (continued)

Termination Provisions

Both Matt Comyn and the Bank may provide notice of termination by providing 12 months' notice. On termination of employment following notice by Mr Comyn or the Bank, the Bank will pay all Fixed Remuneration and any statutory entitlements owing, and any STVR or LTVR not vested may be paid or retained at the discretion of the Board.

There are provisions for immediate terminations for certain prescribed events, including misconduct and breaches of regulatory or compliance requirements. In such circumstances accrued Fixed Remuneration and statutory entitlements would be payable.

In certain instances of serious prolonged ill-health, the Bank may provide 12 months' notice to terminate the agreement. As in the event of death, the Bank will pay all Fixed Remuneration and any statutory entitlements at the date of termination or death, and any STVR or LTVR not vested may be paid or remain on foot at the discretion of the Board.

There is also a provision allowing Mr Comyn to terminate the agreement if a material change to his status occurs, in which case termination payments will be made as if the Bank had terminated his employment.

Restrictive Covenant

Mr Comyn is restrained during employment and for up to 12 months after termination from competing with the Bank and soliciting customers, employees, directors or managers of the Bank.

Other Provisions

The agreement also contains general provisions including provisions regarding confidential information, intellectual property and moral rights.

Changes to Board of Directors

On 4 September 2017, Robert Whitfield was appointed as an independent Non-Executive Director of the Bank.

On 16 November 2017, Launa Inman and Harrison Young retired as independent Non-Executive Directors of the Bank.

Group Operations and Business Settings

Funding

Group Funding (1)	As at 31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Customer deposits	**568,300**	560,918	541,351	1	5
Short-term wholesale funding (2)	**95,898**	106,815	116,186	(10)	(17)
Long-term wholesale funding - less than or equal to one year residual maturity	**29,182**	25,330	29,780	15	(2)
Long-term wholesale funding - more than one year residual maturity (3)	**131,555**	131,950	126,062	-	4
IFRS MTM and derivative FX revaluations	**646**	1,150	1,489	(44)	(57)
Total wholesale funding	**257,281**	265,245	273,517	(3)	(6)
Short-term collateral deposits (4)	**6,714**	6,135	9,813	9	(32)
Total funding	**832,295**	832,298	824,681	-	1

(1) Shareholders' Equity is excluded from this view of funding sources.
(2) Short-term wholesale funding includes debt with an original maturity or call date of less than or equal to 12 months, and consists of certificates of deposit and bank acceptances, debt issued under the 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 ESA.

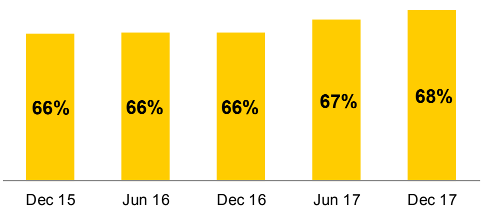
Net Stable Funding Ratio ("NSFR")

On 1 January 2018, APRA introduced a Net Stable Funding Ratio ("NSFR") requirement designed to encourage long-term funding. The ratio represents the amount of stable funding the Group holds against core assets. APRA prescribed factors are used to determine the stable funding requirement of assets and the stability of funding. The Group's NSFR was 110% at 31 December 2017, an increase of 3% from 107% at 30 June 2017, and well above the regulatory minimum of 100%. The increase was achieved through increased long-term funding relative to short-term funding and extension of deposit terms.

Customer Deposits

Customer deposits accounted for 68% of total funding at 31 December 2017, up from 67% at 30 June 2017 and 66% at 31 December 2016. Customer deposit growth has allowed the Group to fund the Balance Sheet with less reliance on wholesale funding.

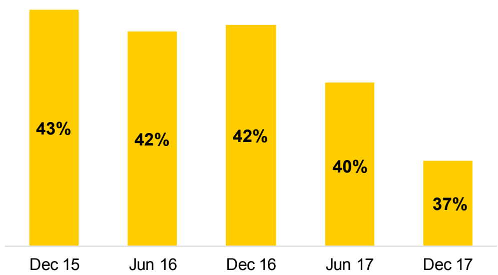
Customers Deposits to Total Funding Ratio



Short-Term Wholesale Funding

Short-term wholesale funding reduced to 37% of total wholesale funding at 31 December 2017 from 40% at 30 June 2017, as it was actively replaced by long-term wholesale funding to further support the NSFR.

Short-Term to Total Wholesale Funding Ratio



Funding (continued)

Long-Term Wholesale Funding

Long-term wholesale funding (including an adjustment for IFRS MTM and derivative FX revaluations) accounted for 63% of total wholesale funding at 31 December 2017 compared to 60% at 30 June 2017 and 58% at 31 December 2016, as the Group worked towards an optimal NFSR position ahead of its implementation. The NSFR encourages greater use of longer term, more stable funding.

During the half year to 31 December 2017, the Group raised $16 billion of long-term wholesale funding in multiple currencies including AUD, USD, EUR, and GBP.

Most issuances were 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 a Basel III compliant Tier 2 capital deal in the European market.

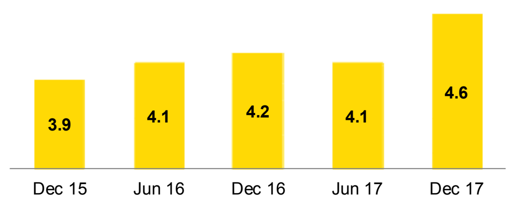
The Weighted Average Maturity ("WAM") of new long-term wholesale debt was 8.9 years for the six months to 31 December 2017, and 6.4 years for the twelve months to 31 December 2017. The WAM of outstanding long-term wholesale debt with a residual maturity greater than 12 months at 31 December 2017 was 4.6 years.

The Group continues to lengthen the tenor of its wholesale funding to take advantage of favourable global credit conditions, in anticipation of a likely increase in global interest rates as central banks begin to unwind quantitative easing which has supported the debt markets.

The Group's strategy to lengthen wholesale funding tenor has been executed to take advantage of favourable funding conditions, with the 10 year market funding costs at its lowest since the Global Financial Crisis. This dynamic enabled opportunities to lengthen tenor at broadly flat wholesale funding costs.

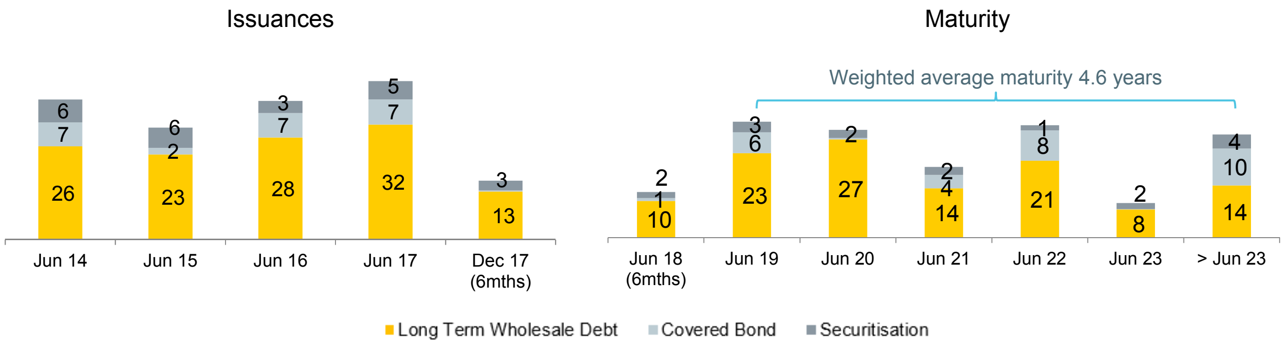
The extension of long-term wholesale funding tenor reduces the annual funding requirement in any one year and the associated refinancing risk from potentially unfavourable credit conditions.

Weighted Average Maturity of Long-Term Wholesale Debt



.

Long-Term Wholesale Funding Profile ($B)



Contents

Section 5 – Divisional Performance

Retail Banking Services

Overview

Retail Banking Services provides simple, convenient and affordable banking products and services to more than 10 million personal and small business customers, helping them manage their everyday banking needs, buy a home, build and grow their business, or invest for the future. We support our customers through an extensive network of close to 1,000 branches, more than 3,000 ATM's, Australian-based customer call centres, online services and apps, as well as mobile banking specialists and support teams.

On 25 August 2017, the Group acquired the remaining 20% share in AHL Holdings Pty Ltd (trading as Aussie Home Loans), bringing its shareholding to 100%. As a result the Group now controls and consolidates AHL. In order to provide an underlying view of the performance, the information below has been presented both including and excluding the impact of AHL consolidation.

	Half Year Ended (1)					
	Excluding AHL (2) (3)					Incl. AHL (2)
	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %	**31 Dec 17 $M**
Net interest income	**4,949**	4,629	4,579	7	8	**4,952**
Other banking income	**955**	991	1,006	(4)	(5)	**1,039**
Total banking income	**5,904**	5,620	5,585	5	6	**5,991**
Operating expenses	**(1,775)**	(1,740)	(1,733)	2	2	**(1,846)**
Loan impairment expense	**(356)**	(350)	(352)	2	1	**(356)**
Net profit before tax	**3,773**	3,530	3,500	7	8	**3,789**
Corporate tax expense	**(1,131)**	(1,050)	(1,047)	8	8	**(1,136)**
Cash net profit after tax excluding AHL	**2,642**	2,480	2,453	7	8	**n/a**
AHL cash net profit after tax	**11**	-	-	n/a	n/a	**n/a**
Net profit after tax ("cash basis")	**2,653**	2,480	2,453	7	8	**2,653**
Other non-cash items	**58**	-	-	n/a	n/a	**58**
Net profit after tax ("statutory basis")	**2,711**	2,480	2,453	9	11	**2,711**
Income analysis						
Net interest income						
Home loans	**2,465**	2,146	2,145	15	15	**2,465**
Consumer finance (4)	**971**	994	1,007	(2)	(4)	**971**
Retail deposits	**1,487**	1,463	1,396	2	7	**1,487**
Other (5)	**26**	26	31	-	(16)	**29**
Total net interest income	**4,949**	4,629	4,579	7	8	**4,952**
Other banking income						
Home loans	**114**	108	110	6	4	**114**
Consumer finance (4)	**293**	301	312	(3)	(6)	**293**
Retail deposits	**270**	299	287	(10)	(6)	**270**
Distribution (6)	**203**	219	232	(7)	(13)	**287**
Other (5)	**75**	64	65	17	15	**75**
Total other banking income	**955**	991	1,006	(4)	(5)	**1,039**
Total banking income	**5,904**	5,620	5,585	5	6	**5,991**

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
(2) On 25 August 2017, CBA acquired the remaining 20% share in AHL Holdings Pty Ltd ("AHL"), bringing its shareholding to 100%. As a result the Group now controls and consolidates AHL.
(3) Excludes AHL, but includes equity accounted profits earned pre-consolidation of AHL.
(4) Consumer finance includes personal loans and credit cards.
(5) Other includes asset finance, merchants and business lending.
(6) Distribution includes income associated with the sale of foreign exchange products, commissions received from the distribution of wealth management products through the retail network, and commissions received from the brokering of non-CBA mortgage products through subsidiaries (AHL and FinConnect).

Retail Banking Services

Balance Sheet (including AHL)	As at (1) 31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Home loans (2)	**341,071**	334,530	325,206	2	5
Consumer finance (3)	**17,212**	17,118	17,348	1	(1)
Other interest earning assets	**2,709**	2,744	2,826	(1)	(4)
Total interest earning assets	**360,992**	354,392	345,380	2	5
Other assets	**1,423**	968	1,406	47	1
Total assets	**362,415**	355,360	346,786	2	5
Transaction deposits (4)	**27,344**	24,329	22,918	12	19
Savings deposits (4)	**116,579**	116,478	119,607	-	(3)
Investment deposits and other	**79,122**	77,132	76,365	3	4
Total interest bearing deposits	**223,045**	217,939	218,890	2	2
Non-interest bearing transaction deposits	**32,171**	30,529	27,131	5	19
Other non-interest bearing liabilities	**2,920**	3,840	2,668	(24)	9
Total liabilities	**258,136**	252,308	248,689	2	4

Key Financial Metrics (excluding AHL)	Half Year Ended (1) 31 Dec 17	30 Jun 17	31 Dec 16	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Performance indicators					
Net interest margin (%)	**3. 01**	2. 91	2. 90	10 bpts	11 bpts
Statutory return on assets (%)	**1. 5**	1. 4	1. 4	10 bpts	10 bpts
Statutory operating expenses to total banking income (%)	**29. 8**	31. 0	31. 0	(120)bpts	(120)bpts
Impairment expense annualised as a % of average GLAAs (%)	**0. 20**	0. 20	0. 21	-	(1)bpt
Other information					
Average interest earning assets ($M) (5)	**326,256**	320,885	313,281	2	4
Risk weighted assets ($M)	**140,715**	134,937	120,778	4	17
90+ days home loan arrears (%) (6)	**0. 59**	0. 61	0. 54	(2)bpts	5 bpts
90+ days consumer finance arrears (%) (6)	**1. 03**	1. 22	1. 08	(19)bpts	(5)bpts
Number of full-time equivalent staff (FTE)	**11,555**	11,643	11,734	(1)	(2)

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
(2) Gross of mortgage offset balances.
(3) Consumer finance includes personal loans and credit cards.
(4) Includes mortgage offset balances.
(5) Net of average mortgage offset balances.
(6) Includes mortgages and consumer finance products originated outside of Retail Banking Services.

Retail Banking Services

Financial Performance and Business Review

December 2017 versus December 2016

Retail Banking Services net profit after tax ("statutory basis") for the half year ended 31 December 2017 was $2,711 million, an increase of 11% on the prior comparative period. The result was driven by strong growth in total banking income, partly offset by higher operating expenses and loan impairment expense.

On 25 August 2017, the Group acquired the remaining 20% share in AHL Holdings Pty Ltd, bringing its shareholding to 100%. As a result the Group now controls and consolidates AHL. A gain of $58 million was recognised on acquisition as a non-cash item. In order to provide an underlying view of the performance, the commentary below has been presented excluding the impact of AHL consolidation.

Since 2006, Retail Banking Services have improved customer satisfaction by more than 25%, and has been number one in Roy Morgan Retail MFI customer satisfaction for 45 out of the past 54 months. During the half year, the Net Promoter Score (NPS) has been introduced as the new primary customer measure to further focus efforts and continue to improve customer service. The NPS at 31 December 2017 was +4.4[(1)].

Net Interest Income

Net interest income was $4,949 million, an increase of 8% on the prior comparative period. This reflected a higher net interest margin, solid balance growth in home lending and strong growth in transaction deposits.

Net interest margin increased 11 basis points, reflecting:

- Higher home lending margin from repricing of interest-only and investor loans to manage regulatory limits, and lower cash basis risk, partly offset by unfavourable portfolio mix, with a shift to fixed home loans, and switching from interest only to principal and interest home loans; and
- Higher deposit margin resulting from repricing and favourable portfolio mix, partly offset by lower cash basis risk; partly offset by
- Impact of the Major Bank Levy.

Other Banking Income

Other banking income was $955 million, a decrease of 5% on the prior comparative period, reflecting:

- Lower consumer finance income primarily driven by a reduction in interchange rates following regulatory changes, partly offset by lower loyalty costs from changes to the rewards program, and higher purchases as consumers continue to shift from using cash to cards; and
- Lower deposit fee income driven by a reduction in interchange rates following regulatory changes, and the removal of ATM withdrawal fees, partly offset by higher transaction volumes as consumers continue to shift from cash to cards.

Operating Expenses

Operating expenses were $1,775 million, an increase of 2% on the prior comparative period. The key drivers were higher staff costs, increased volume-related expenses, and ongoing investment in technology and digital capabilities, partly offset by the benefit of productivity savings.

FTE were 11,555, a decrease of 2% on the prior comparative period.

Investment spend continued to focus on delivering further enhancements in frontline capabilities, digital channels and digitisation of manual processes. This included development of a dynamic serviceability calculator for frontline lenders, real-time appointment booking and availability monitoring of mobile lenders, pre-population of elements of home loan application forms, and enhanced customer insights direct to our Financial Assistance team to offer bespoke solutions in times of hardship.

Retail Banking Services strengthened its technology position with the release of further innovative digital experiences for customers, including a new AI-powered chatbot for personalised conversations, as well as real-time alerts in the Commbank app to give customers even more tools to help manage their spending and avoid fees and charges.

The operating expense to total banking income ratio ("statutory basis") was 29.8% an improvement of 120 basis points on the prior comparative period.

Loan Impairment Expense

Loan impairment expense was $356 million, an increase of 1% on the prior comparative period. The result was mainly driven by increased home loan and personal loan collective provisions, which include the impact of slightly higher home loan arrears, predominately in Western Australia. This was partly offset by the improved performance of the unsecured portfolio.

Loan impairment expense as a percentage of average gross loans and acceptances decreased one basis point on the prior comparative period to 20 basis points.

Asset quality of the portfolio remained sound supported by an improvement in unsecured arrears.

Balance Sheet

Balance sheet growth included:

- Home loan growth up 5% driven by strong growth in the proprietary channel leading to an increase in the proprietary flows mix from 57% to 64%;
- Total deposit growth of 4%, driven by strong growth in Transaction accounts; and
- Consumer finance balance decrease of 1%, broadly in line with system[(2)].

Risk Weighted Assets

Risk weighted assets increased 17% driven by regulatory changes to the home loan risk weighting. The underlying increase excluding regulatory changes was 6% driven by volume growth in home loans and higher Operational Risk, partly offset by improved credit quality, predominantly in the unsecured portfolio.

(1) Net Promoter Score ("NPS") is an industry standard metric that measures a customer's willingness to recommend a brand's products and services to their friends, family and colleagues.

(2) System source RBA/APRA/RBNZ. CBA includes Bankwest.

Financial Performance and Business Review (continued)

December 2017 versus June 2017

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

In order to provide an underlying view of the performance, the commentary below has been presented excluding the impact of AHL consolidation.

Net Interest Income

Net interest income increased 7% on the prior half, reflecting higher net interest margin, balance growth in home lending and deposits, and three additional calendar days than the prior half.

Net interest margin increased 10 basis points, reflecting:

- Higher home lending margin with repricing of interest-only and investor loans to manage regulatory limits, and lower cash basis risk; partly offset by
- Unfavourable portfolio mix, with a shift to fixed home loans, and switching from interest only to principal and interest home loans;
- Lower deposit margin resulting from lower cash basis risk, partly offset by repricing; and
- Impact of the Major Bank Levy.

Other Banking Income

Other banking income decreased 4% on the prior half, reflecting:

- Lower consumer finance income driven by a reduction in interchange rates following regulatory changes, partly offset by lower loyalty costs, and seasonally higher credit card purchases; and
- Lower deposit fee income driven by a reduction in interchange rates following regulatory changes, and the removal of ATM withdrawal fees, partly offset by higher transaction volumes.

Operating Expenses

Operating expenses increased 2% on the prior half, driven by higher staff costs, increased volume-related expenses, and continued investment in technology and digital capabilities, partly offset by benefits from productivity initiatives.

FTE decreased 1% on the prior half.

The operating expense to total banking income ratio ("statutory basis") improved 120 basis points on the prior half.

Loan Impairment Expense

Loan impairment expense increased 2% on the prior half. This result was driven by higher home loan and personal loan management overlays, partly offset by improved performance across the entire portfolio.

Loan impairment expense as a percentage of average gross loans and acceptances was flat on the prior half.

Asset quality of the portfolio improved, partly driven by seasonally lower arrears in the unsecured portfolio.

Balance Sheet

Balance sheet growth included:

- Home loan growth up 2% with continued growth in the proprietary channel driving an increase in the proprietary flows from 62% to 64%;
- Total deposit growth of 3% reflecting strong growth in Transaction accounts; and
- Consumer finance increase of 1%, broadly in line with system[1].

Risk Weighted Assets

Risk weighted assets increased 4% driven by volume growth in home loans and higher Operational Risk, partly offset by improved credit quality in the unsecured portfolio.

(1) System source RBA/APRA/RBNZ. CBA includes Bankwest.

Business and Private Banking

Overview

Business and Private Banking serves the banking needs of business, corporate and agribusiness customers across the full range of financial services solutions, as well as providing banking and advisory services for high net worth individuals. We also provide equities trading and margin lending services through our CommSec business.

	Half Year Ended (1) (2)				
	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Net interest income	**1,694**	1,634	1,612	4	5
Other banking income	**517**	490	486	6	6
Total banking income	**2,211**	2,124	2,098	4	5
Operating expenses	**(789)**	(787)	(787)	-	-
Loan impairment expense	**(49)**	(7)	(55)	large	(11)
Net profit before tax	**1,373**	1,330	1,256	3	9
Corporate tax expense	**(413)**	(400)	(378)	3	9
Net profit after tax ("cash basis")	**960**	930	878	3	9
Net profit after tax ("statutory basis")	**960**	930	878	3	9
Income analysis					
Net interest income					
Corporate Financial Services	**609**	607	610	-	-
Business Banking SME	**502**	477	469	5	7
Regional and Agribusiness	**304**	291	288	4	6
Private Bank	**180**	161	150	12	20
CommSec	**99**	98	95	1	4
Total net interest income	**1,694**	1,634	1,612	4	5
Other banking income					
Corporate Financial Services	**205**	197	196	4	5
Business Banking SME	**93**	88	88	6	6
Regional and Agribusiness	**54**	53	51	2	6
Private Bank	**33**	32	30	3	10
CommSec	**132**	120	121	10	9
Total other banking income	**517**	490	486	6	6
Total banking income	**2,211**	2,124	2,098	4	5
Income by product					
Business products	**1,306**	1,271	1,262	3	3
Retail products	**644**	598	564	8	14
Equities and Margin Lending	**176**	165	168	7	5
Markets	**59**	64	71	(8)	(17)
Other	**26**	26	33	-	(21)
Total banking income	**2,211**	2,124	2,098	4	5

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
(2) Includes Bankwest business banking customers now being managed by Business and Private Banking.

Business and Private Banking

Balance Sheet	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
	As at [1] [2]				
Home loans [3]	**34,220**	34,663	33,491	(1)	2
Consumer finance	**1,013**	1,033	1,015	(2)	-
Business loans [4]	**77,009**	77,039	75,909	-	1
Margin loans	**2,694**	2,840	2,850	(5)	(5)
Total interest earning assets	**114,936**	115,575	113,265	(1)	1
Non-lending interest earning assets	**321**	286	290	12	11
Other assets [5]	**166**	433	81	(62)	large
Total assets	**115,423**	116,294	113,636	(1)	2
Transaction deposits [4] [6]	**15,955**	14,921	13,649	7	17
Savings deposits [6]	**34,532**	33,909	33,057	2	4
Investment deposits and other	**28,120**	27,211	28,180	3	-
Total interest bearing deposits	**78,607**	76,041	74,886	3	5
Non-interest bearing transaction deposits	**8,395**	7,997	7,541	5	11
Other non-interest bearing liabilities	**586**	887	570	(34)	3
Total liabilities	**87,588**	84,925	82,997	3	6

Key Financial Metrics	31 Dec 17	30 Jun 17	31 Dec 16	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
	Half Year Ended [1] [2]				
Performance indicators					
Net interest margin (%)	**3. 03**	2. 98	2. 97	5 bpts	6 bpts
Statutory return on assets (%)	**1. 6**	1. 6	1. 5	-	10 bpts
Statutory operating expenses to total banking income (%)	**35. 7**	37. 1	37. 5	(140)bpts	(180)bpts
Impairment expense annualised as a % of average GLAAs (%)	**0. 08**	0. 01	0. 10	7 bpts	(2)bpts
Other information					
Average interest earning assets ($M) [7]	**110,969**	110,412	107,793	1	3
Risk weighted assets ($M)	**89,449**	87,654	87,664	2	2
Troublesome and impaired assets ($M)	**2,410**	2,586	2,813	(7)	(14)
Number of full-time equivalent staff (FTE)	**3,557**	3,615	3,512	(2)	1

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
(2) Includes Bankwest business banking customers now being managed by Business and Private Banking.
(3) Gross of mortgage offset balances.
(4) Business loans include $287 million of Cash Management Pooling Facilities ("CMPF") (30 June 2017: $260 million; 31 December 2016: $260 million). Transaction Deposits include $913 million of CMPF liabilities (30 June 2017: $874 million; 31 December 2016: $815 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.
(5) Other assets include intangible assets.
(6) Includes mortgage offset balances.
(7) Net of average offset balances.

Business and Private Banking

Financial Performance and Business Review

December 2017 versus December 2016

Business and Private Banking net profit after tax ("statutory basis") for the half year ended 31 December 2017 was $960 million, an increase of 9% on the prior comparative period. The result was driven by growth in total banking income and lower loan impairment expense.

Net Interest Income

Net interest income was $1,694 million, an increase of 5% on the prior comparative period. This was driven by strong deposit balances growth, subdued growth in lending balances and an increase in net interest margin.

Net interest margin increased six basis points reflecting:

- Higher home lending margin from repricing of interest only and investor loans to manage regulatory limits;
- Favourable change in portfolio mix with higher growth in deposits; partly offset by
- Lower business lending margins; and
- Impact of the Major Bank Levy.

Other Banking Income

Other banking income was $517 million, an increase of 6% on the prior comparative period, reflecting:

- Higher business lending fee income reflecting a mix shift to fee based products;
- Higher merchant income driven by higher margin and increase in turnover volumes; and
- Higher equities income driven by higher trading volumes; partly offset by
- Lower income from the sale of interest rate risk management products.

Operating Expenses

Operating expenses were $789 million, flat on the prior comparative period. The key drivers were higher staff costs, and product development initiatives, offset by lower amortisation and the benefit of productivity savings.

FTE were 3,557 up 1% primarily due to an increase in frontline bankers and project resources supporting the Bankwest east coast business banking transition, partly offset by workforce optimisation.

Investment continues to focus on further enhancing frontline banker capabilities and increasing client facing time, by digitising manual processes.

The operating expense to total banking income ratio ("statutory basis") was 35.7%, an improvement of 180 basis points on the prior comparative period.

Loan Impairment Expense

Loan impairment expense was $49 million, a decrease of 11% on the prior comparative period. The decrease was driven by lower individual provisions, partly offset by a higher level of collective provisions.

Loan impairment expense as a percentage of average gross loans and acceptances decreased by two basis points to eight basis points.

Asset quality of the portfolio improved slightly due to improved credit quality in both the Diversified and Commercial Property portfolios.

Balance Sheet

Balance sheet growth included:

- Deposit growth of 6%, driven by strong demand for transaction deposits;
- Home loan growth of 2%, driven by growth in owner occupied loans; and
- Business lending growth of 1% driven by growth in target industries, partly offset by decline in residential property development.

Risk Weighted Assets

Risk weighted assets increased 2% on the prior comparative period driven by an increase in Operational Risk partly offset by lower Credit Risk. Lower Credit Risk was driven by improved credit quality and capital optimisation in the business lending book, partly offset by higher home loan risk weightings driven by regulatory changes.

December 2017 versus June 2017

Net profit after tax ("statutory basis") increased 3% on the prior half. The result was driven by growth in total banking income, partly offset by higher loan impairment expenses.

Net Interest Income

Net interest income increased 4% on the prior half, reflecting an increase in net interest margin, three additional calendar days than the prior half and solid growth in deposit volumes.

Net interest margin increased five basis points, reflecting:

- Higher home lending margin with repricing of interest only and investor loans to manage regulatory limits; partly offset by
- Impact of the Major Bank Levy.

Other Banking Income

Other banking income increased 6% on the prior half reflecting:

- Higher merchant income driven by higher margin and increase in turnover volumes;
- Higher equities income driven by higher trading volumes; and
- Higher business lending fee income reflecting a mix shift to fee based products; partly offset by
- Lower income from the sale of interest rate risk management products.

Operating Expenses

Operating expenses were flat on the prior half, driven by higher staff costs and product development initiatives, offset by lower amortisation and the benefit of productivity savings.

FTE reduced by 2% driven by workforce optimisation, partly offset by frontline expansion and a higher number of project resources supporting the Bankwest east coast business banking transition.

The operating expense to total banking income ratio ("statutory basis") was 35.7%, an improvement of 140 basis points on the prior half.

Financial Performance and Business Review (continued)

Loan Impairment Expense

Loan impairment expense was $49 million, an increase of $42 million on the prior half reflecting higher collective provisions, partly offset by lower individual provisions.

Loan impairment expense as a percentage of average gross loans and acceptances increased by seven basis points to eight basis points.

Asset quality of the portfolio improved slightly due to improved credit quality in both the Diversified and Commercial Property portfolios

Balance Sheet

Balance sheet growth included:

- Deposit growth of 4%, driven by demand for transaction and investment deposits;
- Business lending growth was flat, driven by growth in target industries, offset by decline in residential property development; and
- Home loan growth decreased 1% on the prior half driven by decrease in investor loans.

Risk Weighted Assets

Risk weighted assets increased 2% on the prior half driven by an increase in Operational Risk, partly offset by lower Credit Risk. Lower Credit Risk was driven by improved credit quality and capital optimisation in the business lending book.

Institutional Banking and Markets

Overview

Institutional Banking and Markets ("IB&M") serves the commercial and wholesale banking needs of large Corporate, Institutional and Government clients across a full range of financial services solutions including financial and capital markets, transaction banking, working capital and risk management through dedicated product and industry specialists. We are responsible for the manufacture of banking products, including payments and markets infrastructure, distributed through Retail Banking Services and Business and Private Banking channels as well as across a select international network of locations.

	Half Year Ended (1)				
	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Net interest income	**737**	754	769	(2)	(4)
Other banking income	**679**	629	719	8	(6)
Total banking income	**1,416**	1,383	1,488	2	(5)
Operating expenses	**(542)**	(532)	(551)	2	(2)
Loan impairment expense	**(105)**	(20)	(44)	large	large
Net profit before tax	**769**	831	893	(7)	(14)
Corporate tax expense	**(178)**	(201)	(212)	(11)	(16)
Net profit after tax ("cash basis")	**591**	630	681	(6)	(13)
Net profit after tax ("statutory basis")	**591**	630	681	(6)	(13)
Income analysis					
Net interest income					
Institutional Banking	**680**	695	699	(2)	(3)
Markets	**57**	59	70	(3)	(19)
Total net interest income	**737**	754	769	(2)	(4)
Other banking income					
Institutional Banking	**395**	353	396	12	-
Markets	**284**	276	323	3	(12)
Total other banking income	**679**	629	719	8	(6)
Total banking income	**1,416**	1,383	1,488	2	(5)
Income by product					
Institutional products	**921**	917	929	-	(1)
Asset leasing	**139**	124	156	12	(11)
Markets (excluding derivative valuation adjustments)	**342**	304	419	13	(18)
Other	**15**	7	10	large	50
Total banking income excluding derivative valuation adjustments	**1,417**	1,352	1,514	5	(6)
Derivative valuation adjustments	**(1)**	31	(26)	large	(96)
Total banking income	**1,416**	1,383	1,488	2	(5)

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.

Institutional Banking and Markets

Balance Sheet	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
	As at [1]				
Interest earning lending assets [2]	**109,373**	111,686	109,432	(2)	-
Non-lending interest earning assets	**30,742**	31,349	29,152	(2)	5
Other assets [3]	**25,158**	30,076	38,718	(16)	(35)
Total assets	**165,273**	173,111	177,302	(5)	(7)
Transaction deposits [2]	**45,849**	42,468	39,959	8	15
Savings deposits	**6,278**	7,381	4,126	(15)	52
Investment deposits	**45,816**	49,689	45,344	(8)	1
Certificates of deposit and other	**13,002**	15,077	14,283	(14)	(9)
Total interest bearing deposits	**110,945**	114,615	103,712	(3)	7
Due to other financial institutions	**14,880**	16,669	15,477	(11)	(4)
Debt issues and other [4]	**7,900**	9,358	8,458	(16)	(7)
Non-interest bearing liabilities [3]	**17,935**	21,470	27,164	(16)	(34)
Total liabilities	**151,660**	162,112	154,811	(6)	(2)

Key Financial Metrics	31 Dec 17	30 Jun 17	31 Dec 16	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
	Half Year Ended [1]				
Performance indicators					
Net interest margin (%)	**1. 03**	1. 10	1. 10	(7)bpts	(7)bpts
Statutory return on assets (%)	**0. 7**	0. 7	0. 8	-	(10)bpts
Statutory operating expenses to total banking income (%)	**38. 3**	38. 5	37. 0	(20)bpts	130 bpts
Impairment expense annualised as a % of average GLAAs (%)	**0. 19**	0. 04	0. 08	15 bpts	11 bpts
Other information					
Average interest earning assets ($M)	**142,416**	138,789	138,439	3	3
Risk weighted assets ($M)	**97,732**	102,242	116,075	(4)	(16)
Troublesome and impaired assets ($M)	**1,173**	1,361	1,717	(14)	(32)
Corporate total committed exposures rated investment grade (%)	**86. 0**	86. 4	85. 6	(40)bpts	40 bpts
Number of full-time equivalent staff (FTE) [5]	**1,510**	1,467	1,451	3	4

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.

(2) Interest earning lending assets include $22,849 million of Cash Management Pooling Facilities ("CMPF") (30 June 2017: $21,302 million; 31 December 2016: $20,024 million). Transaction Deposits include $28,778 million of CMPF liabilities (30 June 2017: $26,860 million; 31 December 2016: $24,638 million). These balances are required to be grossed up under accounting standards, but are netted for the calculation of customer interest and risk weighted assets.

(3) Other assets include Intangible assets and Derivative assets. Non-interest bearing liabilities include Derivative liabilities.

(4) Debt issues and other includes Bank acceptances and Liabilities at fair value.

(5) FTE includes employees responsible for the manufacture of business and institutional banking products and payments infrastructure. The costs for these FTE are split between the IB&M, BPB and RBS segments.

Institutional Banking and Markets

Financial Performance and Business Review

December 2017 versus December 2016

Institutional Banking and Markets net profit after tax ("statutory basis") for the half year ended 31 December 2017 was $591 million, a decrease of 13% on the prior comparative period. The result was driven by lower trading revenue in Markets and higher loan impairment expense, partly offset by lower operating expenses.

Net Interest Income

Net interest income was $737 million, a decrease of 4% on the prior comparative period. The result was driven by lower margins, partly offset by growth in average deposit balances.

Net interest margin decreased seven basis points, reflecting:

- The impact of the Major Bank Levy; and
- Lower earnings on free equity from reduction in risk weighted assets; partly offset by
- Favourable portfolio mix from higher transaction deposit balances; and
- Higher lending margins from active portfolio management.

Other Banking Income

Other banking income was $679 million, a decrease of 6% on the prior comparative period, reflecting:

- Weaker Markets trading performance driven by reduced volatility; partly offset by
- Timing of realised gains and losses on sale of assets in the Structured Asset Finance portfolio; and
- Unfavourable derivative valuation adjustments of $1 million, compared to a $26 million unfavourable adjustment in the prior comparative period.

Operating Expenses

Operating expenses were $542 million, a decrease of 2% on the prior comparative period. The decrease was driven by the ongoing realisation of productivity benefits, partly offset by higher project, risk and compliance costs.

The operating expense to total banking income ratio ("statutory basis") was 38.3%, an increase of 130 basis points on the prior comparative period.

FTE were 1,510, an increase of 4% primarily due to growth in project related FTE and increased risk and compliance resourcing.

Investment continues to focus on improving the customer experience through the New Payments Platform as well as responding to new regulatory requirements and further strengthening of the Group's financial crimes compliance framework.

Loan Impairment Expense

Loan impairment expense was $105 million, an increase of $61 million on the prior comparative period. The increase was driven by higher individual and collective provisions, partly offset by a higher level of write-backs.

Loan impairment expense as a percentage of average gross loans and acceptances increased 11 basis points to 19 basis points, an increase off a very low base.

Asset quality of the portfolio has remained stable with the percentage of the book rated as investment grade increasing slightly by 40 basis points to 86.0%.

Balance Sheet

Balance sheet movement included:

- Lending balances were flat with underlying volumes reducing as a result of active portfolio management, offset by growth in Cash Management Pooling Facilities; and
- Strong balance growth in transaction deposits of 15% driven by a combination of new to bank mandates and continued strengthening of existing government mandates.

