Commonwealth Bank of Australia
U.S. Disclosure Document
For the Half Year ended 31 December 2015

Report for the half year ended 31 December 2015	$M	
Revenue from ordinary activities	21,924	Down 4%
Profit/(loss) from ordinary activities after tax attributable to Equity holders	4,618	Up 2%
Net profit/(loss) for the period attributable to Equity holders	4,618	Up 2%
Dividends (distributions)		
Interim dividend - fully franked (cents per share)		198
Record date for determining entitlements to the dividend		18 February 2016

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

- The Commonwealth Bank of Australia Annual U.S. Disclosure Document – Year Ended 30 June 2015 (the "2015 Annual U.S. Disclosure Document");
- The Commonwealth Bank of Australia Financial Report (U.S. Version) – Year Ended 30 June 2015 which contains the Financial Statements for the years ended 30 June 2013, 2014 and 2015 and as of 30 June 2013, 2014 and 2015 (the "2015 Financial Report");
- The Commonwealth Bank of Australia Financial Report (U.S. Version) – Year Ended 30 June 2014 which contains the Financial Statements for the years ended 30 June 2012, 2013 and 2014 and as of 30 June 2012, 2013 and 2014 (the "2014 Financial Report");
- The Commonwealth Bank of Australia Basel III Pillar 3 Capital Adequacy and Risk Disclosure as of 31 December 2015 (the "December 2015 Capital Disclosure Report");
- The Commonwealth Bank of Australia Recent Developments as of 18 November 2015 (the "Recent Developments Report") which includes the U.S. Investor Basel III Capital Adequacy and Risk Disclosures as of 30 September 2015 (the "September 2015 Capital Disclosure Report"); and
- The Commonwealth Bank of Australia U.S. Investor Basel III Capital Adequacy and Risk Disclosures as of 30 June 2015 (the "June 2015 Capital Disclosure Report", and, together with the December 2015 Capital Disclosure Report and September 2015 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 (U.S. Investor Website).

The term "Bank" refers to the Commonwealth Bank of Australia and the term "Group" refers to the Bank and its consolidated subsidiaries. Certain other terms used in this Document are defined in Appendix 15 to this Document.

This Document, the 2015 Annual U.S. Disclosure Document, the 2015 Financial Report, the Recent Developments Report, the Capital Disclosure Reports and the 2014 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 2015 Financial Year are to the year ended 30 June 2015 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 2015. The term "prior comparative period" refers to the half year ended 31 December 2014, while the term "prior half" refers to the half year ended 30 June 2015 and the terms "current period" or "current half" refers to the half year ended 31 December 2015.

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

Section 1 – Disclosures

Special Note Regarding Forward-Looking Statements

Certain statements under the captions “Highlights”, “Capital”, “Group Performance Analysis”, “Retail Banking Services”, “Business and Private Banking”, “Institutional Banking and Markets”, “Wealth Management”, “New Zealand”, “Bankwest”, “IFS and Other”, “Liquidity and Capital Resources” 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 changes in political, social, credit, liquidity, investor confidence and economic conditions in Australia, New Zealand and elsewhere where the Group or its customers operate or raise funds; the impact of natural disasters; demographic changes; technological changes; changes in competitive conditions in Australia, New Zealand, Asia, the United States or the United Kingdom; changes in the regulatory structure of the banking, life insurance and funds management industries in Australia, New Zealand, the United Kingdom or Asia; changes in global credit and equity market conditions including funding costs, credit ratings and access; regulatory proposals for reform of the banking, life insurance and funds management industries in Australia and other regions where the Group operates; changes in the rate of exchange of Australian dollars, which is the Group’s financial reporting currency, and the other currencies in which the Group conducts business; the impact of existing or potential litigation and regulatory actions or requirements applicable to the Group, its business or its customers; and various other factors beyond the Group's control. Given these risks, uncertainties and other factors, potential investors are cautioned not to place undue reliance on such forward-looking statements.

Risk factors applicable to the Group are detailed on page 8 of this Document and pages 16 to 22 of the 2015 Annual U.S. Disclosure Document.

Financial Information Definitions

Basis of Preparation

The consolidated Financial Statements of the Group for the half years ended 31 December 2015, 30 June 2015 and 31 December 2014 comply with International Financial Reporting Standards ("IFRS").

This Document, the 2015 Annual U.S. Disclosure Document, the 2015 Financial Report, the Recent Developments Report, the Capital Disclosure Reports and the 2014 Financial Report are each presented in Australian dollars, unless otherwise stated.

This Document does not include all notes of the type included in the 2015 Annual U.S. Disclosure Document and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the Group as that given by the 2015 Annual U.S. Disclosure Document. As a result, this Document should be read in conjunction with the 2015 Annual U.S. Disclosure Document, the 2015 Financial Report and the 2014 Financial Report.

The accounting policies and methods of computation adopted in the preparation of the Financial Statements are consistent with those adopted and disclosed in the 2015 Financial Report.

No amendments to Australian Accounting Standards have been adopted during the half year ended 31 December 2015 that have a material impact on the Group. Where necessary, comparative information has been restated to conform to changes in presentation in the current period and footnoted throughout this Document. A description of the changes and the impact on each segment's net profit after tax ("cash basis"), Balance Sheet and cost to income ratios for the comparative periods is set out in Appendix 16 to this Document.

Non-GAAP Financial Measures

In addition to its statutory financial results reported in this Document, the 2015 Financial Report and the 2014 Financial Report in accordance with IFRS, the Group reports and describes in this Document certain "non-GAAP financial measures" (as defined in SEC Regulation G) of the financial performance and results of the Group. These non-GAAP financial measures are not calculated in accordance with IFRS. This Document contains reconciliations of these non-GAAP financial measures to the Group's financial results prepared in accordance with IFRS.

Net Profit after Tax

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

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

Net profit after tax ("cash basis") is a non-GAAP financial measure that is defined by management as net profit after tax and non-controlling interests, before Bankwest non-cash items, the gain/loss on disposal of controlled entities/investments, treasury shares valuation adjustment, 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 believes 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 from "statutory basis" to "cash basis" is set out on page 12, and Appendix 11 to 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 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. The Group derives funds management fees from FUA and AUM and management believes 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.

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.

Exchange Rates Utilised (1)	Currency	As at 31 Dec 15	As at 30 Jun 15	As at 31 Dec 14
AUD 1.00 =	USD	**0. 7308**	0. 7681	0. 8188
	EUR	**0. 6688**	0. 6880	0. 6738
	GBP	**0. 4929**	0. 4893	0. 5262
	NZD	**1. 0660**	1. 1283	1. 0450
	JPY	**88. 0051**	94. 0578	98. 0111

(1) End of day, Sydney time

Exchange Rates Utilised (1)	Currency	Average Rates 31 Dec 15	Average Rates 30 Jun 15	Average Rates 31 Dec 14
AUD 1.00 =	USD	**0. 7237**	0. 7756	0. 8822
	EUR	**0. 6557**	0. 6995	0. 6924
	GBP	**0. 4717**	0. 5075	0. 5453
	NZD	**1. 0975**	1. 0625	1. 0973
	JPY	**88. 1678**	93. 3654	97. 4707

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

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

For further information regarding the composition of the Group's income by location please refer to Note 7.

The references to the weaker Australian dollar in this Document are to the weakening 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. If different assumptions or estimates were applied, the resulting values would change, impacting the Group's net assets and income. An explanation of these policies and the related judgements and estimates involved is set out below. For further information regarding the Group's accounting policies, please see Note 1 of this Document.

Provisions for Impairment of Financial Assets

Provisions for impairment of financial assets are raised where there is objective evidence of impairment at an individual or collective basis, at an amount adequate to cover assessed credit related losses.

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 raised where there is objective evidence of impairment (and the Group does not expect to receive all of the cash flows contractually due).

Individually assessed provisions are made against individual risk related credit facilities where a loss of $20,000 or more is expected. 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 credit 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.

In addition, management 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.

The amount required to bring the collective provision to the level assessed is recognised in the Income Statement.

Provisions (Other than Loan Impairment)

Provisions are held in respect of a range of future obligations. For example, provisions carried for long service leave claims are calculated based on actuarial models and subject to semi-annual review based on changes in underlying assumptions. Some of these provisions involve significant judgement about the likely outcome of various events and estimated future cash flows.

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

Life Insurance Policyholder Liabilities

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

- Business assumptions including amount, timing and duration of claims/policy payments, policy lapse rates, and acquisition and maintenance expense levels;
- Long-term economic assumptions for discount, interest, inflation and market earnings rates; and
- Selection of whether projection or accumulation is the appropriate methodology to calculate liabilities. The selection of the methodology 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 Special Purpose Entities

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

Financial Instruments at Fair Value

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

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

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

The chosen valuation technique will generally aim to maximize use of market inputs and rely 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

As described in Note 1(bb) and Note 35 of the 2015 Financial Report, 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 16 to 22 of the 2015 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 5 and 6 to this Document. Appendix 5 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 6 to this Document provides details on the Group's counterparty and other credit risk exposures. Also refer to Notes 31 – 34 of the 2015 Financial Report.

Contents

Section 2 – Highlights

Highlights

Group Performance Highlights

	Half Year Ended ("statutory basis")			Half Year Ended ("cash basis")				
	31 Dec 15	31 Dec 14	Dec 15 vs Dec 14 %	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Net profit after tax ($M)	**4,618**	**4,535**	2	**4,804**	4,514	4,623	6	4
Return on equity (%)	**16. 6**	**18. 4**	(180)bpts	**17. 2**	17. 8	18. 6	(60)bpts	(140)bpts
Earnings per share - basic (cents)	**273. 6**	**277. 5**	(1)	**284. 4**	275. 0	282. 5	3	1
Dividends per share (cents)	**198**	**198**	-	**198**	222	198	(11)	-

These "Highlights" contain forward-looking statements. See "Special Note Regarding Forward-Looking Statements" on page 3 of this Document.

Financial Performance

The Group's net profit after tax ("statutory basis") for the half year ended 31 December 2015 increased 2% on the prior comparative period to $4,618 million.

Return on equity ("statutory basis") was 16.6%, a decrease of 180 basis points on the prior comparative period. Earnings per share ("statutory basis") was 273.6 cents, a decrease of 1% on the prior comparative period.

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

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

Operating income growth was solid across most businesses, relative to both the prior comparative period and prior half.

Operating expenses increased due to underlying inflationary pressures, the impact of foreign exchange, increased investment spend and higher amortisation, partly offset by the incremental benefit generated from productivity initiatives.

Loan impairment expense increased mainly due to higher provisioning in Institutional Banking and Markets, Retail Banking Services, and International Financial Services ("IFS"). Management believe that provisioning levels remain prudent and there has been no change to the economic overlay.

Net profit after tax ("cash basis") for the half year ended 31 December 2015 increased 4% on the prior comparative period to $4,804 million. Earnings per share ("cash basis") increased 1% on the prior comparative period to 284.4 cents per share.

Return on equity ("cash basis") for the half year ended 31 December 2015 was 17.2%, a decrease of 140 basis points on the prior comparative period.

Capital

The Group strengthened its capital position during the half year, by undertaking a $5.1 billion institutional and retail entitlement offer, reflecting the APRA requirement to hold additional capital with respect to Australian residential mortgages effective from 1 July 2016. We believe this capital raising places the Group in a strong position domestically. As at 31 December 2015, our Basel III Common Equity Tier 1 ("CET1") ratio was 10.2% on an APRA basis, which is above the regulatory minimum level of at least 8%.

Funding

The Group continued to seek to maintain conservative Balance Sheet settings, with a considerable portion of the Group's lending growth funded by growth in customer deposits, which increased to $500 billion as at 31 December 2015, up $42 billion on the prior comparative period. Customer deposits comprised 64% of the Group's total funding base at 31 December 2015, up 1% from each of 30 June 2015 and 31 December 2014.

Dividends

The interim dividend declared was $1.98 per share, in line with the prior comparative period. This represents a dividend payout ratio ("cash basis") of 70.8%.

The interim dividend payment will be fully franked and is scheduled to be paid on 31 March 2016 to owners of ordinary shares at the close of business on 18 February 2016 (record date). Shares were quoted ex-dividend on 16 February 2016.

Outlook

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

We believe that our stakeholders value our stability, particularly when markets are volatile. Our $5.1 billion capital raising through an entitlement offer for all shareholders further bolstered our capital adequacy. We believe our liquidity, funding and provisioning positions are similarly strong.

We believe these results reflect that, through the latter part of 2015, the Australian economy continued its steady transition from a resource-dependent economy to a more diversified one. We believe sound monetary policy and a lower Australian dollar have been stimulating construction and are starting to benefit export-sensitive industries such as tourism, education and agriculture. As a result, the economy overall is starting to generate a broader base of jobs.