Risk Weighted Assets

Risk weighted assets decreased 16% driven by a range of initiatives including management of troublesome and impaired loans and active portfolio management.

December 2017 versus June 2017

Net profit after tax ("statutory basis") decreased 6% on the prior half. The result was driven by higher loan impairment expense and the impact of the Major Bank Levy, partly offset by improved Markets sales performance and timing of realised gains in asset leasing revenue.

Net Interest Income

Net interest income decreased 2% on the prior half, driven by lower margins, partly offset by average deposit balance growth.

Net interest margin decreased seven basis points, reflecting:

- The impact of the Major Bank Levy; and
- Lower earnings on free equity from reduction in risk weighted assets; partly offset by
- Favourable portfolio mix from higher transaction deposit balances; and
- Higher lending margins from active portfolio management.

Other Banking Income

Other banking income increased 8% on the prior half, due to:

- Improved Markets sales performance; and
- Timing of realised gains and losses on sale of assets in the Structured Asset Finance portfolio; partly offset by
- Unfavourable derivative valuation adjustments of $1 million, compared to a $31 million favourable adjustment in the prior half.

Operating Expenses

Operating expenses increased 2% on the prior half, driven by higher project, risk and compliance costs.

The operating expense to total banking income ratio ("statutory basis") improved 20 basis points on the prior half.

FTE increase of 3% primarily due to increased project related FTE and increased risk and compliance resourcing.

Investment continues to focus on improving the customer experience through the New Payments Platform as well as responding to new regulatory requirements.

Financial Performance and Business Review (continued)

Loan Impairment Expense

Loan impairment expense increased $85 million on the prior half reflecting higher individual and collective provisions, partly offset by higher write-backs.

Loan impairment expense as a percentage of average gross loans and acceptances increased 15 basis points to 19 basis points, an increase off a very low base.

Asset quality of the portfolio has remained stable with the percentage of the book rated as investment grade decreasing slightly by 40 basis points to 86.0%.

Balance Sheet

Balance sheet movement included:

- Lending balances reduced 2% with underlying volumes reducing as a result of active portfolio management, partly offset by growth in Cash Management Pooling Facilities; and
- Deposit balances declined 3% with seasonal reduction in lower margin investment deposits of 8%, partly offset by growth in higher margin transaction deposits of 8%.

Risk Weighted Assets

Risk weighted assets decreased 4% on the prior half driven by a range of initiatives including management of troublesome and impaired loans and active portfolio management.

Wealth Management

Overview

Wealth Management provides Superannuation, Investment, Retirement and Insurance products and services including financial planning which aim to help secure and enhance the financial wellbeing of more than 2.3 million customers. In addition, as a global asset management business, we manage investments on behalf of institutional investors and pension funds, wholesale distributors and platforms, financial advisers and their clients.

On 21 September 2017 CBA announced the sale of 100% of its life insurance business including CommInsure Life[(1)] to AIA. The Wealth Management results have been prepared on a continuing operations basis excluding the Life business (discontinued operations). The financial results of the Life business (discontinued operations) are excluded from the account lines of Wealth Management's performance and reported as a single cash net profit after tax line item.

	Half Year Ended [(2)]				
	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Funds management income	**987**	921	899	7	10
Insurance income	**82**	13	108	large	(24)
Total operating income	**1,069**	934	1,007	14	6
Operating expenses	**(707)**	(676)	(727)	5	(3)
Net profit before tax	**362**	258	280	40	29
Corporate tax expense	**(90)**	(61)	(73)	48	23
Underlying profit after tax	**272**	197	207	38	31
Investment experience after tax	**9**	14	4	(36)	large
Cash net profit after tax from continuing operations	**281**	211	211	33	33
Cash net profit after tax from discontinued operations [(1)]	**94**	93	37	1	large
Net profit after tax ("cash basis")	**375**	304	248	23	51
Other non-cash items	**(3)**	(4)	(19)	(25)	(84)
Net profit after tax ("statutory basis")	**372**	300	229	24	62
Represented by:					
CFS Global Asset Management	**149**	103	124	45	20
Colonial First State [(3)]	**144**	98	90	47	60
CommInsure [(4)]	**46**	(1)	63	large	(27)
Life Insurance Business (discontinued operations) [(1)]	**91**	89	18	2	large
Other	**(58)**	11	(66)	large	(12)
Net profit after tax ("statutory basis")	**372**	300	229	24	62

(1) CommInsure's life business (the "Life business") represents life insurance and life related investments business which are discontinued operations.
(2) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
(3) Colonial First State incorporates the results of all Wealth Management Financial Planning businesses.
(4) CommInsure represents the General Insurance business.

Wealth Management

Key Financial Metrics (continuing operations)	Half Year Ended [1] 31 Dec 17	30 Jun 17	31 Dec 16	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Performance indicators					
Statutory operating expenses to total operating income (%)	**65. 5**	70. 8	71. 8	large	large
Other information					
AUM - average ($M) [2]	**219,558**	209,469	201,967	5	9
AUM - spot ($M) [2]	**218,191**	219,427	203,223	(1)	7
FUA - average ($M) [3]	**139,104**	132,239	126,036	5	10
FUA - spot ($M) [3]	**143,668**	135,447	128,953	6	11
CommInsure Inforce Premiums - average ($M) [4]	**795**	777	748	2	6
CommInsure Inforce Premiums - spot ($M) [4]	**801**	783	768	2	4
Number of full-time equivalent staff (FTE) [5]	**3,534**	3,914	3,969	(10)	(11)

	Half Year Ended [1]											
	CFS Global Asset Management			**Colonial First State [6]**			**CommInsure [4]**			**Other**		
	Dec 17 $M	Jun 17 $M	Dec 16 $M	**Dec 17 $M**	Jun 17 $M	Dec 16 $M	**Dec 17 $M**	Jun 17 $M	Dec 16 $M	**Dec 17 $M**	Jun 17 $M	Dec 16 $M
Funds management income	**472**	429	450	**515**	484	449	**-**	-	-	**-**	8	-
Insurance income	**-**	-	-	**-**	-	-	**82**	13	108	**-**	-	-
Total operating income	**472**	429	450	**515**	484	449	**82**	13	108	**-**	8	-
Operating expenses	**(289)**	(280)	(284)	**(313)**	(348)	(327)	**(21)**	(20)	(22)	**(84)**	(28)	(94)
Net profit before tax	**183**	149	166	**202**	136	122	**61**	(7)	86	**(84)**	(20)	(94)
Corporate tax (expense)/benefit	**(36)**	(44)	(37)	**(60)**	(41)	(37)	**(18)**	3	(26)	**24**	21	27
Underlying profit after tax	**147**	105	129	**142**	95	85	**43**	(4)	60	**(60)**	1	(67)
Investment experience after tax	**2**	(2)	(5)	**2**	3	5	**3**	3	3	**2**	10	1
Net profit/(loss) after tax from continuing operations ("cash basis")	**149**	103	124	**144**	98	90	**46**	(1)	63	**(58)**	11	(66)
Net profit/(loss) after tax from continuing operations ("statutory basis")	**149**	103	124	**144**	98	90	**46**	(1)	63	**(58)**	11	(66)

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
(2) AUM excludes the Group's interest in the First State Cinda Fund Management Company Limited.
(3) FUA excludes the Life business (discontinued operations).
(4) Represents the CommInsure General Insurance business and the Inforce Premiums are annualised equivalents.
(5) FTEs exclude the Life business (discontinued operations).
(6) Colonial First State incorporates the results of all Wealth Management Financial Planning businesses.

Wealth Management

Financial Performance and Business Review

December 2017 versus December 2016

Wealth Management net profit after tax ("statutory basis") for the half year ended 31 December 2017 was $372 million, a 62% increase on the prior comparative period. Excluding the contribution from the CommInsure Life Business (discontinued operations), net profit after tax ("statutory basis") was $281 million, a 33% increase on the prior comparative period. The result was driven by strong growth in funds management income and lower operating expenses partly offset by lower insurance income. On 21 September 2017 CBA announced the sale of the CommInsure's Life Business to AIA. In order to provide an underlying view of the performance, the commentary below has been presented excluding the impact of the discontinued Life business.

Funds Management Income

Funds management income was $987 million, an increase of 10% on the prior comparative period.

Average Assets Under Management (AUM) increased 9% to $220 billion reflecting higher investment markets, partly offset by higher net outflows in the emerging market equities and fixed income businesses. AUM margins declined reflecting investment mix shift to lower margin products.

Average Funds Under Administration ("FUA") increased 10% to $139 billion. The FirstChoice and CFSWrap platforms experienced continued growth in average FUA of 9% and 19% respectively, reflecting positive net flows and solid investment markets. Underlying FUA margins decreased reflecting lower CFS platform margins due to a change in business mix. In addition, there was a benefit in the period from a reduction in Advice customer remediation provisions.

Insurance Income

General insurance income was $82 million, a decrease of 24% on the prior comparative period due to higher weather event claims, partly offset by growth in premiums driven by pricing initiatives.

Operating Expenses

Operating expenses were $707 million, a decrease of 3% on the prior comparative period. This was driven by ongoing realisation of productivity benefits, partly offset by continued investment in business capabilities.

FTEs were 3,534, a decrease of 11% on the prior comparative period. This reflected a continued focus on workforce optimisation particularly in the financial planning business and the wind-down of the Advice Review program[(1)].

The operating expenses to total operating income ratio ("statutory basis") was 65.5%, an improvement of 630 basis points on the prior comparative period.

Investment spend reflected a continued focus on expanding our digital capabilities, upgrades to platforms and ongoing regulatory reform initiatives.

CommInsure Life Business (Discontinued Operations)

The Life Business net profit after tax ("statutory basis") for the half year ended 31 December 2017 was $91 million, an increase of $73 million on the prior comparative period. This was driven by the non-recurrence of $90 million pre-tax loss recognition on income protection products in the prior comparative period and lower operating expenses. In addition, the result was impacted by higher investment experience reflecting improved returns on shareholder investments, partly offset by 10% reduction in inforce premiums reflecting the loss of some group schemes.

December 2017 versus June 2017

Net profit after tax ("statutory basis") increased 24% on the prior half. Excluding the contribution from the Life Business (discontinued operations), net profit after tax ("statutory basis") increased 33% on the prior half. The result was driven by strong growth in insurance income due to lower weather event claims, and strong growth in funds management income, partly offset by higher operating expenses. In order to provide an underlying view of the performance, the commentary below has been presented excluding the impact of the discontinued Life business.

Funds Management Income

Funds management income increased 7% on the prior half.

Average AUM increased 5%, reflecting strong investment markets partly offset by higher net outflows. Underlying AUM margins remain stable. In addition, there was a benefit in the period from increased performance fees.

Average FUA increased 5% driven by positive net flows and positive investment markets. FUA margins declined due to lower CFS platform margins as a result of a change in business mix.

Insurance Income

General insurance income increased $69 million as a result of lower weather event claims in the half and growth in premiums driven by pricing initiatives.

Operating Expenses

Operating expenses increased 5% reflecting the non-recurrence of one-off provision releases in the prior half, partly offset by the ongoing realisation of productivity benefits.

FTEs decreased 10% on the prior half reflecting continued focus on workforce optimisation initiatives across all businesses, and the wind-down of the Advice Review program[(1)].

The operating expenses to total operating income ratio ("statutory basis") improved 530 basis points on the prior half.

Investment spend increased on the prior half driven by regulatory reform initiatives and continued investment in platform digital solutions.

(1) See Note 7.2 to the Financial Statements in this Document for more information on Advice Review Program costs.

Financial Performance and Business Review (continued)

December 2017 versus June 2017 (continued)

CommInsure Life Business (Discontinued Operations)

The Life Business net profit after tax ("statutory basis") increased 2% on the prior half, driven by the non-recurrence of $53 million pre-tax loss recognition on income protection products partly offset by higher claims. In addition, the result was impacted by lower operating expenses and higher investment experience driven by the non-recurrence of economic assumption changes.

	Half Year Ended								
Assets Under Management (AUM) [1]	30 Jun 17 $M	Inflows $M	Outflows $M	Net Flows $M	Other [2] $M	**31 Dec 17 $M**	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Australian equities	30,032	3,236	(1,995)	1,241	2,486	**33,759**	29,249	12	15
Global equities	94,588	12,971	(18,410)	(5,439)	9,122	**98,271**	90,074	4	9
Fixed income [3]	86,541	22,649	(32,206)	(9,557)	538	**77,522**	76,479	(10)	1
Infrastructure	8,266	168	(128)	40	333	**8,639**	7,421	5	16
Total	219,427	39,024	(52,739)	(13,715)	12,479	**218,191**	203,223	(1)	7

	Half Year Ended [4]								
Funds Under Administration (FUA)	30 Jun 17 $M	Inflows $M	Outflows $M	Net Flows $M	Other [2] $M	**31 Dec 17 $M**	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
FirstChoice	82,382	7,761	(7,005)	756	4,454	**87,592**	79,104	6	11
CFSWrap [5]	27,747	3,736	(3,116)	620	1,092	**29,459**	25,197	6	17
CFS Non-Platform	15,751	3,793	(3,945)	(152)	914	**16,513**	15,171	5	9
Other	9,567	590	(551)	39	498	**10,104**	9,481	6	7
Total	135,447	15,880	(14,617)	1,263	6,958	**143,668**	128,953	6	11

	Half Year Ended								
Inforce Premiums	30 Jun 17 $M	Sales $M	Lapses $M	Net Flows $M	Other $M	**31 Dec 17 $M**	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
General Insurance	783	72	(54)	18	-	**801**	768	2	4

(1) AUM excludes the Group's interest in the First State Cinda Fund Management Company Limited.
(2) Includes investment income and foreign exchange gains and losses from translation of internationally sourced business.
(3) Fixed income includes short-term investments and global credit.
(4) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
(5) CFSWrap, formerly Custom Solutions, includes FirstWrap product.

Life Business Discontinued Operations

	Half Year Ended				
	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Funds management income	**46**	60	61	(23)	(25)
Insurance income	**181**	205	112	(12)	62
Total operating income	**227**	265	173	(14)	31
Operating expenses	**(131)**	(149)	(146)	(12)	(10)
Net profit before tax	**96**	116	27	(17)	large
Corporate tax expense	**(29)**	(35)	(8)	(17)	large
Underlying profit after tax	**67**	81	19	(17)	large
Investment experience after tax	**27**	16	18	69	50
Non-controlling interests	**-**	(4)	-	large	n/a
Net profit after tax - "cash basis"	**94**	93	37	1	large
Other non-cash items	**(3)**	(4)	(19)	(25)	(84)
Net profit after tax - "statutory basis"	**91**	89	18	2	large

	Half Year Ended				
Key Financial Metrics	**31 Dec 17**	30 Jun 17	31 Dec 16	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Other information					
FUA - average ($M)	**11,211**	11,599	12,110	(3)	(7)
Inforce premiums - average ($M)	**1,568**	1,655	1,757	(5)	(11)
Number of full-time equivalent staff (FTE)	**848**	926	939	(8)	(10)

	Half Year Ended								
Funds Under Administration (FUA)	30 Jun 17 $M	Inflows $M	Outflows $M	Net Flows $M	Other $M	**31 Dec 17 $M**	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Life Investments	11,331	235	(808)	(573)	374	**11,132**	11,867	(2)	(6)

	Half Year Ended								
Inforce Premiums	30 Jun 17 $M	Sales $M	Lapses $M	Net Flows $M	Other $M	**31 Dec 17 $M**	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Life Insurance	1,569	116	(114)	2	-	**1,571**	1,752	-	(10)

New Zealand

Overview

New Zealand includes the banking, funds management and insurance businesses operating in New Zealand under the ASB and Sovereign brands.

ASB conducts its business through three strategic business units: Retail Banking; Business Banking; and Private Banking, Wealth and Insurance (“PBW&I”). Retail Banking provides services to private individuals across multiple channels including our branch network, digital platforms, ATM’s, mobile managers and contact centres. Business Banking provides services to corporate, commercial, rural and small business customers. Private Banking, Wealth and Insurance provides securities, investment and insurance services to customers, and banking services to high net worth individuals.

On 21 September 2017 CBA announced the sale of 100% of its life insurance business including Sovereign life insurance, superannuation and investments businesses to AIA. The New Zealand results have been prepared on a continuing operations basis excluding Sovereign (discontinued operations). The financial results of Sovereign (discontinued operations) are excluded from the account lines of New Zealand’s performance and reported as a single “cash net profit after tax from discontinued operations” line item.

	Half Year Ended (1)				
New Zealand	**31 Dec 17 A$M**	30 Jun 17 A$M	31 Dec 16 A$M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Net interest income	**849**	816	826	4	3
Other banking income (2)	**186**	172	159	8	17
Total banking income	**1,035**	988	985	5	5
Funds management income	**50**	47	45	6	11
Total operating income	**1,085**	1,035	1,030	5	5
Operating expenses	**(391)**	(399)	(396)	(2)	(1)
Loan impairment expense	**(23)**	(18)	(47)	28	(51)
Net profit before tax	**671**	618	587	9	14
Corporate tax expense	**(188)**	(172)	(164)	9	15
Cash net profit after tax from continuing operations	**483**	446	423	8	14
Cash net profit after tax from discontinued operations	**49**	54	42	(9)	17
Net profit after tax ("cash basis")	**532**	500	465	6	14
Hedging and IFRS volatility (after tax)	**106**	25	2	large	large
Net profit after tax ("statutory basis")	**638**	525	467	22	37

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 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.

New Zealand

New Zealand	31 Dec 17 NZ$M	30 Jun 17 NZ$M	31 Dec 16 NZ$M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
	Half Year Ended (1)				
Net interest income	**931**	869	869	7	7
Other banking income	**212**	202	199	5	7
Total banking income	**1,143**	1,071	1,068	7	7
Funds management income	**55**	50	47	10	17
Total operating income	**1,198**	1,121	1,115	7	7
Operating expenses	**(427)**	(423)	(413)	1	3
Loan impairment expense	**(26)**	(20)	(49)	30	(47)
Net profit before tax	**745**	678	653	10	14
Corporate tax expense	**(209)**	(189)	(183)	11	14
Cash net profit after tax from continuing operations	**536**	489	470	10	14
Cash net profit after tax from discontinued operations	**53**	58	44	(9)	20
Net profit after tax ("cash basis")	**589**	547	514	8	15
Hedging and IFRS volatility (after tax)	**4**	11	15	(64)	(73)
Net profit after tax ("statutory basis")	**593**	558	529	6	12
Represented by:					
ASB	**579**	534	517	8	12
Other (2)	**(39)**	(34)	(32)	15	22
Sovereign (discontinued operations)	**53**	58	44	(9)	20
Net profit after tax ("statutory basis")	**593**	558	529	6	12

Key Financial Metrics (continuing operations) (3)	31 Dec 17	30 Jun 17	31 Dec 16	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
	Half Year Ended (1)				
Performance indicator					
Statutory operating expenses to total operating income (%)	**35. 5**	37. 3	36. 5	(180)bpts	(100)bpts

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
(2) Other includes ASB funding entities and elimination entries between New Zealand segment entities.
(3) Key financial metrics are calculated in New Zealand dollar terms.

Financial Performance and Business Review

December 2017 versus December 2016

New Zealand[1] net profit after tax ("statutory basis")[2] for the half year ended 31 December 2017 was NZD593 million, an increase of 12% on the prior comparative period, driven by strong volume growth, improved lending margins, lower loan impairment expense and 20% increase in Sovereign's profit.

(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 2017 versus June 2017

New Zealand net profit after tax ("statutory basis") increased 6% on the prior half. This reflected strong volume growth and improved lending margins, partly offset by higher loan impairment expense, higher operating expenses and 9% decrease in Sovereign's profit.

New Zealand

ASB	Half Year Ended (1) 31 Dec 17 NZ$M	30 Jun 17 NZ$M	31 Dec 16 NZ$M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Net interest income	**984**	915	910	8	8
Other banking income	**212**	202	202	5	5
Total banking income	**1,196**	1,117	1,112	7	8
Funds management income	**55**	50	47	10	17
Total operating income	**1,251**	1,167	1,159	7	8
Operating expenses	**(427)**	(422)	(414)	1	3
Loan impairment expense	**(26)**	(20)	(49)	30	(47)
Net profit before tax	**798**	725	696	10	15
Corporate tax expense	**(223)**	(202)	(194)	10	15
Net profit after tax ("cash basis")	**575**	523	502	10	15
Hedging and IFRS volatility (after tax)	**4**	11	15	(64)	(73)
Net profit after tax ("statutory basis")	**579**	534	517	8	12

Balance Sheet	As at 31 Dec 17 NZ$M	30 Jun 17 NZ$M	31 Dec 16 NZ$M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Home loans	**52,580**	51,128	50,248	3	5
Business and rural lending	**25,816**	25,133	23,991	3	8
Other interest earning assets	**2,214**	2,087	2,084	6	6
Total lending interest earning assets	**80,610**	78,348	76,323	3	6
Non-lending interest earning assets	**8,943**	8,662	8,644	3	3
Other assets	**1,772**	1,572	1,974	13	(10)
Total assets	**91,325**	88,582	86,941	3	5
Customer deposits	**54,516**	52,795	51,018	3	7
Debt issues	**17,771**	18,073	18,380	(2)	(3)
Other interest bearing liabilities (2)	**3,418**	2,716	2,614	26	31
Total interest bearing liabilities	**75,705**	73,584	72,012	3	5
Non-interest bearing liabilities	**6,339**	6,248	6,378	1	(1)
Total liabilities	**82,044**	79,832	78,390	3	5

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
(2) Other interest bearing liabilities includes NZD51 million due to Group companies (30 June 2017: NZD33 million; 31 December 2016: NZD14 million).

New Zealand

ASB Key Financial Metrics (2)	31 Dec 17	30 Jun 17	31 Dec 16	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
	Half Year Ended (1)				
Performance indicators					
Net interest margin (%)	**2. 20**	2. 15	2. 19	5 bpts	1 bpt
Statutory return on assets (%)	**1. 3**	1. 2	1. 2	10 bpts	10 bpts
Statutory operating expenses to total operating income (%)	**34. 0**	35. 8	35. 3	(180)bpts	(130)bpts
Impairment expense annualised as a % of average GLAAs (%)	**0. 06**	0. 05	0. 13	1 bpt	(7)bpts
Other information					
Average interest earning assets (NZ$M)	**88,525**	85,753	82,455	3	7
Risk weighted assets (NZ$M) (3)	**54,138**	53,275	53,489	2	1
Risk weighted assets (A$M) (4)	**47,489**	48,807	48,524	(3)	(2)
FUA - average (NZ$M)	**12,971**	12,743	12,575	2	3
FUA - spot (NZ$M)	**13,325**	12,826	12,586	4	6
AUM - average (NZ$M) (5)	**4,976**	4,635	4,584	7	9
AUM - spot (NZ$M) (5)	**4,809**	4,954	4,325	(3)	11
90+ days home loan arrears (%)	**0. 12**	0. 12	0. 11	-	1 bpt
90+ days consumer finance arrears (%)	**0. 50**	0. 46	0. 38	4 bpts	12 bpts
Number of full-time equivalent staff (FTE)	**4,826**	4,745	4,697	2	3

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
(2) Key financial metrics are calculated in New Zealand dollar terms unless otherwise stated.
(3) Risk weighted assets are calculated in accordance with RBNZ requirements. The RBNZ applies a similar methodology to APRA in calculating regulatory capital requirements.
(4) Risk weighted assets are calculated in accordance with APRA requirements.
(5) AUM excludes NZD7,222 million spot balances managed by CFS Global Asset Management (30 June 2017: NZD5,776 million; 31 December 2016: NZD5,336 million). These are included in the AUM balances reported by CFS Global Asset Management.

New Zealand

Financial Performance and Business Review

December 2017 versus December 2016

ASB net profit after tax ("statutory basis") for the half year ended 31 December 2017 was NZD579 million, an increase of 12% on the prior comparative period. The result was driven by operating income growth and a lower loan impairment expense, partly offset by higher operating expenses.

Net Interest Income

Net interest income was NZD984 million, an increase of 8% on the prior comparative period, driven by strong volume growth and improved net interest margin.

Net interest margin increased, reflecting an increase in lending margins, partly offset by an unfavourable retail deposit mix shift to lower margin investment deposit accounts.

Other Banking and Funds Management Income

Other banking income was NZD212 million, an increase of 5% on the prior comparative period, primarily driven by higher card income and insurance commissions, partly offset by lower service fees as customers leverage digital channels.

Funds management income was NZD55 million, an increase of 17% on the prior comparative period, due to strong net flows and market performance.

Operating Expenses

Operating expenses were NZD427 million, an increase of 3% on the prior comparative period. This increase was driven by higher staff costs, continued investment in technology capabilities and higher regulatory compliance costs, partly offset by lower property costs and lower depreciation.

FTE were 4,826, up 3% primarily due to an increase in frontline and compliance staff, partly offset by productivity initiatives.

Investment spend continues to focus on compliance, technology and customer experience. There is ongoing investment in financial crimes compliance and delivering new digital functionality for customers.

The operating expense to total operating income ratio for ASB was 34.0%, an improvement of 130 basis points, reflecting improved operating leverage supported by cost control and a continued focus on productivity.

Loan Impairment Expense

Loan impairment expense was NZD26 million, a decrease of 47% on the prior comparative period, primarily due to lower provisions in the dairy portfolio.

Home loan and consumer finance arrears rates continue to remain low at 12 basis points and 50 basis points respectively. This is despite a 12 basis point increase in consumer finance arrears on the prior comparative period primarily driven by the timing of write-offs.

Balance Sheet

Balance Sheet growth included:

- Home loan growth of 5%, marginally below system(2) ;
- Strong business and rural loan growth of 8%, remaining above system(2), with the long-term strategic focus on this segment continuing to deliver strong results; and
- Strong customer deposit growth of 7% in a competitive retail funding environment.

Risk Weighted Assets(1)

Risk weighted assets increased 1%, primarily driven by lending volume growth, partly offset by improved credit quality in the business and rural portfolios.

December 2017 versus June 2017

Net profit after tax ("statutory basis") increased 8% on the prior half. driven by operating income growth of 7%, partly offset by higher loan impairment and operating expenses.

Net Interest Income

Net interest income increased 8% on the prior half reflecting strong volume growth, improved net interest margin and three additional calendar days than the prior half.

Net interest margin increased, reflecting an increase in lending margins, lower net fixed rate loan prepayment expense and lower wholesale funding costs, partly offset by an unfavourable retail deposit mix shift to lower margin investment deposit accounts.

Other Banking and Funds Management Income

Other banking income increased 5% on the prior half, primarily driven by higher card income, partly offset by lower service fees.

Funds management income increased 10%, driven by solid net flows and investment market performance.

Operating Expenses

Operating expenses increased 1% on the prior half, primarily driven by higher staff costs, higher regulatory compliance costs and continued investment in technology capabilities, partly offset by lower marketing costs and lower depreciation.

FTE was up 2% primarily due to an increase in frontline and compliance staff, partly offset by productivity initiatives.

Investment spend continues to focus on the key areas of customer experience, technology and compliance.

The operating expense to total operating income ratio improved 180 basis points on the prior half.

Loan Impairment Expense

Loan impairment expense increased 30% on the prior half, primarily due to lower provision releases in the dairy portfolio, partly offset by lower home loan provisions.

The low arrears rates within the retail portfolios have continued, while the solid economic environment has resulted in a low level of provisions across the non-retail portfolio.

Balance Sheet

Balance Sheet growth included:

- Home loan growth of 3%, above system(2), with continued customer preference for fixed rate borrowing;
- Business and rural loan growth of 3%, with growth in line with system(2); and
- Customer deposit growth of 3%, above system(2), with strong growth in investment accounts.

Risk Weighted Assets(1)

Risk weighted assets increased 2%, primarily driven by lending volume growth, partly offset by improved credit quality in the home loan and business portfolios.

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

(2) System source RBNZ.

New Zealand

Life Insurance Business Discontinued Operations

Sovereign	Half Year Ended 31 Dec 17 NZ$M	30 Jun 17 NZ$M	31 Dec 16 NZ$M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Insurance income	**117**	125	127	(6)	(8)
Operating expenses	**(59)**	(62)	(62)	(5)	(5)
Net profit before tax	**58**	63	65	(8)	(11)
Corporate tax (expense)/benefit	**(12)**	(10)	(13)	20	(8)
Underlying profit after tax	**46**	53	52	(13)	(12)
Investment experience after tax	**7**	5	(8)	40	large
Net profit after tax ("cash basis")	**53**	58	44	(9)	20
Net profit after tax ("statutory basis")	**53**	58	44	(9)	20
Represented by:					
Planned profit margins	**45**	45	47	-	(4)
Experience variations	**1**	8	5	(88)	(80)
Operating margins	**46**	53	52	(13)	(12)
Investment experience after tax	**7**	5	(8)	40	large
Net profit after tax ("statutory basis")	**53**	58	44	(9)	20

Key Financial Metrics	Half Year Ended 31 Dec 17	30 Jun 17	31 Dec 16	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Other information					
Average inforce premiums - average (NZ$M)	**759**	759	750	-	1
Annual inforce premiums - spot (NZ$M)	**762**	757	758	1	1
Number of full-time equivalent staff (FTE)	**651**	664	672	(2)	(3)

Insurance Inforce	30 Jun 17 $M	Sales $M	Lapses $M	Net Flows $M	Other $M	Half Year Ended 31 Dec 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Life Insurance	757	58	(53)	5	-	**762**	758	1	1

New Zealand

Financial Performance and Business Review

December 2017 versus December 2016

Sovereign net profit after tax ("statutory basis") for the half year ended 31 December 2017 was NZD53 million, an increase of 20% on the prior comparative period. The result was driven by higher investment experience and lower operating expenses, partly offset by lower insurance income. On 21 September 2017 CBA announced the sale of Sovereign to AIA.

Insurance Income

Insurance income was NZD117 million, a decrease of 8% on the prior comparative period, driven by unfavourable changes to the valuation of policyholder liabilities.

Operating Expenses

Operating expenses were NZD59 million, a decrease of 5% on the prior comparative period, driven by lower staff and advertising expenses.

Investment Experience

Investment experience after tax was a profit of NZD7 million, an increase of NZD15 million on the prior comparative period, driven by the prior comparative period being impacted by an increase in the average discount rate negatively impacting policyholder valuations.

December 2017 versus June 2017

Net profit after tax ("statutory basis") decreased 9% on the prior half, driven by lower insurance income, partly offset by higher investment experience and lower operating expenses.

Insurance Income

Insurance income decreased 6% on the prior half, driven by higher claims expense and unfavourable changes to the valuation of policyholder liabilities.

Operating Expenses

Operating expenses decreased 5% on the prior half, driven by lower investment spend, and lower staff and advertising expenses.

Investment Experience

Investment experience after tax increased NZD2 million from the prior half, driven by movements in discount rates having a favourable impact on policyholder valuations in the current half.

Bankwest

Overview

Bankwest operates in the domestic market, providing lending to retail, business and rural customers as well as a full range of deposit products. While more than half of Bankwest's 1 million customers are based in Western Australia, Bankwest offers full banking services across the country.

	Half Year Ended (1) (2)				
	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Net interest income	**778**	740	733	5	6
Other banking income	**107**	104	100	3	7
Total banking income	**885**	844	833	5	6
Operating expenses	**(368)**	(387)	(367)	(5)	-
Loan impairment expense	**(30)**	(49)	(50)	(39)	(40)
Net profit before tax	**487**	408	416	19	17
Corporate tax expense	**(148)**	(122)	(126)	21	17
Net profit after tax ("cash basis")	**339**	286	290	19	17
Other non-cash items	**(1)**	(2)	(1)	(50)	-
Net profit after tax ("statutory basis")	**338**	284	289	19	17

	As at (1) (2)				
Balance Sheet	**31 Dec 17 $M**	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Home loans (3)	**69,246**	67,637	65,138	2	6
Other interest earning lending assets	**10,554**	10,177	10,108	4	4
Total interest earning assets	**79,800**	77,814	75,246	3	6
Other assets	**248**	306	286	(19)	(13)
Total assets	**80,048**	78,120	75,532	2	6
Transaction deposits (4)	**12,391**	11,926	11,836	4	5
Savings deposits	**9,246**	9,195	9,608	1	(4)
Investment deposits	**31,699**	31,784	26,772	-	18
Certificates of deposit and other	**36**	41	35	(12)	3
Total interest bearing deposits	**53,372**	52,946	48,251	1	11
Other interest bearing liabilities	**81**	69	33	17	large
Non-interest bearing transaction deposits	**1,808**	1,723	1,526	5	18
Other non-interest bearing liabilities (5)	**559**	744	546	(25)	2
Total liabilities	**55,820**	55,482	50,356	1	11

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
(2) Excludes Bankwest east coast business banking customers now being managed by Business and Private Banking.
(3) Gross of mortgage offset balances.
(4) Includes mortgage offset balances.
(5) Comparatives have been restated to reflect a change in accounting policy. Details are provided in Note 1.1 to the Financial Statements in this Document.

Bankwest

Key Financial Metrics	Half Year Ended (1) 31 Dec 17	30 Jun 17	31 Dec 16	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Performance indicators					
Net interest margin (%)	**2. 09**	2. 08	2. 06	1 bpt	3 bpts
Statutory return on assets (%)	**0. 9**	0. 8	0. 7	10 bpts	20 bpts
Statutory operating expenses to total banking income (%)	**41. 8**	46. 1	44. 3	(430)bpts	(250)bpts
Impairment expense annualised as a % of average GLAAs (%)	**0. 08**	0. 13	0. 13	(5)bpts	(5)bpts
Other information					
Average interest earning assets ($M) (2)	**73,670**	71,900	70,496	2	5
Risk weighted assets ($M)	**40,468**	37,803	34,418	7	18
90+ days home loans arrears (%)	**0. 80**	0. 80	0. 64	-	16 bpts
90+ days consumer finance arrears (%)	**1. 19**	1. 39	1. 15	(20)bpts	4 bpts
Number of full-time equivalent staff (FTE) (3)	**2,866**	2,912	2,809	(2)	2

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
(2) Net of average mortgage offset balances.
(3) FTE exclude support unit staff that have been included in Corporate Centre.

Bankwest

Financial Performance and Business Review

December 2017 versus December 2016

Bankwest net profit after tax ("statutory basis") for the half year ended 31 December 2017 was $338 million, an increase of 17% on the prior comparative period. The result was primarily driven by strong growth in total banking income, lower loan impairment expense and flat operating expenses.

Net Interest Income

Net interest income was $778 million, an increase of 6% on the prior comparative period. The result was driven by strong balance growth in home lending and deposits, and a higher net interest margin.

Net interest margin increased 3 basis points reflecting:

- Higher home lending margin from repricing of interest-only and investor loans to manage regulatory limits, and lower cash basis risk;
- Increased deposit margins, driven by repricing of investment deposits;
- Stable business lending margin; partly offset by
- Impact of the Major Bank Levy.

Other Banking Income

Other banking income was $107 million, an increase of 7% on the prior comparative period, reflecting an increase in fee based package offerings, partly offset by lower business lending fees.

Operating Expenses

Operating expenses were $368 million, flat on the prior comparative period, reflecting a continued focus on productivity and disciplined expense management.

FTE were 2,866, up 2% on the prior comparative period as a result of increased investment in customer facing technology platforms.

Investment in productivity and growth continues to focus on delivering further enhancements to our customer experience. The operating expense to total banking income ratio ("statutory basis") was 41.8%, an improvement of 250 basis points compared to the prior comparative period.

Loan Impairment Expense

Loan impairment expense was $30 million, a decrease of 40% on the prior comparative period. This was driven by reduced home loan impairments and lower business loan collective provisions.

Home loan arrears increased in line with the softening Western Australian economy.

Balance Sheet

Balance sheet growth included:

- Home loan growth of 6%, slightly lower than system[(1)] reflecting the Western Australian economy lagging national growth rates;
- Total deposit growth of 11% resulting from strong growth in Investment and Transaction deposits, reflecting a continued focus on deepening customer relationships; and
- Core business lending growth of 6%.