The transition is still in its early stages. So global volatility concerns our customers, and presents challenges here in Australia. We must be cautious, but also remain focused on the long-term to ensure that Australia remains a great place to live and to invest. Continued progress on key policy foundations such as tax and infrastructure will be critical to support business innovation and job creation. We believe we also have a strong financial system to underpin economic growth. With the Financial System Inquiry ("FSI") now concluded, we believe all political, regulatory and industry participants in Australia need to be forward-looking and build on the prevailing strength of our economy.

At CBA, we will also maintain a long-term focus. We are confident that our long-term strategy remains the right one. We are intensely focused on our vision to secure and enhance the financial well-being of individuals, businesses and communities.

Highlights

Group Performance Summary	Half Year Ended ("cash basis") 31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %	Half Year Ended ("statutory basis") 31 Dec 15 $M	Dec 15 vs Dec 14 %
Net interest income (1)	**8,364**	7,890	7,875	6	6	**8,363**	6
Other banking income (1)	**2,479**	2,487	2,386	-	4	**2,267**	(3)
Total banking income	**10,843**	10,377	10,261	4	6	**10,630**	4
Funds management income	**1,032**	968	970	7	6	**1,024**	5
Insurance income	**487**	376	416	30	17	**552**	3
Total operating income	**12,362**	11,721	11,647	5	6	**12,206**	4
Investment experience	**58**	130	80	(55)	(28)	**-**	n/a
Total income	**12,420**	11,851	11,727	5	6	**12,206**	4
Operating expenses	**(5,216)**	(5,079)	(4,914)	3	6	**(5,253)**	6
Loan impairment expense	**(564)**	(548)	(440)	3	28	**(564)**	28
Net profit before tax	**6,640**	6,224	6,373	7	4	**6,389**	1
Corporate tax expense (2)	**(1,825)**	(1,699)	(1,740)	7	5	**(1,760)**	(1)
Non-controlling interests (3)	**(11)**	(11)	(10)	-	10	**(11)**	10
Net profit after tax ("cash basis")	**4,804**	4,514	4,623	6	4	**n/a**	n/a
Hedging and IFRS volatility (4)	**(151)**	48	(42)	large	large	**n/a**	n/a
Other non-cash items (4)	**(35)**	(34)	(46)	3	(24)	**n/a**	n/a
Net profit after tax ("statutory basis")	**4,618**	4,528	4,535	2	2	**4,618**	2
Represented by: (1)							
Retail Banking Services	**2,215**	1,940	2,054	14	8		
Business and Private Banking	**803**	731	764	10	5		
Institutional Banking and Markets	**608**	636	649	(4)	(6)		
Wealth Management	**363**	296	329	23	10		
New Zealand	**354**	541	384	(35)	(8)		
Bankwest	**370**	369	374	-	(1)		
IFS and Other	**(95)**	15	(19)	large	large		
Net profit after tax ("statutory basis")	**4,618**	4,528	4,535	2	2		

(1) Comparative information has been restated to reflect refinements to the allocation of customer balances, revenue and expense allocation methodology enhancements, including updated transfer pricing allocations and realignment between Institutional Banking and Markets and Group Treasury, and the reclassification of ASB's interest expense. Refer to Appendix 16 to this Document for further details.

(2) For the purposes of presentation, policyholder tax expense components of corporate tax expense are shown on a net basis (31 December 2015: $9 million; 30 June 2015: $38 million; 31 December 2014: $61 million).

(3) Non-controlling interests include preference dividends paid to holders of preference shares in ASB Capital Limited and ASB Capital No.2 Limited.

(4) Refer to "Financial Information Definitions – Basis of Preparation" on page 4 and Appendix 11 to this Document for further details.

Key Performance Indicators	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
	Half Year Ended [1]				
Group					
Statutory net profit after tax ($M)	**4,618**	4,528	4,535	2	2
Net interest margin (%)	**2. 06**	2. 06	2. 11	-	(5)bpts
Net interest margin excluding Treasury and Markets (%)	**2. 04**	2. 04	2. 09	-	(5)bpts
Average interest earning assets ($M)	**805,916**	772,747	739,272	4	9
Average interest bearing liabilities ($M)	**762,221**	732,110	694,372	4	10
Funds Under Administration ("FUA") - average ($M)	**143,120**	143,052	133,584	-	7
Assets Under Management ("AUM") - average ($M)	**203,603**	207,187	190,806	(2)	7
Average inforce premiums ($M)	**3,386**	3,332	3,234	2	5
Statutory operating expenses to total operating income (%)	**43. 0**	42. 8	42. 3	20 bpts	70 bpts
Statutory effective corporate tax rate (%)	**27. 4**	27. 4	27. 4	-	-
Retail Banking Services					
Statutory net profit after tax ($M)	**2,215**	1,940	2,054	14	8
Statutory operating expenses to total banking income (%)	**32. 8**	34. 6	33. 6	(180)bpts	(80)bpts
Business and Private Banking					
Statutory net profit after tax ($M)	**803**	731	764	10	5
Statutory operating expenses to total banking income (%)	**37. 8**	38. 7	38. 1	(90)bpts	(30)bpts
Institutional Banking and Markets					
Statutory net profit after tax ($M)	**608**	636	649	(4)	(6)
Statutory operating expenses to total banking income (%)	**37. 1**	36. 1	33. 2	100 bpts	390 bpts
Wealth Management					
Statutory net profit after tax ($M)	**363**	296	329	23	10
FUA - average ($M)	**132,721**	132,991	124,659	-	6
AUM - average ($M)	**199,294**	203,052	187,216	(2)	6
Average inforce premiums ($M)	**2,470**	2,424	2,345	2	5
Statutory operating expenses to net operating income (%)	**62. 2**	72. 6	60. 4	large	180 bpts
New Zealand					
Statutory net profit after tax ($M)	**354**	541	384	(35)	(8)
FUA - average ($M)	**10,399**	10,061	8,925	3	17
AUM - average ($M)	**4,309**	4,135	3,590	4	20
Average inforce premiums ($M)	**664**	658	656	1	1
Statutory operating expenses to total operating income (%) [2]	**38. 9**	40. 6	38. 4	(170)bpts	50 bpts
Bankwest					
Statutory net profit after tax ($M)	**370**	369	374	-	(1)
Statutory operating expenses to total banking income (%)	**45. 4**	45. 9	46. 1	(50)bpts	(70)bpts
Capital (Basel III)					
Common Equity Tier 1 (APRA) (%)	**10. 2**	9. 1	9. 2	110 bpts	100 bpts
Leverage Ratio (Basel III) [3]					
Leverage Ratio (APRA)	**5. 0**	n/a	n/a	n/a	n/a

(1) Comparative information has been restated to reflect refinements to the allocation of customer balances, revenue and expense allocation methodology enhancements, including updated transfer pricing allocations and realignment between Institutional Banking and Markets and Group Treasury, and the reclassification of ASB's interest expense. Refer to Appendix 16 to this Document for further details.

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

(3) The leverage ratio is defined as Tier 1 Capital as a percentage of "total exposures". Total exposures is the sum of on Balance Sheet items, derivatives, Securities Financing Transactions ("SFTs"), and off Balance Sheet items, net of any Tier 1 regulatory deductions that are already included in these items. As the Group commenced disclosure of its leverage ratio at 30 September 2015, no comparatives have been presented.

Highlights

Shareholder Summary	Half Year Ended 31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Dividends per share - fully franked (cents)	**198**	222	198	(11)	-
Dividend cover - statutory (times)	**1. 4**	1. 2	1. 4	17	-
Dividend cover - cash (times)	**1. 4**	1. 2	1. 4	17	-
Earnings Per Share (EPS) (cents) (1) (2)					
Statutory basis - basic	**273. 6**	276. 2	277. 5	(1)	(1)
Cash basis - basic	**284. 4**	275. 0	282. 5	3	1
Dividend payout ratio (%) (2)					
Statutory basis	**73. 7**	80. 3	71. 2	large	250 bpts
Cash basis	**70. 8**	80. 5	69. 8	large	100 bpts
Weighted average no. of shares ("statutory basis") - basic (M) (1) (2) (3)	**1,676**	1,629	1,626	3	3
Weighted average no. of shares ("cash basis") - basic (M) (1) (2) (3)	**1,678**	1,631	1,628	3	3
Return on equity ("statutory basis") (%) (2)	**16. 6**	18. 0	18. 4	(140)bpts	(180)bpts
Return on equity ("cash basis") (%) (2)	**17. 2**	17. 8	18. 6	(60)bpts	(140)bpts

(1) Comparative information has been restated to incorporate the bonus element of the rights issue in the weighted average number of ordinary shares.
(2) For definitions refer to Appendix 15.
(3) Diluted EPS and weighted average number of shares are disclosed in Appendix 12.

Market Share (1)	As at 31 Dec 15 %	30 Jun 15 %	31 Dec 14 %	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Home loans	**25. 1**	25. 3	25. 4	(20)bpts	(30)bpts
Credit cards - RBA (2)	**24. 4**	24. 3	25. 1	10 bpts	(70)bpts
Other household lending (3)	**16. 6**	16. 3	16. 6	30 bpts	-
Household deposits (4)	**29. 3**	29. 5	29. 1	(20)bpts	20 bpts
Business lending - RBA	**17. 0**	17. 1	17. 1	(10)bpts	(10)bpts
Business lending - APRA	**18. 6**	18. 8	18. 5	(20)bpts	10 bpts
Business deposits - APRA	**20. 1**	20. 2	20. 5	(10)bpts	(40)bpts
Asset Finance	**13. 1**	13. 2	13. 4	(10)bpts	(30)bpts
Equities trading	**5. 6**	6. 0	5. 7	(40)bpts	(10)bpts
Australian Retail - administrator view (5)	**16. 0**	16. 0	16. 1	-	(10)bpts
FirstChoice Platform (5)	**11. 3**	11. 3	11. 4	-	(10)bpts
Australia life insurance (total risk) (5)	**11. 8**	12. 1	11. 9	(30)bpts	(10)bpts
Australia life insurance (individual risk) (5)	**11. 3**	11. 6	11. 9	(30)bpts	(60)bpts
NZ home loans	**21. 8**	21. 7	21. 7	10 bpts	10 bpts
NZ retail deposits	**20. 9**	21. 4	20. 6	(50)bpts	30 bpts
NZ business lending	**13. 0**	11. 6	11. 5	140 bpts	150 bpts
NZ retail FUA (6)	**16. 2**	16. 2	16. 5	-	(30)bpts
NZ annual inforce premiums	**28. 8**	28. 8	29. 0	-	(20)bpts

(1) Prior periods have been restated in line with market updates.
(2) As at 30 November 2015.
(3) Other household lending market share includes personal loans, margin loans and other forms of lending to individuals.
(4) Comparatives have not been restated to include the impact of new market entrants in the current period.
(5) As at 30 September 2015.
(6) As at 30 June 2015, the last reported result available.

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

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

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

December 2015 versus December 2014

The Group's net profit after tax ("statutory basis") increased 2% on the prior comparative period to $4,618 million.

Earnings per share ("statutory basis") decreased 1% from the prior comparative period to 273.6 cents per share, while return on equity ("statutory basis") decreased 180 basis points on the prior comparative period to 16.6%.

The key components of the Group result were:

- **Net interest income** increased 6% on the prior comparative period to $8,363 million, reflecting 9% growth in average interest earning assets, partly offset by a five basis point decrease in net interest margin. This increase includes a 1% benefit from the lower Australian dollar. Net interest margin excluding Treasury and Markets decreased five basis points;
- **Other banking income** decreased 3% on the prior comparative period to $2,267 million, including a fair value loss on hedging and unfavourable derivative valuation adjustments, partly offset by a 2% benefit from the lower Australian dollar, increased share of profits from associates, and growth in fees and commissions;
- **Funds management income** increased 5% on the prior comparative period to $1,024 million, including a 5% benefit from the lower Australian dollar. This reflects a 7% increase in average FUA, a 7% increase in average AUM, and improved AUM margins, partly offset by lower FUA margins;
- **Insurance income** increased 3% on the prior comparative period to $552 million, primarily due to average inforce premium growth of 5% as a result of favourable lapses and improved claims experience. This increase includes a 1% benefit from the lower Australian dollar;
- **Operating expenses** increased 6% on the prior comparative period to $5,253 million, including a 1% impact from the lower Australian dollar. This reflects higher staff costs from inflation-related salary increases, increased investment spend and higher amortisation. This was partly offset by the continued realisation of incremental benefits from productivity initiatives; and
- **Loan impairment expense** increased 28% on the prior comparative period to $564 million, primarily due to higher provisioning predominately in Retail Banking Services, Institutional Banking and Markets, and IFS.