Risk Weighted Assets

Risk weighted assets increased by 18% on the prior comparative period driven by regulatory changes to the home loan risk weighting. The underlying increase excluding regulatory changes was 10% driven by volume growth in business and home loans and an increase in Operational Risk.

December 2017 versus June 2017

Bankwest net profit after tax ("statutory basis") increased 19% on the prior half. The result was driven by higher total banking income, lower loan impairment expense and a one-off cost in the prior half from integrating Bankwest's east coast business banking operation into Business and Private Banking.

Net Interest Income

Net interest income increased 5% on the prior half reflecting balance growth across key products and three additional calendar days than the prior half.

Net interest margin increased 1 basis point reflecting:

- Higher home lending margins from repricing of interest-only and investor loans to manage regulatory limits, and lower cash basis risk; partly offset by
- Lower deposit margins, resulting from lower cash basis risk partly offset by repricing; and
- Impact of the Major Bank Levy.

Other Banking Income

Other banking income increased 3% due to higher interchange income and three additional calendar days than the prior half.

Operating Expenses

Operating expenses decreased 5%, driven by a one-off cost in the prior half for the integration of Bankwest's east coast business banking operation into Business and Private Banking. Excluding this underlying operating expenses increased 2%.

FTE was down 2% compared to the prior half, driven by timing of vacancies.

Investment continues to focus on enhancements to our customer experience.

The operating expense to total banking income ratio ("statutory basis") was 41.8%, an improvement of 430 basis points on the prior half.

Loan Impairment Expense

Loan impairment expense decreased 39% on the prior half, reflecting reduced home loan impairments and improved performance in the business portfolio.

Asset quality for the home loan portfolio improved, driven by stabilising arrears.

(1) System source RBA/APRA/RBNZ. CBA includes Bankwest.

Financial Performance and Business Review (continued)

Balance Sheet

Balance sheet growth included:

- Home loan growth of 2%, reflecting competitive pressures and a relatively weaker Western Australian economy; and
- Total deposit growth of 1% resulting from growth in Transaction deposits.

Risk Weighted Assets

Risk weighted assets increased 7% on the prior half with 4% due to lending growth and 3% due to an increase in Operational Risk.

IFS and Other

Overview

International Financial Services ("IFS") aims to increase economic participation and enhance the financial well-being of our customers by building scalable, digital banking businesses focused on underserved consumers and small businesses in emerging markets. Increasing the awareness of and access to financial services through digital banking and financial literacy are foundational to IFS' financial inclusion strategy.

	Half Year Ended (1)				
IFS (2)	**31 Dec 17 $M**	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Net interest income	**60**	64	69	(6)	(13)
Other banking income	**154**	140	157	10	(2)
Total banking income	**214**	204	226	5	(5)
Funds management income	**1**	-	-	large	large
Insurance income	**24**	24	26	-	(8)
Total operating income	**239**	228	252	5	(5)
Operating expenses	**(153)**	(165)	(168)	(7)	(9)
Loan impairment expense	**(33)**	(12)	(52)	large	(37)
Net profit before tax	**53**	51	32	4	66
Corporate tax expense	**(7)**	-	(4)	large	75
Non-controlling interests	**(3)**	(5)	(3)	(40)	-
Underlying profit after tax	**43**	46	25	(7)	72
Investment experience after tax	**11**	16	6	(31)	83
Net profit after tax - "cash basis"	**54**	62	31	(13)	74
Other non-cash items	**7**	-	-	large	large
Net profit after tax - "statutory basis"	**61**	62	31	(2)	97

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.

(2) International Financial Services incorporates the Asian retail and business banking operations (Indonesia, China, Vietnam and India), associate investments in China and Vietnam, 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.

IFS and Other

Key Financial Metrics	Half Year Ended (1) 31 Dec 17	30 Jun 17	31 Dec 16	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Performance indicators					
Statutory return on assets (%)	**2. 3**	2. 2	1. 1	10 bpts	120 bpts
Statutory operating expenses to total operating income (%)	**62. 2**	72. 4	66. 7	large	(450)bpts
Impairment expense annualised as a % of average GLAAs (%)	**4. 48**	1.36	6.15	312 bpts	(167)bpts
Other information					
Risk weighted assets ($M)	**2,233**	2,351	2,338	(5)	(4)
Number of full-time equivalent staff (FTE)	**2,640**	3,209	3,172	(18)	(17)

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.

IFS and Other

Financial Performance and Business Review

December 2017 versus December 2016

International Financial Services ("IFS") net profit after tax ("statutory basis") for the half year ended 31 December 2017 was $61 million, an increase of 97% on the prior comparative period, including a 4% decrease from the higher Australian dollar. The result was driven by lower operating expenses and loan impairment expenses, partly offset by lower operating income.

In September 2017, Tyme Digital by Commonwealth Bank South Africa was granted a bank licence, a major milestone achieved for the bank launch in 2018.

During the half, IFS has completed three non-core business divestments (Mumbai branch, Ho Chi Minh City branch and China County Banks), while running off the non-strategic commercial lending segment in Indonesia. The non-core divested businesses contributed a net cash loss after tax of $6 million in the period.

The total number of direct customers reduced 19% to approximately 412,000 impacted by the business divestments.

Net Interest Income

Net interest income was $60 million, a decrease of 13% on the prior comparative period, including a 5% decrease from the higher Australian dollar. This reflected the impact of divestments and non-strategic commercial segment run-off where volumes are down 72% to $55 million.

Net interest margin remained stable despite competitive pressures.

Other Banking Income

Other banking income was $154 million, a decrease of 2% on the prior comparative period mainly driven by the higher Australian dollar.

Insurance Income

Insurance income in PT Commonwealth Life ("PTCL") was $24 million, a decrease of 8% on the prior comparative period driven by the higher Australian dollar.

Operating Expenses

Operating expenses were $153 million, a decrease of 9% on the prior comparative period, driven by lower staff costs.

FTE were 2,640, a decrease of 17% as a result of business divestments and disciplined expense management, partly offset by growth in ongoing strategic investment initiatives.

Investment spend has focused on building out our digital banking capabilities and financial literacy initiatives.

The operating expense to total operating income ratio ("statutory basis") was 62.2%, an improvement of 450 basis points on the prior comparative period.

Loan Impairment Expense

Loan impairment expense was $33 million, a decrease of 37% on the prior comparative period. The result was driven by the commercial lending run-off in PT Bank Commonwealth ("PTBC").

Loan impairment expense as a percentage of average gross loans and acceptances decreased 167 basis points to 4.48%.

Balance Sheet

Volume growth has been adversely impacted by business divestments and non-strategic commercial loan run-off. Excluding these factors, underlying growth in the strategic consumer and small business banking products was 12%.

Risk Weighted Assets

Risk weighted assets decreased by 4% on the prior comparative period driven by divestments and commercial segment run-off.

Investment Experience

Investment experience after tax was $11 million, an increase of 83% on prior comparative period, driven by investment gains in China.

December 2017 versus June 2017

Net profit after tax ("statutory basis") decreased 2% on the prior half. The result was driven by higher loan impairment expense and a one-off tax benefit in the prior half, partly offset by higher operating income and lower operating expenses.

Net Interest Income

Net interest income decreased 6% on the prior half, driven by the higher Australian dollar and strategic divestments.

Other Banking Income

Other banking income increased 10% on the prior half, reflecting solid contributions from associates in China and higher bancassurance income.

Insurance Income

Insurance income in PTCL was flat on the prior half.

Operating Expenses

Operating expenses decreased 7% on the prior half, driven by divestments and disciplined expense management.

The operating expenses to total operating income ratio ("statutory basis") improved 1,020 basis points on the prior half.

Loan Impairment Expense

Loan impairment expense increased $21 million on the prior half, driven by losses in the PTBC commercial lending portfolio which is in run-off.

Risk Weighted Assets

Risk weighted assets decreased by 5% on the prior half driven by divestments and commercial segment run-off.

Investment Experience

Investment experience after tax decreased 31% on the prior half, driven by investment gains in China in the prior half.

IFS and Other

Overview

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

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.

	Half Year Ended (1)				
Corporate Centre (including eliminations)	**31 Dec 17 $M**	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Net interest income	**183**	187	122	(2)	50
Other banking income (2)	**12**	51	391	(76)	(97)
Total banking income	**195**	238	513	(18)	(62)
Funds management income	**1**	2	(1)	(50)	large
Insurance income	**30**	24	28	25	7
Total operating income	**226**	264	540	(14)	(58)
Operating expenses (3)	**(968)**	(509)	(745)	90	30
Loan impairment (expense)/benefit	**-**	(40)	1	large	large
Net loss before tax	**(742)**	(285)	(204)	large	large
Corporate tax benefit	**132**	87	81	52	63
Non-controlling interests	**(6)**	(6)	(6)	-	-
Underlying loss after tax	**(616)**	(204)	(129)	large	large
Investment experience after tax	**(10)**	(14)	(10)	(29)	-
Cash net loss after tax from continuing operations	**(626)**	(218)	(139)	large	large
Cash net loss after tax from discontinued operations	**(7)**	-	-	large	large
Net loss after tax - "cash basis"	**(633)**	(218)	(139)	large	large
Hedging and IFRS volatility (after tax)	**(10)**	40	6	large	large
Other non-cash items	**(122)**	-	-	large	large
Net loss after tax - "statutory basis"	**(765)**	(178)	(133)	large	large

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details

(2) The half year ended 31 December 2016 included a $397 million gain on sale of the Group's remaining investment in Visa Inc.

(3) The half year ended 31 December 2017 includes a $375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC Proceedings (see Note 7.2 to the Financial Statements in this Document, Appendix 5 to this Document and the Recent Developments Reports for further information). The half year ended 31 December 2016 included a $393 million one-off expense for acceleration of amortisation on certain software assets.

December 2017 versus December 2016

Corporate Centre net loss after tax ("statutory basis") for the half year ended 31 December 2017 was $765 million, an increase of $632 million on the prior comparative period.

Total operating income decreased 58% to $226 million, driven by the prior comparative period including a $397 million gain on sale of the Group's remaining investment in Visa Inc., partly offset by increased earnings from interest rate risk management and higher capital.

Operating expenses increased 30% to $968 million, driven by a $375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC Proceedings, and higher regulatory, compliance and remediation program costs, partly offset by the prior comparative period including a $393 million one-off expense for acceleration of amortisation on certain software assets.

Other non-cash items includes transaction and separation costs associated with the disposal of CommInsure Life and Sovereign ($122 million).

IFS and Other

December 2017 versus June 2017

Corporate Centre net loss after tax ("statutory basis") increased $587 million on the prior half.

Total operating income decreased 14% on the prior half, driven by lower realised gains on available-for-sale assets and the timing of recognition of unallocated revenue items.

Operating expenses increased 90% on the prior half driven by a $375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC Proceedings, and higher regulatory, compliance and remediation program costs.

Loan impairment expense decreased $40 million due to a centrally held loan impairment provision in the prior half.

Divisional Summary

Divisional Summary	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	IFS $M	Other $M	Total $M
	Half Year Ended 31 December 2017								
Net interest income	4,952	1,694	737	-	849	778	60	183	**9,253**
Other banking income	1,039	517	679	-	186	107	154	12	**2,694**
Total banking income	5,991	2,211	1,416	-	1,035	885	214	195	**11,947**
Funds management income	-	-	-	987	50	-	1	1	**1,039**
Insurance income	-	-	-	82	-	-	24	30	**136**
Total operating income	5,991	2,211	1,416	1,069	1,085	885	239	226	**13,122**
Investment experience [1]	-	-	-	11	-	-	12	(10)	**13**
Total income	5,991	2,211	1,416	1,080	1,085	885	251	216	**13,135**
Operating expenses	(1,846)	(789)	(542)	(707)	(391)	(368)	(153)	(968)	**(5,764)**
Loan impairment expense	(356)	(49)	(105)	-	(23)	(30)	(33)	-	**(596)**
Net profit before tax	3,789	1,373	769	373	671	487	65	(752)	**6,775**
Corporate tax (expense)/benefit	(1,136)	(413)	(178)	(92)	(188)	(148)	(8)	132	**(2,031)**
Non-controlling interests	-	-	-	-	-	-	(3)	(6)	**(9)**
Net profit after tax from continuing operations - "cash basis"	2,653	960	591	281	483	339	54	(626)	**4,735**
Net profit after tax from discontinued operations	-	-	-	94	49	-	-	(7)	**136**
Net profit after tax - "cash basis"	2,653	960	591	375	532	339	54	(633)	**4,871**
Hedging and IFRS volatility	-	-	-	-	106	-	-	(10)	**96**
Other non-cash items	58	-	-	(3)	-	(1)	7	(122)	**(61)**
Net profit after tax - "statutory basis"	2,711	960	591	372	638	338	61	(765)	**4,906**
Additional information (continuing operations) [2]									
Net interest margin (%) [3]	3. 01	3. 03	1. 03	n/a	2. 20	2. 09	n/a	n/a	2. 16
Statutory operating expenses to total operating income (%) [3]	29. 8	35. 7	38. 3	65. 5	34. 0	41. 8	62. 2	n/a	43. 2
Impairment expense annualised as a % of average GLAAs (%) [3]	0. 20	0. 08	0. 19	n/a	0. 06	0. 08	4. 48	n/a	0. 16
Average interest earning assets ($M) [3][4]	326,256	110,969	142,416	n/a	88,525	73,670	2,621	107,065	851,522
Risk weighted assets ($M) [5] [6]	140,715	89,449	97,732	n/a	47,489	40,468	2,233	22,750	440,836
Employees (Full Time Equivalent) (No.) [3]	11,555	3,557	1,510	3,534	4,826	2,866	2,640	12,471	42,959

(1) Investment experience is presented on a pre-tax basis.
(2) Retail Banking Services additional information (metrics) is presented excluding the impact of AHL consolidation.
(3) New Zealand additional information relate to ASB only and is presented in NZD.
(4) Net of average mortgage offset balances.
(5) New Zealand risk weighted assets are calculated in accordance with APRA requirements and is presented in AUD.
(6) Risk weighted assets relating to discontinued operations are included in Other.

Contents

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 2017.

Directors

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

Catherine Livingstone AO	Chairman
Ian Narev	Managing Director and Chief Executive Officer
Shirish Apte	Director
Sir David Higgins	Director
Launa Inman	Director (retired on 16 November 2017)
Brian Long	Director
Andrew Mohl	Director
Mary Padbury	Director
Wendy Stops	Director
Rob Whitfield	Director (appointed on 4 September 2017)
Harrison Young	Director (retired on 16 November 2017)

Review and Results of Operations

The Group earned a consolidated statutory net profit after tax of $4,906 million for the half year ended 31 December 2017, compared with $4,895 million for the prior comparative period. The result was driven by revenue growth offset by higher operating expenses.

In September 2017, the Group entered into an agreement to sell 100% of its life insurance businesses in Australia ("CommInsure Life") and New Zealand ("Sovereign") to AIA Group Limited ("AIA"). The sale is expected to be completed in calendar year 2018. The sale agreement also includes a 20 year partnership with AIA to distribute life insurance products to customers in Australia and New Zealand.

The businesses subject to sale have been reported separately as discontinued operations in the half year results.

- The statutory net profit after tax from Retail Banking Services was $2,711 million (December 2016: $2,453 million) driven by strong growth in total banking income, partly offset by higher operating expenses and loan impairment expense.
- The statutory net profit after tax from Business and Private Banking was $960 million (December 2016: $878 million), driven by growth in total banking income and lower loan impairment expense.
- The statutory net profit after tax from Institutional Banking and Markets was $591 million (December 2016: $681 million), driven by lower trading revenue in Markets and higher loan impairment expense, partly offset by lower operating expenses.
- The statutory net profit after tax from Wealth Management was $372 million (December 2016: $229 million), a 62% increase on the prior comparative period. Excluding the contribution from the life business held for sale, statutory net profit after tax was $281 million, a 33% increase on the prior comparative period. The result was driven by strong growth in funds management income and lower operating expenses partly offset by lower insurance income.
- The statutory net profit after tax from New Zealand was $638 million (December 2016: $467 million), driven by revenue hedge gains, strong volume growth, improved lending margins, lower loan impairment expense and 17% increase in Sovereign's profit. Excluding the contribution of the Sovereign business held for sale, statutory net profit after tax was $589 million, a 39% increase on prior comparative period.
- The statutory net profit after tax from Bankwest was $338 million (December 2016: $289 million), driven by strong growth in total banking income and lower loan impairment expenses and flat operating expenses.
- The statutory net profit after tax from IFS was $61 million (December 2016: $31 million). The result was driven by lower operating expenses and loan impairment expenses, partly offset by lower operating income.

Additional analysis of operations for the financial year is set out in the Highlights and Group and Divisional Performance Analysis sections.

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

Material Business risks

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

The Group seeks to adopt a comprehensive approach to risk management through its risk management framework. This framework covers the Group's systems, structure, policies, processes and people who monitor, mitigate and report risk. The framework ultimately allows the Board to manage risk within its approved risk appetite.

The Group described its major risk classes and its approach to managing them in Note 31 of the 2017 Financial Report. It further described specific business risks within these major risk classes and mitigating actions taken in the Business risks section of the Annual Report.

Commentary on the Group's ongoing litigation investigations and reviews are included in Note 7.2 to the Financial Statements for the half year ended 31 December 2017.

Directors' Report

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 2017, 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.

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
6 February 2018

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
Level 11, 1PSQ, 169 Macquarie Street, Parramatta, GPO Box 1155, PARRAMATTA NSW 2124
T: +61 2 8266 0000 (Barangaroo), T: +61 2 9659 2476 (Parramatta), F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Signed in accordance with a resolution of the Directors.

Catherine Livingstone AO
Chairman
6 February 2018

Ian Narev
Managing Director and Chief Executive Officer
6 February 2018

Financial Statements

Consolidated Income Statement

For the half year ended 31 December 2017

		Half Year Ended [1]		
		31 Dec 17	30 Jun 17	31 Dec 16
	Note	**$M**	$M	$M
Interest income	2.1	**17,179**	16,619	16,674
Interest expense	2.1	**(7,926)**	(7,793)	(7,966)
Net interest income		**9,253**	8,826	8,708
Other banking income		**2,896**	2,671	3,030
Net banking operating income		**12,149**	11,497	11,738
Net funds management operating income		**1,047**	987	941
Net insurance operating income		**141**	65	166
Total net operating income before impairment and operating expenses		**13,337**	12,549	12,845
Loan impairment expense	6.1	**(596)**	(496)	(599)
Operating expenses	2.3	**(5,766)**	(5,197)	(5,476)
Net profit before income tax		**6,975**	6,856	6,770
Corporate tax expense	2.5	**(2,071)**	(1,955)	(1,926)
Net profit after income tax from continuing operations		**4,904**	4,901	4,844
Net profit after income tax from discontinued operations	7.3	**11**	147	60
Net profit after income tax		**4,915**	5,048	4,904
Non-controlling interests		**(9)**	(15)	(9)
Net profit attributable to Equity holders of the Bank		**4,906**	5,033	4,895

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

	Half Year Ended [2]		
	31 Dec 17	30 Jun 17	31 Dec 16
	Cents per Share		
Earnings per share from continuing operations [1]:			
Basic	**281. 6**	283. 7	281. 7
Diluted	**272. 6**	275. 4	273. 3
Earnings per share:			
Basic	**282. 2**	292. 0	285. 2
Diluted	**273. 2**	283. 3	276. 6

(1) Information has been restated and presented on a continuing operations basis. Discontinued operations include the Group's life insurance businesses in Australia and New Zealand.
(2) Basic and diluted earnings per share for all periods presented have been adjusted retrospectively to incorporate the discount element of the dividend reinvestment plan.

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2017

	Half Year Ended (1)		
	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M
Net profit after income tax for the period from continuing operations	**4,904**	4,901	4,844
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit/(loss):			
Foreign currency translation reserve net of tax	**(233)**	(341)	77
Gains and (losses) on cash flow hedging instruments net of tax	**(44)**	(61)	(516)
Gains and (losses) on available-for-sale investments net of tax	**(36)**	91	(143)
Total of items that may be reclassified	**(313)**	(311)	(582)
Items that will not be reclassified to profit/(loss):			
Actuarial gains from defined benefit superannuation plans net of tax	**44**	33	142
Losses on liabilities at fair value due to changes in own credit risk net of tax	**(1)**	(1)	(2)
Revaluation of properties net of tax	**-**	23	-
Total of items that will not be reclassified	**43**	55	140
Other comprehensive income/(expense) net of income tax	**(270)**	(256)	(442)
Total comprehensive income for the period from continuing operations	**4,634**	4,645	4,402
Net profit after income tax for the period from discontinued operations	**11**	147	60
Other comprehensive income/(expense) for the period from discontinued operations net of income tax	**(2)**	(23)	2
Total comprehensive income for the period	**4,643**	4,769	4,464
Total comprehensive income for the period is attributable to:			
Equity holders of the Bank	**4,634**	4,754	4,455
Non-controlling interests	**9**	15	9
Total comprehensive income net of income tax	**4,643**	4,769	4,464

(1) Information has been restated and is presented on a continuing operations basis. Refer to Appendix 4.9 to this Document for further details.

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

	Half Year Ended		
	31 Dec 17	30 Jun 17	31 Dec 16
	Cents per Share		
Dividends per share attributable to shareholders of the Bank:			
Ordinary shares	**200**	230	199

Consolidated Balance Sheet

As at 31 December 2017

		As at [1]		
		31 Dec 17	30 Jun 17	31 Dec 16
Assets	Note	**$M**	$M	$M
Cash and liquid assets		**37,322**	45,850	44,709
Receivables due from other financial institutions		**6,955**	10,037	10,612
Assets at fair value through Income Statement:				
Trading		**34,696**	32,704	34,199
Insurance		**382**	13,669	13,795
Other		**1,038**	1,111	803
Derivative assets		**25,228**	31,724	45,837
Available-for-sale investments		**83,913**	83,535	81,675
Loans, bills discounted and other receivables	3.1	**736,316**	731,762	712,905
Bank acceptances of customers		**222**	463	1,440
Property, plant and equipment		**2,635**	3,873	4,094
Investments in associates and joint ventures		**2,750**	2,778	2,842
Intangible assets		**9,038**	10,024	10,000
Deferred tax assets [2]		**1,291**	906	726
Other assets		**5,249**	7,882	8,026
Assets held for sale	7.3	**14,895**	-	-
Total assets		**961,930**	976,318	971,663

Liabilities				
Deposits and other public borrowings	4.1	**624,897**	626,655	606,091
Payables due to other financial institutions		**24,466**	28,432	34,031
Liabilities at fair value through Income Statement		**9,350**	10,392	8,404
Derivative liabilities		**23,563**	30,330	38,042
Bank acceptances		**222**	463	1,440
Current tax liabilities		**642**	1,450	1,012
Deferred tax liabilities		**-**	332	332
Other provisions		**2,120**	1,780	1,625
Insurance policy liabilities		**481**	12,018	12,388
Debt issues		**166,510**	167,571	175,583
Managed funds units on issue		**-**	2,577	2,362
Bills payable and other liabilities		**8,861**	11,932	11,600
Liabilities held for sale	7.3	**14,543**	-	-
		875,655	893,932	892,910
Loan capital		**20,184**	18,726	16,997
Total liabilities		**895,839**	912,658	909,907
Net assets		**66,091**	63,660	61,756

Shareholders' Equity				
Share capital:				
Ordinary share capital	5.1	**36,776**	34,971	34,455
Reserves	5.1	**1,494**	1,869	2,144
Retained profits [2]	5.1	**27,267**	26,274	24,606
Shareholders' Equity attributable to Equity holders of the Bank		**65,537**	63,114	61,205
Non-controlling interests	5.1	**554**	546	551
Total Shareholders' Equity		**66,091**	63,660	61,756

(1) Current period balances have been impacted by the announced sale of the Group's life insurance businesses in Australia and New Zealand.

(2) Comparatives have been restated following a change in accounting policy to recognise deferred tax on Brand names acquired by the Group. Further details on the change are provided in Note 1.1.

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 2017

	Ordinary share capital $M	Reserves $M	Retained profits $M	Total $M	Non-controlling interests $M	Total Shareholders' Equity $M
As at 30 June 2016	33,845	2,734	23,435	**60,014**	550	**60,564**
Change in accounting policy (1)	-	-	(56)	**(56)**	-	**(56)**
Restated opening balance	33,845	2,734	23,379	**59,958**	550	**60,508**
Net profit after income tax from continuing operations	-	-	4,835	**4,835**	9	**4,844**
Net profit after income tax from discontinued operations	-	-	60	**60**	-	**60**
Net other comprehensive income from continuing operations	-	(582)	140	**(442)**	-	**(442)**
Net other comprehensive income from discontinued operations	-	2	-	**2**	-	**2**
Total comprehensive income for the period	-	(580)	5,035	**4,455**	9	**4,464**
Transactions with Equity holders in their capacity as Equity holders: (2)						
Dividends paid on ordinary shares	-	-	(3,808)	**(3,808)**	-	**(3,808)**
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**
Other changes	-	15	-	**15**	(8)	**7**
As at 31 December 2016	34,455	2,144	24,606	**61,205**	551	**61,756**
Net profit after income tax from continuing operations	-	-	4,890	**4,890**	11	**4,901**
Net profit after income tax from discontinued operations	-	-	143	**143**	4	**147**
Net other comprehensive income from continuing operations	-	(288)	32	**(256)**	-	**(256)**
Net other comprehensive income from discontinued operations	-	(23)	-	**(23)**	-	**(23)**
Total comprehensive income for the period	-	(311)	5,065	**4,754**	15	**4,769**
Transactions with Equity holders in their capacity as Equity holders: (2)						
Dividends paid on ordinary shares	-	-	(3,429)	**(3,429)**	-	**(3,429)**
Dividend reinvestment plan (net of issue costs)	557	-	-	**557**	-	**557**
Issue of shares (net of issue costs)	-	-	-	**-**	-	**-**
Share-based payments	-	57	-	**57**	-	**57**
Purchase of treasury shares	(65)	-	-	**(65)**	-	**(65)**
Sale and vesting of treasury shares	24	-	-	**24**	-	**24**
Other changes	-	(21)	32	**11**	(20)	**(9)**
As at 30 June 2017	34,971	1,869	26,274	**63,114**	546	**63,660**
Net profit after income tax from continuing operations	-	-	4,895	**4,895**	9	**4,904**
Net profit after income tax from discontinued operations	-	-	11	**11**	-	**11**
Net other comprehensive income from continuing operations	-	(313)	43	**(270)**	-	**(270)**
Net other comprehensive income from discontinued operations	-	(2)	-	**(2)**	-	**(2)**
Total comprehensive income for the period	-	(315)	4,949	**4,634**	9	**4,643**
Transactions with Equity holders in their capacity as Equity holders: (2)						
Dividends paid on ordinary shares	-	-	(3,979)	**(3,979)**	-	**(3,979)**
Dividend reinvestment plan (net of issue costs)	1,572	-	-	**1,572**	-	**1,572**
Issue of shares (net of issue costs)	164	-	-	**164**	-	**164**
Share-based payments	-	(49)	-	**(49)**	-	**(49)**
Purchase of treasury shares	(12)	-	-	**(12)**	-	**(12)**
Sale and vesting of treasury shares	81	-	-	**81**	-	**81**
Other changes	-	(11)	23	**12**	(1)	**11**
As at 31 December 2017	36,776	1,494	27,267	**65,537**	554	**66,091**

(1) Comparatives have been restated following a change in accounting policy to recognise deferred tax on Brand names acquired by the Group. Further details on the change are provided in Note 1.1.

(2) Current period and prior periods include discontinued operations.

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 2017

	Half Year Ended		
	31 Dec 17	30 Jun 17	31 Dec 16
	$M	$M	$M
Cash flows from operating activities before changes in operating assets and liabilities	**2,458**	11,413	3,008
Changes in operating assets and liabilities arising from cash flow movements	**(1,300)**	(5,392)	(9,836)
Net cash provided by/(used in) operating activities	**1,158**	6,021	(6,828)
Net cash used in investing activities	**(386)**	(206)	(471)
Dividends paid (excluding Dividend Reinvestment Plan)	**(2,398)**	(2,868)	(3,216)
Proceeds from issuance of debt securities	**34,760**	40,582	53,978
Redemption of issued debt securities	**(34,693)**	(43,993)	(37,765)
Proceeds from issue of shares (net of issue costs)	**-**	-	(6)
Other cash provided by financing activities	**1,644**	1,946	1,814
Net cash (used in)/provided by financing activities	**(687)**	(4,333)	14,805
Net increase in cash and cash equivalents	**85**	1,482	7,506
Effect of foreign exchange rates on cash and cash equivalents	**(27)**	(339)	21
Cash and cash equivalents at beginning of period	**23,117**	21,974	14,447
Cash and cash equivalents at end of period	**23,175**	23,117	21,974

(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.

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

Notes to the Financial Statements

1) Overview

1.1 General Information, Basis of Accounting, Future Accounting Developments

General Information

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

The Financial Statements of the Bank and its subsidiaries ("the Group") for the half year ended 31 December 2017, were approved and authorised for issue by the Board of Directors on 6 February 2018. 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.

In September 2017, the Group entered into an agreement to sell 100% of its life insurance businesses in Australia ("CommInsure Life") and New Zealand ("Sovereign") to AIA Group Limited ("AIA"). The sale is expected to be completed in calendar year 2018. The sale agreement also includes a 20 year partnership with AIA to distribute life insurance products to customers in Australia and New Zealand.

There have been no other 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 2017 has been prepared in accordance with the requirements of the Corporations Act and AASB 134 'Interim Financial Reporting' which ensures compliance with IAS 34 'Interim Financial Reporting'. The Group is a for-profit entity for the purpose of preparing this report.

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

As a result, this half year financial report should be read in conjunction with the 2017 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 and the ASX Listing Rules.

The amounts contained in this half year 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.

Change in Accounting Policies

Previously, the Group did not recognise deferred tax on the Bankwest brand acquired through a business combination in 2008 (carrying value $186 million at 30 June 2017) due to the brand having an indefinite useful life and its carrying value was expected to be realised through sale.

In November 2016 the IFRS Interpretations Committee ("IFRIC") published an agenda decision concluding that an entity cannot assume that the carrying value of an intangible asset with an indefinite useful life will be recovered through sale.

As a result, the expected manner of recovery in relation to the Bankwest brand has changed to being realised through use given that there is no planned, expected or potential sale of Bankwest in the near future.

Therefore, the Group has retrospectively changed its accounting policy for the accounting of deferred tax on the Bankwest brand. The impact of the change resulted in a decrease in opening retained earnings of $56 million with a corresponding increase in deferred tax liabilities. Deferred tax liabilities have been offset against deferred tax assets. There is no impact on profit.

Except as outlined above the accounting policies adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the 2017 Financial Report.

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.

Discontinued operations are excluded from the results of the continuing operations and are presented as a single line item "net profit after tax from discontinued operations" in the Consolidated Income Statement.

Assets and Liabilities of discontinued operations have been presented separately as held for sale on the Balance Sheet as at 31 December 2017.

Future Accounting Developments

AASB 9 'Financial Instruments'

In December 2014, the AASB issued the Australian Accounting Standard AASB 9 which will replace AASB 139 'Financial Instruments: Recognition and Measurement'. The standard covers three broad topics: Impairment, Classification and Measurement and Hedging. The Group is required to adopt the standard from 1 July 2018 and does not intend to restate comparative information on initial application of AASB 9 but will provide detailed transitional disclosures in accordance with the revised requirements of AASB 7 in the 2018 Annual Report.

Set out below is an overview of the key accounting changes, the Group's implementation approach and the pro-forma financial impacts of AASB 9.

1.1 General Information, Basis of Accounting, Future Accounting Developments (continued)

Impairment

The adoption of AASB 9 will have a significant impact on the Group's impairment methodology. The AASB 9 expected credit loss ("ECL") model is forward looking and replaces the existing incurred loss approach. The ECL impairment model represents expected credit losses based on unbiased forward looking information.

The AASB 9 credit impairment requirements apply to all financial assets measured at amortised cost, lease receivables, debt instruments measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts.

The ECL model uses a three stage approach to loss recognition. Financial assets may migrate through these stages based on a change in credit risk since origination:

Stage 1 – 12 months ECL - Performing

On origination of a financial asset a provision equivalent to 12 months expected credit losses is recognised.

Stage 2 – Lifetime ECL – Underperforming

Financial assets that have experienced a significant increase in credit risk since origination recognise a provision equivalent to lifetime expected losses.

Stage 3 – Lifetime ECL – Non-performing

Financial assets with objective evidence of impairment recognise a provision equivalent to lifetime expected credit losses.

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

Key management judgements and assumptions include the following:

Significant increase in credit risk

Significant increase in credit risk for a financial asset is assessed by comparing the risk of default occurring over the expected life of the financial asset at reporting date to the corresponding risk of default at origination. In determining what constitutes a significant increase in credit risk the Group has considered reasonable and supportable qualitative and quantitative information. For the majority of portfolios the primary indicator of a significant increase in credit risk is a significant deterioration in the internal credit rating grade of a facility between origination and reporting date. The Group will also use a range of secondary indicators, such as, 30 days past due arrears data. Secondary indicators will be used as backstops only.

ECL Measurement and Forward-looking information

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

The Group has developed and tested AASB 9 compliant models to address material portfolios. The AASB 9 models multiply the following credit risk factors to calculate ECL:

- Probability of default (PD): The likelihood that a debtor fails to meet an obligation or contractual commitment;
- Exposure at default (EAD): Expected balance sheet exposure at default; and
- Loss given default (LGD): The amount that is not expected to be recovered following default.

These credit risk factors will be point in time estimates based on current economic conditions. They are then adjusted to include the impact of multiple probability weighted forward looking economic scenarios.

The Group intends to consider four alternative macroeconomic scenarios to ensure a sufficient unbiased representative sample is included in estimating ECL. The Group's Loan Loss Provisioning Committee ("LLPC") will be responsible for approving forecast economic scenarios and their associated probability weights.

Where applicable management adjustments may be made to account for situations where known or expected risks and information has not been considered in the modelling process. The LLPC will be responsible for approving such adjustments.

The Group's loan loss provisions, loan impairment expense and any areas of judgement will be reported to the Group's Board Audit Committee.

Classification and measurement

The Group is required to differentiate between financial asset debt instruments and financial asset equity instruments under AASB 9.

Financial asset debt instruments

There are three classifications of financial asset debt instruments under AASB 9:

- *Amortised Cost:* Financial assets with contractual cash flows that comprise the payment of principal and interest only and which are held in a business model whose objective is to collect their cash flows are measured at amortised cost.
- *Fair value through other comprehensive income (FVOCI):* Financial assets with contractual cash flows that comprise the payment of principal and interest only and which are held in a business model whose objective is to both collect their cash flows and sell them are measured at FVOCI.
- *Fair value through profit or loss (FVTPL):* Other financial assets are measured at FVTPL.

Financial asset equity instruments

Similar to AASB 139, AASB 9 requires investments in financial asset equity instruments to be measured at FVTPL but permits non-traded equity investments to be designated at FVOCI on an instrument by instrument basis. Unlike AASB 139, should this election be made under AASB 9, gains or losses are not reclassified from other comprehensive income to profit or loss on disposal of the investment. However, the gain or losses may be reclassified within equity.

Notes to the Financial Statements

1.1 General Information, Basis of Accounting, Future Accounting Developments (continued)

Hedge accounting

The AASB 9 hedge accounting model introduces improvements by more closely aligning accounting with risk management and increases the eligibility of both hedge instruments and hedged items for hedge accounting. Adoption of the new hedge accounting model is optional and the current hedge accounting requirements under AASB 139 can continue to apply until the IASB completes its accounting for the dynamic risk management project. The Group will apply the new hedge accounting requirements from 1 July 2018.

AASB 9 Implementation Program

In November 2015 the Group established AASB 9 Program (the "Program") to ensure a high quality implementation of AASB 9. The Program is jointly owned by Finance and Risk with a steering committee comprising senior management to provide oversight. Progress on each of the areas is set out below:

Impairment

The Group has developed and tested AASB 9 models to address material portfolios. The Group is currently focusing on parallel runs of the ECL models which include testing, calibration and analysis of models, processes and outputs. The Group is in the process of implementing changes required to finance systems and controls to ensure the Group's financial assets can be measured and presented in line with the new requirements.