December 2015 versus June 2015

The Group's net profit after tax ("statutory basis") increased 2% on the prior half.

Earnings per share ("statutory basis") decreased 1% on the prior half to 273.6 cents per share, and return on equity ("statutory basis") decreased 140 basis points to 16.6%.

It should be noted that when comparing current half financial performance to the prior half that there were three more calendar days in the current half, which benefited that period's result. Key points of note in the result included the following:

- **Net interest income** increased 6% on the prior half, reflecting 4% growth in average interest earning assets, with net interest margin remaining flat. Net interest margin excluding Treasury and Markets also remained flat;
- **Other banking income** decreased 11% on the prior half, due to a fair value loss on hedging and lower gains on sale of investments, partly offset by growth in fees and commissions;
- **Funds management income** was flat on the prior half. This reflects flat average FUA with improved FUA margins, offset by a 2% decrease in average AUM and lower AUM margins, and the non-recurrence of benefits from divestments in the prior half;
- **Insurance income** increased 15% on the prior half, due to a 2% increase in average inforce premiums, significantly lower event claims and repricing;
- **Operating expenses** increased 3% on the prior half, reflecting higher staff expenses from inflation-related salary increases, increased investment spend, and higher amortisation. This was partly offset by the continued realisation of incremental benefits from productivity initiatives; and
- **Loan impairment expense** increased 3% on the prior half, reflecting higher collective provisioning and lower write-backs in Institutional Banking and Markets, partly offset by seasonally lower arrears in Retail Banking Services.

More comprehensive disclosure of performance highlights by key business segments is contained on pages 38-56 of this Document.

Net Interest Income

	Half Year Ended				
	31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Net interest income ("cash basis") [1]	**8,364**	7,890	7,875	6	6
Hedging and IFRS volatility	**(1)**	(1)	(3)	-	(67)
Net interest income ("statutory basis")	**8,363**	7,889	7,872	6	6
Average interest earning assets					
Home loans	**429,639**	416,761	403,956	3	6
Personal loans	**23,608**	23,722	23,244	-	2
Business and corporate loans	**207,726**	195,518	185,637	6	12
Total average lending interest earning assets	**660,973**	636,001	612,837	4	8
Non-lending interest earning assets [1]	**144,943**	136,746	126,435	6	15
Total average interest earning assets [1]	**805,916**	772,747	739,272	4	9
Net interest margin (%) [1]	**2.06**	2.06	2.11	-	(5)bpts
Net interest margin excluding Treasury and Markets (%) [1]	**2.04**	2.04	2.09	-	(5)bpts

December 2015 versus December 2014

Net interest income ("statutory basis") increased 6% on the prior comparative period to $8,363 million. The result was driven by growth in average interest earning assets of 9% on the prior comparative period, partly offset by a five basis point decrease in net interest margin.

Average Interest Earning Assets

Average interest earning assets increased $67 billion on the prior comparative period to $806 billion, driven by:

- Home loan average balances increased $26 billion or 6% on the prior comparative period to $430 billion. The growth in home loan balances was largely driven by domestic banking growth;
- Average balances for business and corporate lending increased $22 billion or 12% on the prior comparative period to $208 billion, driven by growth in institutional and business banking lending balances; and
- Average non-lending interest earning assets increased $19 billion or 15% on the prior comparative period to $145 billion, due to higher cash and liquid assets.

Net Interest Margin

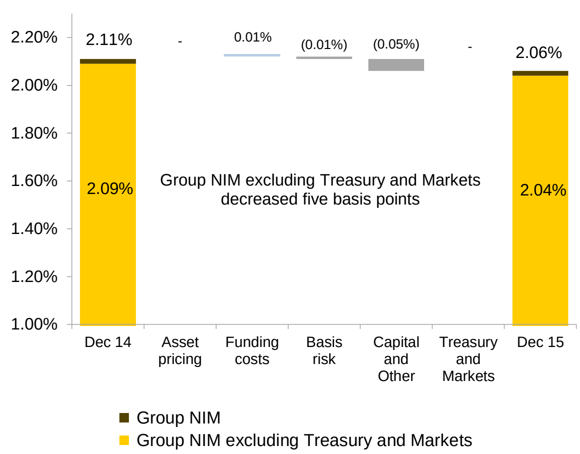
The Group's net interest margin decreased five basis points on the prior comparative period to 2.06%. The key drivers of the movement were:

Funding costs: Increased margin of one basis point, reflecting lower wholesale funding costs of two basis points, partly offset by a one basis point increase in deposit costs.

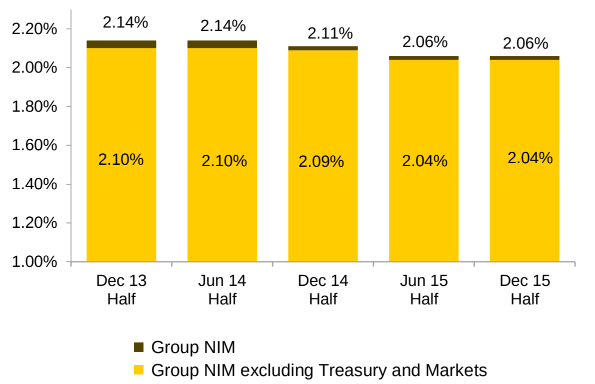
Basis risk: Basis risk arises from funding assets which are priced relative to the cash rate with liabilities priced relative to the bank bill swap rate. The margin decreased one basis point as a result of an increase in the spread between the cash rate and the bank bill swap rate during the period.

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

NIM movement since December 2014 [1]



Group NIM (Half Year Ended) [1]



(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.

Group Performance Analysis

Net Interest Income (continued)

December 2015 versus June 2015

Net interest income ("statutory basis") increased 6% on the prior half, driven by growth in average interest earning assets of 4%, with net interest margin remaining flat at 2.06%.

Average Interest Earning Assets

Average interest earning assets increased $33 billion on the prior half to $806 billion, driven by:

- Home loan average balances increased $13 billion or 3% on the prior half to $430 billion, primarily driven by growth in the domestic banking business;
- Average balances for business and corporate lending increased $12 billion or 6% on the prior half to $208 billion, primarily driven by institutional lending; and
- Average non-lending interest earning assets increased $8 billion or 6% on the prior half to $145 billion, from growth in liquid assets.

Net Interest Margin

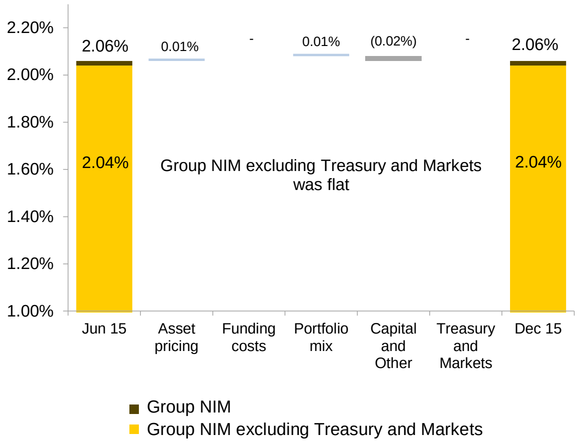
The Group's net interest margin was flat on the prior half at 2.06%. The key drivers were:

Asset pricing: Increased margin of one basis point, reflecting the impact of home loan repricing, partly offset by the impact of competition on corporate lending.

Portfolio mix: Increased margin of one basis point, reflecting the favourable change in funding mix from proportionately higher levels of transactions and savings deposits.

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

NIM movement since June 2015 (1)



(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.

Other Banking Income

	Half Year Ended				
	31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Commissions	**1,159**	1,099	1,127	5	3
Lending fees	**562**	522	528	8	6
Trading income (1)	**496**	510	529	(3)	(6)
Other income	**262**	356	202	(26)	30
Other banking income ("cash basis")	**2,479**	2,487	2,386	-	4
Hedging and IFRS volatility	**(212)**	73	(56)	large	large
Other banking income ("statutory basis")	**2,267**	2,560	2,330	(11)	(3)

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.

December 2015 versus December 2014

Other banking income ("statutory basis") decreased 3% on the prior comparative period to $2,267 million, driven by the following revenue items:

Commissions increased 3% on the prior comparative period to $1,159 million, primarily due to higher credit card interchange income, and increased foreign exchange and equities trading volumes;

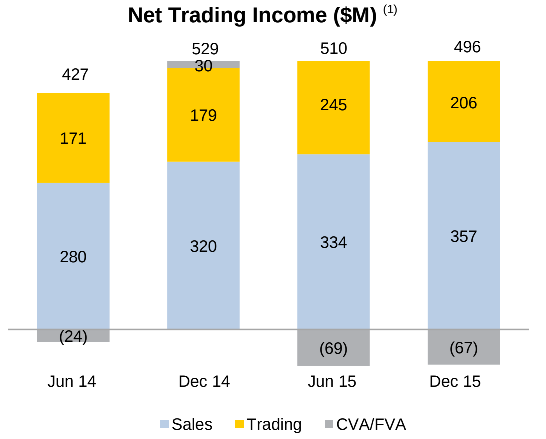
Lending fees increased 6% on the prior comparative period to $562 million, driven by increased volumes and higher fixed rate prepayment cost recoveries in New Zealand;

Trading income decreased 6% on the prior comparative period to $496 million, primarily due to unfavourable derivative valuation adjustments, partly offset by a favourable sales and trading performance;

Other income increased 30% on the prior comparative period to $262 million, driven by a higher contribution from investments in associates and increased structured asset finance income; and

Hedging and IFRS volatility decreased $156 million on the prior comparative period to a loss of $212 million, primarily due to unrealised fair value losses on hedging.

Other Banking Income (continued)



(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.

December 2015 versus June 2015

Other banking income ("statutory basis") decreased 11% on the prior half driven by the following revenue items:

Commissions increased 5% on the prior half mainly due to higher credit card interchange revenue and increased foreign exchange volumes;

Lending fees increased 8% on the prior half driven by higher fixed rate prepayment cost recoveries in New Zealand, and higher fees from the growth in Institutional lending balances;

Trading income decreased 3% on the prior half, primarily due to lower Treasury earnings, partly offset by a solid sales performance;

Other income decreased 26% on the prior half, primarily due to a higher loss on the hedge of New Zealand earnings and lower gain on sale of investments; and

Hedging and IFRS volatility decreased $285 million on the prior half to a loss of $212 million, primarily due to unrealised fair value losses on hedging.

Funds Management Income

	Half Year Ended				
	31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Colonial First State (CFS) (1)	**467**	415	451	13	4
CFS Global Asset Management (CFSGAM)	**437**	445	402	(2)	9
CommInsure	**60**	69	64	(13)	(6)
New Zealand	**40**	37	34	8	18
Other	**28**	2	19	large	47
Funds management income ("cash basis")	**1,032**	968	970	7	6
Treasury shares valuation adjustment	**(10)**	(4)	(18)	large	(44)
Policyholder tax	**(11)**	10	11	large	large
Investment experience	**13**	55	11	(76)	18
Funds management income ("statutory basis")	**1,024**	1,029	974	-	5

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

December 2015 versus December 2014

Funds management income ("statutory basis") increased 5% on the prior comparative period to $1,024 million, driven by:

- A 7% increase in average FUA on the prior comparative period as a result of solid growth in Colonial First State FirstChoice and Custom Solutions platforms and the ASB Aegis fund;
- A 7% increase in average AUM on the prior comparative period due to positive investment markets performance and the benefit of a lower Australian dollar; and
- Improved AUM margins reflecting a higher contribution from global equities, growth in the infrastructure business, and New Zealand KiwiSaver scheme; partly offset by
- Reduced FUA margins as a result of competitive pressures, and run-off in the CommInsure legacy investment business.

December 2015 versus June 2015

Funds management income ("statutory basis") was flat on the prior half, driven by:

- Improved FUA margins as a result of reduced provisioning for customer remediation costs in Colonial First State, and an increased contribution from New Zealand, partly offset by continued run-off in the legacy investment business; offset by
- Flat average FUA and a 2% decrease in average AUM on the prior half, reflecting weakness in global markets and lower net flows;
- A slight decline in AUM margins on the prior half; and
- Non-recurrence of benefits from divestments in the prior half.

Insurance Income

	Half Year Ended				
	31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
CommInsure	**330**	229	274	44	20
New Zealand	**127**	123	109	3	17
IFS Asia	**24**	21	21	14	14
Other	**6**	3	12	large	(50)
Insurance income ("cash basis")	**487**	376	416	30	17
Policyholder tax	**20**	28	50	(29)	(60)
Investment experience	**45**	75	69	(40)	(35)
Insurance income ("statutory basis")	**552**	479	535	15	3

December 2015 versus December 2014

Insurance income ("statutory basis") increased 3% on the prior comparative period to $552 million, driven by:

- A 5% increase in average inforce premiums on the prior comparative period to $3,386 million;
- A 20% increase in CommInsure income on the prior comparative period as a result of repricing in Wholesale Life, favourable lapses in Retail Life, and higher premium incomes in General Insurance due to improved renewals;
- New Zealand income increased 17% on the prior comparative period, reflecting average inforce premium growth and lower claims; and
- IFS results benefited from favourable renewal premiums.

December 2015 versus June 2015

Insurance income ("statutory basis") increased 15% on the prior half, driven by:

- A 44% increase in CommInsure income on the prior half as a result of significantly lower event claims, repricing in the prior half in Wholesale Life, and improved lapse experience in Retail Life;
- A 2% increase in average inforce premiums across CommInsure, New Zealand, and IFS on the prior half; and
- Favourable renewal premiums in IFS.

Operating Expenses

	Half Year Ended				
	31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Staff expenses	**3,085**	2,910	2,906	6	6
Occupancy and equipment expenses	**559**	547	539	2	4
Information technology services expenses	**752**	664	628	13	20
Other expenses	**820**	958	841	(14)	(2)
Operating expenses ("cash basis")	**5,216**	5,079	4,914	3	6
Bankwest non-cash items	**37**	38	37	(3)	-
Operating expenses ("statutory basis")	**5,253**	5,117	4,951	3	6
Statutory operating expenses to total operating income (%)	**43. 0**	42. 8	42. 3	20 bpts	70 bpts
Statutory banking expense to total operating income (%)	**39. 7**	38. 9	39. 7	80 bpts	-

December 2015 versus December 2014

Operating expenses ("statutory basis") increased 6% on the prior comparative period to $5,253 million. The key drivers were:

Staff expenses increased 6% on the prior comparative period to $3,085 million, driven by a 2% impact from the lower Australian dollar, inflation-related salary increases and investment in frontline;

Occupancy and equipment expenses increased 4% on the prior comparative period to $559 million, primarily due to rental reviews and a 1% impact of the lower Australian dollar;

Information technology services expenses increased 20% on the prior comparative period to $752 million driven by higher software amortisation, increased investment in risk and compliance projects, and a 1% impact of the lower Australian dollar;

Other expenses decreased 2% on the prior comparative period to $820 million driven by lower professional fees and non-lending losses; and

Group expense to income ratio was 43.0%, an increase of 70 basis points over the prior comparative period, with income growth and productivity initiatives more than offset by expense growth. The banking expense to operating income ratio remained flat on the prior comparative period at 39.7%.

December 2015 versus June 2015

Operating expenses ("statutory basis") increased 3% on the prior half. The key drivers were:

Staff expenses increased 6% on the prior half, driven by inflation-related salary increases, investment in frontline, and timing of provisions for employee entitlements;

Occupancy and equipment expenses increased 2% on the prior half, primarily due to rental reviews;

Information technology services expenses increased 13% on the prior half, driven by higher software amortisation and increased investment in risk and compliance projects;

Operating Expenses (continued)

Other expenses decreased 14% on the prior half, driven by lower professional fees, non-lending losses, advertising and marketing costs; and

Group expense to income ratio increased 20 basis points on the prior half. The banking expense to operating income ratio increased 80 basis points on the prior half.

Staff Numbers

	Half Year Ended		
Full-Time Equivalent Staff	**31 Dec 15**	**30 Jun 15**	**31 Dec 14**
Australia	**35,173**	35,878	34,489
Total	**45,221**	45,948	44,520

Investment Spend

	Half Year Ended				
	31 Dec 15 $M	**30 Jun 15 $M**	**31 Dec 14 $M**	**Dec 15 vs Jun 15 %**	**Dec 15 vs Dec 14 %**
Expensed investment spend [1]	**299**	284	255	5	17
Capitalised investment spend	**382**	367	340	4	12
Investment spend	**681**	651	595	5	14
Comprising:					
Productivity and growth	**355**	370	358	(4)	(1)
Risk and compliance	**243**	211	167	15	46
Branch refurbishment and other	**83**	70	70	19	19
Investment spend	**681**	651	595	5	14

(1) Included within Operating Expenses disclosure on page 20.

December 2015 versus December 2014

The Group continued to invest strongly to deliver on the strategic priorities of the business with $681 million incurred in the half year to 31 December 2015, an increase of 14% on the prior comparative period.

The increase is largely due to increased spend on risk and compliance initiatives, branch refurbishment and other projects, partly offset by timing of spend on productivity and growth initiatives.

Significant spend on risk and compliance projects has continued as systems are implemented to assist in satisfying various regulatory obligations, including Anti-Money Laundering, Stronger Super, and Future of Financial Advice ("FOFA") reforms. In addition, the Group further invested in safeguarding information security to mitigate risks and to provide greater stability for our customers.

December 2015 versus June 2015

Investment spend increased 5% on the prior half, largely due to higher spend on risk and compliance projects, branch refurbishment and other projects, partly offset by timing of project spend on productivity and growth initiatives.

Loan Impairment Expense

	Half Year Ended				
	31 Dec 15 $M	**30 Jun 15 $M**	**31 Dec 14 $M**	**Dec 15 vs Jun 15 %**	**Dec 15 vs Dec 14 %**
Retail Banking Services	**305**	358	268	(15)	14
Business and Private Banking	**71**	89	63	(20)	13
Institutional Banking and Markets	**140**	70	97	large	44
New Zealand	**37**	49	34	(24)	9
Bankwest	**(16)**	(24)	(26)	(33)	(38)
IFS and Other	**27**	6	4	large	large
Loan impairment expense ("statutory basis")	**564**	548	440	3	28

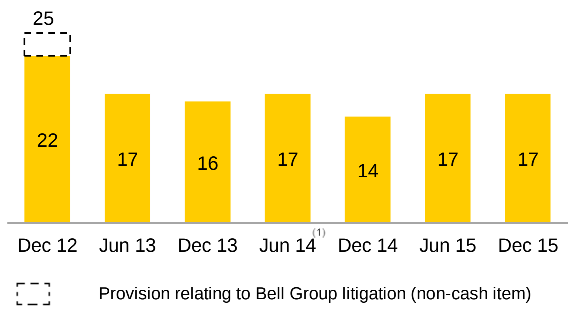
Loan Impairment Expense (continued)

December 2015 versus December 2014

Loan impairment expense ("statutory basis") increased 28% on the prior comparative period to $564 million. The increase was driven by:

- An increase in Retail Banking Services expenses as a result of higher home loan arrears and losses in Western Australia and Queensland, predominantly driven by deterioration in mining towns, and arrears in the personal loans portfolio;
- Growth in client exposures in Business and Private Banking and a lower level of write-backs, partly offset by lower individual provisions;
- An increase in Institutional Banking and Markets expenses driven by higher individual provisions;
- An increase in New Zealand expenses due to higher rural lending provisioning, partly offset by improved home loan arrears;
- Slower run-off of the legacy business lending book in Bankwest; and
- An increase in IFS as a result of provisions in the commercial lending portfolio.

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



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

December 2015 versus June 2015

Loan impairment expense ("statutory basis") increased 3% on the prior half mainly driven by:

- Higher collective provisions and a lower level of write-backs in Institutional Banking and Markets;
- An increase in IFS as a result of provisions in the commercial lending portfolio; partly offset by
- Reduced expense in Retail Banking Services driven by seasonally lower arrears across all portfolios;
- Increased write-backs and lower collective provisions in Business and Private Banking; and
- Decreased expense in New Zealand resulting from lower home loan impairment expense, and an increased level of write-backs in the business lending portfolio.

Taxation Expense

	Half Year Ended				
	31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Statutory corporate tax expense ($M)	**1,760**	1,753	1,775	-	(1)
Effective tax rate (%)	**27.4**	27.4	27.4	-	-

	Half Year Ended				
Income Tax	31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Retail Banking Services	**946**	828	878	14	8
Business and Private Banking	**345**	314	329	10	5
Institutional Banking and Markets	**156**	171	209	(9)	(25)
Wealth Management	**146**	76	125	92	17
New Zealand	**171**	148	154	16	11
Bankwest	**170**	170	172	-	(1)
IFS and Other	**(109)**	(8)	(127)	large	(14)
Total income tax expense ("cash basis")	**1,825**	1,699	1,740	7	5
Non-cash tax expense	**(65)**	54	35	large	large
Total income tax expense ("statutory basis")	**1,760**	1,753	1,775	-	(1)

	Half Year Ended				
Effective Tax	31 Dec 15 %	30 Jun 15 %	31 Dec 14 %	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Retail Banking Services	**29.9**	29.9	29.9	-	-
Business and Private Banking	**30.1**	30.0	30.1	10 bpts	-
Institutional Banking and Markets	**20.4**	21.2	24.4	(80)bpts	(400)bpts
Wealth Management	**28.5**	21.3	27.9	large	60 bpts
New Zealand	**26.1**	26.3	25.1	(20)bpts	100 bpts
Bankwest	**30.1**	30.1	30.1	-	-
Total – corporate ("statutory basis")	**27.4**	27.4	27.4	-	-

December 2015 versus December 2014

Corporate tax expense (“statutory basis”) for the half year ended 31 December 2015 decreased 1% on the prior comparative period representing a 27.4% effective tax rate.

The effective tax rate is below the Australian company tax rate of 30% primarily as a result of the profit earned by offshore jurisdictions that have lower corporate tax rates, the offshore banking unit and prior year adjustments.

December 2015 versus June 2015

Corporate tax expense (“statutory basis”) for the half year ended 31 December 2015 was flat on the prior half representing a 27.4% effective tax rate.

The effective tax rate is below the Australian company tax rate of 30% primarily as a result of the profit earned by offshore jurisdictions that have lower corporate tax rates, the offshore banking unit and prior year adjustments.

Group Performance Analysis

Review of Group Assets and Liabilities

Total Group Assets and Liabilities	As at 31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Interest earning assets					
Home loans	**437,176**	422,851	411,305	3	6
Consumer finance	**24,012**	23,497	23,706	2	1
Business and corporate loans	**213,278**	198,476	191,203	7	12
Loans, bills discounted and other receivables (1)	**674,466**	644,824	626,214	5	8
Non-lending interest earning assets (2)	**138,499**	138,166	128,620	-	8
Total interest earning assets	**812,965**	782,990	754,834	4	8
Other assets (2)	**90,110**	90,456	95,880	-	(6)
Total assets	**903,075**	873,446	850,714	3	6
Interest bearing liabilities					
Transaction deposits (2)	**97,327**	89,360	80,758	9	21
Savings deposits	**189,560**	176,497	163,477	7	16
Investment deposits	**195,814**	195,065	197,569	-	(1)
Other demand deposits	**60,861**	67,074	65,867	(9)	(8)
Total interest bearing deposits	**543,562**	527,996	507,671	3	7
Debt issues	**162,438**	156,372	155,275	4	5
Other interest bearing liabilities	**58,147**	57,523	52,638	1	10
Total interest bearing liabilities	**764,147**	741,891	715,584	3	7
Non-interest bearing liabilities (2)	**79,081**	78,562	84,099	1	(6)
Total liabilities	**843,228**	820,453	799,683	3	5

(1) Loans, bills discounted and other receivables exclude provisions for impairment which are included in Other assets.
(2) Comparatives have been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.

December 2015 versus December 2014

Asset growth of $52 billion or 6% on the prior comparative period was due to increased home lending, business and corporate lending, and higher cash and liquid asset balances.

Customer deposits made up 64% of total funding as at 31 December 2015, up 1% from 63% in the prior comparative period.

Total assets include a 1% increase due to the lower Australian dollar, which did not impact total liabilities.

Home loans

Home loan balances increased $26 billion to $437 billion, a 6% increase on the prior comparative period, reflecting growth in Retail Banking Services, New Zealand, and Bankwest.

Consumer finance

Personal loans, credit cards and margin lending increased 1% on the prior comparative period to $24 billion. This was mainly driven by growth in personal lending in Retail Banking Services.

Business and corporate loans

Business and corporate loans increased $22 billion to $213 billion, a 12% increase on the prior comparative period. This includes a 1% increase due to the lower Australian dollar. This was primarily driven by strong growth in institutional lending, particularly in the strategic focus industries of Financial Institutions and Utilities, and business lending.

Non-lending interest earning assets

Non-lending interest earning assets increased $10 billion to $138 billion, reflecting an 8% increase on the prior comparative period. This includes a 2% increase due to the lower Australian dollar. This was driven by higher liquid asset balances held as a result of Balance Sheet growth and new regulatory requirements.