Classification and Measurement

The Group has completed the accounting analysis of the Group's financial assets as at 30 June 2017. The Group is in the process of implementing changes to finance systems and controls required to ensure financial asset measurement and presentation will be compliant with external reporting requirements.

Hedging

Implementation of AASB 9's hedge accounting requirements has largely been completed by the Group. The key benefits of adopting AASB 9 hedging for the Group include simplification of hedge accounting, improved alignment to underlying risk management strategies and increased designation of hedge relationships as the types of allowable hedged items and instruments have been expanded.

Impacts of AASB 9 on the Group

Impairment

The Group will not restate prior period comparative balances on adoption of the new standard. The adjustments will be recognised against opening 1 July 2018 retained earnings.

The Group's current estimate of the opening balance sheet adjustment, if applied on 1 July 2017 based on the economic conditions, forecast economic scenarios, management judgements and assumptions as at 1 July 2017, is an increase in impairment provisions of approximately $0.85 billion before tax. This would result in a corresponding decrease in shareholders' equity of approximately $0.6 billion after tax. The increase in impairment provisions under AASB 9 is mainly driven by the requirement to hold provisions equivalent to lifetime expected losses for all loans that have experienced a significant increase in credit risk since origination and the impact of forward looking factors on expected credit losses estimates. Under AASB 139, provisions are only held for incurred losses on the portfolio and forward looking factors are not considered.

Classification and Measurement

The Group's current estimate of the impact of the classification and measurement requirement, if applied on 1 July 2017, is as follows:

- A reclassification of approximately $10 billion from the High Quality Liquid Assets book ('HQLA'), currently measured as Available-for-Sale (AFS) under AASB 139 to Amortised Cost under AASB 9. On transition to AASB 9, this portfolio will be restated to amortised cost with any unrealised gains/losses currently held in OCI reversed on 1 July 2018.
- A reclassification of an equity AFS security to FVTPL debt security with an immaterial impact on retained earnings on transition to AASB 9.

Hedging

Adoption of AASB 9's hedge accounting requirements is not expected to have a material impact on the Group. As AASB 9's hedging requirements are applied prospectively, there will be no impact to retained earnings on transition.

Other accounting developments

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

2) Our Performance

Overview

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

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

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

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

2.1 Net Interest Income

	Half Year Ended (1)		
	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M
Interest Income			
Loans and bills discounted	**15,831**	15,277	15,446
Other financial institutions	**91**	93	59
Cash and liquid assets	**192**	203	118
Assets at fair value through Income Statement	**234**	260	230
Available-for-sale investments	**831**	786	821
Total interest income	**17,179**	16,619	16,674
Interest Expense			
Deposits	**5,088**	5,212	5,307
Other financial institutions	**200**	174	126
Liabilities at fair value through Income Statement	**73**	35	67
Debt issues	**1,999**	2,014	2,145
Loan capital	**386**	358	321
Bank levy	**180**	-	-
Total interest expense	**7,926**	7,793	7,966
Net interest income	**9,253**	8,826	8,708

(1) Information has been restated and presented on a continuing operations basis. Refer to Appendix 4.9 to this Document for further details.

Accounting Policies

Interest income and interest expense on financial assets and liabilities are measured using the effective interest rate method. The effective interest rate method calculates the amortised cost of a financial instrument and allocates the interest income or interest expense over the expected life of the financial instrument.

Fees, transaction costs and issue costs integral to the financial assets and liabilities are capitalised and included in the interest recognised over the expected life of the instrument.

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

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

2.2 Non-interest Income

	Half Year Ended [1]		
	31 Dec 17	30 Jun 17	31 Dec 16
	$M	$M	$M
Other Operating Income			
Lending fees	**558**	545	533
Commissions [2]	**1,333**	1,271	1,286
Trading income	**556**	549	600
Net gain/(loss) on non-trading financial instruments [3]	**139**	59	374
Net gain/(loss) on sale of property, plant and equipment	**(2)**	(1)	7
Net gain/(loss) from hedging ineffectiveness	**7**	23	39
Dividends	**3**	5	5
Net funds management operating income	**1,047**	987	941
Insurance contracts income	**141**	65	166
Share of profit from associates and joint ventures net of impairment	**193**	138	154
Other [4]	**109**	82	32
Total other operating income	**4,084**	3,723	4,137
Total net operating income before impairment and operating expenses	**13,337**	12,549	12,845

(1) Information has been restated and presented on a continuing operations basis. Refer to Appendix 4.9 to this Document for further details.
(2) The half year ended 31 December 2017 includes $84 million in commissions from the consolidation of AHL Holdings Pty Ltd (trading as Aussie Home Loans) as the Group acquired the remaining 20% share on 25 August 2017.
(3) The half year ended 31 December 2016 included a $397 million gain on sale of the Group's remaining investment in Visa Inc.
(4) Includes depreciation of $39 million (30 June 2017: $43 million; 31 December 2016: $45 million), and nil impairment (30 June 2017: nil; 31 December 2016: $6 million) in relation to assets held for lease by the Group.

Accounting Policies

Fees and commission income includes:

- Facility fees earned for managing and administering credit and other facilities for customers, which is recognised over the service period;
- Commitment fees to originate a loan that is unlikely to be drawn down are recognised when the commitment is issued; and
- Fee income earned for providing advisory or arrangement services, placement and underwriting services, which is recognised when the related service is completed.

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

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

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

Net gain/(loss) from hedging ineffectiveness is measured on fair value, cash flow and net investment hedges.

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

Net funds management operating income includes fees earned where the Group acts as the Responsible Entity, Trustee or Manager for a number of wholesale, superannuation, and investment funds or trusts. Management fees are recognised over the service period. Performance fees are recognised when it is probable the revenue will be received.

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

The Group recognises its share of the profits or losses of associate or joint venture investments, less any dividends received or impairment recognised.

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

2.3 Operating Expenses

	Half Year Ended (1)		
	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M
Staff Expenses			
Salaries and related on-costs	**2,782**	2,721	2,721
Share-based compensation	**63**	60	60
Superannuation	**214**	266	215
Total staff expenses	**3,059**	3,047	2,996
Occupancy and Equipment Expenses			
Operating lease rentals	**332**	324	323
Depreciation of property, plant and equipment	**145**	141	140
Other occupancy expenses	**97**	93	93
Total occupancy and equipment expenses	**574**	558	556
Information Technology Services			
Application, maintenance and development	**265**	255	189
Data processing	**101**	100	100
Desktop	**82**	87	98
Communications	**75**	95	89
Amortisation of software assets (2)	**192**	157	605
Software write-offs	**10**	6	-
IT equipment depreciation	**31**	28	21
Total information technology services	**756**	728	1,102
Other Expenses			
Postage and stationery	**94**	88	95
Transaction processing and market data	**90**	89	96
Fees and commissions:			
Professional fees	**339**	224	167
Other	**78**	32	42
Advertising, marketing and loyalty	**244**	237	192
Amortisation of intangible assets (excluding software and merger related amortisation)	**3**	4	7
Non-lending losses (3)	**422**	71	53
Other	**105**	117	168
Total other expenses	**1,375**	862	820
Total operating expenses (4)	**5,764**	5,195	5,474
Investment and Restructuring			
Merger related amortisation (5)	**2**	2	2
Total investment and restructuring	**2**	2	2
Total operating expenses	**5,766**	5,197	5,476

(1) Information has been restated and presented on a continuing operations basis. Refer to Appendix 4.9 to this Document for further details.
(2) The half year ended 31 December 2016 included a $393 million one-off expense for acceleration of amortisation on certain software assets.
(3) The half year ended 31 December 2017 includes a $375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC Proceedings (see Note 7.2 to the Financial Statements included in this Document, Appendix 5 to this Document and the Recent Developments Reports for further information).
(4) The half year ended 31 December 2017 includes a $71 million expense following the consolidation of AHL Holdings Pty Ltd (trading as Aussie Home Loans) as the Group acquired the remaining 20% share on 25 August 2017.
(5) Merger related amortisation relates to Bankwest core deposits and customer lists.

2.3 Operating Expenses (continued)

Accounting Policies

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

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

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

Occupancy and equipment expenses include depreciation which is calculated using the straight line method over the asset's estimated useful economic life and operating lease rentals which are recognised on a straight line basis over the lease term.

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

Operating expenses are recognised as the relevant service is rendered or once a liability is incurred.

2.4 Financial Reporting by Segments

The principal activities of the Group are carried out in the business segments below. These segments are based on the distribution channels through which the customer relationship is being managed. Business segments are managed on the basis of net profit after income tax ("cash basis"). During the 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 include the impact of the announced migration of relationship managed customers outside Western Australia from Bankwest to Business and Private Banking. 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 affected segments.

	Half Year Ended 31 December 2017 (1)							
	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
Net interest income	4,952	1,694	737	-	849	778	243	**9,253**
Other banking income	1,039	517	679	-	186	107	166	**2,694**
Total banking income	5,991	2,211	1,416	-	1,035	885	409	**11,947**
Funds management income	-	-	-	987	50	-	2	**1,039**
Insurance income	-	-	-	82	-	-	54	**136**
Total operating income	5,991	2,211	1,416	1,069	1,085	885	465	**13,122**
Investment experience (2)	-	-	-	11	-	-	2	**13**
Total income	5,991	2,211	1,416	1,080	1,085	885	467	**13,135**
Operating expenses	(1,846)	(789)	(542)	(707)	(391)	(368)	(1,121)	**(5,764)**
Loan impairment expense	(356)	(49)	(105)	-	(23)	(30)	(33)	**(596)**
Net profit before tax	3,789	1,373	769	373	671	487	(687)	**6,775**
Corporate tax (expense)/benefit	(1,136)	(413)	(178)	(92)	(188)	(148)	124	**(2,031)**
Non-controlling interests	-	-	-	-	-	-	(9)	**(9)**
Net profit after tax from continuing operations - "cash basis"	2,653	960	591	281	483	339	(572)	**4,735**
Net profit after tax from discontinued operations	-	-	-	94	49	-	(7)	**136**
Net profit after tax - "cash basis" (3)	2,653	960	591	375	532	339	(579)	**4,871**
Hedging and IFRS volatility	-	-	-	-	106	-	(10)	**96**
Gain/ (loss) on disposal and acquisition of entities net of transaction costs	58	-	-	-	-	-	(115)	**(57)**
Other non-cash items	-	-	-	(3)	-	(1)	-	**(4)**
Net profit after tax - "statutory basis"	2,711	960	591	372	638	338	(704)	**4,906**
Additional information								
Amortisation and depreciation	(105)	(52)	(59)	(12)	(36)	(13)	(96)	**(373)**
Balance Sheet								
Total assets	362,415	115,423	165,273	20,026	85,420	80,048	133,325	**961,930**
Total liabilities	258,136	87,588	151,660	24,887	78,917	55,820	238,831	**895,839**

(1) Information has been presented on a continuing operations basis.
(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 ($96 million gain), transaction and separation costs associated with the disposal of CommInsure Life and Sovereign ($122 million),a gain recognised on acquisition of AHL ($58 million), a gain on sale of County Banks ($11 million), a loss due to the dilution of the Group's interest in Qilu Bank Co. Ltd ($4 million), Bankwest non-cash items ($1 million expense) and treasury shares valuation adjustment ($3 million expense).

2.4 Financial Reporting by Segments (continued)

	Half Year Ended 31 December 2016 (1)							
	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
Net interest income	4,579	1,612	769	-	826	733	191	**8,710**
Other banking income (2)	1,006	486	719	-	159	100	548	**3,018**
Total banking income	5,585	2,098	1,488	-	985	833	739	**11,728**
Funds management income	-	-	-	899	45	-	(1)	**943**
Insurance income	-	-	-	108	-	-	54	**162**
Total operating income	5,585	2,098	1,488	1,007	1,030	833	792	**12,833**
Investment experience (3)	-	-	-	5	-	-	(3)	**2**
Total income	5,585	2,098	1,488	1,012	1,030	833	789	**12,835**
Operating expenses (4)	(1,733)	(787)	(551)	(727)	(396)	(367)	(913)	**(5,474)**
Loan impairment expense	(352)	(55)	(44)	-	(47)	(50)	(51)	**(599)**
Net profit before tax	3,500	1,256	893	285	587	416	(175)	**6,762**
Corporate tax (expense)/benefit	(1,047)	(378)	(212)	(74)	(164)	(126)	76	**(1,925)**
Non-controlling interests	-	-	-	-	-	-	(9)	**(9)**
Net profit after tax from continuing operations - "cash basis"	2,453	878	681	211	423	290	(108)	**4,828**
Net profit after tax from discontinued operations	-	-	-	37	42	-	-	**79**
Net profit after tax - "cash basis" (5)	2,453	878	681	248	465	290	(108)	**4,907**
Hedging and IFRS volatility	-	-	-	-	2	-	6	**8**
Gain/ (loss) on disposal and acquisition of entities net of transaction costs	-	-	-	-	-	-	-	**-**
Other non-cash items	-	-	-	(19)	-	(1)	-	**(20)**
Net profit after tax - "statutory basis"	2,453	878	681	229	467	289	(102)	**4,895**
Additional information								
Amortisation and depreciation	(121)	(59)	(63)	(8)	(37)	(13)	(474)	**(775)**
Balance Sheet								
Total assets	346,786	113,636	177,302	21,862	86,085	75,532	150,460	**971,663**
Total liabilities	248,689	82,997	154,811	26,975	79,058	50,356	267,021	**909,907**

(1) Comparative information has been restated to be presented on a continuing operations basis, to reflect the migration of customers from Bankwest to Business and Private Banking, to reflect refinements to the allocation of customer balances, revenue and expense methodology including updated transfer pricing allocations and recognise deferred tax on Brand names acquired by the Group following a change in accounting policy. Refer to Appendix 4.9 to this Document for further details.

(2) IFS and Other includes a $397 million gain on sale of the Group's remaining investment in Visa Inc.

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

(4) IFS and Other includes a $393 million one-off expense for acceleration of amortisation on certain software assets.

(5) 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 adjustments ($19 million expense).

2.4 Financial Reporting by Segments (continued)

Geographical Information Financial Performance and Position	Half Year Ended (1) 31 Dec 17 $M	 31 Dec 17 %	 31 Dec 16 $M	 31 Dec 16 %
Income				
Australia	**17,920**	**84. 3**	17,592	84. 6
New Zealand	**2,231**	**10. 5**	2,233	10. 7
Other locations (2)	**1,112**	**5. 2**	986	4. 7
Total Income	**21,263**	**100. 0**	20,811	100. 0
Non-Current Assets				
Australia	**13,046**	**90. 5**	15,557	91. 8
New Zealand	**996**	**6. 9**	1,047	6. 2
Other locations (2)	**381**	**2. 6**	332	2. 0
Total non-current assets (3)	**14,423**	**100. 0**	16,936	100. 0

(1) Information has been restated and presented on a continuing operations basis. Discontinued operations include the Group's life insurance businesses in Australia and New Zealand.
(2) Other locations include: United Kingdom, United States, Japan, Singapore, Malta, Hong Kong, Indonesia, China, 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.

2.5 Income Tax Expense

	Half Year Ended [1]		
	31 Dec 17	30 Jun 17	31 Dec 16
	$M	$M	$M
Profit before income tax	**6,975**	6,856	6,770
Prima facie income tax at 30%	**2,093**	2,057	2,031
Effect of amounts which are non-deductible/(assessable) in calculating taxable income:			
Taxation offsets and other dividend adjustments	**(7)**	(5)	(6)
Tax losses not previously brought to account	**-**	24	(80)
Offshore tax rate differential	**(34)**	(38)	(35)
Offshore banking unit	**(22)**	(21)	(21)
Effect of changes in tax rates	**15**	2	2
Income tax under/(over) provided in previous years	**(72)**	(73)	7
Non-deductible expense provision [2]	**112**	-	-
Other	**(14)**	9	28
Total income tax expense	**2,071**	1,955	1,926
Corporate tax expense	**2,071**	1,955	1,926
Total income tax expense	**2,071**	1,955	1,926
Effective tax rate (%)	**29. 7**	28. 5	28. 4

(1) Information has been presented on a continuing operations basis including restatements to the prior periods. Discontinued operations include the Group's life insurance businesses in Australia and New Zealand.

(2) The Group has provided for a civil penalty in the amount of $375 million and this amount is non-deductible for tax purposes. The Group believes this to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC Proceedings (see Note 7.2 to the Financial Statements included in this Document, Appendix 5 to this Document and the Recent Developments Reports for further information).

Accounting Policies

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

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

Deferred tax is calculated using the Balance Sheet method where temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base are recognised.

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

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

Critical accounting judgements and estimates

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

3) Our Lending Activities

Overview

Lending is the Group's primary business activity, generating most of its net interest income and lending fees. The Group satisfies customers' needs for borrowed funds by providing a broad range of lending products in Australia, New Zealand and other jurisdictions.

This section provides details of the Group's lending portfolio by type of product and geographical regions.

3.1 Loans, Bills Discounted and Other Receivables

	As at		
	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M
Australia			
Overdrafts	**25,575**	24,385	22,813
Home loans	**443,953**	436,184	423,163
Credit card outstandings	**12,215**	12,073	12,280
Lease financing	**4,500**	4,302	4,305
Bills discounted	**5,830**	7,486	7,993
Term loans and other lending	**147,767**	149,506	146,526
Total Australia	**639,840**	633,936	617,080
New Zealand			
Overdrafts	**1,130**	1,091	1,027
Home loans	**47,874**	48,724	48,347
Credit card outstandings	**1,006**	960	997
Lease financing	**25**	28	30
Term loans and other lending	**26,268**	26,912	26,207
Total New Zealand	**76,303**	77,715	76,608
Other Overseas			
Overdrafts	**468**	454	473
Home loans	**861**	949	1,022
Lease financing	**4**	8	18
Term loans and other lending	**23,620**	23,477	22,609
Total Other Overseas	**24,953**	24,888	24,122
Gross loans, bills discounted and other receivables	**741,096**	736,539	717,810
Less:			
Provisions for Loan Impairment:			
Collective provision	**(2,749)**	(2,722)	(2,782)
Individually assessed provisions	**(974)**	(971)	(1,007)
Unearned income:			
Term loans	**(677)**	(681)	(689)
Lease financing	**(380)**	(403)	(427)
	(4,780)	(4,777)	(4,905)
Net loans, bills discounted and other receivables	**736,316**	731,762	712,905

3.1 Loans, Bills Discounted and Other Receivables (continued)

Accounting Policy

Loans, bills discounted and other receivables are non-derivative financial assets, with fixed and determinable payments that are not quoted in an active market. Loans, bills discounted and other receivables include overdrafts, home loans, credit card and other personal lending, term loans, bill financing, securities, finance leases, and receivables due from other financial institutions (including loans, deposits with regulatory authorities and settlement account balances due from other banks).

Loans and receivables are recognised on settlement date, when funding is advanced to the borrowers. The loans and receivables are initially recognised at their fair value plus directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method and are presented net of provisions for impairment. For the accounting policy for provisions for impairment, please refer to section 6.1.

Discounted bills are included in this category due to their financing nature, however they meet the definition of a trading asset. They are measured at fair value through the Income Statement with directly attributable transaction costs expensed.

As a lessor, the assets the Group has leased out under finance leases are recognised as lease receivables on the Balance Sheet at an amount equal to the net investment in the lease.

4) Our Deposits and Funding Activities

Overview

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

Our main sources of funding include customer deposits and term funds raised in domestic and offshore wholesale markets via issuing debt securities and loan capital. The Group also relies on repurchase agreements as a source of short-term wholesale funding.

This section provides details of the Group's customer deposits by type of product and geography.

4.1 Deposits and Other Public Borrowings

	As at		
	31 Dec 17	30 Jun 17	31 Dec 16
	$M	$M	$M
Australia			
Certificates of deposit	**35,871**	39,854	41,018
Term deposits	**155,471**	158,453	151,263
On-demand and short-term deposits	**300,492**	293,579	286,407
Deposits not bearing interest	**43,929**	41,787	37,833
Securities sold under agreements to repurchase	**12,270**	16,175	13,015
Total Australia	**548,033**	549,848	529,536
New Zealand			
Certificates of deposit	**2,162**	2,409	2,521
Term deposits	**27,919**	27,396	24,560
On-demand and short-term deposits	**20,758**	21,530	23,082
Deposits not bearing interest	**4,244**	3,847	3,784
Total New Zealand	**55,083**	55,182	53,947
Other Overseas			
Certificates of deposit	**8,798**	10,087	9,343
Term deposits	**10,962**	8,912	10,694
On-demand and short-term deposits	**1,962**	2,482	2,507
Deposits not bearing interest	**59**	49	64
Securities sold under agreements to repurchase	**-**	95	-
Total Other Overseas	**21,781**	21,625	22,608
Total deposits and other public borrowings	**624,897**	626,655	606,091

Accounting Policy

Deposits from customers include certificates of deposit, term deposits, savings deposits, other demand deposits and debentures. Deposits are initially recognised at their fair value less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost.

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

5) Our Capital, Equity and Reserves

Overview

The Group maintains a strong capital position in order to satisfy regulatory capital requirements, provide financial security to its depositors and creditors and adequate return to its shareholders. The Group's Shareholders' Equity includes issued ordinary shares, retained earnings and reserves.

This section provides analysis of the Group's Shareholder's Equity including changes during the period.

5.1 Shareholders' Equity

	Half Year Ended		
	31 Dec 17	30 Jun 17	31 Dec 16
	$M	$M	$M
Ordinary Share Capital			
Shares on issue:			
Opening balance	**35,266**	34,709	34,129
Issue of shares (net of issue costs) [1]	**164**	-	(6)
Dividend reinvestment plan (net of issue costs) [2]	**1,572**	557	586
	37,002	35,266	34,709
Less treasury shares:			
Opening balance	**(295)**	(254)	(284)
Purchase of treasury shares [3]	**(12)**	(65)	(27)
Sale and vesting of treasury shares [3]	**81**	24	57
	(226)	(295)	(254)
Closing balance	**36,776**	34,971	34,455
Retained Profits			
Opening balance [4]	**26,274**	24,606	23,379
Actuarial gains from defined benefit superannuation plans	**44**	33	142
Losses on liabilities at fair value due to changes in own credit risk	**(1)**	(1)	(2)
Realised gains and dividend income on treasury shares	**12**	11	15
Operating profit attributable to Equity holders of the Bank	**4,906**	5,033	4,895
Total available for appropriation	**31,235**	29,682	28,429
Transfers from/(to) general reserve	**5**	54	(21)
Transfers from asset revaluation reserve	**6**	(33)	6
Transfers to employee compensation reserve	**-**	-	-
Interim dividend - cash component	**-**	(2,871)	-
Interim dividend - dividend reinvestment plan [2]	**-**	(558)	-
Final dividend - cash component	**(2,406)**	-	(3,222)
Final dividend - dividend reinvestment plan [2]	**(1,573)**	-	(586)
Closing balance	**27,267**	26,274	24,606

(1) During the period shares issued relate to the acquisition of the remaining 20% interest in AHL Holdings Pty Ltd.

(2) The determined dividend includes an amount attributable to Dividend Reinvestment Plan (DRP) of $1,573 million (final 2016/2017), $558 million (interim 2016/2017) and $586 million (final 2015/2016) with $1,572 million, $557 million and $586 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) Comparatives have been restated following a change in accounting policy to recognise deferred tax on Brand names acquired by the Group. Further details on the change are provided in Note 1.1.

5.1 Shareholders' Equity (continued)

Accounting Policy

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

5.1 Shareholders' Equity (continued)

	Half Year Ended		
	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M
Reserves			
General Reserve			
Opening balance	**906**	960	939
Appropriation (to)/from retained profits	**(5)**	(54)	21
Closing balance	**901**	906	960
Asset Revaluation Reserve			
Opening balance	**223**	167	173
Revaluation of properties	**-**	32	-
Transfer to retained profits	**(6)**	33	(6)
Tax on revaluation of properties	**-**	(9)	-
Closing balance	**217**	223	167
Foreign Currency Translation Reserve			
Opening balance	**457**	822	739
Currency translation adjustments of foreign operations	**(247)**	(384)	69
Currency translation of net investment hedge	**17**	5	9
Tax on translation adjustments	**(5)**	14	5
Closing balance	**222**	457	822
Cash Flow Hedge Reserve			
Opening balance	**(107)**	(47)	473
Gains and (losses) on cash flow hedging instruments:			
Recognised in other comprehensive income	**(242)**	(251)	(1,031)
Transferred to Income Statement:			
Interest income	**(494)**	(563)	(678)
Interest expense	**675**	724	960
Tax on cash flow hedging instruments	**17**	30	229
Closing balance	**(151)**	(107)	(47)
Employee Compensation Reserve			
Opening balance	**164**	107	132
Current period movement	**(49)**	57	(25)
Closing balance	**115**	164	107
Available-for-sale Investments Reserve			
Opening balance	**226**	135	278
Net gains and (losses) on revaluation of available-for-sale investments	**(69)**	173	241
Net (gains) and losses on available-for-sale investments transferred to Income Statement on disposal	**20**	(27)	(437)
Tax on available-for-sale investments	**13**	(55)	53
Closing balance	**190**	226	135
Total Reserves	**1,494**	1,869	2,144
Shareholders' Equity attributable to Equity holders of the Bank	**65,537**	63,114	61,205
Shareholders' Equity attributable to Non-controlling interests	**554**	546	551
Total Shareholders' Equity	**66,091**	63,660	61,756

5.1 Shareholders' Equity (continued)

Accounting Policy

The general reserve is derived from revenue profits and is available for dividend payments except for undistributable profits in respect of the Group's life insurance businesses.

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

The foreign currency translation reserve accumulates exchange differences arising on translation of the Group's foreign operations. The cumulative amount is reclassified to profit or loss when the foreign investment is disposed of or wound up.

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

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

The available-for-sale investment reserve includes changes in the fair value of available-for-sale financial assets. These changes are transferred to profit or loss when the asset is derecognised or impaired.

Non-controlling interests in the equity of subsidiaries are shown separately in the consolidated Balance Sheet.

6) Asset Quality and Fair Value

Overview

As a result of its lending activities the Group assumes credit risk arising from the potential that borrowers will fail to meet their obligations in accordance with agreed lending terms. This section provides analysis of the credit quality of the Group's lending portfolio and the related impairment provisions.

The Group holds a range of financial instruments as a result of its Lending, Investing and Funding activities. Some of the financial instruments are actively traded on stock exchanges or in over-the-counter markets whilst others do not have liquid markets. This section provides information about fair values of the Group's financial instruments including description of valuation methodologies used and classification of financial instruments according to liquidity and observability of inputs used in deriving the fair values.

6.1 Provisions for Impairment and Asset Quality

	As at 31 December 2017				
	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	317,389	4,222	717	101,247	**423,575**
Pass Grade	152,117	14,825	7,793	108,909	**283,644**
Weak	9,149	3,090	162	2,934	**15,335**
Total loans which were neither past due nor impaired	478,655	22,137	8,672	213,090	**722,554**
Loans which were past due but not impaired					
Past due 1 - 29 days	6,787	817	165	1,287	**9,056**
Past due 30 - 59 days	1,986	219	79	200	**2,484**
Past due 60 - 89 days	912	131	15	110	**1,168**
Past due 90 - 179 days	1,153	14	2	137	**1,306**
Past due 180 days or more	1,096	9	-	249	**1,354**
Total loans past due but not impaired	11,934	1,190	261	1,983	**15,368**

(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.

6.1 Provisions for Impairment and Asset Quality (continued)

	As at 30 June 2017				
	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	311,666	4,249	310	101,103	**417,328**
Pass Grade	152,565	15,718	7,610	109,121	**285,014**
Weak	8,725	3,416	164	3,670	**15,975**
Total loans which were neither past due nor impaired	472,956	23,383	8,084	213,894	**718,317**
Loans which were past due but not impaired					
Past due 1 - 29 days	6,627	831	87	1,402	**8,947**
Past due 30 - 59 days	1,860	225	61	160	**2,306**
Past due 60 - 89 days	975	136	25	119	**1,255**
Past due 90 - 179 days	1,177	16	2	156	**1,351**
Past due 180 days or more	1,066	9	-	243	**1,318**
Total loans past due but not impaired	11,705	1,217	175	2,080	**15,177**

	As at 31 December 2016 [2]				
	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	638	98,093	**404,648**
Pass Grade	151,134	14,661	7,383	107,422	**280,600**
Weak	8,533	3,210	183	3,769	**15,695**
Total loans which were neither past due nor impaired	461,020	22,435	8,204	209,284	**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**

(1) Included in these balances are credit card facilities and other unsecured portfolio managed facilities up to 90 days past due. At 90 days past due all unsecured portfolio managed facilities are classified as impaired.
(2) Comparative information has been restated to conform to presentation in the current period, and the 30 June 2017 period following enhancements to methodology disclosed at 30 June 2017.

6.1 Provisions for Impairment and Asset Quality (continued)

	Half Year Ended		
	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M
Movement in gross impaired assets			
Gross impaired assets - opening balance	**3,187**	3,375	3,116
New and increased	**1,254**	970	1,194
Balances written off	**(538)**	(641)	(584)
Returned to performing or repaid (1)	**(867)**	(1,071)	(689)
Portfolio managed - new/increased/return to performing/repaid (1)	**331**	554	338
Gross impaired assets - closing balance (2)	**3,367**	3,187	3,375

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
(2) Includes $3,174 million of loans and advances and $193 million of other financial assets (30 June 2017: $3,045 million of loans and advances and $142 million of other financial assets; 31 December 2016: $3,165 million of loans and advances and $210 million of other financial assets).

	As at		
	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M
Impaired assets by size of asset			
Less than $1 million	**1,412**	1,452	1,300
$1 million to $10 million	**860**	926	948
Greater than $10 million	**1,095**	809	1,127
Gross impaired assets	**3,367**	3,187	3,375
Less total provisions for impaired assets (1)	**(1,160)**	(1,149)	(1,182)
Net impaired assets	**2,207**	2,038	2,193

(1) Includes $978 million of individually assessed provision and $182 million of collective provisions (30 June 2017: $980 million of individually assessed provisions and $169 million of collective provisions; 31 December 2016: $1,017 million of individually assessed provisions and $165 million of collective provisions).

6.1 Provisions for Impairment and Asset Quality (continued)

	Half Year Ended		
	31 Dec 17	30 Jun 17	31 Dec 16
	$M	$M	$M
Provision for impairment losses			
Collective provision			
Opening balance	**2,747**	2,807	2,818
Net collective provision funding	**385**	293	324
Impairment losses written off	**(433)**	(451)	(443)
Impairment losses recovered	**104**	103	107
Other	**(31)**	(5)	1
Closing balance	**2,772**	2,747	2,807
Individually assessed provisions			
Opening balance	**980**	1,017	944
Net new and increased individual provisioning	**370**	300	370
Write-back of provisions no longer required	**(159)**	(97)	(95)
Discount unwind to interest income	**(14)**	(15)	(16)
Impairment losses written off	**(235)**	(247)	(207)
Other	**36**	22	21
Closing balance	**978**	980	1,017
Total provisions for impairment losses	**3,750**	3,727	3,824
Less: Provision for Off Balance Sheet exposures	**(27)**	(34)	(35)
Total provisions for loan impairment	**3,723**	3,693	3,789

	As at		
	31 Dec 17	30 Jun 17	31 Dec 16
	%	%	%
Provision ratios			
Total provisions for impaired assets as a % of gross impaired assets	**34. 45**	36. 05	35. 02
Total provisions for impairment losses as a % of gross loans and acceptances	**0. 51**	0. 51	0. 53

	Half Year Ended		
	31 Dec 17	30 Jun 17	31 Dec 16
	$M	$M	$M
Loan impairment expense			
Net collective provision funding	**385**	293	324
Net new and increased individual provisioning	**370**	300	370
Write-back of individually assessed provisions	**(159)**	(97)	(95)
Total loan impairment expense	**596**	496	599

6.1 Provisions for Impairment and Asset Quality (continued)

Accounting Policy

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

Critical accounting judgements and estimates

Provisions for impairment of financial assets are raised to cover assessed credit related losses where there is objective evidence of impairment (where the Group does not expect to receive all of the cashflows contractually due). 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, 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 a 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.

Guarantees and other contingent liabilities are accounted for as off Balance Sheet items. Provisioning for these exposures is calculated under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'.

Loan assets under committed lending facilities are not recognised until the facilities are drawn upon. However, the Group has determined that it is appropriate to establish provisions in relation to such facilities where a customer has been downgraded. These provisions are disclosed as other liabilities in the Balance Sheet.

6.2 Disclosures about Fair Values

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or amortised cost. AASB 134 'Interim Financial Reporting' requires the disclosure of the fair value of those financial instruments not already carried at fair value in the Balance Sheet and disclosures about fair value measurements.

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date.

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

The estimated fair values of the Group's financial instruments not measured at fair value as at 31 December 2017 are presented below. The disclosure does not cover assets or liabilities that are not considered to be financial instruments from an accounting perspective. Many of the instruments not already carried at fair value in the Balance Sheet, lack an available trading market and it is the intention to hold these instruments to maturity. Thus it is possible that realised amounts may differ to amounts disclosed below.

	31 Dec 17		30 Jun 17	
	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 (1)	**37,322**	**37,322**	45,850	45,850
Receivables due from other financial institutions	**6,955**	**6,955**	10,037	10,037
Loans and other receivables	**730,486**	**730,957**	724,276	724,271
Bank acceptances of customers	**222**	**222**	463	463
Other assets (1)	**3,956**	**3,956**	6,026	6,026
Assets held for sale (1)	**200**	**200**	-	-
Total financial assets	**779,141**	**779,612**	786,652	786,647
Financial liabilities not measured at fair value on a recurring basis				
Deposits and other public borrowings (1)	**624,897**	**625,280**	626,655	626,924
Payables due to other financial institutions	**24,466**	**24,466**	28,432	28,432
Bank acceptances	**222**	**222**	463	463
Debt issues	**166,510**	**168,458**	167,571	167,752
Managed funds units on issue (1)	**-**	**-**	2,577	2,577
Bills payable and other liabilities (1)	**6,620**	**6,620**	9,485	9,485
Liabilities held for sale (1)	**1,983**	**1,983**	-	-
Loan capital	**20,184**	**21,099**	18,726	18,706
Total financial liabilities	**844,882**	**848,128**	853,909	854,339

(1) As at 31 December 2017 assets and liabilities of the Group's life insurance businesses have been presented as held for sale.

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 net off collective and individually assessed provisions is considered a reasonable estimate of fair value. For institutional variable rate and other fixed rate loans, the fair value is calculated using discounted cash flow models, where the discount rate reflects market rates offered for loans or similar remaining maturities and creditworthiness of the customer. The fair value of impaired loans is calculated by discounting estimated future cash flows using the loan's market interest rate.

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.

6.2 Disclosures about Fair Values (continued)

(b) Fair Value Hierarchy for Financial Assets and Liabilities measured at Fair Value

The classification in the fair value hierarchy of the Group's financial assets and liabilities measured at fair value is presented in the table below:

	Fair Value as at 31 December 2017				Fair Value as at 30 June 2017			
	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	Total
	$M	$M	$M	**$M**	$M	$M	$M	$M
Financial assets measured at fair value on a recurring basis								
Assets at fair value through Income Statement:								
Trading	25,440	9,256	-	**34,696**	24,657	8,047	-	32,704
Insurance [1]	-	382	-	**382**	3,519	8,620	1,530	13,669
Other	50	988	-	**1,038**	51	1,060	-	1,111
Derivative assets	-	25,158	70	**25,228**	63	31,594	67	31,724
Available-for-sale investments	75,621	8,249	43	**83,913**	75,050	8,346	139	83,535
Bills Discounted	5,830	-	-	**5,830**	7,486	-	-	7,486
Assets held for sale [1]	2,004	8,026	1,407	**11,437**	-	-	-	-
Total financial assets measured at fair value	108,945	52,059	1,520	**162,524**	110,826	57,667	1,736	170,229
Financial liabilities measured at fair value on a recurring basis								
Liabilities at fair value through Income Statement	1,732	7,618	-	**9,350**	2,525	7,867	-	10,392
Derivative liabilities	23	23,429	111	**23,563**	192	30,036	102	30,330
Life investment contracts [1]	-	352	-	**352**	-	7,374	565	7,939
Liabilities held for sale [1]	6	7,140	468	**7,614**	-	-	-	-
Total financial liabilities measured at fair value	1,761	38,539	579	**40,879**	2,717	45,277	667	48,661

(1) As at 31 December 2017 assets and liabilities of the Group's life insurance businesses have been presented as held for sale.

(c) 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 above 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.

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.

6.2 Disclosures about Fair Values (continued)

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.

(d) Analysis of Movements between Fair Value Hierarchy Levels

During the half year ended 31 December 2017, the Group reclassified $1,722 million of trading assets (30 June 2017: nil) from Level 2 to Level 1.

There have been no reclassifications of available-for-sale securities during the half year ended 31 December 2017 (30 June 2017: $752 million from Level 2 to Level 1). Following the announced sale of the Group's life insurance businesses, insurance securities within these operations have been presented as held for sale. There were no insurance security reclassifications during the half year (30 June 2017: $488 million from Level 1 to Level 2). 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 2017

	Financial Assets			Financial Liabilities	
	Derivative Assets	Available for Sale Investments	Assets Held for Sale [1]	Derivative Liabilities	Liabilities Held for Sale [1]
	$M	$M	$M	$M	$M
As at 1 July 2017	67	139	1,530	(102)	(565)
Purchases	1	-	-	(29)	-
Sales/Settlements	(6)	(96)	-	3	-
Gains/(losses) in the period:					
Recognised in the Income Statement	(17)	-	(123)	17	97
Recognised in the Statement of Comprehensive Income	-	-	-	-	-
Transfers in	25	-	-	-	-
Transfers out	-	-	-	-	-
As at 31 December 2017	70	43	1,407	(111)	(468)
Gains/(losses) recognised in the Income Statement for financial instruments held as at 31 December 2017	(17)	-	(123)	16	97

(1) Assets and liabilities of the Group's life insurance businesses have been presented as held for sale.

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 or the Group's results.

7) Other Information

7.1 Contingent Liabilities, Contingent Assets and Commitments arising from the banking business

Details of contingent liabilities and off Balance Sheet instruments are presented below and in Note 7.2 Litigations, investigations and reviews. 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 should they be drawn upon by the customer.

	Group			
	Face Value		Credit Equivalent	
Credit risk related instruments	**31 Dec 17 $M**	30 Jun 17 $M	**31 Dec 17 $M**	30 Jun 17 $M
Guarantees	**6,492**	7,424	**5,961**	7,424
Documentary letters of credit	**1,290**	1,183	**1,287**	1,168
Performance related contingents	**4,180**	2,133	**2,366**	2,127
Commitments to provide credit	**168,226**	173,555	**161,733**	167,205
Other commitments	**1,282**	837	**1,277**	835
Total credit risk related instruments	**181,470**	185,132	**172,624**	178,759

Accounting Policy

Credit default financial guarantees are unconditional undertakings given to support the obligations of a customer to third parties. Other forms of financial guarantees include documentary letters of credit which are undertakings by the Group to pay or accept drafts drawn by a supplier of goods against presentation of documents in the event of payment default by a customer. Financial guarantees are recognised within other liabilities and initially measured at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the Income Statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to financial guarantees is recorded in the Income Statement. The premium received is recognised in the Income Statement in other operating income on a straight line basis over the life of the guarantee.

Performance related contingents are undertakings that oblige the Group to pay third parties should a customer fail to fulfil a contractual non-monetary obligation. Performance related contingents are performance guarantees and do not meet the definition of a financial guarantee, because they do not transfer credit risk. Performance guarantees are recognised when it is probable that an obligation has arisen. The amount of any provision is the best estimate of the amount required to fulfil the obligation.

Commitments to provide credit include all obligations on the part of the Group to provide credit facilities (unutilised credit lines or undrawn portions of credit lines) against which clients can borrow money under defined terms and conditions. As facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements. Loan commitments that are cancellable by the Group are not recognised on the Balance Sheet. Upon a loan drawdown by the counterparty, the amount of the loan is accounted for in accordance with accounting policies for loans and receivables. Irrevocable loan commitments are not recorded in the Balance Sheet, but a provision is recognised if it is probable that a loss has been incurred and a reliable estimate of the amount can be made. Other commitments to provide credit include commitments with certain drawdowns, standby letters of credit and bill endorsements.

7.2 Litigation, investigations and reviews

The Group is party to legal Proceedings and the subject of investigations and reviews, these include the matters outlined below as at 31 December 2017.

Litigation

AUSTRAC Civil Proceedings

On 3 August 2017, Australian Transaction Reports and Analysis Centre (AUSTRAC) commenced civil penalty Proceedings in the Federal Court of Australia in Sydney against CBA. The AUSTRAC statement of claim relates to alleged past and ongoing contraventions of four provisions of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (AML/CTF Act).

On 13 December 2017 in accordance with the Court's orders, CBA filed its defence to the AUSTRAC Proceedings. In the defence filed, CBA contested a number of allegations but admitted others. Specifically CBA confirmed in its defence:

- It was late in filing 53,506 threshold transaction reports (TTRs), which all resulted from the same systems-related error, representing 2.3% of TTRs reported by CBA to AUSTRAC between 2012 and 2015;
- It did not adequately adhere to risk assessment requirements for Intelligent Deposit Machines (IDMs) - but does not accept that this amounted to eight separate contraventions;
- It did not adhere to all its transaction monitoring requirements in relation to certain affected accounts;
- Admitted 91 (in whole or in part) but denied a further 83 of the allegations concerning suspicious matter reports (SMRs); and
- Admitted 52 (in whole or in part) but denied a further 19 allegations concerning ongoing customer due diligence requirements.

On 14 December 2017 CBA was served with an amended statement of claim from AUSTRAC, alleging further contraventions of the AML/CTF Act. The new allegations, amongst other things, increase the total number of alleged contraventions from approximately 53,700 to 53,800. They comprise:

- 6 further allegations concerning risk assessments in relation to the IDMs;
- 56 allegations concerning SMRs; and
- 38 allegations concerning ongoing customer due diligence.

CBA takes the allegations made by AUSTRAC very seriously and is in the process of carefully considering the amended claim. The parties have approached the Court to set a timetable for CBA to file an amended defence to address the new allegations. The proposal, yet to be agreed by the Court, is that CBA file its amended defence by 16 March 2018 and the matter be listed for a further case management hearing on 8 May 2018. No formal orders have yet been made by the Court in respect of this proposed revised timetable.

What we can say about these Proceedings is limited until they have run their course. However, there is no evidence of deliberate circumvention of the law.

The actual outcome in this matter will be determined by a Court in accordance with established legal principles. A Court will ordinarily take into account a range of factors in setting penalties. One factor is the extent to which any contraventions arise from a single course of conduct. For example, AUSTRAC alleges (and CBA has admitted) that approximately 53,506 threshold transaction reports were lodged late. Late lodgement carried a penalty of up to $18 million during the period in issue. However, these alleged contraventions could be considered to arise from a single course of conduct to the extent that they emanated from the same error.

The Group has provided for a civil penalty in the amount of $375 million. The Group believes this to be a reliable estimate of the level of penalty that a Court may impose. This takes into account currently available information, including legal advice received by the Group in relation to AUSTRAC's claim. The Group has also provided for legal costs expected to be incurred.

The Proceedings are complex and ongoing and other factors may arise that could affect the outcome. The penalty determined by the Court may therefore be higher or lower than the amount provided for. Ultimately, a Court will seek to ensure that, overall, any civil penalties are just and appropriate and do not exceed what is proper having regard to the totality of established contraventions.

CBA has made significant progress in strengthening its policies, systems and processes relating to its obligations under the AML/CTF Act through the Program of Action which was commenced in 2015 and is ongoing.

As CBA continues to strengthen its financial crimes compliance it will continue to work closely with regulators across those jurisdictions in which it operates. The Group has provided for the costs of running the Program of Action.

7.2 Litigation, investigations and reviews (continued)

ASIC's investigation

On 11 August 2017, following the commencement of the civil Proceedings against CBA by AUSTRAC, ASIC confirmed it would investigate the Group's disclosure in respect of the allegations raised in connection with the AUSTRAC Proceedings. ASIC is investigating, among other things, whether the officers and directors at CBA complied with their continuous disclosure obligations under the Corporations Act. CBA continues to engage with ASIC in respect of the investigation and respond to requests made by ASIC. It is currently not possible to predict the ultimate outcome of this investigation, if any, on the Group. The Group has provided for the costs expected to be incurred in relation to this investigation.

Shareholder Class Action

On 9 October 2017 the Group was served with a class action proceeding filed in the Federal Court of Australia in Melbourne. The proceeding filed by Maurice Blackburn is on behalf of shareholders who acquired an interest in CBA's shares between 1 July 2015 and 3 August 2017 and who suffered loss as alleged in the statement of claim. It is currently not possible to determine the ultimate impact of this matter, if any, on the Group. The Group intends to vigorously defend this claim. CBA's defence is due to be filed on 23 February 2018 and the matter is next listed for a case management conference on 16 March 2018 when further directions will be given for the future conduct of the Proceedings. The Group has provided for legal costs expected to be incurred to defend this claim.

ASIC Bank Bill Swap Rate

On 30 January 2018, as part of the industry wide review into the trading activities of participants in the bank bill market, ASIC filed a claim against CBA. Full details of which are included in Note 7.5 Subsequent Events.

Investigations and reviews

APRA's Prudential Inquiry into CBA

On 28 August 2017, APRA announced it would establish an independent prudential inquiry (the "Inquiry") into the Group with the goal of identifying shortcomings in the governance, culture and accountability frameworks and whether practices within the Group, and make recommendations as to how they are promptly addressed. The Inquiry will consider if the Group's organisational structure, governance, financial objectives, remuneration and accountability frameworks are conflicting with sound risk management and compliance outcomes. The Inquiry is being conducted by the independent inquiry panel (the "Panel") appointed by APRA. The Panel is being provided with support by APRA, and may obtain other external expertise and advice as it sees fit. The Panel published a progress report on 1 February 2018 and currently intends to publish a final report by 30 April 2018. APRA intends to make these reports public. It is currently not possible to predict the ultimate outcome of the Inquiry, if any, on the Group. The Group has provided for the costs expected to be incurred in relation to the conduct of the Inquiry.

The Royal Commission

On 30 November 2017, the Government released draft terms of reference for the establishment of a Royal Commission into misconduct in the banking, superannuation and financial services industry (the "Royal Commission"). CBA will continue to monitor developments in relation to, and will fully cooperate with, the Royal Commission.

Inquiries and announcements can involve additional costs and can adversely affect investor confidence. If any changes in law are made as a result of these inquiries or announcements, those changes may adversely affect CBA's business and operations.

The Group has provided for the cost expected to be incurred in relation to the conduct of the Royal Commission.

Remediation programs

Advice Review Program

The Group's Open Advice Review program (OARp) is nearing completion. A total of 8,658 reviews were requested by customers and all assessments have been issued. As at 8 January 2018, 97.8% of cases are closed or settled in principle, with 112 cases remaining. OARp is working with customers and their Independent Customer Advocates (ICAs) to close these remaining cases as soon as possible. Compensation totalling $37.6 million has been offered to customers in 28.9% of cases. Variations to Commonwealth Financial Planning Ltd (CFPL) and Financial Wisdom Ltd (FWL)'s Australian Financial Services Licenses became effective on 19 August 2014. ASIC subsequently appointed KordaMentha Forensic (KMF) as the compliance expert under the varied AFSL conditions. The licensees have previously contacted more than 4,300 customers to offer independent reviews of the advice they had received. That process resulted in the Group paying additional compensation of $4.97 million in aggregate to some of those customers. KMF's most recent progress report was issued on 23 January 2018. It confirms that CFPL and FWL need to review the advice of the customers of another five advisers to review the quality of the advice those customers received. As at 10 January 2018, CBA had offered approximately $1.1 million in compensation. At that date, CBA had sent more than 75% of all assessment outcome letters. That figure may increase once all assessment outcome letters have been sent to customers.

The Group has provided for the cost of operating these programs, together with anticipated remediation costs.

Accounting Policy

The Group recognises a provision for a liability when it is probable that an outflow of economic benefits will be required to settle a present obligation resulting from past events, and a reliable estimate can be made of the amount of the obligation.

7.3 Discontinued Operations and Operations under Strategic Review

Discontinued Operations

During the 2018 financial year the Group announced the sale of 100% of its life insurance businesses in Australia ("CommInsure Life") and New Zealand ("Sovereign") to AIA Group Limited ("AIA") for $3.8 billion (the "Transaction").

The sale agreement includes a 20-year partnership with AIA for the provision of life insurance products to customers in Australia and New Zealand.

The Transaction is subject to certain conditions and regulatory approvals in Australia and New Zealand and is also conditional upon the transfer of Commonwealth Bank's equity interest in BoComm Life Insurance Company Limited ("BoComm Life") out of CommInsure. This is expected to be completed in calendar year 2018.

CommInsure Life currently forms part of the Group's Wealth Management segment while Sovereign forms part of the Group's New Zealand segment. Both are discontinued operations within each segment. The comparative Income Statement and Statement of Comprehensive Income of the Group have been restated to show discontinued operations separately from continuing operations.

Operations under Strategic Review

During the 2018 financial year the Group announced that it is undertaking a strategic review of its global asset management business, Colonial First State Global Asset Management ("CFSGAM"), also known outside of Australia as First State Investments ("FSI"). The strategic review will consider a range of options, including an initial public offering, and remains ongoing at this time.

Financial Impact of Discontinued Operations on the Group

The performance, net cashflows and balance sheet of CommInsure Life and Sovereign are set out in the tables below.

Life Insurance Business Discontinued Operations

Income Statement

	Half Year Ended		
	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M
Funds management income	**54**	73	50
Insurance income	**354**	391	213
Total operating income	**408**	464	263
Operating expenses	**(184)**	(206)	(203)
Net profit before tax	**224**	258	60
Corporate tax expense	**(57)**	(55)	(24)
Policyholder tax	**(34)**	(56)	24
Profit after tax and before transaction and separation costs	**133**	147	60
Transaction and separation costs	**(122)**	-	-
Non-controlling interests	**-**	(4)	-
Net profit after income tax from discontinued operations attributable to Equity holders of the Bank	**11**	143	60

Cash Flow Statement

	Half Year Ended		
	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M
Net cash used in operating activities	**(299)**	(615)	(520)
Net cash from investing activities	**560**	721	559
Net cash used in financing activities	**(206)**	(160)	(7)
Net cash inflows/(outflows) from Life Insurance business discontinued operations	**55**	(54)	32

7.3 Discontinued Operations and Operations under Strategic Review (continued)

Balance Sheet

	As at [1]
	31 Dec 17
Assets held for sale	$M
Cash and liquid assets	115
Insurance assets at fair value through Income Statement	11,413
Goodwill and other intangible assets	1,473
Property, plant and equipment	1,191
Other assets	695
Total assets [2]	14,887
Liabilities held for sale	
Insurance policy liabilities	11,516
Deferred tax liabilities	753
Deposits and other public borrowings	863
Managed funds units on issue	1,065
Other liabilities	346
Total liabilities	14,543

(1) Intragroup balances have been eliminated, however will impact the final gain/loss on disposal of the life insurance business discontinued operations.
(2) Excludes businesses or assets that are held for sale, which do not form part of the life insurance business discontinued operations.

The balance of the foreign currency translation reserve and cash flow hedge reserve relating to discontinued operations is $21 million.

7.4 Acquisition of controlled entities

On 25 August 2017, the Group acquired the remaining 20% of the issued share capital of AHL Holdings Pty Ltd ("AHL") for $164 million purchase consideration in the form of CBA shares. Following acquisition of the remaining 20% issued share capital of AHL, the Group controls and consolidates AHL.

AHL is the parent of the "Aussie" group of entities. Aussie predominantly operates as a mortgage broker and originator. The acquisition of AHL will expand the Group's distribution network through its access to the mortgage broker channels.

The fair value of the identifiable assets acquired and liabilities assumed as at the acquisition date are as follows:

	As at
	31 Dec 17
	$M
Fair value of previously held 80% interest in AHL [1]	332
Plus: Fair value of consideration transferred	164
Total consideration at fair value	496
Less: Net identifiable assets at fair value [2]	(51)
Goodwill	445

(1) As a result of remeasuring its equity interest in AHL to fair value, the Group recognised a gain of $58 million calculated as the difference between the carrying value of the 80% investment ($274 million) and the fair value ($332 million) of this previously held interest.
(2) This balance includes $63 million of acquired intangible assets (gross of $19 million associated DTL's), in the form of customer-broker relationships and the Aussie Brand name, $19 million of deferred tax liabilities relating to intangible assets and $7 million of tangible assets. The Aussie Brand has an indefinite useful life. The carrying value of all acquired net tangible assets approximate their fair values.

Since acquisition, AHL has contributed $87 million to the Group's net banking operating income and $11 million to the Group's profit or loss for the half year ended 31 December 2017. Had AHL been acquired at the beginning of the reporting period, its contribution to the Group's net banking operating income and profit or loss for the half year ended 31 December 2017 would have been $125 million and $12 million, respectively.

7.5 Subsequent Events

The Directors have declared a fully franked interim dividend of 200 cents per share amounting to $3,505 million.

The Bank expects the DRP for the interim dividend for the half year ended 31 December 2017 will be satisfied by the issue of shares of approximately $570 million.

On 30 January 2018, as part of the industry wide review into the trading activities of participants in the bank bill market, ASIC filed a claim against CBA. ASIC alleges that the Bank engaged in market manipulation and unconscionable conduct in relation to the Bank Bill Swap rate (BBSW) between January 2012 and around October 2012. CBA has fully co-operated with ASIC's investigations over the last two years.

CBA disputes the allegations made by ASIC and accordingly has not recognised a provision. The ultimate impact on the Group, if any, remains uncertain. It is not appropriate to disclose any further information as the matter is before the courts and such information would be highly likely to be prejudicial to our position.

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 2017, as set out on pages 94 to 130, 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 2017 and its performance for the six months ended 31 December 2017; 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 AO
Chairman
6 February 2018

Ian Narev
Managing Director and Chief Executive Officer
6 February 2018

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of the Commonwealth Bank of Australia Limited (the Company), which comprises the consolidated balance sheet as at 31 December 2017, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Commonwealth Bank of Australia Group (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 a 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 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Company is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Matthew Lunn
Partner

Sydney
6 February 2018

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
Level 11, 1PSQ, 169 Macquarie Street, Parramatta, GPO BOX 1155, PARRAMATTA NSW 2124
T: +61 2 8266 0000 (Barangaroo), T: +61 2 9659 2476 (Parramatta), F: +61 2 8266 9999, www.pwc.com.au

Contents

Section 7 – Appendices

Appendices

1) Our Performance

1.1 Net Interest Margin (continuing operations basis)

	Half Year Ended (1)		
	31 Dec 17	30 Jun 17	31 Dec 16
	%	%	%
Australia			
Interest spread (2)	**2. 01**	1. 99	2. 00
Benefit of interest-free liabilities, provisions and equity (3)	**0. 24**	0. 21	0. 21
Net interest margin (4)	**2. 25**	2. 20	2. 21
New Zealand			
Interest spread (2)	**1. 66**	1. 63	1. 66
Benefit of interest-free liabilities, provisions and equity (3)	**0. 31**	0. 32	0. 34
Net interest margin (4)	**1. 97**	1. 95	2. 00
Other Overseas			
Interest spread (2)	**0. 73**	0. 60	0. 57
Benefit of interest-free liabilities, provisions and equity (3)	**0. 05**	0. 04	0. 03
Net interest margin (4)	**0. 78**	0. 64	0. 60
Total Group			
Interest spread (2)	**1. 92**	1. 90	1. 91
Benefit of interest-free liabilities, provisions and equity (3)	**0. 24**	0. 20	0. 19
Net interest margin (4)	**2. 16**	2. 10	2. 10

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 of 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.

1.2 Average Balances and Related Interest (continuing operations basis)

The following tables list the major categories of interest earning assets and interest bearing liabilities of the Group together with the respective interest earned or paid and the average interest rate for each of the half years ended 31 December 2017, 30 June 2017 and 31 December 2016. 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 and New Zealand remained flat.

	Half Year Ended 31 Dec 17			Half Year Ended 30 Jun 17 [1]			Half Year Ended 31 Dec 16 [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]	**447,814**	**9,961**	**4. 41**	440,572	9,459	4. 33	430,408	9,541	4. 40
Consumer finance [3]	**23,148**	**1,394**	**11. 95**	23,577	1,424	12. 18	23,460	1,433	12. 12
Business and corporate loans	**226,596**	**4,476**	**3. 92**	221,868	4,394	3. 99	220,519	4,472	4. 02
Loans, bills discounted and other receivables	**697,558**	**15,831**	**4. 50**	686,017	15,277	4. 49	674,387	15,446	4. 54
Cash and other liquid assets [4]	**46,344**	**283**	**1. 21**	54,246	296	1. 10	42,801	177	0. 82
Assets at fair value through Income Statement (excluding life insurance)	**24,721**	**234**	**1. 88**	26,006	260	2. 02	25,252	230	1. 81
Available-for-sale investments	**82,899**	**831**	**1. 99**	80,350	784	1. 97	80,618	823	2. 03
Non-lending interest earning assets	**153,964**	**1,348**	**1. 74**	160,602	1,340	1. 68	148,671	1,230	1. 64
Total interest earning assets [5]	**851,522**	**17,179**	**4. 00**	846,619	16,617	3. 96	823,058	16,676	4. 02
Non-interest earning assets [2] [4]	**105,006**			141,177			134,066		
Assets held for sale [4]	**14,895**			-			-		
Total average assets	**971,423**			987,796			957,124		

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 of this Document for further details.
(2) Net of average mortgage offset balances included in Non-interest earning assets. Gross average home loans balance, excluding mortgage offset accounts is $487,502 million (30 June 2017: $477,851 million, 31 December 2016: $463,811 million).
(3) Consumer finance includes personal loans, credit cards and margin loans.
(4) On 21 September 2017 CBA announced the sale of 100% of its life insurance businesses including CommInsure Life and Sovereign to AIA Group Limited ("AIA"). For 31 December 2017, $84 million of Non-lending interest earning assets and $14,803 million of Other assets have been reclassified to Assets held for sale. Assets held for sale also includes $8 million of assets that reside outside the Group's life insurance business as at 31 December 2017.
(5) Used for calculating Net interest margin.

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

	Half Year Ended 31 Dec 17			Half Year Ended 30 Jun 17 (1)			Half Year Ended 31 Dec 16 (1)		
	Avg Bal	**Interest**	**Yield**	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
Interest Bearing Liabilities	**$M**	**$M**	**%**	$M	$M	%	$M	$M	%
Transaction deposits (2)	**74,769**	**298**	**0. 79**	71,061	281	0. 80	68,620	266	0. 77
Savings deposits (2)	**180,190**	**1,106**	**1. 22**	180,279	1,113	1. 24	180,106	1,302	1. 43
Investment deposits	**218,940**	**2,646**	**2. 40**	217,852	2,683	2. 48	206,527	2,619	2. 52
Certificates of deposit and other (3)	**63,005**	**1,038**	**3. 27**	69,256	1,135	3. 30	68,717	1,120	3. 23
Total interest bearing deposits	**536,904**	**5,088**	**1. 88**	538,448	5,212	1. 95	523,970	5,307	2. 01
Payables due to other financial institutions	**28,601**	**200**	**1. 39**	30,487	174	1. 15	30,182	126	0. 83
Liabilities at fair value through Income Statement	**9,078**	**73**	**1. 60**	8,934	35	0. 79	8,105	67	1. 64
Debt issues	**163,855**	**1,999**	**2. 42**	168,446	2,014	2. 41	169,388	2,145	2. 51
Loan capital	**19,011**	**386**	**4. 03**	17,811	358	4. 05	15,591	321	4. 08
Bank levy	**-**	**180**	**-**	-	-	-	-	-	-
Total interest bearing liabilities	**757,449**	**7,926**	**2. 08**	764,126	7,793	2. 06	747,236	7,966	2. 11
Non-interest bearing liabilities (2) (3)	**134,326**			160,838			148,756		
Liabilities held for sale (3)	**14,543**			-			-		
Total average liabilities	**906,318**			924,964			895,992		

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 of this Document for further details.
(2) Net of average mortgage offset balances which are included in Non-interest bearing liabilities.
(3) On 21 September 2017 CBA announced the sale of 100% of its life insurance businesses including CommInsure Life and Sovereign to AIA Group Limited ("AIA"). For 31 December 2017,
$863 million of Other demand deposits and $13,680 million of Other non-interest bearing liabilities have been reclassified to Liabilities held for sale.

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

Net Interest Margin	Half Year Ended 31 Dec 17 Avg Bal $M	Interest $M	Yield %	Half Year Ended 30 Jun 17 [1] Avg Bal $M	Interest $M	Yield %	Half Year Ended 31 Dec 16 [1] Avg Bal $M	Interest $M	Yield %
Total interest earning assets [2]	**851,522**	**17,179**	**4. 00**	846,619	16,617	3. 96	823,058	16,676	4. 02
Total interest bearing liabilities [2]	**757,449**	**7,926**	**2. 08**	764,126	7,793	2. 06	747,236	7,966	2. 11
Net interest income and interest spread		**9,253**	**1. 92**		8,824	1. 90		8,710	1. 91
Benefit of free funds			**0. 24**			0. 20			0. 19
Net interest margin			**2. 16**			2. 10			2. 10

Geographical Analysis of Key Categories	Half Year Ended 31 Dec 17 Avg Bal $M	Interest $M	Yield %	Half Year Ended 30 Jun 17 [1] Avg Bal $M	Interest $M	Yield %	Half Year Ended 31 Dec 16 [1] Avg Bal $M	Interest $M	Yield %
Loans, Bills Discounted and Other Receivables									
Australia	**596,579**	**13,560**	**4. 51**	586,145	13,049	4. 49	576,123	13,218	4. 55
New Zealand [3]	**75,458**	**1,862**	**4. 89**	75,488	1,858	4. 96	74,127	1,889	5. 06
Other Overseas [3]	**25,521**	**409**	**3. 18**	24,384	370	3. 06	24,137	339	2. 79
Total	**697,558**	**15,831**	**4. 50**	686,017	15,277	4. 49	674,387	15,446	4. 54
Non-Lending Interest Earning Assets									
Australia [2]	**110,886**	**1,113**	**1. 99**	112,226	1,126	2. 02	104,530	1,045	1. 98
New Zealand [3]	**8,921**	**89**	**1. 98**	7,693	77	2. 02	7,659	85	2. 20
Other Overseas [3]	**34,157**	**146**	**0. 85**	40,683	137	0. 68	36,482	100	0. 54
Total	**153,964**	**1,348**	**1. 74**	160,602	1,340	1. 68	148,671	1,230	1. 64
Total Interest Bearing Deposits									
Australia [2]	**464,866**	**4,156**	**1. 77**	464,944	4,274	1. 85	451,960	4,418	1. 94
New Zealand [3]	**51,095**	**711**	**2. 76**	50,375	735	2. 94	49,188	716	2. 89
Other Overseas [3]	**20,943**	**221**	**2. 09**	23,129	203	1. 77	22,822	173	1. 50
Total	**536,904**	**5,088**	**1. 88**	538,448	5,212	1. 95	523,970	5,307	2. 01
Other Interest Bearing Liabilities									
Australia	**165,685**	**2,214**	**2. 65**	167,478	1,984	2. 39	164,546	2,007	2. 42
New Zealand [3]	**24,276**	**399**	**3. 26**	23,750	386	3. 28	22,420	416	3. 68
Other Overseas [3]	**30,584**	**225**	**1. 46**	34,450	211	1. 24	36,300	236	1. 29
Total	**220,545**	**2,838**	**2. 55**	225,678	2,581	2. 31	223,266	2,659	2. 36

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 of this Document for further details.
(2) On 21 September 2017 CBA announced the sale of 100% of its life insurance businesses including CommInsure Life and Sovereign to AIA Group Limited ("AIA"). For 31 December 2017, $84 million of Non-lending interest earning assets have been reclassified to Assets held for sale and $863 million of Other demand deposits and $13,680 million of Other non-interest bearing liabilities have been reclassified to Liabilities held for sale.
(3) 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.

1.3 Interest Rate and Volume Analysis (continuing operations basis)

	Half Year Ended Dec 17 vs Jun 17 [1]			Half Year Ended Dec 17 vs Dec 16 [1]		
	Volume	**Rate**	**Total**	Volume	Rate	Total
Interest Earning Assets [2]	**$M**	**$M**	**$M**	$M	$M	$M
Home loans	158	344	502	387	33	420
Consumer finance	(26)	(4)	(30)	(19)	(20)	(39)
Business and corporate loans	94	(12)	82	122	(118)	4
Loans, bills discounted and other receivables	259	295	554	528	(143)	385
Cash and other liquid assets	(46)	33	(13)	18	88	106
Assets at fair value through Income Statement (excluding life insurance)	(13)	(13)	(26)	(5)	9	4
Available-for-sale investments	25	22	47	23	(15)	8
Non-lending interest earning assets	(57)	65	8	45	73	118
Total interest earning assets	98	464	562	575	(72)	503

	Half Year Ended Dec 17 vs Jun 17 [1]			Half Year Ended Dec 17 vs Dec 16 [1]		
	Volume	**Rate**	**Total**	Volume	Rate	Total
Interest Bearing Liabilities [2]	**$M**	**$M**	**$M**	$M	$M	$M
Transaction deposits	15	2	17	24	8	32
Savings deposits	(1)	(6)	(7)	1	(197)	(196)
Investment deposits	13	(50)	(37)	154	(127)	27
Certificates of deposit and other	(103)	6	(97)	(94)	12	(82)
Total interest bearing deposits	(15)	(109)	(124)	127	(346)	(219)
Payables due to other financial institutions	(12)	38	26	(9)	83	74
Liabilities at fair value through Income Statement	1	37	38	8	(2)	6
Debt issues	(55)	40	(15)	(69)	(77)	(146)
Loan capital	24	4	28	70	(5)	65
Bank levy	-	180	180	-	180	180
Total interest bearing liabilities	(69)	202	133	108	(148)	(40)

	Half Year Ended [1]	
	Dec 17 vs Jun 17	Dec 17 vs Dec 16
	Increase/(Decrease)	Increase/(Decrease)
Change in Net Interest Income [3]	**$M**	$M
Due to changes in average volume of interest earning assets	53	305
Due to changes in interest margin	230	238
Due to variation in time period	146	-
Change in net interest income	429	543

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 of 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 the average of the rates across the two periods), and "Rate" reflects the change due to movements in yield (assuming the average of the volumes across the two periods). "Variation in time periods" only applies to reporting periods of differing lengths (e.g. between half years).

1.3 Interest Rate and Volume Analysis (continuing operations basis)

Geographical Analysis of Key Categories (2)	Half Year Ended Dec 17 vs Jun 17 (1)			Half Year Ended Dec 17 vs Dec 16 (1)		
	Volume $M	Rate $M	Total $M	Volume $M	Rate $M	Total $M
Loans, Bills Discounted and Other Receivables						
Australia	235	276	511	467	(125)	342
New Zealand	(1)	5	4	33	(60)	(27)
Other Overseas	18	21	39	21	49	70
Total	259	295	554	528	(143)	385
Non-Lending Interest Earning Assets						
Australia	(13)	-	(13)	64	4	68
New Zealand	12	-	12	13	(9)	4
Other Overseas	(25)	34	9	(8)	54	46
Total	(57)	65	8	45	73	118
Total Interest Bearing Deposits						
Australia	(1)	(117)	(118)	121	(383)	(262)
New Zealand	10	(34)	(24)	27	(32)	(5)
Other Overseas	(21)	39	18	(17)	65	48
Total	(15)	(109)	(124)	127	(346)	(219)
Other Interest Bearing Liabilities						
Australia	(23)	253	230	15	192	207
New Zealand	9	4	13	32	(49)	(17)
Other Overseas	(26)	40	14	(40)	29	(11)
Total	(62)	319	257	(34)	213	179

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 of 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).

1.4 Other Banking Income (continuing operations basis)

	Half Year Ended (1)				
	31 Dec 17	30 Jun 17	31 Dec 16	Dec 17 vs	Dec 17 vs
	$M	$M	$M	Jun 17 %	Dec 16 %
Lending fees	**558**	545	533	2	5
Commissions (2)	**1,333**	1,271	1,286	5	4
Trading income	**556**	549	600	1	(7)
Net gain/(loss) on non-trading financial instruments (3) (4)	**139**	59	374	large	(63)
Net gain/(loss) on sale of property, plant and equipment	**(2)**	(1)	7	large	large
Net gain/(loss) from hedging ineffectiveness	**7**	23	39	(70)	(82)
Dividends	**3**	5	5	(40)	(40)
Share of profit of associates and joint ventures net of impairment	**193**	138	154	40	25
Other	**109**	82	32	33	large
Total other banking income - "statutory basis"	**2,896**	2,671	3,030	8	(4)

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 of this Document for further details.
(2) The half year ended 31 December 2017 includes an increase of $84 million in Commissions from the consolidation of AHL Holdings Pty Ltd (trading as Aussie Home Loans) as the Group acquired the remaining 20% share on 25 August 2017.
(3) Inclusive of non-trading derivatives that are held for risk management purposes.
(4) The half year ended 31 December 2016 included 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 (1)		
	31 Dec 17	30 Jun 17	31 Dec 16
	$M	$M	$M
Other banking income - "cash basis"	**2,694**	2,577	3,018
Revenue hedge of New Zealand operations - unrealised	**147**	37	(2)
Hedging and IFRS volatility	**(10)**	57	14
Gain/(loss) on disposal and acquisition of entities net of transaction costs	**65**	-	-
Other banking income - "statutory basis"	**2,896**	2,671	3,030

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 of this Document for further details.

2) Risk Management

Overview

The Group faces a number of risks arising from its business operations and the assets and liabilities it holds. The management and mitigation of these risks varies depending on risk type and is covered more broadly by the Group's Risk Management framework, governance, culture, policies and procedures, and infrastructure. The Group's key risk types are credit, market, liquidity, funding, operational, and compliance which cover a significant proportion of total risk faced by the Group.

2.1 Integrated Risk Management (Excludes Insurance and Funds Management)

The Group's approach to risk management is described in the Notes to the 2017 Financial Report. Further disclosures in respect of capital adequacy and risk are provided in the Group's June 2017 Capital Disclosure Report.

Credit Risk

The Group uses a portfolio approach for the management of its credit risk, of which a key element is a well-diversified portfolio. The Group uses various portfolio management tools to assist in diversifying the credit portfolio.

Below is a breakdown of the Group's committed exposure across industry, region and commercial credit quality.

	As at (1)		
	31 Dec 17	30 Jun 17	31 Dec 16
By Industry (2)	**%**	%	%
Agriculture, forestry and fishing	**2. 0**	2. 0	2. 0
Banks	**5. 2**	6. 1	6. 3
Business services	**1. 3**	1. 3	1. 3
Construction	**0. 8**	0. 7	0. 7
Consumer	**56. 6**	55. 4	54. 8
Culture and recreational services	**0. 7**	0. 7	0. 7
Energy	**1. 1**	1. 1	1. 2
Finance - Other	**5. 1**	5. 0	5. 1
Health and community service	**0. 9**	0. 8	0. 8
Manufacturing	**1. 4**	1. 6	1. 6
Mining	**1. 3**	1. 4	1. 4
Property	**6. 3**	6. 4	6. 6
Retail trade and wholesale trade	**2. 1**	2. 2	2. 4
Sovereign	**9. 7**	9. 7	9. 5
Transport and storage	**1. 5**	1. 6	1. 6
Other	**4. 0**	4. 0	4. 0
	100. 0	100. 0	100. 0

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 of this Document for further details.
(2) Committed exposures by industry, region and commercial credit quality are disclosed on a gross basis (calculated before collateralisation).