Other assets

Other assets, including derivative assets, insurance assets and intangibles, decreased $6 billion to $90 billion, a 6% decrease on the prior comparative period, reflecting lower derivative balances driven by interest rate swaps. This includes a 4% increase due to the lower Australian dollar.

Interest bearing deposits

Interest bearing deposits increased $36 billion to $544 billion, a 7% increase on the prior comparative period.

This was driven by strong growth of $26 billion in savings deposits and $17 billion in transaction deposits.

Debt issues

Debt issues increased $7 billion to $162 billion, a 5% increase on the prior comparative period. While deposits satisfied the majority of the Group's funding requirements, strong access was maintained to both domestic and international wholesale debt markets.

Refer to page 34 for further information on debt programs and issuance for the half year ended 31 December 2015.

Other interest bearing liabilities

Other interest bearing liabilities, including loan capital, liabilities at fair value through the income statement and amounts due to other financial institutions, increased $6 billion to $58 billion, a 10% increase on the prior comparative period. This includes a 2% increase due to the lower Australian dollar.

Non-interest bearing liabilities

Non-interest bearing liabilities, including derivative liabilities and insurance policy liabilities, decreased $5 billion to $79 billion, a 6% decrease on the prior comparative period.

Review of Group Assets and Liabilities (continued)

This was predominantly driven by interest rate swaps impacting derivative liabilities held for trading purposes. This includes a 4% increase due to the lower Australian dollar.

December 2015 versus June 2015

Asset growth of $30 billion or 3% on the prior half was driven by increased home lending and business and corporate lending.

Solid deposit growth allowed the Group to continue to satisfy a significant portion of its funding requirements through customer deposits. Customer deposits made up 64% of total funding as at 31 December 2015, up 1% from 63% in the prior half.

Total liabilities include a 1% increase due to the lower Australian dollar, which did not impact total assets.

Home loans

Home loans experienced continued growth with balances increasing 3% on the prior half. This outcome reflected growth in Retail Banking Services, New Zealand, and Bankwest.

Consumer finance

Personal loans, credit cards and margin lending, increased 2% on the prior half, mainly driven by growth in Retail Banking Services.

Business and corporate loans

Business and corporate loans increased $15 billion, a 7% increase on the prior half. This includes a 1% increase due to the lower Australian dollar. This was primarily due to institutional lending growth.

Non-lending interest earning assets

Non-lending interest earning assets remained in line with the prior half.

Other assets

Other assets, including derivative assets, insurance assets and intangibles, remained in line with the prior half. This includes a 3% increase due to the lower Australian dollar.

Interest bearing deposits

Interest bearing deposits increased $16 billion, reflecting a 3% increase on the prior half. This includes a 1% increase due to the lower Australian dollar.

This was driven by growth of $13 billion in savings deposits, and an $8 billion increase in transaction deposits.

Debt issues

Debt issues increased $6 billion, reflecting a 4% increase on the prior half.

Refer to page 34 for further information on debt programs and issuance for the half year ended 31 December 2015.

Other interest bearing liabilities

Other interest bearing liabilities increased 1% on the prior half. This includes a 1% increase due to the lower Australian dollar.

Non-interest bearing liabilities

Non-interest bearing liabilities increased 1% on the prior half. This includes a 3% increase due to the lower Australian dollar.

Contents

Section 4 – Group Operations and Business Settings

Loan Impairment Provisions and Credit Quality

Provisions for Impairment

	As at				
	31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Provisions for impairment losses					
Collective provision	**2,801**	2,762	2,763	1	1
Individually assessed provisions	**909**	887	1,116	2	(19)
Total provisions for impairment losses	**3,710**	3,649	3,879	2	(4)
Less: Off balance sheet provisions	**(47)**	(31)	(19)	52	large
Total provisions for loan impairment	**3,663**	3,618	3,860	1	(5)

December 2015 versus December 2014

Total provisions for impairment losses decreased 4% on the prior comparative period to $3,710 million as at 31 December 2015. The movement in the level of provisioning reflects:

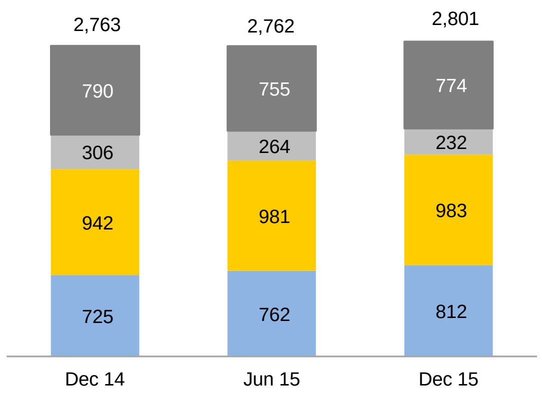
- The reduction in individual provisioning as impaired loans reduced;
- Reduced Bankwest collective provision, as a result of the continued run-off of troublesome loans; and
- Reduced management overlays; partly offset by
- An increase in economic overlays;
- An increase in collective provisioning in the consumer portfolios, reflecting higher arrears in home loans and personal loans; and
- An increase in commercial collective provision mainly due to the annual review of provisioning factors and Institutional Banking and Markets.

December 2015 versus June 2015

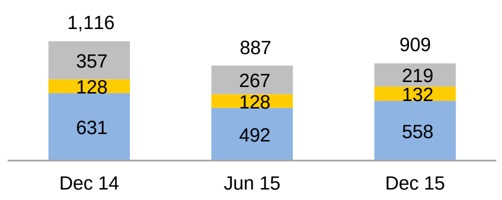
Total provisions for impairment losses increased 2% on the prior half. The movement in the level of provisioning reflects:

- A small number of large individually assessed provisions in the commercial portfolio;
- An increase in collective provision in the commercial portfolio due to Institutional Banking and Markets; and
- Increased management overlays, reflecting amounts set aside for the annual review of factors; partly offset by
- A reduction in collective and individually assessed provisions in Bankwest, as a result of continued run-off of troublesome and impaired loans; and
- Economic overlays remaining unchanged on the prior half.

Collective Provisions ($M)



Individually Assessed Provisions ($M)



Group Operations and Business Settings

Loan Impairment Provisions and Credit Quality (continued)

Credit Quality

Credit Quality Metrics	Half Year Ended				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Gross loans and acceptances (GLAA) ($M)	**675,728**	646,172	627,698	5	8
Risk weighted assets (RWA) ($M) - Basel III	**392,662**	368,721	353,048	6	11
Credit RWA ($M) - Basel III	**334,957**	319,174	311,524	5	8
Gross impaired assets ($M)	**2,788**	2,855	3,360	(2)	(17)
Net impaired assets ($M)	**1,756**	1,829	2,116	(4)	(17)
Provision Ratios					
Collective provision as a % of credit RWA - Basel III	**0. 84**	0. 87	0.89	(3)bpts	(5)bpts
Total provision as a % of credit RWA - Basel III	**1. 11**	1. 14	1.25	(3)bpts	(14)bpts
Total provisions for impaired assets as a % of gross impaired assets	**37. 02**	35. 94	37. 02	108 bpts	-
Total provisions for impairment losses as a % of GLAA's	**0. 55**	0. 56	0. 62	(1)bpt	(7)bpts
Asset Quality Ratios					
Gross impaired assets as a % of GLAA's	**0. 41**	0. 44	0. 54	(3)bpts	(13)bpts
Loans 90+ days past due but not impaired as a % of GLAA's	**0. 30**	0. 36	0. 34	(6)bpts	(4)bpts
Loan impairment expense ("cash basis") annualised as a % of average GLAA's	**0. 17**	0. 17	0. 14	-	3 bpts

Provision Ratios

Management believes the Group's provision coverage ratios remain prudent. The impaired asset portfolio remains well provisioned with provision coverage of 37.02%.

Asset Quality

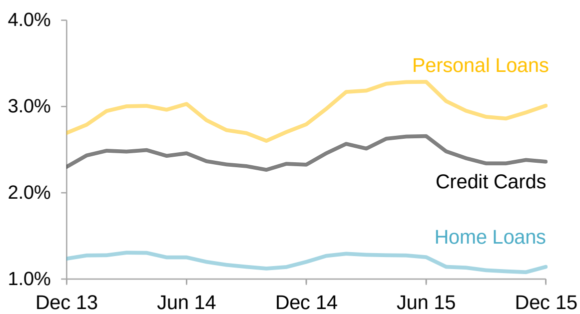
The low interest rate environment has helped troublesome and impaired assets remain low. Although personal loan arrears remained elevated, driven primarily by Western Australia and Queensland, the arrears for the home loan and credit card portfolios are relatively low.

Retail Portfolios – Arrears Rates

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

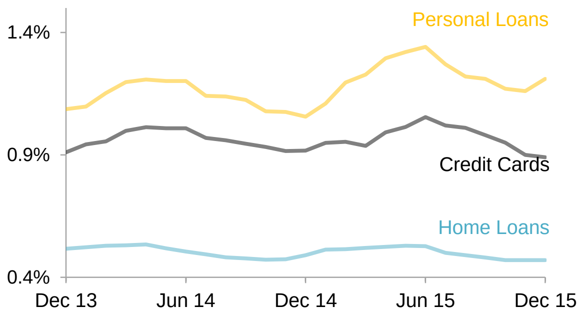
Home loan arrears reduced over the prior half, with 30+ days arrears decreasing from 1.25% to 1.14%, and 90+ days arrears reducing from 0.52% to 0.47%. Unsecured retail arrears improved over the half with credit card 30+ days arrears falling from 2.66% to 2.36%, and 90+ days arrears reducing from 1.05% to 0.89%. Personal loan arrears also improved with 30+ days arrears falling from 3.28% to 3.01% and 90+ days arrears falling from 1.34% to 1.21%.

30+ Days Arrears Ratios (%) (1)



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

90+ Days Arrears Ratios (%) (1)

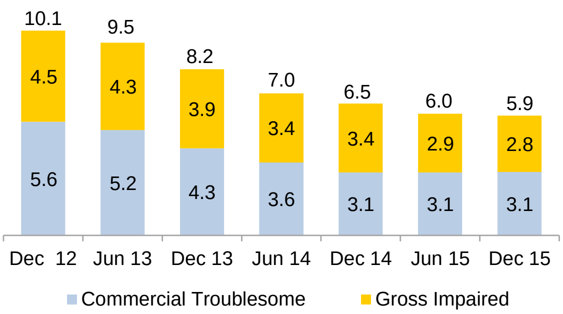


Troublesome and Impaired Assets

Commercial troublesome assets increased 2% during the half to $3,123 million.

Gross impaired assets were lower on the prior half at $2,788 million. Gross impaired assets as a proportion of GLAAs of 0.41% decreased 3 basis points on the prior half, reflecting the improving quality of the corporate portfolios.

Troublesome and Impaired Assets ($B)



Capital

Basel Regulatory Framework

Background

The Basel Committee on Banking Supervision ("BCBS") has implemented a set of capital, liquidity and funding reforms known as "Basel III". The objectives of these reforms are to increase the quality, consistency and transparency of capital, to enhance the risk coverage framework, and to reduce systemic and pro-cyclical risk. The major reforms are being implemented on a phased approach to 1 January 2019.

The Basel III capital reforms were implemented in Australia on 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%, effective on 1 January 2016, bringing the CET1 requirement to at least 8%.

In December 2015, APRA announced that the countercyclical capital buffer for Australian exposures, which is also effective from 1 January 2016, has been set at 0%.

Financial System Inquiry

In December 2014, the Government released the final report of the Financial System Inquiry ("FSI"). The key recommendations from the report included:

- Setting capital standards such that Australian Authorised Deposit-taking Institution ("ADI") capital ratios are unquestionably strong;
- Raising the average Internal Ratings-Based ("IRB") mortgage risk-weight for ADIs using IRB risk-weight models to increase mortgage competition between the major banks and non-major banks;
- Implementing a framework for minimum loss absorbing and recapitalisation capacity in line with emerging international practice, sufficient to facilitate the orderly resolution of ADIs and minimise taxpayer support;
- Introducing a leverage ratio, in line with the Basel Committee, that acts as a backstop to the capital position of ADIs; and
- Developing a reporting template to improve the transparency and comparability of capital ratios.

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

- Information paper; "International capital comparison study" (APRA study), which endorsed the FSI recommendation that the capital of Australian ADIs should be unquestionably strong. However, APRA did not confirm the definition of "unquestionably strong". Nevertheless, the report stated that the major banks are well-capitalised and compared the major banks' capital ratios against a set of international peers; and
- An announcement in relation to increases in the capital requirements under the IRB approach for Australian residential mortgages, which will increase the average risk-weighting for a mortgage portfolio to approximately 25%, effective from 1 July 2016. This change is aimed at increasing mortgage competition between the major banks and non-major banks.