2.1 Integrated Risk Management (Excludes Insurance and Funds Management) (continued)

	As at		
	31 Dec 17	30 Jun 17	31 Dec 16
By Region [1]	**%**	%	%
Australia	**77. 7**	76. 9	76. 4
New Zealand	**9. 9**	9. 7	9. 7
Europe	**4. 9**	5. 5	5. 8
Americas	**4. 2**	4. 2	4. 2
Asia	**3. 1**	3. 5	3. 7
Other	**0. 2**	0. 2	0. 2
	100. 0	100. 0	100. 0

	As at		
	31 Dec 17	30 Jun 17	31 Dec 16
Commercial Portfolio Quality [1]	**%**	%	%
AAA/AA	**32. 7**	32. 8	32. 0
A	**16. 7**	17. 4	17. 6
BBB	**18. 6**	19. 0	19. 1
Other	**32. 0**	30. 8	31. 3
	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 68.0% (June 2017: 69.2%; December 2016: 68.7%) of commercial exposures at investment grade quality.

2.1 Integrated Risk Management (Excludes Insurance and Funds Management) (continued)

Market Risk

Market risk in the Balance Sheet is discussed within Note 33 of the 2017 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 17	30 Jun 17	31 Dec 16
Traded Market Risk [1]	**$M**	$M	$M
Risk Type			
Interest rate risk	**5. 2**	6. 0	12. 0
Foreign exchange risk	**1. 5**	1. 3	2. 3
Equities risk	**0. 3**	0. 4	0. 6
Commodities risk	**3. 0**	3. 2	2. 7
Credit spread risk	**2. 2**	3. 0	3. 6
Diversification benefit	**(6. 3)**	(7. 7)	(11. 1)
Total general market risk	**5. 9**	6. 2	10. 1
Undiversified risk	**2. 5**	2. 2	2. 2
ASB	**0. 3**	0. 2	0. 2
Total	**8. 7**	8. 6	12. 5

(1) Average VaR is at 1 day 97.5% confidence, and is calculated for each six month period.

	Average VaR [1]		
Non-Traded VaR in Australian Life Insurance Business	**31 Dec 17**	30 Jun 17	31 Dec 16
(20 day 97.5% confidence)	**$M**	$M	$M
Shareholder funds [2]	**1. 2**	1. 3	1. 3
Guarantees (to Policyholders) [3]	**23. 2**	23. 1	21. 6

(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 17	30 Jun 17	31 Dec 16
Non-Traded Equity Risk VaR (20 day 97.5% confidence)	**$M**	$M	$M
VaR	**22. 7**	26. 0	26. 9

2.1 Integrated Risk Management (Excludes Insurance and Funds Management) (continued)

Interest Rate Risk in the Banking Book

Interest Rate Risk in the Banking Book is discussed within Note 33 of the 2017 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:

		31 Dec 17	30 Jun 17	31 Dec 16
Net Interest Earnings at Risk [1]		**$M**	$M	$M
Average monthly exposure	AUD	**249. 9**	284. 6	284. 9
	NZD	**37. 7**	23. 0	27. 9
High month exposure	AUD	**311. 5**	352. 3	309. 7
	NZD	**44. 3**	31. 9	33. 5
Low month exposure	AUD	**152. 3**	248. 9	260. 7
	NZD	**31. 2**	17. 4	21. 4

(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]		
	31 Dec 17	30 Jun 17	31 Dec 16
Non-Traded Interest Rate Risk (20 day 97.5% confidence)	**$M**	$M	$M
AUD Interest rate risk [2]	**215. 8**	252. 4	263. 4
NZD Interest rate risk [3]	**4. 0**	4. 4	4. 7

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

(2) The scope of the internal model for AUD Non-Traded Interest Rate Risk has been broadened to include a measurement of the risk of the change in spreads between swap rates and bond yields for Debt Securities held in the Banking Book. Prior periods have been restated to reflect this change in scope. NZD numbers remain unchanged.

(3) Relates specifically to ASB data as at month end.

2.1 Integrated Risk Management (Excludes Insurance and Funds Management) (continued)

Funding Sources

The following table provides the funding sources for the Group including customer deposits, short-term and long-term wholesale funding. Shareholders' Equity is excluded from this view of funding sources.

	As at				
	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Transaction deposits	**106,407**	98,884	93,641	8	14
Savings deposits	**189,709**	191,245	191,406	(1)	(1)
Investment deposits	**219,251**	220,530	211,711	(1)	4
Other customer deposits (1)	**52,933**	50,259	44,593	5	19
Total customer deposits	**568,300**	560,918	541,351	1	5
Wholesale funding					
Short-term					
Certificates of deposit (2)	**39,774**	43,584	44,100	(9)	(10)
Euro commercial paper programme	**200**	536	2,597	(63)	(92)
US commercial paper programme	**30,888**	28,652	32,013	8	(4)
Euro medium-term note programme	**3,866**	10,320	12,749	(63)	(70)
Central Bank deposits	**16,721**	21,125	20,626	(21)	(19)
Other (3)	**4,449**	2,598	4,101	71	8
Total short-term wholesale funding	**95,898**	106,815	116,186	(10)	(17)
Net collateral received	**1,397**	974	5,728	43	(76)
Internal RMBS sold under agreement to repurchase with RBA	**5,317**	5,161	4,085	3	30
Total short-term collateral deposits	**6,714**	6,135	9,813	9	(32)
Total long-term funding - less than or equal to one year residual maturity	**29,182**	25,330	29,780	15	(2)
Long-term - greater than one year residual maturity					
Domestic debt program	**18,939**	18,666	18,029	1	5
Euro medium-term note programme	**25,458**	25,770	26,160	(1)	(3)
US medium-term note programme (4)	**30,397**	28,472	28,502	7	7
Covered bond programme	**25,127**	26,572	25,589	(5)	(2)
Securitisation	**11,385**	10,725	7,890	6	44
Loan capital	**17,439**	18,040	16,747	(3)	4
Other	**2,810**	3,705	3,145	(24)	(11)
Total long-term funding - greater than one year residual maturity	**131,555**	131,950	126,062	-	4
IFRS MTM and derivative FX revaluations	**646**	1,150	1,489	(44)	(57)
Total funding	**832,295**	832,298	824,681	-	1
Reported as					
Deposits and other public borrowings	**624,897**	626,655	606,091	-	3
Payables due to other financial institutions	**24,466**	28,432	34,031	(14)	(28)
Liabilities at fair value through Income Statement	**9,350**	10,392	8,404	(10)	11
Bank acceptances	**222**	463	1,440	(52)	(85)
Debt issues	**166,510**	167,571	175,583	(1)	(5)
Loan capital	**20,184**	18,726	16,997	8	19
Loans and other receivables - collateral posted	**(1,356)**	(968)	(520)	40	large
Receivables due from other financial institutions - collateral posted	**(3,293)**	(5,338)	(6,263)	(38)	(47)
Securities purchased under agreements to resell	**(8,685)**	(13,635)	(11,082)	(36)	(22)
Total funding	**832,295**	832,298	824,681	-	1

(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.

2.1 Integrated Risk Management (Excludes Insurance and Funds Management) (continued)

Liquidity and Funding Policies and Management

The Group recognises the critical nature of managing liquidity and funding risks to be able to meet financial obligations as they fall due in all market conditions.

The Group liquidity and funding framework comprises a Group liquidity risk policy, a risk appetite statement, liquidity risk limits and triggers, an annual funding strategy, and a Contingent Funding Plan ("CFP"). Group Treasury is responsible for managing liquidity risk under delegated authorities, subject to the oversight of an independent liquidity risk management function and of internal audit.

Australian Authorised Deposit-taking Institutions ("ADIs") are subject to the Liquidity Coverage Ratio ("LCR") and, from 1 January 2018, the NSFR, implemented by APRA in ADI Prudential Standard 210 ("APS 210"). The LCR requires large locally-incorporated ADIs to maintain liquid assets to cover net cash outflows forecast to occur over a prescribed 30 day liquidity stress scenario. Cash flow assumptions and liquid assets in the LCR are defined in APS 210. Liquid assets include cash and Commonwealth government and Semi-government debt. Given the limited amount of government debt in Australia, participating ADIs can access contingent liquidity via the RBA's CLF and apply it to meet net cash outflows in the LCR. The amount of the CLF for each ADI is set annually by APRA. To access the CLF, ADIs need to meet certain conditions and pledge qualifying securities to the RBA. The NSFR requires LCR ADIs to fund core assets with stable funding. APRA prescribed factors are used to determine the stable funding requirement of assets and the stability of funding.

Risk tolerances and active forecasting of the LCR and the NSFR are designed to ensure that the Group maintains a superior level of liquidity and stable funding at all times relative to regulatory requirements.

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

- Predominantly customer deposit funding;
- Diverse and stable sources of wholesale funding;
- Buffers over the regulatory requirements of 100% for the LCR and the NSFR;
- Short and long-term wholesale funding limits and triggers, which are reviewed regularly and are based on an assessment of the Group's capacity to borrow in the markets and balance sheet projections;
- Stress tests, covering a range of short-term and protracted idiosyncratic and market-wide stress scenarios, to identify potential sources of liquidity and funding strain (including from contingent liquidity exposures) and possible contingent funding actions. The stress test results drive management discussions and decisions on appropriate buffers;
- A diversified liquid asset portfolio eligible for repurchase with central banks, managed within specific concentration limits, including:
  - High quality liquid assets such as cash, Commonwealth government and Semi-government bonds;
  - ADI-issued securities, eligible securitisations and covered bonds, and securities issued by supranationals, all of which are repo-eligible under the RBA's open market operations and under the CLF; and
  - Internal securitisations of Group mortgages retained on the Balance Sheet that can be used as collateral under the RBA's CLF; 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, providing liquidity in addition to the domestic liquid asset portfolio.

The Group's key liquidity risk management measures include:

- LCR and NSFR models incorporating APRA definitions of the regulatory measures and calculating actual and forecast positions. The models are used to monitor buffers and inform Group liquidity and funding management actions;
- A funding gap model that is used to analyse and forecast funding needs over the medium-term;
- Stress tests supplementary to the LCR, used to validate management buffers contained in liquidity and funding policies;
- Early warning indicators to identify the emergence of increased risk or vulnerabilities in the liquidity risk position or potential funding needs; and
- A detailed and robust CFP defining the approach to a liquidity shock on a location-specific and Group-wide basis, crisis management actions, roles and responsibilities, contingent sources of liquidity and funding, crisis reporting and operational guidelines. The CFP is tested and updated annually.

The Group's funding sources include:

- Its consumer retail funding base, covering retail transaction accounts, investment accounts and retirement style accounts for individual consumers;
- Its small business and institutional deposit base;
- Issuance of Australian dollar Negotiable Certificates of Deposit and Australian dollar bank bills;
- Its wholesale international and domestic funding programs that include its Asian Transferable Certificates of Deposit programme, Australian, US and Euro Commercial Paper programme, US Extendible Notes programme, Australian dollar Domestic Debt program, US Medium-Term Note programme, Euro Medium-Term Note programme, multi-jurisdiction Covered Bonds programme and its Medallion securitisation programme; and
- Contingent funding sources including access to various central bank facilities, including the CLF, providing the Group with the ability to borrow funds on a secured basis, in all market conditions.

2.2 Counterparty and Other Credit Risk Exposures

Securitisation Vehicles

Reason for establishment – The Group conducts an asset securitisation program that transfers assets to 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 flow from the underlying assets. Investors in the debt instruments have no recourse to the general assets of the sponsor (except in the case of covered bonds where investors have recourse to both the underlying pool and the sponsor for repayment of principal and interest). The majority of the Group's asset-backed securities portfolio consists of notes externally rated AAA 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 2017 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 which can be highly leveraged. The businesses are primarily 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 2017 and these exposures are not considered to be material.

Collateralised Debt Obligations (CDOs) and Credit Linked Notes

The Group has no material direct or indirect exposure to CDOs or credit linked notes.

2.2 Counterparty and Other Credit Risk Exposures (continued)

Securitisation and Covered Bond Vehicles

An analysis of the assets of, and exposures to, consolidated securitisation and covered bond vehicles which the Group has established or manages is outlined in the tables below.

	Covered Bonds		Securitisation	
	31 Dec 17	30 Jun 17	**31 Dec 17**	30 Jun 17
	$M	$M	**$M**	$M
Carrying amount of transferred assets	**32,790**	31,796	**15,982**	15,108
Carrying amount of associated liabilities	**29,331**	28,984	**14,730**	13,771
Net position	**3,459**	2,812	**1,252**	1,337

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 17	30 Jun 17
Summary of Asset-backed Securities	**$M**	$M
Commercial mortgage-backed securities	**147**	76
Residential mortgage-backed securities	**7,115**	6,830
Other asset-backed securities	**745**	624
Total	**8,007**	7,530

Asset-backed Securities by Underlying Asset

	Trading Portfolio		AFS Portfolio (1)		Other		Total	
	31 Dec 17	30 Jun 17	**31 Dec 17**	30 Jun 17	**31 Dec 17**	30 Jun 17	**31 Dec 17**	30 Jun 17
	$M	$M	**$M**	$M	**$M**	$M	**$M**	$M
Sub-prime	**-**	-	**-**	-	**-**	-	**-**	-
Non-conforming	**-**	-	**353**	351	**-**	-	**353**	351
Prime mortgages	**1**	10	**6,761**	6,469	**-**	-	**6,762**	6,479
Consumer receivables	**-**	-	**-**	-	**-**	-	**-**	-
Other assets	**-**	-	**892**	700	**-**	-	**892**	700
Total	**1**	10	**8,006**	7,520	**-**	-	**8,007**	7,530

(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 17	30 Jun 17	**31 Dec 17**	30 Jun 17	**31 Dec 17**	30 Jun 17	**31 Dec 17**	30 Jun 17	**31 Dec 17**	30 Jun 17
	$M	$M	**$M**	$M	**$M**	$M	**$M**	$M	**$M**	$M
Australia	**7,966**	7,484	**-**	1	**3**	3	**13**	13	**7,982**	7,501
UK	**-**	-	**25**	29	**-**	-	**-**	-	**25**	29
Total	**7,966**	7,484	**25**	30	**3**	3	**13**	13	**8,007**	7,530

2.2 Counterparty and Other Credit Risk Exposures (continued)

	Funded Commitments		Unfunded Commitments		Total	
	31 Dec 17	30 Jun 17	**31 Dec 17**	30 Jun 17	**31 Dec 17**	30 Jun 17
Warehousing Financing Facilities	**$M**	$M	**$M**	$M	**$M**	$M
Australia	**2,928**	3,544	**2,072**	1,696	**5,000**	5,240
New Zealand	**429**	387	**58**	1,147	**487**	1,534
UK	**162**	232	**76**	71	**238**	303
Total	**3,519**	4,163	**2,206**	2,914	**5,725**	7,077

3) Our Capital, Equity and Reserves

3.1 Capital

The tables below show the APRA Basel III capital adequacy calculation at 31 December 2017 together with prior period comparatives.

	As at		
	31 Dec 17	30 Jun 17	31 Dec 16
Risk Weighted Capital Ratios	**%**	%	%
Common Equity Tier 1	**10. 4**	10. 1	9. 9
Tier 1	**12. 4**	12. 1	11. 5
Tier 2	**2. 4**	2. 1	2. 2
Total Capital	**14. 8**	14. 2	13. 7

	As at		
	31 Dec 17	30 Jun 17	31 Dec 16
	$M	$M	$M
Ordinary Share Capital and Treasury Shares			
Ordinary Share Capital	**36,776**	34,971	34,455
Treasury Shares (1)	**226**	295	254
Ordinary Share Capital and Treasury Shares	**37,002**	35,266	34,709
Reserves			
Reserves	**1,494**	1,869	2,144
Reserves related to non-consolidated subsidiaries (2)	**(71)**	(81)	(152)
Total Reserves	**1,423**	1,788	1,992
Retained Earnings and Current Period Profits			
Retained earnings and current period profits (3)	**27,267**	26,274	24,606
Retained earnings adjustment from non-consolidated subsidiaries (4)	**(411)**	(537)	(505)
Net Retained Earnings	**26,856**	25,737	24,101
Non-controlling interests			
Non-controlling interests (5)	**554**	546	551
Less ASB perpetual preference shares	**(505)**	(505)	(505)
Less other non-controlling interests not eligible for inclusion in regulatory capital	**(49)**	(41)	(46)
Non-controlling interests	**-**	-	-
Common Equity Tier 1 Capital before regulatory adjustments	**65,281**	62,791	60,802

(1) Represents shares held by the Group's life insurance businesses ($92 million) and employee share scheme trusts ($134 million).
(2) Represents equity reserve balances associated with the insurance and funds management entities, and those entities through which securitisation of the Group's assets are conducted. These entities are classified as non-consolidated subsidiaries by APRA and are excluded from the Level 2 Regulatory Consolidated Banking Group.
(3) Comparatives have been restated following a change in accounting policy to recognise deferred tax on Brand names acquired by the Group. Further details on the change are provided in Note 1.1 to the Financial Statements.
(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.

3.1 Capital (continued)

	As at		
	31 Dec 17	30 Jun 17	31 Dec 16
	$M	$M	$M
Common Equity Tier 1 regulatory adjustments			
Goodwill (1)	**(8,051)**	(7,620)	(7,624)
Other intangibles (including software) (2)	**(2,212)**	(2,144)	(2,104)
Capitalised costs and deferred fees	**(652)**	(707)	(696)
Defined benefit superannuation plan surplus (3)	**(305)**	(298)	(299)
General reserve for credit losses (4)	**(388)**	(412)	(372)
Deferred tax asset (5)	**(1,604)**	(1,627)	(1,468)
Cash flow hedge reserve	**151**	107	47
Employee compensation reserve	**(115)**	(164)	(107)
Equity investments (6)	**(2,683)**	(2,626)	(2,741)
Equity investments in non-consolidated subsidiaries (1) (7)	**(2,999)**	(2,673)	(1,632)
Shortfall of provisions to expected losses (8)	**(99)**	(218)	(220)
Gain due to changes in own credit risk on fair valued liabilities	**(96)**	(128)	(147)
Other	**(286)**	(122)	(114)
Common Equity Tier 1 regulatory adjustments	**(19,339)**	(18,632)	(17,477)
Common Equity Tier 1	**45,942**	44,159	43,325
Additional Tier 1 Capital			
Basel III complying instruments (9)	**8,090**	8,090	6,450
Basel III non-complying instruments net of transitional amortisation (10)	**633**	635	643
Holding of Additional Tier 1 Capital (11)	**(200)**	(200)	(200)
Additional Tier 1 Capital	**8,523**	8,525	6,893
Tier 1 Capital	**54,465**	52,684	50,218
Tier 2 Capital			
Basel III complying instruments (12)	**9,255**	7,744	7,639
Basel III non-complying instruments net of transitional amortisation (13)	**1,213**	1,495	1,580
Holding of Tier 2 Capital	**(31)**	(29)	(34)
Prudential general reserve for credit losses (14)	**185**	182	188
Total Tier 2 Capital	**10,622**	9,392	9,373
Total Capital	**65,087**	62,076	59,591

(1) Goodwill excludes $241 million which is included in equity investments in non-controlled subsidiaries. In addition, Goodwill also includes Goodwill from discontinued operations as detailed in Note 7.3 to the Financial Statements.
(2) Other intangibles (including capitalised software costs), net of any associated deferred tax liability. Other intangibles also includes other intangibles from discontinued operations as detailed in Note 7.3 to the Financial Statements.
(3) Represents the surplus in the Group's defined benefit superannuation fund, net of any deferred tax liability.
(4) Adjustment to ensure the Group has sufficient provisions and capital to cover credit losses estimated to arise over the full life of individual facilities, as required by APRA Prudential Standard APS 220.
(5) Comparatives have been restated following a change in accounting policy to recognise deferred tax on Brand names acquired by the Group. Further details on the change are provided in Note 1.1 to the Financial Statements.
(6) Represents the Group's non-controlling interest in other entities.
(7) Non-consolidated subsidiaries primarily represent the insurance and funds management companies operating in the Colonial Group. The adjustment at 31 December 2017 is net of $315 million of Colonial non-recourse debt that is subject to APRA approved transitional relief for regulatory capital purposes. The Group's insurance and funds management operating entities held $1,263 million of capital in excess of minimal regulatory requirements at 31 December 2017.
(8) Regulatory Expected Loss (pre-tax) using stressed loss given default assumptions associated with the loan portfolio in excess of eligible credit provisions (pre-tax).
(9) As at 31 December 2017, comprises PERLS IX $1,640 million (March 2017), PERLS VIII $1,450 million (March 2016), PERLS VII $3,000 million (October 2014) and PERLS VI $2,000 million (October 2012).
(10) Represents APRA Basel III non-compliant Additional Tier 1 Capital Instruments that are eligible for Basel III transitional relief.
(11) Represents holdings of Additional Tier 1 capital instruments issued by the Colonial Mutual Life Assurance Society Limited.
(12) In the December 2017 half year, the Group issued EUR 1 billion subordinated notes that are Basel III compliant Tier 2 Capital.
(13) 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.
(14) Represents the collective provision and general reserve for credit losses for exposures in the Group which are measured for capital purposes under the Standardised approach to credit risk.

3.1 Capital (continued)

	As at		
	31 Dec 17	30 Jun 17	31 Dec 16
Risk Weighted Assets	**$M**	$M	$M
Credit Risk			
Subject to AIRB approach (1)			
Corporate	**69,252**	74,663	79,392
SME Corporate	**33,521**	33,067	35,239
SME retail	**4,675**	4,838	4,747
SME retail secured by residential mortgage	**2,534**	2,766	2,812
Sovereign	**2,186**	2,154	6,742
Bank	**10,780**	12,598	13,481
Residential mortgage (2)	**136,047**	134,969	115,647
Qualifying revolving retail	**8,524**	9,414	9,413
Other retail	**15,413**	15,101	14,970
Total RWA subject to AIRB approach	**282,932**	289,570	282,443
Specialised lending exposures subject to slotting criteria	**56,183**	58,752	60,504
Subject to Standardised approach			
Corporate	**1,250**	1,202	1,128
SME corporate	**279**	510	596
SME retail	**5,701**	6,172	6,089
Sovereign	**189**	271	242
Bank	**63**	136	192
Residential mortgage	**5,404**	5,017	4,788
Other retail	**2,717**	2,925	2,776
Other assets	**5,323**	5,291	5,385
Total RWA subject to Standardised approach	**20,926**	21,524	21,196
Securitisation	**1,622**	1,584	1,572
Credit valuation adjustment	**4,498**	4,958	6,332
Central counterparties	**824**	871	1,479
Total RWA for Credit Risk Exposures	**366,985**	377,259	373,526
Traded market risk	**4,829**	4,650	5,707
Interest rate risk in the banking book	**27,944**	21,404	23,498
Operational risk	**41,078**	33,750	33,750
Total risk weighted assets	**440,836**	437,063	436,481

(1) Pursuant to APRA requirements, RWA amounts derived from AIRB risk weight functions have been multiplied by a scaling factor of 1.06.
(2) Includes APRA requirements to increase the average risk weight applied to Australian residential mortgages using the AIRB approach (30 June 2017: $15 billion).

3.2 Share Capital

Shares on Issue	31 Dec 17 Number	30 Jun 17 Number	31 Dec 16 Number
	Half Year Ended		
Opening balance (excluding Treasury Shares deduction)	**1,729,868,161**	1,723,178,509	1,715,142,177
Issue of shares (1)	**2,087,604**	-	-
Dividend reinvestment plan issues:			
2015/2016 Final dividend fully paid ordinary shares $72.95	**-**	-	8,036,332
2016/2017 Interim dividend fully paid ordinary shares $83.21	**-**	6,689,652	-
2016/2017 Final dividend fully paid ordinary shares $75.73	**20,772,433**	-	-
Closing balance (excluding Treasury Shares deduction)	**1,752,728,198**	1,729,868,161	1,723,178,509
Less: Treasury Shares (2)	**(2,841,980)**	(3,854,763)	(3,421,776)
Closing balance	**1,749,886,218**	1,726,013,398	1,719,756,733

(1) During the period the number of shares issued relates to the acquisition of the remaining 20% interest in AHL Holdings Pty Ltd.
(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 2017 to frank dividends for subsequent financial years, is $1,242 million (June 2017: $1,067 million; December 2016: $537 million). This figure is based on the franking accounts of the Bank at 31 December 2017, 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 2017.

Dividends

The Directors have declared a fully franked interim dividend of 200 cents per share amounting to $3,505 million. There is no foreign conduit income attributed to the final dividend. The dividend is expected to be paid on 28 March 2018 to shareholders on the register at 5:00pm AEDT on 15 February 2018.

The Board determines the dividends per share based on net profit after tax ("cash basis") per share, having regard to a range of factors including:

- Current and expected rates of business growth and the mix of business;
- Capital needs to support economic, regulatory and credit ratings requirements;
- Investments and/or divestments to support business development;
- Competitors comparison and market expectations; and
- Earnings per share growth.

Dividend Reinvestment Plan

The Group has a Dividend Reinvestment Plan (DRP) that is available to shareholders in Australia and certain other jurisdictions. Shareholders can elect to participate to acquire fully paid ordinary shares instead of receiving a cash dividend payment. The DRP generally allocates shares for the equivalent dividend based on the average of the daily volume weighted average price of all shares sold during the ten trading days commencing on the second trading day following the relevant record date. Shares issued under DRP rank equally with ordinary shares on issue. The DRP participation rate for the distribution for the full year ended 30 June 2017 (based on issued capital) was 39.5% with a 1.5% discount applied. For the half year ended 31 December 2017 it was 16.3% and 15.4% for the full year ended 30 June 2016 with no discounts applied.

Record Date

The register closed for determination of dividend entitlement at 5:00pm AEDT on 15 February 2018. The deadline for notifying participation in the DRP was 5:00pm AEDT on 16 February 2018.

Ex-Dividend Date

The ex-dividend date was 14 February 2018.

4) Other Information

4.1 CommInsure and Sovereign Sources of Profit

Sources of Profit from CommInsure	Half Year Ended 31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
General insurance operating margins	**43**	(4)	60	large	(28)
Investment experience after tax	**3**	3	3	-	-
Net profit after tax ("cash basis")	**46**	(1)	63	large	(27)
Net profit after tax ("statutory basis")	**46**	(1)	63	large	(27)

Life Insurance Business Discontinued Operations

Sources of Profit from Comminsure Life Business (discontinued operations)	Half Year Ended 31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Life insurance operating margins:					
Planned profit margins	**80**	84	80	(5)	-
Experience variations	**(40)**	(39)	(98)	3	(59)
Funds management operating margins	**27**	36	37	(25)	(27)
Operating margins	**67**	81	19	(17)	large
Investment experience after tax	**27**	16	18	69	50
Non-controlling interests	**-**	(4)	-	large	-
Net profit after tax ("cash basis")	**94**	93	37	1	large
Net profit after tax ("statutory basis")	**91**	89	18	2	large

Sources of Profit from Sovereign (discontinued operations)	Half Year Ended 31 Dec 17 NZ$M	30 Jun 17 NZ$M	31 Dec 16 NZ$M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Planned profit margins	**45**	45	47	-	(4)
Experience variations	**1**	8	5	(88)	(80)
Operating margins	**46**	53	52	(13)	(12)
Investment experience after tax	**7**	5	(8)	40	large
Net profit after tax ("cash basis")	**53**	58	44	(9)	20
Net profit after tax ("statutory basis")	**53**	58	44	(9)	20

4.2 Intangible Assets (continuing operations basis)

	As at		
	31 Dec 17	30 Jun 17	31 Dec 16
	$M	$M	$M
Goodwill			
Purchased goodwill at cost	**6,868**	7,872	7,880
Closing balance	**6,868**	7,872	7,880
Computer Software Costs			
Cost	**4,438**	4,329	4,095
Accumulated amortisation	**(2,542)**	(2,395)	(2,198)
Closing balance	**1,896**	1,934	1,897
Brand Names (1)			
Cost	**206**	190	190
Accumulated amortisation	**(1)**	(1)	(1)
Closing balance	**205**	189	189
Other Intangibles (2)			
Cost	**195**	154	155
Accumulated amortisation	**(126)**	(125)	(121)
Closing balance	**69**	29	34
Total intangible assets	**9,038**	10,024	10,000

(1) Brand names predominantly represent the value of royalty costs foregone by the Group through acquiring the Bankwest brand name. The royalty costs that would have been incurred by an entity using the Bankwest brand name are based on an annual percentage of income generated by Bankwest. The Bankwest brand name has an indefinite useful life as there is no foreseeable limit to the period over which the brand name is expected to generate cash flows. 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 the Aussie brand name ($16 million) which has an indefinite useful life and Count Financial brand name ($4 million) that is amortised over the estimated useful life of 20 years.

(2) Other intangibles include the value of customer and credit card relationships acquired from Bankwest, Aussie and Count Financial 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 between 6 and 10 years based on the attrition rates of customers.

4.3. 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 AHL Holdings Pty Ltd on 25 August 2017.

Foreign Entities (Rule 4.2A.3 Item No. 8)

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

As at 31 December 2017	Ownership Interest Held (%)
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%
BoCommLife Insurance Company Limited	38%
Count Financial Limited	36%
BPAY Group Limited	25%
Paymark Limited	25%
Vietnam International Commercial Joint Stock Bank	20%
Payments NZ Limited	19%
Silicon Quantum Computing Investment	19%
Qilu Bank Co., Ltd.	18%
Bank of Hangzhou Co., Ltd.	18%
Property Exchange Australia Limited	13%
First State European Diversified Infrastructure Fund FCP-SIF	3%
First State European Diversified Infrastructure Fund II	3%

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.

Appendices

4.4 Profit Reconciliation

Non-cash items are excluded from net profit after tax ("cash basis"), which is management's preferred measure of the Group's financial performance, as they tend to be non-recurring in nature or are not considered representative of the Group's ongoing financial performance. The impact of these items on the Group's net profit after tax ("statutory basis") is outlined below and treated consistently with the prior financial year.

	Half Year Ended 31 December 2017						
Profit Reconciliation	Net profit after tax "cash basis" $M	Hedging and IFRS volatility $M	Gain/(loss) on disposal and acquisition of controlled entities [1] $M	Bankwest non-cash items [2] $M	Treasury shares valuation adjustment $M	Investment experience $M	Net profit after tax "statutory basis" $M
Group							
Interest income	**17,179**	-	-	-	-	-	**17,179**
Interest expense	**(7,926)**	-	-	-	-	-	**(7,926)**
Net interest income	**9,253**	-	-	-	-	-	**9,253**
Other banking income	**2,694**	137	65	-	-	-	**2,896**
Total banking income	**11,947**	137	65	-	-	-	**12,149**
Funds management income	**1,039**	-	-	-	-	8	**1,047**
Insurance income	**136**	-	-	-	-	5	**141**
Total operating income	**13,122**	137	65	-	-	13	**13,337**
Investment experience	**13**	-	-	-	-	(13)	**-**
Total income	**13,135**	137	65	-	-	-	**13,337**
Operating expenses	**(5,764)**	-	-	(2)	-	-	**(5,766)**
Loan impairment expense	**(596)**	-	-	-	-	-	**(596)**
Net profit before tax	**6,775**	137	65	(2)	-	-	**6,975**
Corporate tax (expense)/benefit	**(2,031)**	(41)	-	1	-	-	**(2,071)**
Non-controlling interests	**(9)**	-	-	-	-	-	**(9)**
Net profit after income tax from continuing operations	**4,735**	96	65	(1)	-	-	**4,895**
Net profit after income tax from discontinued operations	**136**	-	(122)	-	(3)	-	**11**
Net profit after income tax	**4,871**	96	(57)	(1)	(3)	-	**4,906**

(1) Includes transaction and separation costs (net of tax) associated with the disposal of CommInsure Life and Sovereign ($122 million), gain recognised on acquisition of AHL ($58 million), gain on sale of County Banks ($11 million), and a loss due to the dilution of the Group's interest in Qilu Bank Co. Ltd ($4 million)

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

4.4 Profit Reconciliation (continued)

Hedging and IFRS volatility

Hedging and IFRS volatility includes unrealised fair value gains or losses on:

- Economic hedges that do not qualify for hedge accounting under IFRS;
- Cross currency interest rate swaps hedging foreign currency denominated debt issues;
- Foreign exchange hedges relating to future New Zealand earnings; and
- The ineffective portion of economic hedges that qualify for hedge accounting under IFRS.

This amount is excluded from cash profit as it does not affect the Group's performance over the life of the hedge.

Gain/(loss) on disposal and acquisition of controlled entities

Gains and losses on disposal and acquisitions of controlled entities have been excluded from cash profit as they do not form part of the Group's underlying performance as they are one-off in nature.

Treasury shares valuation adjustment

Under IFRS, Commonwealth Bank of Australia shares held by the Group in the life insurance businesses are defined as treasury shares and are required to be held at cost. These shares are fair valued in cash profit with the difference between cost and fair value reversed as a non-cash item.

Investment experience

Investment experience includes returns on shareholder capital invested and revaluations in the wealth management businesses. It also includes changes in economic assumptions impacting the insurance businesses and investment profits on the annuity portfolio. This item is classified separately within cash profit.

Bankwest 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. The core deposits and customer lists have been amortising over their useful life and the core deposits have now been fully amortised. The transaction was considered one-off in nature and disclosed as non-cash.

4.4 Profit Reconciliation (continued)

	Half Year Ended 30 June 2017 [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	Investment experience $M	**Net profit after tax "statutory basis" $M**
Group						
Interest income	**16,617**	2	-	-	-	**16,619**
Interest expense	**(7,793)**	-	-	-	-	**(7,793)**
Net interest income	**8,824**	2	-	-	-	**8,826**
Other banking income	**2,577**	94	-	-	-	**2,671**
Total banking income	**11,401**	96	-	-	-	**11,497**
Funds management income	**970**	-	-	-	17	**987**
Insurance income	**61**	-	-	-	4	**65**
Total operating income	**12,432**	96	-	-	21	**12,549**
Investment experience	**21**	-	-	-	(21)	**-**
Total income	**12,453**	96	-	-	-	**12,549**
Operating expenses	**(5,195)**	-	(2)	-	-	**(5,197)**
Loan impairment expense	**(496)**	-	-	-	-	**(496)**
Net profit before tax	**6,762**	96	(2)	-	-	**6,856**
Corporate tax (expense)/benefit	**(1,924)**	(31)	-	-	-	**(1,955)**
Non-controlling interests	**(11)**	-	-	-	-	**(11)**
Net profit after income tax from continuing operations	**4,827**	65	(2)	-	-	**4,890**
Net profit after income tax from discontinued operations [3]	**147**	-	-	(4)	-	**143**
Net profit after income tax	**4,974**	65	(2)	(4)	-	**5,033**

(1) Comparative information has been restated and presented on a continuing operations basis. Refer to Appendix 4.9 of this Document for further details.
(2) Includes merger related amortisation through operating expenses of $2 million.
(3) Statutory net profit after income tax from discontinued operations is presented net of non-controlling interests.

4.4 Profit Reconciliation (continued)

Profit Reconciliation	Net profit after tax "cash basis" $M	Hedging and IFRS volatility $M	Bankwest non-cash items [2] $M	Treasury shares valuation adjustment $M	Investment experience $M	Net profit after tax "statutory basis" $M
	Half Year Ended 31 December 2016 [1]					
Group						
Interest income	**16,676**	(2)	-	-	-	**16,674**
Interest expense	**(7,966)**	-	-	-	-	**(7,966)**
Net interest income	**8,710**	(2)	-	-	-	**8,708**
Other banking income	**3,018**	12	-	-	-	**3,030**
Total banking income	**11,728**	10	-	-	-	**11,738**
Funds management income	**943**	-	-	-	(2)	**941**
Insurance income	**162**	-	-	-	4	**166**
Total operating income	**12,833**	10	-	-	2	**12,845**
Investment experience	**2**	-	-	-	(2)	**-**
Total income	**12,835**	10	-	-	-	**12,845**
Operating expenses	**(5,474)**	-	(2)	-	-	**(5,476)**
Loan impairment expense	**(599)**	-	-	-	-	**(599)**
Net profit before tax	**6,762**	10	(2)	-	-	**6,770**
Corporate tax (expense)/benefit	**(1,925)**	(2)	1	-	-	**(1,926)**
Non-controlling interests	**(9)**	-	-	-	-	**(9)**
Net profit after income tax from continuing operations	**4,828**	8	(1)	-	-	**4,835**
Net profit after income tax from discontinued operations	**79**	-	-	(19)	-	**60**
Net profit after income tax	**4,907**	8	(1)	(19)	-	**4,895**

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 of this Document for further details.
(2) Includes merger related amortisation through operating expenses of $2 million, and an income tax benefit of $1 million.

4.5 Analysis Template (continuing operations basis)

	Half Year Ended (1)		
	31 Dec 17	30 Jun 17	31 Dec 16
Profit Summary - Input Schedule	**$M**	$M	$M
Net interest income	**9,253**	8,824	8,710
Other banking income	**2,694**	2,577	3,018
Total banking income	**11,947**	11,401	11,728
Funds management income	**1,039**	970	943
Insurance income	**136**	61	162
Total operating income	**13,122**	12,432	12,833
Investment experience	**13**	21	2
Total income	**13,135**	12,453	12,835
Operating Expenses			
Retail Banking Services	**(1,846)**	(1,740)	(1,733)
Business and Private Banking	**(789)**	(787)	(787)
Institutional Banking and Markets	**(542)**	(532)	(551)
Wealth Management	**(707)**	(676)	(727)
New Zealand	**(391)**	(399)	(396)
Bankwest	**(368)**	(387)	(367)
IFS and Other	**(1,121)**	(674)	(913)
Total operating expenses	**(5,764)**	(5,195)	(5,474)
Profit before loan impairment expense	**7,371**	7,258	7,361
Loan impairment expense	**(596)**	(496)	(599)
Net profit before income tax	**6,775**	6,762	6,762
Corporate tax expense	**(2,031)**	(1,924)	(1,925)
Operating profit after tax	**4,744**	4,838	4,837
Non-controlling interests	**(9)**	(11)	(9)
Net profit after tax from continuing operations ("cash basis")	**4,735**	4,827	4,828
Net profit after tax from discontinued operations	**136**	147	79
Net profit after tax ("cash basis")	**4,871**	4,974	4,907
Net profit after tax from continuing operations ("cash basis")	**4,735**	4,827	4,828
Hedging and IFRS volatility (after tax)	**96**	65	8
Bankwest non-cash items (after tax)	**(1)**	(2)	(1)
Gain/(loss) on disposal and acquisition of entities net of transaction costs (2)	**65**	-	-
Net profit after tax from continuing operations ("statutory basis")	**4,895**	4,890	4,835
Net profit after tax from discontinued operations ("statutory basis")	**11**	143	60
Net profit after tax ("statutory basis")	**4,906**	5,033	4,895
Total Operating Income			
Retail Banking Services	**5,991**	5,620	5,585
Business and Private Banking	**2,211**	2,124	2,098
Institutional Banking and Markets	**1,416**	1,383	1,488
Wealth Management	**1,069**	934	1,007
New Zealand	**1,085**	1,035	1,030
Bankwest	**885**	844	833
IFS and Other	**465**	492	792

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 of this Document for further details.

(2) Includes a gain recognised on acquisition of AHL ($58 million), a gain on sale of County Banks ($11 million), and a loss due to the dilution of the Group's interest in Qilu Bank Co. Ltd ($4 million).

4.5 Analysis Template (continuing operations basis) (continued)

Profit Summary - Input Schedule	Half Year Ended [1] 31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M
Other Data			
Net interest income	**9,253**	8,824	8,710
Average interest earning assets	**851,522**	846,619	823,058
Average net assets [2] [3]	**64,876**	62,708	61,132
Average non-controlling interests [2]	**545**	547	544
Average treasury shares [2]	**(260)**	(274)	(269)
Interest expense (after tax) - PERLS VI	**41**	41	42
Interest expense (after tax) - PERLS VII	**35**	35	36
Interest expense (after tax) - PERLS VIII	**26**	26	26
Interest expense (after tax) - PERLS IX	**24**	12	-
Weighted average number of shares - statutory basic (M)	**1,739**	1,724	1,716
Weighted average number of shares - statutory diluted (M)	**1,842**	1,817	1,807
Weighted average number of shares - cash basic (M)	**1,740**	1,725	1,718
Weighted average number of shares - cash diluted (M)	**1,843**	1,818	1,809
Weighted average number of shares - PERLS VI (M)	**25**	25	27
Weighted average number of shares - PERLS VII (M)	**37**	37	41
Weighted average number of shares - PERLS VIII (M)	**18**	18	20
Weighted average number of shares - PERLS IX (M)	**20**	10	-
Weighted average number of shares - Employee share plans (M)	**3**	3	3
Dividends per share (cents) - fully franked	**200**	230	199
No. of shares at end of period excluding Treasury shares deduction (M)	**1,753**	1,730	1,723
Funds Under Administration (FUA) - average	**151,008**	144,256	138,024
Assets Under Management (AUM) - average	**224,560**	213,838	206,336
Average inforce premiums	**1,043**	1,031	1,002
Net assets [3]	**66,091**	63,660	61,756
Total intangible assets	**9,038**	8,588	8,567
Non-controlling interests	**540**	549	546

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 of this Document for further details.
(2) Average of reporting period balances.
(3) Comparatives have been restated following a change in accounting policy to recognise deferred tax on Brand names acquired by the Group. Further details on the change are provided in Note 1.1 of the Financial Statements.

4.5 Analysis Template (continued)

	Half Year Ended (1) (2)		
	31 Dec 17	30 Jun 17	31 Dec 16
Ratios - Output Summary (continuing operations basis)	**$M**	$M	$M
Earnings Per Share (EPS)			
Net profit after tax - "cash basis"	**4,735**	4,827	4,828
Average number of shares (M) - "cash basis"	**1,740**	1,725	1,718
Earnings Per Share basic - "cash basis" (cents)	**272. 2**	279. 9	281. 1
Net profit after tax - "statutory basis"	**4,895**	4,890	4,835
Average number of shares (M) - "statutory basis"	**1,739**	1,724	1,716
Earnings Per Share basic - "statutory basis" (cents)	**281. 6**	283. 7	281. 7
Interest expense (after tax) - PERLS VI	**41**	41	42
Interest expense (after tax) - PERLS VII	**35**	35	36
Interest expense (after tax) - PERLS VIII	**26**	26	26
Interest expense (after tax) - PERLS IX	**24**	12	-
Profit impact of assumed conversions (after tax)	**126**	114	104
Weighted average number of shares - PERLS VI (M)	**25**	25	27
Weighted average number of shares - PERLS VII (M)	**37**	37	41
Weighted average number of shares - PERLS VIII (M)	**18**	18	20
Weighted average number of shares - PERLS IX (M)	**20**	10	-
Weighted average number of shares - Employee share plans (M)	**3**	3	3
Weighted average number of shares - dilutive securities (M)	**103**	93	91
Net profit after tax - "cash basis"	**4,735**	4,827	4,828
Add back profit impact of assumed conversions (after tax)	**126**	114	104
Adjusted diluted profit for EPS calculation	**4,861**	4,941	4,932
Average number of shares (M) - "cash basis"	**1,740**	1,725	1,718
Add back weighted average number of shares (M)	**103**	93	91
Diluted average number of shares (M)	**1,843**	1,818	1,809
Earnings Per Share diluted - "cash basis" (cents)	**263. 7**	271. 7	272. 7
Net profit after tax - "statutory basis"	**4,895**	4,890	4,835
Add back profit impact of assumed conversions (after tax)	**126**	114	104
Adjusted diluted profit for EPS calculation	**5,021**	5,004	4,939
Average number of shares (M) - "statutory basis"	**1,739**	1,724	1,716
Add back weighted average number of shares (M)	**103**	93	91
Diluted average number of shares (M)	**1,842**	1,817	1,807
Earnings Per Share diluted - "statutory basis" (cents)	**272. 6**	275. 4	273. 3

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 of this Document for further details.
(2) Calculations are based on actual numbers prior to rounding to the nearest million.

4.5 Analysis Template (continued)

Ratios - Output Summary (including discontinued operations)	Half Year Ended (1) (2) 31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M
Earnings Per Share (EPS)			
Net profit after tax - "cash basis"	**4,871**	4,974	4,907
Average number of shares (M) - "cash basis"	**1,740**	1,725	1,718
Earnings Per Share basic - "cash basis" (cents)	**280. 0**	288. 4	285. 7
Net profit after tax - "statutory basis"	**4,906**	5,033	4,895
Average number of shares (M) - "statutory basis"	**1,739**	1,724	1,716
Earnings Per Share basic - "statutory basis" (cents)	**282. 2**	292. 0	285. 2
Interest expense (after tax) - PERLS VI	**41**	41	42
Interest expense (after tax) - PERLS VII	**35**	35	36
Interest expense (after tax) - PERLS VIII	**26**	26	26
Interest expense (after tax) - PERLS IX	**24**	12	-
Profit impact of assumed conversions (after tax)	**126**	114	104
Weighted average number of shares - PERLS VI (M)	**25**	25	27
Weighted average number of shares - PERLS VII (M)	**37**	37	41
Weighted average number of shares - PERLS VIII (M)	**18**	18	20
Weighted average number of shares - PERLS IX (M)	**20**	10	-
Weighted average number of shares - Employee share plans (M)	**3**	3	3
Weighted average number of shares - dilutive securities (M)	**103**	93	91
Net profit after tax - "cash basis"	**4,871**	4,974	4,907
Add back profit impact of assumed conversions (after tax)	**126**	114	104
Adjusted diluted profit for EPS calculation	**4,997**	5,088	5,011
Average number of shares (M) - "cash basis"	**1,740**	1,725	1,718
Add back weighted average number of shares (M)	**103**	93	91
Diluted average number of shares (M)	**1,843**	1,818	1,809
Earnings Per Share diluted - "cash basis" (cents)	**271. 1**	279. 8	277. 1
Net profit after tax - "statutory basis"	**4,906**	5,033	4,895
Add back profit impact of assumed conversions (after tax)	**126**	114	104
Adjusted diluted profit for EPS calculation	**5,032**	5,147	4,999
Average number of shares (M) - "statutory basis"	**1,739**	1,724	1,716
Add back weighted average number of shares (M)	**103**	93	91
Diluted average number of shares (M)	**1,842**	1,817	1,807
Earnings Per Share diluted - "statutory basis" (cents)	**273. 2**	283. 3	276. 6

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 of this Document for further details.
(2) Calculations are based on actual numbers prior to rounding to the nearest million.

4.5 Analysis Template (continued)

	Half Year Ended (1)		
Dividends Per Share (DPS)	**31 Dec 17**	30 Jun 17	31 Dec 16
Dividends (including discontinued operations)	**$M**	$M	$M
Dividends per share (cents) - fully franked	**200**	230	199
No. of shares at end of period excluding Treasury shares deduction (M)	**1,753**	1,730	1,723
Total dividends	**3,505**	3,979	3,429
Dividend payout ratio - "cash basis"			
Net profit after tax - attributable to ordinary shareholders	**4,871**	4,974	4,907
Total dividends	**3,505**	3,979	3,429
Payout ratio - "cash basis" (%)	**72. 0**	80. 0	69. 9
Dividend cover			
Net profit after tax - attributable to ordinary shareholders	**4,871**	4,974	4,907
Total dividends	**3,505**	3,979	3,429
Dividend cover - "cash basis" (times)	**1. 4**	1. 3	1. 4

(1) Calculations are based on actual numbers prior to rounding to the nearest million.

4.5 Analysis Template (continued)

	Half Year Ended (1)		
	31 Dec 17	30 Jun 17	31 Dec 16
Ratios - Output Summary (continuing operations basis)	**$M**	$M	$M
Return on Equity (ROE)			
Return on Equity - "cash basis"			
Average net assets (2)	**64,876**	62,708	61,132
Less:			
Average non-controlling interests	**(545)**	(547)	(544)
Average equity	**64,331**	62,161	60,588
Add average treasury shares	**260**	274	269
Net average equity	**64,591**	62,435	60,857
Net profit after tax - "cash basis"	**4,735**	4,827	4,828
ROE - "cash basis" (%)	**14. 5**	15. 6	15. 7
Return on Equity - "statutory basis"			
Average net assets (2)	**64,876**	62,708	61,132
Average non-controlling interests	**(545)**	(547)	(544)
Average equity	**64,331**	62,161	60,588
Net profit after tax - "statutory basis"	**4,895**	4,890	4,835
ROE - "statutory basis" (%)	**15. 1**	15. 9	15. 8
Net Tangible Assets per share			
Net assets (2)	**66,091**	63,660	61,756
Less:			
Intangible assets	**(9,038)**	(8,588)	(8,567)
Non-controlling interests	**(540)**	(549)	(546)
Total net tangible assets	**56,513**	54,523	52,643
No. of shares at end of period excluding Treasury shares deduction (M)	**1,753**	1,730	1,723
Net Tangible Assets per share ($)	**32. 24**	31. 52	30. 55

(1) Calculations are based on actual numbers prior to rounding to the nearest million.
(2) Comparatives have been restated following a change in accounting policy to recognise deferred tax on Brand names acquired by the Group. Further details on the change are provided in Note 1.1 to the Financial Statements included in this Document.

4.5 Analysis Template (continued)

	Half Year Ended (1)		
	31 Dec 17	30 Jun 17	31 Dec 16
Ratios - Output Summary (including discontinued operations)	**$M**	$M	$M
Return on Equity (ROE)			
Return on Equity - "cash basis"			
Average net assets (2)	**64,876**	62,708	61,132
Less:			
Average non-controlling interests	**(550)**	(549)	(551)
Average equity	**64,326**	62,159	60,581
Add average treasury shares	**260**	274	269
Net average equity	**64,586**	62,433	60,850
Net profit after tax - "cash basis"	**4,871**	4,974	4,907
ROE - "cash basis" (%)	**15. 0**	16. 1	16. 0
Return on Equity - "statutory basis"			
Average net assets (2)	**64,876**	62,708	61,132
Average non-controlling interests	**(550)**	(549)	(551)
Average equity	**64,326**	62,159	60,581
Net profit after tax - "statutory basis"	**4,906**	5,033	4,895
ROE - "statutory basis" (%)	**15. 1**	16. 3	16. 0
Net Tangible Assets per share			
Net assets (2)	**66,091**	63,660	61,756
Less:			
Intangible assets	**(10,511)**	(10,024)	(10,000)
Non-controlling interests	**(554)**	(546)	(551)
Total net tangible assets	**55,026**	53,090	51,205
No. of shares at end of period excluding Treasury shares deduction (M)	**1,753**	1,730	1,723
Net Tangible Assets per share ($)	**31. 39**	30. 69	29. 72

(1) Calculations are based on actual numbers prior to rounding to the nearest million.
(2) Comparatives have been restated following a change in accounting policy to recognise deferred tax on Brand names acquired by the Group. Further details on the change are provided in Note 1.1 to the Financial Statements included in this Document.

Appendices

4.6 Summary (continuing operations basis)

Group		Half Year Ended (1)				
		31 Dec 17	30 Jun 17	31 Dec 16	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Net profit after tax - "cash basis"	$M	**4,735**	4,827	4,828	(2)	(2)
Hedging and IFRS volatility (after tax)	$M	**96**	65	8	48	large
Bankwest non-cash items (after tax)	$M	**(1)**	(2)	(1)	(50)	-
Gain/(loss) on disposal and acquisition of entities net of transaction costs (2)	$M	**65**	-	-	large	large
Net profit after tax - "statutory basis"	$M	**4,895**	4,890	4,835	-	1
Earnings per share basic - "cash basis"	cents	**272. 2**	279. 9	281. 1	(3)	(3)
Spot number of full-time equivalent staff (FTE)	No.	**42,959**	44,024	43,660	(2)	(2)
Average number of full-time equivalent staff	No.	**43,830**	43,826	43,604	-	1
Return on equity - "cash basis"	%	**14. 5**	15. 6	15. 7	(110)bpts	(120)bpts
Return on equity - "statutory basis"	%	**15. 1**	15. 9	15. 8	(80)bpts	(70)bpts
Net tangible assets per share	$	**32. 24**	31. 52	30. 55	2	5
Net interest income - "cash basis"	$M	**9,253**	8,824	8,710	5	6
Net interest margin	%	**2. 16**	2. 10	2. 10	6 bpts	6 bpts
Net interest margin excluding Treasury and Markets	%	**2. 14**	2. 09	2. 07	5 bpts	7 bpts
Other banking income - "cash basis"	$M	**2,694**	2,577	3,018	5	(11)
Other banking income to total banking income - "cash basis"	%	**22. 5**	22. 6	25. 7	(10)bpts	(320)bpts
Operating expenses to total operating income - "cash basis"	%	**43. 9**	41. 8	42. 7	210 bpts	120 bpts
Jaws - "cash basis"	%	**(3. 0)**	n/a	n/a	n/a	n/a
Average interest earning assets (3)	$M	**851,522**	846,619	823,058	1	3
Average interest bearing liabilities	$M	**757,449**	764,126	747,236	(1)	1

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 of this Document for further details.
(2) Includes gain recognised on acquisition of AHL ($58 million), gain on sale of County Banks ($11 million), and a loss due to the dilution of the Group's interest in Qilu Bank Co. Ltd ($4 million).
(3) Net of mortgage offset balances.

Appendices

4.6 Summary (including discontinued operations)

Group		Half Year Ended [1] 31 Dec 17	30 Jun 17	31 Dec 16	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Net profit after tax - "cash basis"	$M	**4,871**	4,974	4,907	(2)	(1)
Treasury shares valuation adjustment (after tax)	$M	**(3)**	(4)	(19)	(25)	(84)
Hedging and IFRS volatility (after tax)	$M	**96**	65	8	48	large
Bankwest non-cash items (after tax)	$M	**(1)**	(2)	(1)	(50)	-
Gain/(loss) on disposal and acquisition of entities net of transaction costs [2]	$M	**(57)**	-	-	n/a	n/a
Net profit after tax - "statutory basis"	$M	**4,906**	5,033	4,895	(3)	-
Earnings per share basic - "cash basis"	cents	**280. 0**	288. 4	285. 7	(3)	(2)
Dividends per share (fully franked)	cents	**200**	230	199	(13)	1
Dividend payout ratio - "cash basis"	%	**72. 0**	80. 0	69. 9	large	210 bpts
Common Equity Tier 1 (APRA) - Basel III	%	**10. 4**	10. 1	9. 9	30 bpts	50 bpts
Leverage ratio (APRA)	%	**5. 4**	5. 1	4. 9	30 bpts	50 bpts
Spot number of full-time equivalent staff (FTE)	No.	**44,458**	45,614	45,271	(3)	(2)
Average number of full-time equivalent staff	No.	**45,373**	45,430	45,238	-	-
Return on equity - "cash basis"	%	**15. 0**	16. 1	16. 0	(110)bpts	(100)bpts
Return on equity - "statutory basis"	%	**15. 1**	16. 3	16. 0	(120)bpts	(90)bpts
Weighted average no. of shares - "statutory basis" - basic	M	**1,739**	1,724	1,716	1	1
Net interest income - "cash basis"	$M	**9,286**	8,857	8,743	5	6
Net interest margin	%	**2. 16**	2. 11	2. 11	5 bpts	5 bpts
Net interest margin excluding Treasury and Markets	%	**2. 14**	2. 10	2. 08	4 bpts	6 bpts
Other banking income - "cash basis"	$M	**2,662**	2,534	2,986	5	(11)
Other banking income to total banking income - "cash basis"	%	**22. 3**	22. 2	25. 5	10 bpts	(320)bpts
Operating expenses to total operating income - "cash basis"	%	**44. 2**	42. 1	43. 3	210 bpts	90 bpts
Jaws - "cash basis"	%	**(2. 3)**	n/a	n/a	n/a	n/a
Average interest earning assets [3]	$M	**851,606**	846,619	823,058	1	3
Average interest bearing liabilities	$M	**758,312**	764,126	747,236	(1)	1
Loan impairment expense	$M	**596**	496	599	20	(1)
Loan impairment expense - annualised as a % of average gross loans and acceptances	%	**0. 16**	0. 14	0. 17	2 bpts	(1)bpt
Total provisions for impaired assets as a % of gross impaired assets	%	**34. 45**	36. 05	35. 02	(160)bpts	(57)bpts
Net write-offs annualised as a % of GLAAs	%	**0. 15**	0. 16	0. 15	(1)bpt	-
Risk weighted assets (APRA) - Basel III	$M	**440,836**	437,063	436,481	1	1

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 of this Document for further details.
(2) Includes a gain recognised on acquisition of AHL ($58 million), a gain on sale of County Banks ($11 million), and a loss due to the dilution of the Group's interest in Qilu Bank Co. Ltd ($4 million).
(3) Net of average mortgage offset balances.

4.6 Summary (continued)

		Half Year Ended (1)				
		31 Dec 17	30 Jun 17	31 Dec 16	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Retail Banking Services						
Cash net profit after tax	$M	**2,653**	2,480	2,453	7	8
Net interest margin	%	**3. 01**	2. 91	2. 90	10 bpts	11 bpts
Average interest earning assets (AIEA) (2)	$M	**326,256**	320,885	313,281	2	4
Operating expenses to total banking income - "cash basis"	%	**30. 1**	31. 0	31. 0	(90)bpts	(90)bpts
Effective tax rate - "cash basis"	%	**30. 0**	29. 7	29. 9	30 bpts	10 bpts
Risk weighted assets	$M	**140,715**	134,937	120,778	4	17
Business and Private Banking						
Cash net profit after tax	$M	**960**	930	878	3	9
Net interest margin	%	**3. 03**	2. 98	2. 97	5 bpts	6 bpts
Average interest earning assets (AIEA) (2)	$M	**110,969**	110,412	107,793	1	3
Operating expenses to total banking income - "cash basis"	%	**35. 7**	37. 1	37. 5	(140)bpts	(180)bpts
Effective tax rate - "cash basis"	%	**30. 1**	30. 1	30. 1	-	-
Risk weighted assets	$M	**89,449**	87,654	87,664	2	2
Institutional Banking and Markets						
Cash net profit after tax	$M	**591**	630	681	(6)	(13)
Net interest margin	%	**1. 03**	1. 10	1. 10	(7)bpts	(7)bpts
Average interest earning assets (AIEA)	$M	**142,416**	138,789	138,439	3	3
Operating expenses to total banking income - "cash basis"	%	**38. 3**	38. 5	37. 0	(20)bpts	130 bpts
Effective tax rate - "cash basis"	%	**23. 1**	24. 2	23. 7	(110)bpts	(60)bpts
Risk weighted assets	$M	**97,732**	102,242	116,075	(4)	(16)
Wealth Management (3)						
Cash net profit after tax	$M	**281**	211	211	33	33
Underlying profit after tax	$M	**272**	197	207	38	31
Investment experience after tax	$M	**9**	14	4	(36)	large
FUA - average	$M	**139,104**	132,239	126,036	5	10
FUA - spot	$M	**143,668**	135,447	128,953	6	11
AUM - average	$M	**219,558**	209,469	201,967	5	9
AUM - spot	$M	**218,191**	219,427	203,223	(1)	7
CommInsure inforce premiums - average	$M	**795**	777	748	2	6
CommInsure inforce premiums - spot	$M	**801**	783	768	2	4
Operating expenses to total banking income - "cash basis"	%	**66. 1**	72. 4	72. 2	large	large
Effective tax rate - "cash basis"	%	**24. 7**	24. 0	26. 0	70 bpts	(130)bpts

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 of this Document for further details.
(2) Net of average offset balances.
(3) Presented on a continuing operations basis.

4.6 Summary (continued)

		Half Year Ended (1)				
		31 Dec 17	30 Jun 17	31 Dec 16	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
New Zealand (2)						
Cash net profit after tax	$M	**483**	446	423	8	14
Net interest margin (3)	%	**2. 20**	2. 15	2. 19	5 bpts	1 bpt
Average interest earning assets (AIEA)	NZ$M	**88,525**	85,753	82,455	3	7
FUA - average (ASB)	NZ$M	**12,971**	12,743	12,575	2	3
FUA - spot (ASB)	NZ$M	**13,325**	12,826	12,586	4	6
AUM - average (ASB)	NZ$M	**4,976**	4,635	4,584	7	9
AUM - spot (ASB)	NZ$M	**4,809**	4,954	4,325	(3)	11
Operating expenses to total operating income - "cash basis" (ASB) (3)	%	**34. 1**	36. 2	35. 7	(210)bpts	(160)bpts
Effective tax rate - "cash basis" (ASB) (3)	%	**27. 9**	27. 9	27. 9	-	-
Risk weighted assets - APRA basis (4)	$M	**47,489**	48,807	48,524	(3)	(2)
Bankwest						
Cash net profit after tax	$M	**339**	286	290	19	17
Net interest margin	%	**2. 09**	2. 08	2. 06	1 bpt	3 bpts
Average interest earning assets (AIEA) (5)	$M	**73,670**	71,900	70,496	2	5
Operating expenses to total banking income - "cash basis"	%	**41. 6**	45. 9	44. 1	(430)bpts	(250)bpts
Effective tax rate - "cash basis"	%	**30. 4**	29. 9	30. 3	50 bpts	10 bpts
Risk weighted assets	$M	**40,468**	37,803	34,418	7	18

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 of this Document for further details.
(2) Presented on a continuing operations basis.
(3) Key financial metrics are calculated in New Zealand dollar terms.
(4) Risk weighted assets represent ASB only and are calculated in accordance with APRA requirements.
(5) Net of average mortgage offset balances.

4.7 Foreign Exchange Rates

		As at		
Exchange Rates Utilised [(1)]	Currency	**31 Dec 17**	30 Jun 17	31 Dec 16
AUD 1.00 =	USD	**0. 7799**	0. 7684	0. 7236
	EUR	**0. 6532**	0. 6720	0. 6883
	GBP	**0. 5797**	0. 5903	0. 5899
	NZD	**1. 0983**	1. 0493	1. 0393
	JPY	**87. 9780**	86. 1110	84. 6897

(1) End of day, Sydney time.

Appendices

4.8 Definitions

Glossary of Terms

Term	Description
Assets Under Management	Assets Under Management (AUM) represents the market value of assets for which the Group acts as appointed manager.
Bankwest	Bankwest is active in all domestic market segments, with lending diversified between the business, rural, housing and personal markets, including a full range of deposit products.
Business and Private Banking	Business and Private Banking serves the banking needs of business, corporate and agribusiness customers across the full range of financial services solutions, as well as providing banking and advisory services for high net worth individuals. We also provide equities trading and margin lending services through our CommSec business.
Corporate Centre (including eliminations)	Corporate Centre includes the results of unallocated Group support functions such as Treasury, Investor Relations, Group Strategy, Marketing and Secretariat. It also includes Group wide elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses.
Corporations Act	Corporations Act 2001 (Cth)
Customer satisfaction – external survey	This represents satisfaction with Main Financial Institution ("MFI") based on the relationship with the financial institution as measured by Roy Morgan Research. The figures are six months rolling averages and are based on respondents aged 14+. The measure is the percentage of customers who answered as being either "very satisfied" or "fairly satisfied" with their MFI.
Dividend payout ratio ("cash basis")	Dividends paid on ordinary shares divided by net profit after tax ("cash basis").
Dividend payout ratio ("statutory basis")	Dividends paid on ordinary shares divided by net profit after tax ("statutory basis").
DRP	Dividend reinvestment plan.
DRP participation	The percentage of total issued capital participating in the dividend reinvestment plan.
Earnings per share	Calculated in accordance with AASB 133: Earnings per Share.
Expense to income ratio	Represents operating expenses as a percentage of total operating income.
Full-time equivalent staff	Includes all permanent full-time staff, part-time staff equivalents and external contractors employed through third-party agencies.
Funds Under Administration	Funds Under Administration ("FUA") represents the market value of funds administered by the Group and excludes AUM.
IFS	International Financial Services incorporates the Asian retail and business banking operations (Indonesia, China and Vietnam), investments in Chinese and Vietnamese banks, the joint venture 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.
Institutional Banking and Markets	Institutional Banking and Markets services the Group's major corporate, institutional and government clients using a relationship management model based on industry expertise and insights. The client offering includes debt raising, financial and commodities price risk management and transactional banking capabilities. Institutional Banking and Markets has international operations in London, New York, Houston, Japan, Singapore, Malta, Hong Kong, New Zealand, Beijing and Shanghai.
Interest Rate Risk in the Banking Book	Interest Rate Risk in the Banking Book is the risk that the Bank's profit derived from Net Interest Income (interest earned less interest paid), in current and future periods, is adversely impacted from changes in interest rates. This is measured from two perspectives: firstly by quantifying the change in the net present value of the Balance Sheet's future earnings potential, and secondly as the anticipated change to the Net Interest Income earned over 12 months. The APS117 IRRBB regulatory capital requirement is calculated using the net present value approach.
Jaws (%)	The Group uses Jaws as a key measure of financial performance. It is calculated as the difference between Total operating income growth and Operating expenses growth compared to the prior comparative period.
Major Bank Levy	Introduced with the Treasury Laws Amendment (Major Bank Levy) Bill 2017, the bill imposes a levy on authorised deposit-taking institutions with total liabilities of more than $100 billion.
Net profit after tax ("cash basis")	Represents 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 adjustment, and unrealised gains and losses related to hedging and IFRS volatility. This is Management's preferred measure of the Group's financial performance.

Glossary of Terms (continued)

Term	Description
Net profit after tax (“statutory basis”)	Represents net profit after tax and non-controlling interests, Bankwest non-cash items, the gain/loss on disposal of controlled entities/investments, treasury shares valuation adjustment, and unrealised gains and losses related to hedging and IFRS volatility. This is equivalent to the statutory item “Net profit attributable to Equity holders of the Bank”.
Net tangible assets per share	Net assets excluding intangible assets, non-controlling interests, and other equity instruments divided by ordinary shares on issue at the end of the period (excluding Treasury Shares deduction).
New Zealand	New Zealand includes the Banking, Funds Management and Insurance businesses operating in New Zealand (excluding Institutional Banking and Markets), under the ASB and Sovereign brands.
Net Stable Funding Ratio (“NSFR”)	The NSFR is the ratio of the amount of available stable funding (“ASF”) to the amount of required stable funding (“RSF”). ASF is the portion of an ADI’s capital and liabilities expected to be a reliable source of funds over a one year time horizon. RSF is a function of the liquidity characteristics and residual maturities of an ADI’s assets and off-balance sheet activities.
Profit after capital charge (“PACC”)	The Group uses PACC, a risk-adjusted measure, as a key measure of financial performance. It takes into account the profit achieved, the risk to capital that was taken to achieve it, and other adjustments.
Other Overseas	Represents amounts booked in branches and controlled entities outside Australia and New Zealand.
Retail Banking Services	Retail Banking Services provides home loan, consumer finance and retail deposit products and servicing to all Retail bank customers and non-relationship managed small business customers, under the CBA and Aussie brands. In addition, commission is received for the distribution of Wealth Management products through the retail distribution network.
Return on equity – cash basis	Based on cash net profit after tax and non-controlling interests less other equity instruments’ distributions applied to average shareholders’ equity, excluding non-controlling interests, other equity instruments and the treasury shares deduction.
Return on equity – statutory basis	Based on net profit after tax (“statutory basis”) less other equity instruments’ distributions applied to average shareholders’ equity, excluding non-controlling interests and other equity instruments.
Total Committed Exposure (“TCE”)	Total Committed Exposure is defined as the balance outstanding and undrawn components of committed facility limits. It is calculated before collateralisation and excludes settlement exposures.
Wealth Management	Wealth Management provides Superannuation, Investment, Retirement and Insurance products and services including financial planning which help to secure and enhance the financial wellbeing of more than 2.3 million customers. In addition, as a global asset management business, we manage investments on behalf of institutional investors and pension funds, wholesale distributors and platforms, financial advisers and their clients.
Weighted average number of shares (“cash basis”)	The calculation incorporates the bonus element of any rights issue, discount element of any DRP and excludes “Treasury Shares” related to Investment in the Bank’s shares held by the employee share scheme trust.
Weighted average number of shares (“statutory basis”)	The calculation incorporates the bonus element of any rights issue, discount element of any DRP and excludes “Treasury Shares” related to investments in the Bank’s shares held by both the life insurance statutory funds and by the employee share scheme trust.

Appendices

Market Share Definitions

Retail Banking

Home loans	CBA Loans to individuals that are Owner Occupied and Investment Home Loans + Securitised Housing Loans as per APRA monthly Banking Statistics + separately reported subsidiaries: Wallaby Trust, Residential Group Mortgage Group P/L and Homepath P/L
	RBA Total Housing Loans (including securitisations) (includes Banks and non-banks)
Credit cards - RBA	CBA Personal Credit Card Lending (APRA)
	Credit Cards excluding those issued to Business, with interest free period + without interest free period (from RBA credit and charge card statistics – Additional Credit Card Statistics C1.1)
Other household lending	CBA Lending to Individuals which includes: Personal Loans, Margin Lending, Personal Leasing, Revolving Credit and Overdrafts
	Loans to Households: Other (APRA Monthly Banking Statistics back series)
Household deposits	Total CBA transaction and non-transaction account deposit balances from residents as reported under APRA definitions for Households (individuals) excluding Self-Managed Super Funds (as per deposit balances submitted to APRA in ARF 320.0 Statement of Financial Position)
	Household Deposits (from APRA Monthly Banking Statistics back series)

Business Banking

Business lending - APRA	CBA Total loans to residents as reported under APRA definitions for the Non-Financial Corporations sector (as per lending balances submitted to APRA in ARF 320.0 Statement of Financial Position) (this includes some Housing Loans to Business)
	Total loans to the Non-Financial Corporations sector (from APRA Monthly Banking statistics back series)
Business lending - RBA	CBA business lending and credit: specific “business lending” categories in lodged APRA returns – ARF 320.0 Statement of Financial Position Domestic Book, ARF 320.1 Debt Securities Held and ARF 320.4 Accepted and Endorsed Bills, excluding sub-categories of Banks, ADIs and RFCs and Governments.
	Total of business lending category of the RBA Aggregate Lending seasonally adjusted
Business deposits - APRA	Total CBA transaction and non-transaction account deposit balances from residents as reported under APRA definitions for the non-financial corporation’s sector (as per deposit balances submitted to APRA in ARF 320.0)
	Loans to Non-Financial Corporations (from APRA Monthly Banking Statistics back series)
Asset Finance	CBA Leasing as reported to Australian Equipment Lessors Association (“AELA”)
	Total AELA Leasing Market (includes major competitors)
Equities trading	Twelve months rolling average of total value of equities trades as measured by ASX
	Twelve months rolling average of total value of equities market trades as measured by ASX

Wealth Management

Australian Retail – administrator view	Total funds in CBA Wealth Management retail investment products (including WM products badged by other parties)
	Total funds in retail investment products market (from Strategic Insight - formally known as Plan for Life)
FirstChoice Platform	Total funds in FirstChoice platform
	Total funds in platform/masterfund market (from Strategic Insight - formally known as Plan for Life)
Australia life insurance (total risk)	Total risk inforce premium of all CBA Group Australian life insurance companies
	Total risk inforce premium for all Australian life insurance companies (from Strategic Insight - formally known as Plan for Life)
Australia life insurance (individual risk)	(Individual lump sum + individual risk income) inforce premium of all CBA Group Australian life insurance companies
	Individual risk inforce premium for all Australian life insurance companies (from Strategic insight - formally known as Plan for Life)

Market Share Definitions (continued)

New Zealand

Home Loans	All ASB residential mortgages for owner occupier and residential investor property use
	Total New Zealand residential mortgages for owner occupier and residential investor property use of all New Zealand registered banks (from RBNZ)
Customer deposits	All resident and non-resident deposits on ASB Balance Sheet
	Total resident and non-resident deposits of all New Zealand registered banks (from RBNZ)
Business Lending	All New Zealand dollar loans for business use on ASB Balance Sheet excluding agriculture loans
	Total New Zealand dollar loans for business use of all New Zealand registered banks excluding agriculture loans (from RBNZ)
Business and Rural Lending	All New Zealand dollar loans for business and agriculture use on ASB Balance Sheet
	Total New Zealand dollar loans for business and agriculture use of all New Zealand registered banks (from RBNZ)
Retail AUM (1)	Total ASB AUM
	Total Market net Retail AUM (from Fund Source Research Limited)
Annual inforce premiums (2)	Total Sovereign inforce premiums excluding health (opening inforce annual premium income + new business - exits - other)
	Total inforce premium for New Zealand (from Financial Services Council of New Zealand statistics)

(1) Presented on a continuing operations basis.
(2) Discontinued operations.