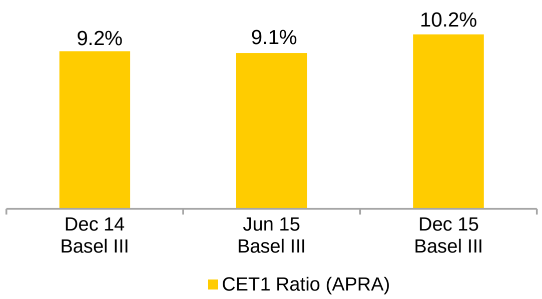
As a result of this additional capital requirement, the Group undertook a $5.1 billion institutional and retail entitlement offer, which was completed in September 2015.

In October 2015, the Government provided its formal response to the FSI recommendations, confirming its support for resilience in the banking system, and has either endorsed APRA's approach, or delegated authority to it, on each of these recommendations.

Capital (continued)

Capital Position

The Group further strengthened its capital position with capital ratios well in excess of regulatory minimum capital adequacy requirements at all times throughout the half year ended 31 December 2015.



The Group's CET1 ratio as measured on an APRA basis was 10.2% at 31 December 2015, representing a 110 basis point increase from the 30 June 2015 level of 9.1%.

The increase in capital for the half year ended 31 December 2015 primarily reflects capital generated from earnings combined with the issue of shares as part of the entitlement offer completed in September 2015. This was partly offset by the impact of the June 2015 final dividend (net of issuance of shares in respect of the Dividend Reinvestment Plan ("DRP")) and increase in Risk Weighted Assets ("RWA").

Capital Initiatives

The following significant CET1 capital initiatives were undertaken during the half year ended 31 December 2015:

- The aforementioned $5.1 billion raised by the Group through an institutional and retail entitlement offer; and
- The DRP in respect of the 2015 final dividend was satisfied by the issuance of $657 million of ordinary shares, representing a participation rate of 18.1%.

Further details of the Group's current regulatory capital position are included in Appendix 7.

Pillar 3 Disclosures

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

.

Other Regulatory Changes

Basel Committee on Banking Supervision

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

- Design of a framework for the application of capital floors based on standardised approaches;
- Revisions to the standardised approach for credit risk;
- Fundamental Review of the Trading Book;
- Revisions to Operational Risk; and
- Interest Rate Risk in the Banking Book.

Finalisation of the review of the Trading Book "Minimum capital requirements for market risk" was completed in January 2016 with an effective implementation date of 1 January 2019.

Finalisation with respect to the remaining proposals is expected during 2016.

Composition of Level 2 ADI Groups

In May 2014, APRA provided more clarity on the definition of the Level 2 Banking Group. Subsidiary intermediate holding companies are considered part of the Level 2 Group, regardless of the nature of any activity undertaken by their operating subsidiaries. As a result, capital benefits arising from the debt issued by the Colonial Group will be phased out.

APRA granted transition arrangements on these changes, in line with the maturity profile of the debt.

Conglomerate Groups

APRA has proposed 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. APRA released revised conglomerate standards in August 2014. However, a decision on the implementation date has yet to be provided. APRA has confirmed that a minimum transition period of 12 months will apply before the implementation date.

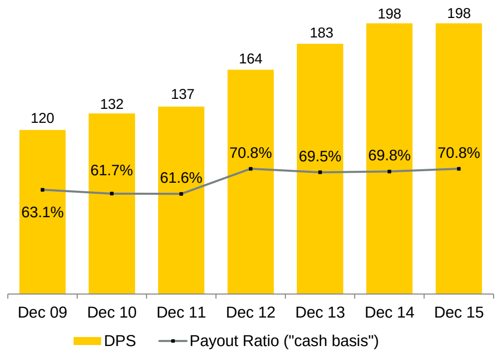
Dividends

Interim Dividend for the Half Year Ended 31 December 2015

An interim dividend of $1.98 per share has been declared, in line with the prior comparative period. The dividend payout ratio ("cash basis") for the half year to 31 December 2015 was 70.8%.

The interim dividend will be fully franked and is scheduled to be paid on 31 March 2016 to owners of ordinary shares at the close of business on 18 February 2016 (record date). Shares were quoted ex-dividend on 16 February 2016.

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% on a cash basis; and
- Maximise the use of its franking account by paying fully franked dividends.

Leverage Ratio

Summary Group Leverage Ratio	As at 31 Dec 15
Tier 1 Capital ($M)	47,972
Total Exposures ($M) (1)	952,969
Leverage Ratio (APRA) (%)	**5. 0**

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

The Group's leverage ratio, defined as Tier 1 Capital as a percentage of total exposures, was 5.0% at 31 December 2015 on an APRA basis.

The Group commenced disclosure of its leverage ratio at 30 September 2015. Thus, no prior period comparatives have been presented.

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

Liquidity

Level 2	31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
	As at				
Liquidity Coverage Ratio (LCR) Liquid Assets					
High Quality Liquid Assets (HQLA) [(1)]	**73,657**	65,940	65,818	12	12
Committed Liquidity Facility (CLF)	**66,000**	66,000	70,000	-	(6)
Total LCR liquid assets	**139,657**	131,940	135,818	6	3
Net Cash Outflows (NCO)					
Customer deposits	**67,137**	65,832	78,901	2	(15)
Wholesale funding [(2)]	**25,316**	30,753	24,635	(18)	3
Other net cash outflows [(3)]	**20,754**	13,819	13,903	50	49
Total NCO	**113,207**	110,404	117,439	3	(4)
Liquidity Coverage Ratio (%)	**123**	120	116	300 bpts	large
LCR surplus	**26,450**	21,536	18,379	23	44

(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 92.
(3) Includes cash inflows.

December 2015 versus December 2014

The Group believes that it holds high quality, well diversified liquid assets to meet Balance Sheet liquidity needs and regulatory requirements. Effective 1 January 2015, the Group became subject to APRA's Liquidity Coverage Ratio ("LCR"), which requires the Group to hold qualifying liquid assets in excess of projected Net Cash Outflows ("NCOs") under a prescribed 30 day stress scenario.

At 31 December 2015, the Group's LCR was 123%, up from 116% on the prior comparative period. Qualifying LCR liquid assets of $140 billion, including a $66 billion Committed Liquidity Facility ("CLF") from the Reserve Bank of Australia ("RBA"), represented a $26 billion surplus to the regulatory minimum. Liquid assets in the form of cash, government and semi-government securities increased $8 billion to $74 billion, as the Group managed its liquidity position ahead of a reduced CLF effective 1 January 2016.

Total projected NCOs decreased $4 billion on the prior comparative period, driven by the introduction of a 31 day notice period for early withdrawals of term deposits and other liquidity management measures. Deposit NCOs decreased $12 billion to $67 billion. Wholesale Funding NCOs increased $1 billion to $25 billion. Other NCOs increased $7 billion due to an increase in collateral requirements and growth in committed credit facilities.

December 2015 versus June 2015

As at 31 December 2015, the Group's LCR was 123%, up from 120% on the prior half, with LCR liquid assets of $140 billion, including a $66 billion CLF from the RBA.

Liquid assets in the form of cash, government and semi-government securities increased $8 billion, as the Group managed its liquidity position ahead of a reduced CLF effective 1 January 2016.

Total projected NCOs increased $3 billion on the prior half. Deposit NCOs increased $1 billion broadly in line with Balance Sheet growth and the Group's stable funding base. Wholesale Funding NCOs decreased $5 billion. Other NCOs increased $7 billion due to an increase in collateral requirements and growth in committed credit facilities.

Liquidity and Capital Resources

Liquidity and Funding Policies and Management

The Group maintains liquidity and funding policies for the management of the Group's liquidity risk; the combined risk of not being able to meet financial obligations as they fall due (funding liquidity risk) and of liquidity in financial markets reducing significantly (market liquidity risk).

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

Australian Authorised Deposit-taking Institutions ("ADIs") are subject to the Liquidity Coverage Ratio ("LCR"), implemented by the Australian Prudential Regulation Authority ("APRA") in ADI Prudential Standard 210 ("APS 210"). The LCR requires locally-incorporated ADIs to maintain liquid assets to cover at least 100% of 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 are defined as High Quality Liquid Assets ("HQLA"), and include cash and government and semi-government debt.

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

The Group believes it has the requisite policies and actively manages its forward-looking LCR position.

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

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

The Group's key liquidity risk management measures include:

- An LCR model incorporating the APRA defined behaviour of cash flows in a prescribed liquidity crisis over 30 days. The model calculates the actual and forecast LCR, and is used to monitor the buffer over the regulatory requirement;
- A going concern model that is used to analyse and forecast funding needs over the medium-term;
- Supplementary stress tests used to validate management buffers contained in the liquidity and funding policies; and
- A detailed and robust CFP defining the approach to a liquidity shock on a location-specific and Group-wide basis, crisis management plans, roles and responsibilities, early warning signals, 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, which includes a wide range of retail transaction accounts, investment accounts and retirement style accounts for individual consumers;
- Its small business and institutional deposit base;
- Its wholesale international and domestic funding programs that include its: Australian dollar Negotiable Certificates of Deposit; Australian dollar bank bills; Asian Transferable Certificates of Deposit program; Australian, US and Euro Commercial Paper programs; US Extendible Notes program; Australian dollar Domestic Debt program; US Medium-Term Note Program; Euro Medium-Term Note program, multi-jurisdiction Covered Bonds program and Medallion securitisation program; and
- Various contingent funding sources including access to central bank repurchase agreement facilities such as the CLF, providing the Group with the ability to borrow funds on a secured basis, even when normal markets are not available.

Liquidity and Capital Resources (continued)

Debt Issues	Half Year Ended 31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M
Total short term debt issues	**66,118**	59,532	59,426
Total long term debt issues	**94,680**	94,897	93,823
Total debt issues	**160,798**	154,429	153,249

Debt Issues	Half Year Ended 31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M
Maturity Distribution of Debt Issues (1)			
Less than three months	**25,259**	20,982	19,262
Between three and twelve months	**40,859**	38,550	40,164
Between one and five years	**75,795**	71,861	69,526
Greater than five years	**18,885**	23,036	24,297
Total debt issues	**160,798**	154,429	153,249

(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 2015.

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
US$7 billion	ASB Euro Commercial Paper Programme
US$20 billion	CBA Euro Commercial Paper Programme
US$70 billion	Euro Medium-Term Note Programme (1)(2)
Asia	
¥500 billion	Uridashi Shelf (2)
New Zealand	
Unlimited	ASB Domestic Medium-Term Note Programme
Unlimited	ASB Registered Certificate of Deposit Programme
United States	
US$7 billion	ASB Commercial Paper Programme
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, unconditionally and irrevocable guaranteed by ASB Bank Limited, is also an issuer under this programme.
(2) Amounts are also reflected under the US$70 billion Euro Medium-Term Note Programme.

In addition to the debt programmes listed above, the Group has made certain contractual and commercial commitments to make expenditures. The contractual obligations profile of the Group is presented under Note 30 of the 2015 Financial Report. The Group is not aware of any material changes to this profile since 30 June 2015.

For more information on the Group's funding programs and liquidity and capital resources, see Note 34 of the 2015 Financial Report.

Details of the Group's regulatory capital position and capital management activities are disclosed in Appendix 7 to this Document and Note 25 of the 2015 Financial Report.

Recent Market Environment

The Group's wholesale funding costs generally worsened over the second half of calendar year 2015 as concerns over global growth, falling commodity prices, worries over Chinese reforms and other factors all combined to increase credit spreads in domestic and international debt capital markets. The Group has managed its debt portfolio to avoid

Liquidity and Capital Resources (continued)

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

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

Off-Balance Sheet Arrangements

For further details regarding the Group's off-balance sheet arrangements, please see "Off-Balance Sheet Arrangements" beginning on page 92 of the 2015 Annual U.S. Disclosure Document.

Corporate Governance

Changes to Executive Team

There have been no changes to the Executive team since June 2015. However, the Group announced on 29 January 2016 that David Cohen, General Counsel of the Group, will replace Alden Toevs as Chief Risk Officer on 30 June 2016.

Changes to Board of Directors

There have been no changes to the Board of Directors since June 2015.

Funding

Group Funding (1)	31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
	As at				
Customer deposits	**500,356**	477,811	458,428	5	9
Short term wholesale funding	**134,318**	131,837	124,945	2	8
Short sales	**3,980**	4,437	3,584	(10)	11
Long term wholesale funding - less than or equal to one year residual maturity	**25,943**	27,479	28,302	(6)	(8)
Long term wholesale funding - more than one year residual maturity (2)	**107,395**	105,055	105,888	2	1
IFRS MTM and derivative FX revaluations	**10,346**	11,657	10,403	(11)	(1)
Total wholesale funding	**281,982**	280,465	273,122	1	3
Total funding	**782,338**	758,276	731,550	3	7

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

(2) Residual maturity of long-term wholesale funding included in Debt issues, Loan capital and Share capital – other equity instruments, is the earlier of the next call date or final maturity.

December 2015 versus December 2014

Customer Deposits

Customer deposits accounted for 64% of total funding at 31 December 2015, an increase of 1% on the prior comparative period. Strong deposit growth has seen the Group satisfy a significant proportion of its funding requirements from retail, business and institutional customer deposits. The remaining 36% of total funding comprised various wholesale debt issuances.

Short-Term Wholesale Funding

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, as well as debt issued under domestic, Euro and US commercial paper programs by Commonwealth Bank of Australia and ASB. Short-term funding (including short sales) accounted for 49% of total wholesale funding at 31 December 2015, up from 47% in the prior comparative period. The increase in short-term wholesale funding was driven largely by the impact of the lower Australian dollar.

Long-Term Wholesale Funding

Long-term wholesale funding includes debt with an original maturity or call date of greater than 12 months. The cost of new long-term wholesale funding increased approximately 25 basis points on the prior comparative period. During the period, the Group raised $30 billion of long-term wholesale funding in multiple currencies including AUD, USD, EUR, and GBP. Most issuance was in senior unsecured format, although the Group used its covered bond and RMBS programs to provide cost, tenor and diversification benefits. The Group also issued its first Basel III compliant Tier 2 capital deals in the Euro, Renminbi and the US dollar markets. The Weighted Average Maturity ("WAM") of new long-term wholesale debt issued in the year to December 2015 was 4.0 years. The WAM of outstanding long-term wholesale debt with a residual maturity greater than 12 months was 3.9 years at 31 December 2015.

Long-term wholesale funding (including adjustment for IFRS MTM and derivative FX revaluations) accounted for 51% of total wholesale funding at 31 December 2015, compared to 53% in the prior comparative period.

December 2015 versus June 2015

Customer Deposits

Customer deposits accounted for 64% of total funding at 31 December 2015, up from 63% in the prior half. Strong deposit growth has seen the Group satisfy a significant proportion of its funding requirements from retail, business and institutional customer deposits. The remaining 36% of total funding comprised various wholesale debt issuances.

Short-Term Wholesale Funding

Short-term funding (including short sales) accounted for 49% of total wholesale funding at 31 December 2015, in line with the prior half.

Long-Term Wholesale Funding

The cost of new long-term wholesale funding increased on the prior half as ongoing macroeconomic uncertainty, particularly in commodity markets and emerging economies, weighed on markets.

The WAM of new long-term wholesale debt issued in the six months to December 2015 was 3.8 years.

Long-term wholesale debt (including adjustment for IFRS MTM and derivative FX revaluations) accounted for 51% of total wholesale funding at 31 December 2015, in line with the prior half.

For further information on Funding risk, please refer to Appendix 5.

Contents

Section 5 – Divisional Performance

Retail Banking Services

	Half Year Ended (1)				
	31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Net interest income	**4,236**	3,917	3,931	8	8
Other banking income	**924**	863	891	7	4
Total banking income	**5,160**	4,780	4,822	8	7
Operating expenses	**(1,694)**	(1,654)	(1,622)	2	4
Loan impairment expense	**(305)**	(358)	(268)	(15)	14
Net profit before tax	**3,161**	2,768	2,932	14	8
Corporate tax expense	**(946)**	(828)	(878)	14	8
Cash net profit after tax	**2,215**	1,940	2,054	14	8
Statutory net profit after tax	**2,215**	1,940	2,054	14	8
Income analysis					
Net interest income					
Home loans	**1,971**	1,752	1,809	13	9
Consumer finance (2)	**997**	954	925	5	8
Retail deposits	**1,238**	1,179	1,157	5	7
Other (3)	**30**	32	40	(6)	(25)
Total net interest income	**4,236**	3,917	3,931	8	8
Other banking income					
Home loans	**110**	106	111	4	(1)
Consumer finance (2)	**281**	266	279	6	1
Retail deposits	**260**	254	249	2	4
Distribution (4)	**223**	192	204	16	9
Other (3)	**50**	45	48	11	4
Total other banking income	**924**	863	891	7	4
Total banking income	**5,160**	4,780	4,822	8	7

	As at (1)				
Balance Sheet	31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Home loans	**298,693**	289,633	279,078	3	7
Consumer finance (2)	**17,168**	16,897	16,968	2	1
Other interest earning assets	**1,766**	1,943	2,049	(9)	(14)
Total interest earning assets	**317,627**	308,473	298,095	3	7
Other assets	**1,250**	1,070	883	17	42
Total assets	**318,877**	309,543	298,978	3	7
Transaction deposits (5)	**32,558**	27,095	24,332	20	34
Savings deposits	**117,657**	107,069	97,439	10	21
Investment deposits and other	**74,183**	79,663	86,432	(7)	(14)
Total interest bearing deposits	**224,398**	213,827	208,203	5	8
Non-interest bearing liabilities	**8,367**	8,123	7,370	3	14
Total liabilities	**232,765**	221,950	215,573	5	8

	Half Year Ended (1)				
Key Financial Metrics	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Performance indicators					
Statutory return on assets (%)	**1. 4**	1. 3	1. 4	10 bpts	-
Statutory impairment expense annualised as a % of average GLAAs (%)	**0.19**	0. 24	0. 18	(5)bpts	1 bpt
Statutory operating expenses to total banking income (%)	**32. 8**	34. 6	33. 6	(180)bpts	(80)bpts
Other asset/liability information					
Average interest earning assets ($M)	**312,875**	302,207	293,575	4	7
Average interest bearing liabilities ($M)	**219,303**	210,753	202,791	4	8

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.
(2) Consumer finance includes personal loans and credit cards.
(3) Other includes asset finance, merchants and business lending.
(4) Distribution includes income associated with the sale of foreign exchange products, and commissions received from the distribution of wealth management products through the retail network.
(5) Includes 'Everyday Offset' accounts.

Financial Performance and Business Review

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

December 2015 versus December 2014

Retail Banking Services net profit after tax ("statutory basis") for the half year ended 31 December 2015 was $2,215 million, an increase of 8% on the prior comparative period. The result was driven by strong growth in both net interest income and other banking income, partly offset by higher expenses and increased loan impairment expense.

Net Interest Income

Net interest income was $4,236 million, an increase of 8% on the prior comparative period. This reflected solid balance growth in home lending and deposits, and improved net interest margin.

Balance Sheet growth (spot) included:

- Home loan growth of 7%, with continued growth in the broker channel consistent with market trend;
- Consumer finance balance growth of 1% in a competitive environment; and
- Deposit balance growth of 8%, resulting from strong growth in transaction and savings balances.

Net interest margin improved, reflecting:

- Improved margins across the lending portfolio, in particular for home lending driven by investor and variable rate pricing; and
- Stable deposit margins, with a favourable change in deposit mix offset by a decline in cash rates.

Other Banking Income

Other banking income was $924 million, an increase of 4% on the prior comparative period, reflecting:

- An increase in deposit fee income driven by increased customer accounts and higher transaction volumes; and
- Higher distribution income from increased foreign exchange transactions.

Operating Expenses

Operating expenses were $1,694 million, an increase of 4% on the prior comparative period. The key drivers were inflation, volume-related expenses, and investment in technology and digital capabilities, partly offset by productivity savings.

The statutory operating expense to total banking income ratio was 32.8%, an improvement of 80 basis points on the prior comparative period.

Loan Impairment Expense

Loan impairment expense was $305 million, an increase of 14% on the prior comparative period.

The result was driven by higher home loan arrears and losses in Western Australia and Queensland, predominantly driven by deterioration in mining towns, and arrears in the personal loans portfolio.

December 2015 versus June 2015

Net profit after tax ("statutory basis") increased 14% on the prior half. The result was primarily driven by strong revenue growth, disciplined expense management, and lower loan impairment expense.

Net Interest Income

Net interest income increased 8% on the prior half, reflecting solid balance growth across key products, together with higher net interest margin.

Balance Sheet growth (spot) included:

- Home loan growth of 3%, with solid growth in the broker channel;
- Consumer finance balances increased 2%, reflecting a seasonal demand increase; and
- Deposit balances increased 5% on the prior half, primarily driven by growth in transaction and savings balances.

Net interest margin improved, reflecting:

- Higher home lending margins, due to investor and variable rate pricing; and
- Stable deposit margins, driven by a benefit from a change in deposit mix, offset by the lower cash rate environment.

Other Banking Income

Other banking income increased 7% on the prior half. Key factors driving this result included:

- Higher home loan package fee income, driven by higher new business volumes;
- Consumer finance fees increased, reflecting seasonally higher credit card purchases;
- Increased deposit fee income, due to higher transaction volumes; and
- Higher distribution income, driven by seasonally higher foreign exchange transactions.

Operating Expenses

Operating expenses increased 2% on the prior half. This was mainly due to inflation-related increases, and seasonally higher credit card loyalty redemption activity, partly offset by productivity initiatives.

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

Loan Impairment Expense

Loan impairment expense decreased 15% on the prior half. This was driven by seasonal trends and lower arrears across all portfolios.

Business and Private Banking

	Half Year Ended (1)				
	31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Net interest income	**1,538**	1,459	1,466	5	5
Other banking income	**423**	392	401	8	5
Total banking income	**1,961**	1,851	1,867	6	5
Operating expenses	**(742)**	(717)	(711)	3	4
Loan impairment expense	**(71)**	(89)	(63)	(20)	13
Net profit before tax	**1,148**	1,045	1,093	10	5
Corporate tax expense	**(345)**	(314)	(329)	10	5
Cash net profit after tax	**803**	731	764	10	5
Statutory net profit after tax	**803**	731	764	10	5
Income analysis					
Net interest income					
Corporate Financial Services	**554**	520	516	7	7
Regional and Agribusiness	**279**	274	281	2	(1)
Local Business Banking	**478**	457	459	5	4
Private Bank	**150**	135	134	11	12
CommSec	**77**	73	76	5	1
Total net interest income	**1,538**	1,459	1,466	5	5
Other banking income					
Corporate Financial Services	**155**	140	146	11	6
Regional and Agribusiness	**43**	39	44	10	(2)
Local Business Banking	**91**	84	86	8	6
Private Bank	**31**	29	30	7	3
CommSec	**103**	100	95	3	8
Total other banking income	**423**	392	401	8	5
Total banking income	**1,961**	1,851	1,867	6	5
Income by product					
Business products	**1,130**	1,078	1,089	5	4
Retail products	**546**	495	490	10	11
Equities and Margin Lending	**164**	160	157	3	4
Markets	**71**	62	69	15	3
Other	**50**	56	62	(11)	(19)
Total banking income	**1,961**	1,851	1,867	6	5

	As at (1)				
Balance Sheet	31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Home loans	**33,232**	32,580	31,807	2	4
Consumer finance	**727**	712	741	2	(2)
Business loans	**63,156**	62,278	60,439	1	4
Margin loans	**2,821**	2,676	2,707	5	4
Total interest earning assets	**99,936**	98,246	95,694	2	4
Non-lending interest earning assets	**346**	259	291	34	19
Other assets (2)	**318**	485	79	(34)	large
Total assets	**100,600**	98,990	96,064	2	5
Transaction deposits	**11,859**	11,383	9,813	4	21
Savings deposits	**30,559**	28,830	27,035	6	13
Investment deposits and other	**25,618**	24,755	24,958	3	3
Total interest bearing deposits	**68,036**	64,968	61,806	5	10
Non-interest bearing liabilities (2)	**6,062**	6,138	5,368	(1)	13
Total liabilities	**74,098**	71,106	67,174	4	10

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.
(2) Other assets include Intangible assets and Non-interest bearing liabilities include Non-interest bearing deposits.

Key Financial Metrics	Half Year Ended (1) 31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Performance indicators					
Statutory return on assets (%)	**1. 6**	1. 5	1. 6	10 bpts	-
Statutory impairment expense annualised as a % of average GLAAs (%)	**0.14**	0. 19	0. 13	(5)bpts	1 bpt
Statutory operating expenses to total banking income (%)	**37. 8**	38. 7	38. 1	(90)bpts	(30)bpts
Other asset/liability information					
Average interest earning assets ($M)	**98,845**	96,444	95,129	2	4
Average interest bearing liabilities ($M)	**67,800**	64,953	60,392	4	12

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.