4.9 Disclosure Changes
Financial Reporting Changes in this Document

1. Financial Reporting Enhancements

During the current half, the Group has enhanced its financial reporting format and disclosures to improve the level of transparency, disclosure and the overall readability of the document. The changes include new metrics at both the Group and Divisional levels.

The key additional metrics are listed below:

Group Operations & Business Settings

Credit Quality

- Total provisions for impaired assets as a % of gross impaired assets (corporate)
- Total provisions for impaired assets as a % of gross impaired assets (consumer)
- Net write-offs annualised as a % of GLAAs
- Corporate total committed exposures rated investment grade (%)
- Credit exposures by industry

Divisional Performance (for relevant Divisions)

- Net interest margin (%)
- Risk weighted assets ($M)
- 90+ days home loan arrears (%)
- 90+ days consumer finance arrears (%)
- Troublesome and impaired assets ($M)
- Corporate total committed exposures rated investment grade (%)
- Number of full-time equivalent staff (FTE)

2. Presentation of Discontinued Operations

- **Presentation of Discontinued Operations**

On 21 September 2017, the Group announced the sale of 100% of its life insurance businesses in Australia (“CommInsure Life”) and New Zealand (“Sovereign”) to AIA Group Limited (“AIA”) for $3.8 billion. The transaction is subject to certain conditions and regulatory approvals in Australia and New Zealand and is expected to be completed in calendar year 2018.

CommInsure Life currently forms part of the Group’s Wealth Management division while Sovereign forms part of the Group’s New Zealand division. Both are discontinuing operations within each division. In line with accounting standards, the comparative Group results have been restated to disclose the financial results of the discontinued operations separately from continuing operations and are presented as a single line item ‘net profit after tax from discontinued operations’. Assets and Liabilities of discontinued operations have been presented separately as held for sale on the Balance Sheet as at 31 December 2017 however in line with accounting standards prior periods remain unadjusted. Group Key Performance Indicators have been presented on both a continuing operations and including discontinued operations basis.

3. Change in Accounting Polices

- **Deferred tax liability**

Following guidance from IFRS Interpretations Committee (“IFRIC”) and evolving industry practice, the Group has changed its accounting policy in relation to the Bankwest brand name to assume the expected manner of recovery will be through use rather than potential sale. This results in an adjustment to opening retained earnings of $56 million with a corresponding increase in deferred tax liability (after netting this results in a decrease in deferred tax assets). The change in accounting policy has not impacted the Group’s capital.

4. Financial Reporting Refinements

- **Re-segmentation and Allocations**

  Refinements have been made to the allocation of customer balances and associated revenue and expenses between business divisions. The refinements include the migration of relationship managed business customers outside Western Australia from Bankwest to Business and Private Banking. These changes have not impacted the Group's net profit after tax ("statutory basis"), but have resulted in changes to the presentation of the Income Statement and the Balance Sheet of the affected divisions.

- **Non-Traded Interest Rate Risk**

  The scope of the internal model for AUD Non-Traded Interest Rate Risk has been broadened to include a measurement of the change in spreads between swap rates and bond yields for Debt Securities held in the Banking Book. The broadening of the scope is in line with the regulator's guidance in regards to the spread risk on these securities.

- **Committed Exposure By Industry**

  Following enhancements processed in the current period, there were minor refinements to the categorisation of credit exposures. Overall, there was no change in the total exposures.

- **Earnings per Share**

  In accordance with the requirements of AASB 133 'Earnings per Share', the calculation of basic and diluted earnings per share for all periods presented has been adjusted retrospectively to incorporate the discounted dividend reinvestment plan.

  – Basic Statutory EPS (including Discontinued Operations) decreased by 0.2 cents for the Half Year Ended 30 June 2017 and 0.1 cent for the Half Year Ended 31 December 2016.

5. Financial Reporting Refinements Previously Reported

A number of enhancements were made to the financial reporting in the prior year. Below is a summary of the impact on the 31 December 2016 prior period balances.

- **Loans which were neither past due nor impaired**

  Following enhancements to methodology in the prior period, there was a change to the categorisation of credit exposures by credit grade for loans which were neither past due nor impaired.

Appendices

Segment Statutory NPAT (impact by adjustment type)

	Half Year Ended 30 June 2017							
	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	2,498	848	623	300	527	345	(108)	5,033
Restatements								
Statutory NPAT - discontinued operations	-	-	-	(89)	(54)	-	-	(143)
Resegmentation and Allocations	(18)	82	7	-	(2)	(61)	(8)	-
Statutory NPAT (continuing operations) - as restated	**2,480**	**930**	**630**	**211**	**471**	**284**	**(116)**	**4,890**

	Half Year Ended 31 December 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	2,466	791	683	230	473	354	(102)	4,895
Restatements								
Statutory NPAT - discontinued operations	-	-	-	(18)	(42)	-	-	(60)
Resegmentation and Allocations	(13)	87	(2)	(1)	(6)	(65)	-	-
Statutory NPAT (continuing operations) - as restated	**2,453**	**878**	**681**	**211**	**425**	**289**	**(102)**	**4,835**

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

	Half Year Ended 30 June 2017							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management [(1)] $M	New Zealand [(1)] $M	Bankwest $M	IFS and Other $M	Group $M
Statutory NPAT - as published	2,498	848	623	300	527	345	(108)	5,033
Restatements								
Increase/(decrease) in Income	(15)	126	14	(272)	(149)	(103)	(37)	(436)
Increase/(decrease) in Investment experience (after tax)	-	-	-	(17)	(3)	-	1	(19)
(Increase)/decrease in Operating expenses	(10)	(11)	(5)	130	57	19	26	206
(Increase)/decrease in Loan impairment expense	(1)	3	-	-	-	(3)	1	-
(Increase)/decrease in Corporate tax expense	8	(36)	(2)	66	39	26	1	102
(Increase)/decrease in Non-controlling interest	-	-	-	4	-	-	-	4
Total restatements	(18)	82	7	(89)	(56)	(61)	(8)	(143)
Statutory NPAT (continuing operations) - as restated	**2,480**	**930**	**630**	**211**	**471**	**284**	**(116)**	**4,890**

	Half Year Ended 31 December 2016							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management [(1)] $M	New Zealand [(1)] $M	Bankwest $M	IFS and Other $M	Group $M
Statutory NPAT - as published	2,466	791	683	230	473	354	(102)	4,895
Restatements								
Increase/(decrease) in Income	(5)	127	3	(143)	(86)	(107)	(38)	(249)
Increase/(decrease) in Investment experience (after tax)	-	-	-	(19)	9	-	1	(9)
(Increase)/decrease in Operating expenses	(11)	(12)	(6)	120	57	21	34	203
(Increase)/decrease in Loan impairment expense	(2)	9	-	-	-	(7)	-	-
(Increase)/decrease in Corporate tax expense	5	(37)	1	23	(28)	28	3	(5)
(Increase)/decrease in Non-controlling interest	-	-	-	-	-	-	-	-
Total restatements	(13)	87	(2)	(19)	(48)	(65)	-	(60)
Statutory NPAT (continuing operations) - as restated	**2,453**	**878**	**681**	**211**	**425**	**289**	**(102)**	**4,835**

(1) Income includes Investment experience (after tax).

Segment Balance Sheet

	As at 30 June 2017							
	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	356,503	106,972	173,234	22,014	86,784	86,166	144,701	**976,374**
Restatements								
Resegmentations and Allocations	(1,143)	9,322	(123)	-	-	(8,046)	(10)	**-**
Deferred tax asset	-	-	-	-	-	-	(56)	**(56)**
Total Assets - as restated	**355,360**	**116,294**	**173,111**	**22,014**	**86,784**	**78,120**	**144,635**	**976,318**
Total Liabilities - as published	252,773	83,499	161,807	27,455	80,625	56,691	249,808	**912,658**
Restatements								
Resegmentations and Allocations	(465)	1,426	305	-	-	(1,265)	(1)	**-**
Deferred tax liability	-	-	-	-	-	56	(56)	-
Total Liabilities - as restated	**252,308**	**84,925**	**162,112**	**27,455**	**80,625**	**55,482**	**249,751**	**912,658**

	As at 31 December 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	347,471	104,554	177,625	21,862	86,085	83,605	150,517	**971,719**
Restatements								
Resegmentations and Allocations	(685)	9,082	(323)	-	-	(8,073)	(1)	**-**
Deferred tax asset	-	-	-	-	-	-	(56)	**(56)**
Total Assets - as restated	**346,786**	**113,636**	**177,302**	**21,862**	**86,085**	**75,532**	**150,460**	**971,663**
Total Liabilities - as published	249,688	80,372	155,053	26,975	79,058	51,685	267,076	**909,907**
Restatements								
Resegmentations and Allocations	(999)	2,625	(242)	-	-	(1,385)	1	**-**
Deferred tax liability	-	-	-	-	-	56	(56)	-
Total Liabilities - as restated	**248,689**	**82,997**	**154,811**	**26,975**	**79,058**	**50,356**	**267,021**	**909,907**

Segment Cost to Income Ratios

	Half Year Ended 30 June 2017							
	Retail Banking Services	Business and Private Banking	Institutional Banking and Markets	Wealth Management (1)	New Zealand (In NZD) (1)	Bankwest	IFS	Group
	%	%	%	%	%	%	%	%
Statutory operating expenses to total operating income (%) - as published	30.7%	38.8%	38.5%	66.1%	37.5%	43.1%	72.4%	41.5%
Statutory operating expenses to total operating income (continuing operations) (%) - as restated	31.0%	37.1%	38.5%	70.8%	37.3%	46.1%	72.4%	41.4%

(1) Restatements shown for the half year ended 30 June 2017 includes an $89m NPAT decrease for discontinued operations in Wealth Management and a $54m NPAT decrease in New Zealand.

	Half Year Ended 31 Dec 2016							
	Retail Banking Services	Business and Private Banking	Institutional Banking and Markets	Wealth Management (1)	New Zealand (In NZD) (1)	Bankwest	IFS	Group
	%	%	%	%	%	%	%	%
Statutory operating expenses to total operating income (%) - as published	30.8%	39.3%	36.7%	71.5%	39.3%	41.5%	66.7%	43.3%
Statutory operating expenses to total operating income (continuing operations) (%) - as restated	31.0%	37.5%	37.0%	71.8%	36.5%	44.3%	66.7%	42.6%

(1) Restatements shown for the half year ended 31 December 2016 includes an $18m NPAT decrease for discontinued operations in Wealth Management and a $42m NPAT decrease in New Zealand.

Group Performance Summary

Impact of changes in accounting policy for the recognition of deferred tax liabilities in relation to the Bankwest brand name.

	Half Year Ended 30 Jun 17		Half Year Ended 31 Dec 16	
	As Restated	As Published	As Restated	As Published
	$M	$M	$M	$M
Net interest income	8,824	8,857	8,710	8,743
Other banking income	2,577	2,534	3,018	2,986
Total banking income	**11,401**	**11,391**	**11,728**	**11,729**
Funds management income	970	1,030	943	1,004
Insurance income	61	393	162	393
Total operating income	**12,432**	**12,814**	**12,833**	**13,126**
Investment experience	21	49	2	16
Total income	**12,453**	**12,863**	**12,835**	**13,142**
Operating expenses	(5,195)	(5,401)	(5,474)	(5,677)
Loan impairment expense	(496)	(496)	(599)	(599)
Net profit before tax	**6,762**	**6,966**	**6,762**	**6,866**
Corporate tax expense	(1,924)	(1,977)	(1,925)	(1,950)
Non-controlling interests	(11)	(15)	(9)	(9)
Net profit after tax from continuing operations	**4,827**	**4,974**	**4,828**	**4,907**
Net profit after tax from discontinued operations	147	-	79	-
Net profit after tax ("cash basis")	**4,974**	**4,974**	**4,907**	**4,907**
Hedging and IFRS volatility	65	65	8	8
Other non-cash items	(6)	(6)	(20)	(20)
Net profit after tax ("statutory basis")	**5,033**	**5,033**	**4,895**	**4,895**

Appendices

Consolidated Balance Sheet

	As at 30 Jun 17		As at 31 Dec 16	
	As Restated	As Published	As Restated	As Published
Assets	**$M**	**$M**	**$M**	**$M**
Cash and liquid assets	45,850	45,850	44,709	44,709
Receivables due from other financial institutions	10,037	10,037	10,612	10,612
Assets at fair value through Income Statement:				
Trading	32,704	32,704	34,199	34,199
Insurance	13,669	13,669	13,795	13,795
Other	1,111	1,111	803	803
Derivative assets	31,724	31,724	45,837	45,837
Available-for-sale investments	83,535	83,535	81,675	81,675
Loans, bills discounted and other receivables	731,762	731,762	712,905	712,905
Bank acceptances of customers	463	463	1,440	1,440
Property, plant and equipment	3,873	3,873	4,094	4,094
Investments in associates and joint ventures	2,778	2,778	2,842	2,842
Intangible assets	10,024	10,024	10,000	10,000
Deferred tax assets	906	962	726	782
Other assets	7,882	7,882	8,026	8,026
Assets held for sale	-	-	-	-
Total assets	**976,318**	**976,374**	**971,663**	**971,719**
Liabilities				
Deposits and other public borrowings	626,655	626,655	606,091	606,091
Payables due to other financial institutions	28,432	28,432	34,031	34,031
Liabilities at fair value through Income Statement	10,392	10,392	8,404	8,404
Derivative liabilities	30,330	30,330	38,042	38,042
Bank acceptances	463	463	1,440	1,440
Current tax liabilities	1,450	1,450	1,012	1,012
Deferred tax liabilities	332	332	332	332
Other provisions	1,780	1,780	1,625	1,625
Insurance policy liabilities	12,018	12,018	12,388	12,388
Debt issues	167,571	167,571	175,583	175,583
Managed funds units on issue	2,577	2,577	2,362	2,362
Bills payable and other liabilities	11,932	11,932	11,600	11,600
Liabilities held for sale	-	-	-	-
	893,932	**893,932**	**892,910**	**892,910**
Loan capital	18,726	18,726	16,997	16,997
Total liabilities	912,658	912,658	909,907	909,907
Net assets	**63,660**	**63,716**	**61,756**	**61,812**
Shareholders' Equity				
Share capital:				
Ordinary share capital	34,971	34,971	34,455	34,455
Reserves	1,869	1,869	2,144	2,144
Retained profits	26,274	26,330	24,606	24,662
Shareholders' Equity attributable to Equity holders of the Bank	63,114	63,170	61,205	61,261
Non-controlling interests	546	546	551	551
Total Shareholders' Equity	**63,660**	**63,716**	**61,756**	**61,812**

Non-Traded Interest Rate Risk

	Average VaR 30 Jun 17		Average VaR 31 Dec 16	
	As Restated	As Published	As Restated	As Published
Non-Traded Interest Rate Risk (20 day 97.5% confidence)	**$M**	**$M**	**$M**	**$M**
AUD Interest rate risk	252.4	92.9	263.4	99.3

Committed Exposure by Industry

	As At 30 Jun 17		As At 31 Dec 16	
	As Restated	As Published	As Restated	As Published
By Industry	**%**	**%**	**%**	**%**
Agriculture, forestry and fishing	2.0	2.0	2.0	2.0
Banks	6.1	6.1	6.3	6.3
Business services	1.3	1.3	1.3	1.3
Construction	0.7	0.8	0.7	0.8
Consumer	55.4	55.4	54.8	54.8
Culture and recreational services	0.7	0.7	0.7	0.7
Energy	1.1	1.1	1.2	1.2
Finance - Other	5.0	5.0	5.1	5.1
Health and community service	0.8	0.7	0.8	0.7
Manufacturing	1.6	1.6	1.6	1.6
Mining	1.4	1.4	1.4	1.4
Property	6.4	6.5	6.6	6.7
Retail trade and wholesale trade	2.2	2.2	2.4	2.4
Sovereign	9.7	9.7	9.5	9.5
Transport and storage	1.6	1.5	1.6	1.5
Other	4.0	4.0	4.0	4.0
	100.0	**100.0**	**100.0**	**100.0**

Earnings per share

	Half Year Ended 30 Jun 17		Half Year Ended 31 Dec 16	
	As Restated	As Published	As Restated	As Published
Earnings per share:	Cents per share		Cents per share	
Statutory basis - basic	292.0	292.2	285.2	285.3

Loans which were neither past due nor impaired

	As Restated As at 31 December 2016					As Published As at 31 December 2016				
	Home Loans	Other Personal	Asset Financing	Other Commercial Industrial	Total	Home Loans	Other Personal	Asset Financing	Other Commercial Industrial	Total
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Loans which were neither past due nor impaired										
Investment Grade	301,353	4,564	638	98,093	404,648	301,353	4,564	911	133,714	440,542
Pass Grade	151,134	14,661	7,383	107,422	280,600	151,134	14,661	7,595	73,096	246,486
Weak	8,533	3,210	183	3,769	15,695	8,533	3,210	235	1,937	13,915
Total loans which were neither past due nor impaired	**461,020**	**22,435**	**8,204**	**209,284**	**700,943**	**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	5,886	842	105	1,086	7,919
Past due 30 - 59 days	1,805	224	49	242	2,320	1,805	224	49	242	2,320
Past due 60 - 89 days	849	131	29	114	1,123	849	131	29	114	1,123
Past due 90 - 179 days	977	15	4	175	1,171	977	15	4	175	1,171
Past due 180 days or more	906	10	1	252	1,169	906	10	1	252	1,169
Total loans past due but not impaired	**10,423**	**1,222**	**188**	**1,869**	**13,702**	**10,423**	**1,222**	**188**	**1,869**	**13,702**

4.10 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 2017, 30 June 2017, and 31 December 2016, 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 6 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.

5) Update on AUSTRAC Proceedings and related Shareholder Class Action

On February 23, 2018, CBA lodged with the Federal Court of Australia its response to the amended statement of claim filed by AUSTRAC on 14 December 2017 with respect to the AUSTRAC Proceedings and its defence to the shareholder class action filed by shareholder Zonia Holdings Pty Ltd related to the AUSTRAC Proceedings (Class Action). For more details on the AUSTRAC Proceedings, refer to the 2017 Annual U.S. Disclosure Document, the Recent Developments Reports and Note 7.2 to the Financial Statements included in this Document.

In our amended defence in the AUSTRAC Proceedings, we deny the majority of the 100 additional allegations. In our defence of the Class Action, we categorically deny all allegations of liability because we consider that we have complied with our continuous disclosure obligations under Australian law with respect to the AUSTRAC Proceedings at all times.

AUSTRAC Proceedings

For more information related to AUSTRAC's amended statement of claim, please refer to the December 2017 Recent Developments Report.

Of the 100 additional allegations in AUSTRAC's amended statement of claim, CBA denies 89 allegations in full and admits 11 allegations in part. Taking into account the allegations in the original claim as well as the amended claim, our response to AUSTRAC's claim is summarised below.

Late Threshold Transaction Reports (TTR)

We agree that we were late in filing 53,506 TTRs, but we will submit that, for the purposes of penalty, these should be treated as a single course of conduct.

Anti-Money Laundering/Counter-Terrorism Financing (AML/CTF) Program

We agree that we did not adequately adhere to risk assessment requirements for Intelligent Deposit Machines (IDMs), but do not accept that this amounted to 14 separate contraventions.

We agree that our transaction monitoring did not operate as intended in respect of a number of accounts between October 2012 and October 2015.

Suspicious Matter Reports (SMR)

AUSTRAC alleges 230 contraventions concerning SMR obligations. Although we believe there were less than 98 separate contraventions, we admit we made errors in 98 instances in connection with our SMR obligations. We admit that: (i) 53 SMRs were filed late; and (ii) a further 45 SMRs should have been filed. We deny 132 of the allegations concerning SMRs.

Ongoing Customer Due Diligence Requirements

We admit 56 (in whole or in part) but deny a further 53 allegations concerning ongoing customer due diligence requirements. Further detail can be found in CBA's Amended Concise Statement in Response, which is attached to this Document.

Class Action

In our defence to the Class Action, CBA categorically denies all allegations of liability made against it.

The Class Action alleges that between 1 July 2015 and 3 August 2017, CBA failed to disclose to the market material information in relation to aspects of its AML/CTF controls that are the subject of the AUSTRAC Proceedings. The allegations include that CBA failed to disclose that it was potentially exposed to an enforcement action by AUSTRAC.

CBA rejects the assertion that it had any price sensitive information in respect of its AML/CTF controls environment or the risk of the AUSTRAC Proceeding, and maintains that it at all times complied with its continuous disclosure obligations under Australian law. CBA first became aware of the AUSTRAC Proceedings on the day it filed its statement of claim with the Federal Court of Australia on 3 August 2017. CBA maintains that at no time prior to 3 August 2017 did AUSTRAC tell us: (i) that it had decided to take any action against CBA; or (ii) about the number or nature of the contraventions it would be alleging against CBA.

CBA takes its continuous disclosure obligations seriously and will continue to vigorously defend the Class Action.

CBA Amended Concise Statement in Response to AUSTRAC Proceedings

NOTICE OF FILING

This document was lodged electronically in the FEDERAL COURT OF AUSTRALIA (FCA) on 23/02/2018 8:43:59 AM AEDT and has been accepted for filing under the Court's Rules. Details of filing follow and important additional information about these are set out below.

Details of Filing

Document Lodged:	Concise Statement
File Number:	NSD1305/2017
File Title:	CHIEF EXECUTIVE OFFICER OF THE AUSTRALIAN TRANSACTION REPORTS AND ANALYSIS CENTRE v COMMONWEALTH BANK OF AUSTRALIA LIMITED ACN 123 123 124
Registry:	NEW SOUTH WALES REGISTRY - FEDERAL COURT OF AUSTRALIA

Dated: 23/02/2018 8:44:03 AM AEDT Registrar

Important Information

As required by the Court's Rules, this Notice has been inserted as the first page of the document which has been accepted for electronic filing. It is now taken to be part of that document for the purposes of the proceeding in the Court and contains important information for all parties to that proceeding. It must be included in the document served on each of those parties.

The date and time of lodgment also shown above are the date and time that the document was received by the Court. Under the Court's Rules the date of filing of the document is the day it was lodged (if that is a business day for the Registry which accepts it and the document was received by 4.30 pm local time at that Registry) or otherwise the next working day for that Registry.

Amended Concise Statement in Response

No. NSD1305 of 2017

Federal Court of Australia

District Registry: New South Wales

Division: General

CHIEF EXECUTIVE OFFICER OF THE AUSTRALIAN TRANSACTION REPORTS AND ANALYSIS CENTRE

Applicant

COMMONWEALTH BANK OF AUSTRALIA ACN 123 123 124

Respondent

A. IMPORTANT FACTS GIVING RISE TO THE CLAIM

Commonwealth Bank of Australia

1. It is not in dispute that the Commonwealth Bank of Australia (**CBA**) has at all relevant times:
   a. been enrolled as a reporting entity under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (the **Act**); and
   b. adopted and maintained a joint AML/CTF Program (the **Joint Program**) as required by s 81 of the Act.
2. Part A of the Joint Program has at all relevant times required CBA to:

Filed on behalf of the Respondent

Prepared by Bryony Kate Adams

Herbert Smith Freehills

Tel	+61 2 9225 5000	Fax	+61 2 9322 4000
Email	Bryony.Adams@hsf.com	Ref	82651293

Address for service ANZ Tower

161 Castlereagh Street

SYDNEY NSW 2000

a. undertake risk assessments of the inherent risk that new products and services (including new channels and technologies for delivering those products and services) might involve or facilitate money laundering (**ML**) or terrorism financing (**TF**) (together, **ML/TF risk**) and keep those risk assessments up to date; and

b. subject identified areas of ML/TF risk to appropriate systems and controls with a view to mitigating and managing that risk.

3. At all relevant times and in accordance with the Joint Program, CBA has implemented an ongoing customer due diligence program (**OCDD Program**), which includes risk-based systems and controls to monitor the provision by CBA of designated services (within the meaning of the Act) to its customers for the purpose of identifying, mitigating and managing the ML/TF risk associated with those services.

4. The OCDD Program includes a transaction monitoring program directed to the purpose of identifying, having regard to ML/TF risk, transactions that appear to be suspicious within the terms of section 41 of the Act, and transactions that are complex, unusually large, have an unusual pattern, or which have no apparent economic or visible lawful purpose. Some products and services, such as transaction and deposit accounts, have been assessed as carrying a high inherent ML/TF risk and are subjected to systems and controls including automated transaction monitoring that is intended to detect atypical transactional activity. CBA has had, at all relevant times, a financial crime platform for undertaking automated transaction monitoring and a system for manual alerts to be raised and transmitted to CBA's Pegasus Financial Crimes Case Management System (**Pegasus**).

5. The OCDD Program also includes an enhanced customer due diligence program (**ECDD Program**), with risk-based systems and controls directed to undertaking measures appropriate to the circumstances in cases where required by the *Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007* (Cth) (the **Rules**).

6. At all relevant times and in accordance with the OCDD Program, CBA has had a dedicated team of personnel (referred to as the **AML Operations team**) with responsibility for:

a. undertaking ongoing customer due diligence (**OCDD**) including through the review of alerts generated by the automated transaction monitoring system, as well as alerts manually created by branch or other CBA staff;

b. determining whether activity identified in alerts gives rise to a suspicious matter reporting obligation under s 41 of the Act and, if so, submitting a suspicious matter report (**SMR**) to AUSTRAC – responsibility for these matters rests solely with senior analysts, team leaders and managers within the AML Operations team; and

c. undertaking enhanced customer due diligence (**ECDD**), including recommending closure of customer accounts where it forms the view that closure is appropriate in light of the ML/TF risk posed by those customers.

7. Between 1 January 2012 and 31 July 2017:

   a. approximately 160,000 automated transaction monitoring alerts were generated by the financial crime platform; and

   b. CBA submitted over 36,000 SMRs to AUSTRAC.

8. Between 1 July 2012 to 31 July 2017, CBA closed over 4,000 accounts as a result of the application of its OCDD Program.

Compliance with the Joint Program

9. As noted above, the Joint Program has at all relevant times required an assessment of the inherent ML/TF risk of a new channel or technology and appropriate measures to manage and mitigate that risk. Where the risk is high, some automated transaction monitoring will generally be appropriate.

10. Intelligent Deposit Machines (**IDMs**) were rolled out by CBA commencing in May 2012 as part of a broader project to refresh CBA's Automatic Teller Machine (**ATM**) network. IDMs have the same functionality as ATMs but also have the ability to automatically count cash deposited, enabling the cash to be immediately credited to the customer's account (in the same way that cash deposited in branch is immediately credited to the customer's account).

11. CBA had assessed the inherent ML/TF risk of its ATMs prior to the launch of IDMs in May 2012. CBA did not prior to May 2012 undertake a separate assessment of the inherent ML/TF risk of IDMs. However, as with ATMs, transactions through IDMs were subjected to automated transaction monitoring.

12. CBA conducted assessments of the inherent ML/TF risk of IDMs in July 2015, July 2016 and October 2017, each of which assessed the inherent ML/TF risk of IDMs as 'high'.

13. By no later than January 2016, in light of information available to CBA about money laundering activity through IDMs, including information provided by AUSTRAC, CBA accepts that, in addition to subjecting transactions through IDMs to its automated transaction monitoring program, it should have introduced daily limits on cash deposits

through IDMs to CBA branded cards connected with a personal account as an additional measure to manage and mitigate ML/TF risk. Those daily limits were introduced in November 2017.

14. CBA admits that it failed to comply with its Joint Program and contravened s 82(1) of the Act in two respects. First, by failing to conduct an assessment of the inherent ML/TF risk in respect of IDMs prior to July 2015, and secondly by failing to introduce daily limits on cash deposits through IDMs to CBA branded cards connected with a personal account by January 2016.

15. CBA also admits that at various times between about 20 October 2012 and 12 October 2015, due to an error in the process of merging data from two systems, its account level automated transaction monitoring did not operate as intended in respect of 778,370 accounts. CBA admits that this deficiency in its automated transaction monitoring over that period constituted a contravention of s 82(1) of the Act.

Late TTRs

16. When CBA introduced IDMs, CBA established an automated process to identify cash deposits into IDMs that constituted "threshold transactions" for the purpose of submitting TTRs to AUSTRAC.

17. CBA's automated process identified cash deposits by searching for certain transaction codes and then reported cash transactions of $10,000 or more. In November 2012, in order to correct an error message that was appearing on customer statements, a new transaction code was applied in respect of some cash deposits through IDMs. However, the automated TTR reporting process was not updated to search for that new transaction code. In September 2015, CBA's automated process was corrected so that TTRs were generated for transactions identified by the relevant transaction code. However, between November 2012 and September 2015, the automated process did not generate TTRs for 53,506 deposits of $10,000 or more through IDMs.

18. CBA admits that the failures to lodge these TTRs in the time required by the Act constituted contraventions of s 43(2) of the Act.

Approach to filing SMRs

19. AUSTRAC alleges ~~174~~ <u>230</u> failures relating to SMRs. CBA denies ~~83~~ <u>132</u> of these allegations in full and admits ~~91~~ <u>98</u> in whole or in part (although CBA says that 29 of those failures constitute 2, rather than 29, contraventions).

Incomplete SMRs

20. A significant number of AUSTRAC's allegations are to the effect that SMRs were incomplete, either because they were missing one or more transactions (or specific transaction details), or because they contained incorrect information.

21. In ~~63~~ 64 instances, CBA accepts that the pleaded SMRs did not contain full transactional or other details. However, in each case an SMR was filed, which contained precise details of a number of transactions and referred in more general terms to further relevant transactions or signalled a broader pattern of relevant activity. CBA says that those SMRs satisfied the requirements of s 41(2) of the Act, and that no civil penalty is payable in respect of a failure to provide the additional details.

22. In 11 further instances, CBA accepts that the SMR contained incorrect information, such as an inaccurate record of the recipient of a money transfer. While CBA admits the facts alleged by AUSTRAC, it again says that they do not result in a contravention of s 41(2) of the Act and that no civil penalty is payable in respect of those contraventions. CBA also says that even if this were otherwise a civil penalty contravention, a statutory defence for taking reasonable precautions and exercising due diligence is available to it in these circumstances under ss 232 and 236 of the Act.

Late or Missing SMRs

23. AUSTRAC alleges that in the remaining cases CBA either failed to submit SMRs, or failed to do so in the time required by the Act.

24. In ~~6~~ 54 cases, CBA does not accept that its authorised personnel formed a suspicion in respect of the matters that AUSTRAC has pleaded (or considers that some transactions were incorporated in the SMR and others were not the subject of a relevant suspicion). In 3 further cases, CBA does not accept that it contravened the requirements of s 41(2) for other reasons.

25. However, CBA accepts that in ~~46~~ 53 cases it filed SMRs later than required by the Act, and in 45 cases it did not file an SMR at all, for at least an element of the deficiency that AUSTRAC has pleaded, in circumstances where it should have done so. In relation to these admissions, CBA says that:

    a. In ~~33~~ 40 cases, it had filed an SMR in relation to the relevant customer within the previous three months and did not submit a further SMR at the time in relation to additional transactions exhibiting a similar pattern of conduct on the same account. In ~~11~~ 18 of these cases, the transactions were incorporated into later SMRs but in the remaining cases they were not. CBA at the time did not appreciate, but now admits, that the approach of not submitting an SMR in those circumstances failed to satisfy the requirements of the Act.

b. In 29 related cases, CBA was provided with information by law enforcement that persons connected with Syndicate 1 may not have been who they claimed to be. CBA acted on that information to prevent further transactions on the affected accounts. CBA accepts that it should also have filed SMRs recording a suspicion that those persons were not who they claimed to be, and it did not do so within the time required by the Act. However, CBA says that this constituted 2, rather than 29, contraventions.

c. In 23 further cases, CBA was provided with other information by law enforcement in relation to particular customers (a number of which were related). In 5 of these cases, the transactions were incorporated into later SMRs but in the remaining cases they were not. CBA did not sufficiently appreciate the need to give the AUSTRAC CEO an SMR solely on the basis of law enforcement communications, but now admits that this information needed to be submitted by filing SMRs consistent with the requirements of the Act.

Approach to carrying on OCDD

26. AUSTRAC alleges ~~71~~ 109 failures relating to OCDD. CBA denies ~~19~~ 53 of these allegations in full, admits 12 in full and admits some elements and denies other elements of the allegations for the remaining ~~40~~ 44.

27. At all material times, CBA employed the OCDD Program (which includes the ECDD Program) to monitor customers with a view to identifying, mitigating and managing the ML/TF risk that it reasonably faced. The OCDD Program (including the ECDD Program) was applied to customers the subject of the OCDD allegations.

28. CBA admits that for some of the customers the subject of the OCDD allegations, it did not (or did not always):

a. monitor the customer sufficiently, with a view to identifying, mitigating and managing its ML/TF risk; or

b. undertake sufficient measures appropriate to the circumstances to mitigate or manage its ML/TF risk in respect of the customer.

Generally in those instances, CBA accepts that for a specified period insufficient transaction monitoring alerts were generated on the customer's account, transactional reviews did not occur quickly enough, insufficient consideration was given as to whether to terminate the customer relationship or there was a delay in rendering the customer's account inactive once a decision was made to terminate the relationship resulting in further transactional activity.

29. CBA otherwise denies the OCDD allegations (either in whole or in part), and says that the steps that it took to monitor or undertake enhanced due diligence in relation to particular customers were sufficient to discharge its obligations under s 36 of the Act.

30. CBA also says that in relation to the customers that are the subject of the SMR and OCDD allegations, the application of the OCDD Program to those customers during the relevant period resulted in the following:

	Customers	**Alerts (automated and manual)**	**SMRs filed***
Syndicate 1	30	190	71
Syndicate 2	12	53	17
Syndicate 3	1	20	4
Syndicate 4	11	35	16
Cuckoo Smurfing Syndicate	18	33	26
Strike Force B	52	146	116
Remaining customers (referred to in the Amended Statement of Claim as Persons 56, ~~and~~ 75 and 136-139)	~~2~~ 6	~~8~~ 25	~~6~~ 14
TOTAL	**~~74~~ 130**	**~~339~~ 502**	**~~140~~ 264**

* Note that some of these SMRs covered multiple customers or issues.

In addition, all relevant accounts were inactivated or~~, in the case of the Cuckoo Smurfing Syndicate,~~ otherwise made the subject of continued application of the OCDD Program.

B. THE RELIEF SOUGHT FROM THE COURT

31. CBA accepts that it would be appropriate for the Court to make declarations of contravention insofar as these are admitted and to impose a pecuniary penalty in an amount determined by the Court. CBA will submit that, for the purposes of penalty, certain of the admitted contraventions, including but not limited to the 53,506 late TTRs, should be treated as single courses of conduct.

C. THE ALLEGED HARM SUFFERED

32. CBA accepts the importance of the obligations imposed on it by the Act. These obligations require it to act in the public interest to advance the effectiveness of law enforcement. Accordingly CBA accepts that the failure to issue TTRs and SMRs in accordance with the Act has deprived law enforcement of some additional intelligence. CBA will submit that the extent of that harm should be assessed in the context of the significant number of SMRs issued in respect of the customers in question above and the fact that a number of the SMR contraventions relate to information itself derived from law enforcement. CBA also accepts the need for compliant and appropriate risk-based systems and controls. It has been engaged in a program of work to enhance its existing systems and controls, including to address the matters that gave rise to the admitted contraventions.

Date: ~~13 December 2017~~ 23 February 2018

Signed by Bryony Kate Adams

Lawyer for the Respondent