Financial Performance and Business Review

This Business and Private Banking analysis contains forward-looking statements. See "Special Note Regarding Forward-Looking Statements" on page 3 of this Document.

December 2015 versus December 2014

Business and Private Banking net profit after tax ("statutory basis") for the half year ended 31 December 2015 was $803 million, an increase of 5% on the prior comparative period. The result was driven by income growth from above system growth in deposit balances, and improved net interest margins across key product lines. This was partly offset by higher expenses and loan impairment expense.

Net Interest Income

Net interest income was $1,538 million, an increase of 5% on the prior comparative period. This reflected strong growth in deposit balances and higher net interest margins across key product lines.

Balance Sheet growth (spot) included:

- An increase of 10% in customer deposits, reflecting strong demand for at-call products;
- Business lending growth of 4%; and
- Home loan growth of 4%, with growth in new business volumes, partly offset by higher levels of repayment activity.

Net interest margin increased reflecting higher deposit and home lending margins.

Other Banking Income

Other banking income was $423 million, an increase of 5% on the prior comparative period, primarily due to:

- An increase of 20% in equities trading volumes; and
- Higher income from foreign exchange risk management products; partly offset by
- Lower income from interest rate risk management products.

Operating Expenses

Operating expenses were $742 million, an increase of 4% on the prior comparative period, primarily due to inflation-related salary increases, investment in frontline, and key product development initiatives. This was partly offset by the benefit of productivity savings.

Loan Impairment Expense

Loan impairment expense was $71 million, an increase of 13% on the prior comparative period. The increase was driven by a lower level of write-backs and an increase in client exposures. This was partly offset by lower individual provisions. The quality of the underlying portfolio is stable due in part to the low interest rate environment.

December 2015 versus June 2015

Net profit after tax ("statutory basis") increased 10% on the prior half. The result was driven by growth in home lending and deposit income, as well as lower impairment expense, partly offset by growth in expenses.

Net Interest Income

Net interest income increased 5% on the prior half. This reflected growth in deposit balances, modest lending balance growth, and increased net interest margins across key product lines.

Balance Sheet growth (spot) included:

- A 5% increase in customer deposits, particularly at-call products; and
- Growth in business lending of 1%, reflecting a subdued growth in new business volumes.

Net interest margin increased, reflecting higher deposits and lending margins.

Other Banking Income

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

- Higher income from foreign exchange risk management products;
- An increase of 11% in equities trading volumes; and
- Higher revenue from debt syndication activity.

Operating Expenses

Operating expenses increased 3% on the prior half, primarily due to higher inflation-related salary increases, investment in frontline, and key product development initiatives, partly offset by productivity initiatives.

Loan Impairment Expense

Loan impairment expense decreased 20% on the prior half, reflecting an increase in write-backs and lower collective provisions.

Institutional Banking and Markets

	Half Year Ended [1]				
	31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Net interest income	**785**	724	718	8	9
Other banking income	**653**	648	712	1	(8)
Total banking income	**1,438**	1,372	1,430	5	1
Operating expenses	**(534)**	(495)	(475)	8	12
Loan impairment expense	**(140)**	(70)	(97)	large	44
Net profit before tax	**764**	807	858	(5)	(11)
Corporate tax expense	**(156)**	(171)	(209)	(9)	(25)
Cash net profit after tax	**608**	636	649	(4)	(6)
Statutory net profit after tax	**608**	636	649	(4)	(6)
Income analysis					
Net interest income					
Institutional Banking	**724**	666	670	9	8
Markets	**61**	58	48	5	27
Total net interest income	**785**	724	718	8	9
Other banking income					
Institutional Banking	**403**	432	404	(7)	-
Markets	**250**	216	308	16	(19)
Total other banking income	**653**	648	712	1	(8)
Total banking income	**1,438**	1,372	1,430	5	1
Income by product					
Institutional products	**927**	879	891	5	4
Asset leasing	**166**	182	127	(9)	31
Markets excluding derivative valuation adjustments	**375**	342	322	10	16
Other	**34**	37	56	(8)	(39)
Total banking income excluding derivative valuation adjustments	**1,502**	1,440	1,396	4	8
Derivative valuation adjustments	**(64)**	(68)	34	(6)	large
Total banking income	**1,438**	1,372	1,430	5	1

	As at [1]				
Balance Sheet	31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Interest earning lending assets	**110,135**	98,223	92,523	12	19
Non-lending interest earning assets	**29,466**	28,722	22,416	3	31
Other assets [2]	**54,037**	38,018	45,925	42	18
Total assets	**193,638**	164,963	160,864	17	20
Transaction deposits	**36,441**	36,598	34,648	-	5
Savings deposits	**5,793**	8,113	6,836	(29)	(15)
Investment deposits	**40,126**	34,677	31,257	16	28
Certificates of deposit and other	**12,321**	12,876	5,602	(4)	large
Total interest bearing deposits	**94,681**	92,264	78,343	3	21
Due to other financial institutions	**16,391**	15,365	13,140	7	25
Debt issues and other [3]	**8,058**	9,501	7,347	(15)	10
Non-interest bearing liabilities [2]	**24,853**	26,031	35,653	(5)	(30)
Total liabilities	**143,983**	143,161	134,483	1	7

	Half Year Ended [1]				
Key Financial Metrics	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Performance indicators					
Statutory return on assets (%)	**0. 7**	0. 8	0. 8	(10)bpts	(10)bpts
Statutory impairment expense annualised as a % of average GLAAs (%)	**0. 27**	0. 15	0. 22	12 bpts	5 bpts
Statutory operating expenses to total banking income (%)	**37. 1**	36. 1	33. 2	100 bpts	390 bpts
Other asset/liability information					
Average interest earning assets ($M)	**135,986**	118,794	111,461	14	22
Average interest bearing liabilities ($M)	**120,053**	106,176	102,390	13	17

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.
(2) Other assets include Intangible assets and Derivative assets. Non-interest bearing liabilities include Derivative liabilities.
(3) Debt issues and other includes Bank acceptances, Liabilities at fair value and Loan capital.

Financial Performance and Business Review

This Institutional Banking and Markets analysis contains forward-looking statements. See "Special Note Regarding Forward-Looking Statements" on page 3 of this Document.

December 2015 versus December 2014

Institutional Banking and Markets net profit after tax ("statutory basis") for the half year ended 31 December 2015 was $608 million, a decrease of 6%. The result included strong institutional lending and asset leasing growth, and positive sales and trading revenue in Markets. This was offset by unfavourable derivative valuation adjustments, increased operating expenses, and higher loan impairment expense.

Net Interest Income

Net interest income was $785 million, an increase of 9% on the prior comparative period. This was driven by strong balance growth, partly offset by lower margins.

Average balance growth included:

- A 17% increase in average lending balances, driven by growth in strategic focus industries of Financial Institutions and Utilities;
- Average leasing balances growth of 27%, mainly in the Transport industry; and
- Average deposit balance growth of 6%, resulting from growth in transaction and investment deposits.

Net interest margin decreased, reflecting:

- Lower lending margins driven by competition and excess liquidity in the market;
- Lower amortisation of deferred fees; and
- Continued competitive pressure on transaction deposit margins.

Other Banking Income

Other banking income was $653 million, a decrease of 8% on the prior comparative period, reflecting:

- Unfavourable derivative valuation adjustments of $64 million, compared to a $34 million favourable adjustment in the prior comparative period; partly offset by
- Strong Markets sales flows and trading performance, resulting in a $40 million increase on the prior comparative period.

Operating Expenses

Operating expenses were $534 million, an increase of 12% on the prior comparative period. Excluding the impact of the lower Australian dollar, operating expenses increased 8%.

The increase reflects investment in technology and people in targeted industry and product areas, and higher risk and compliance costs, partly offset by the ongoing realisation of productivity benefits.

Loan Impairment Expense

Loan impairment expense was $140 million, an increase of $43 million on the prior comparative period. This was driven by higher individual provisions.

Corporate Tax Expense

The corporate tax expense was $156 million. The effective tax rate of 20.4% was lower than the prior comparative period primarily due to a higher proportion of profits earned in offshore jurisdictions that have lower corporate tax rates.

December 2015 versus June 2015

Net profit after tax ("statutory basis") decreased 4% on the prior half. The result included higher institutional lending and Markets revenue, offset by increased operating expenses and higher loan impairment expense.

Net Interest Income

Net interest income increased 8% on the prior half, driven by:

- Growth in average lending balances of 8%, and higher average leasing balances; partly offset by
- Lower leasing and deposit margins.

Other Banking Income

Other banking income increased 1% on the prior half, due to:

- Strong sales and trading revenues in Markets from increased client flow, particularly within Foreign Exchange and Fixed Income; partly offset by
- Timing of realised gains and losses on sale of assets.

Operating Expenses

Operating expenses increased 8% on the prior half. Excluding the impact of the Australian dollar, operating expenses increased 6%.

This was driven by investment in technology and people in targeted industry and product areas, and higher risk and compliance costs, partly offset by the ongoing realisation of productivity benefits.

Loan Impairment Expense

Loan impairment expense increased $70 million on the prior half, mainly due to increased collective provisions and a lower level of write-backs, partly offset by higher recoveries.

Corporate Tax Expense

The corporate tax expense was $156 million. The effective tax rate of 20.4% was lower than the prior half, primarily due to a higher proportion of profits earned in offshore jurisdictions that have lower corporate tax rates.

Wealth Management

	Half Year Ended (1)				
	31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Funds management income	**964**	929	917	4	5
Insurance income	**330**	229	274	44	20
Total operating income	**1,294**	1,158	1,191	12	9
Operating expenses	**(832)**	(943)	(783)	(12)	6
Net profit before tax	**462**	215	408	large	13
Corporate tax expense	**(131)**	(42)	(106)	large	24
Underlying profit after tax	**331**	173	302	91	10
Investment experience after tax	**41**	131	47	(69)	(13)
Cash net profit after tax	**372**	304	349	22	7
Other non-cash items	**(9)**	(8)	(20)	13	(55)
Statutory net profit after tax	**363**	296	329	23	10
Represented by:					
CFS Global Asset Management	**120**	174	113	(31)	6
Colonial First State (2)	**115**	(17)	111	large	4
CommInsure	**191**	153	163	25	17
Other	**(63)**	(14)	(58)	large	9
Statutory net profit after tax	**363**	296	329	23	10

	Half Year Ended (1)				
Key Financial Metrics	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Performance indicators					
Statutory operating expenses to total operating income (%)	**62. 2**	72. 6	60. 4	large	180 bpts
FUA - average ($M)	**132,721**	132,991	124,659	-	6
FUA - spot ($M)	**133,886**	131,903	128,109	2	5
AUM - average ($M) (3)	**199,294**	203,052	187,216	(2)	6
AUM - spot ($M) (3)	**195,248**	202,168	191,606	(3)	2
Annual inforce premiums - average ($M)	**2,470**	2,424	2,345	2	5
Annual inforce premiums - spot ($M)	**2,472**	2,467	2,381	-	4

	Half Year Ended (1)											
	CFS Global Asset Management			Colonial First State (2)			CommInsure			Other		
	Dec 15 $M	Jun 15 $M	Dec 14 $M	Dec 15 $M	Jun 15 $M	Dec 14 $M	Dec 15 $M	Jun 15 $M	Dec 14 $M	Dec 15 $M	Jun 15 $M	Dec 14 $M
Funds management income	**437**	445	402	**467**	415	451	**60**	69	64	**-**	-	-
Insurance income	**-**	-	-	**-**	-	-	**330**	229	274	**-**	-	-
Total operating income	**437**	445	402	**467**	415	451	**390**	298	338	**-**	-	-
Operating expenses	**(291)**	(269)	(257)	**(307)**	(440)	(295)	**(162)**	(157)	(162)	**(72)**	(77)	(69)
Net profit before tax	**146**	176	145	**160**	(25)	156	**228**	141	176	**(72)**	(77)	(69)
Corporate tax expense	**(28)**	(30)	(31)	**(51)**	9	(48)	**(67)**	(39)	(52)	**15**	18	25
Underlying profit after tax	**118**	146	114	**109**	(16)	108	**161**	102	124	**(57)**	(59)	(44)
Investment experience after tax	**2**	28	(1)	**6**	(1)	3	**30**	51	39	**3**	53	6
Cash net profit after tax	**120**	174	113	**115**	(17)	111	**191**	153	163	**(54)**	(6)	(38)
Other non-cash items	**-**	-	-	**-**	-	-	**-**	-	-	**(9)**	(8)	(20)
Statutory net profit after tax	**120**	174	113	**115**	(17)	111	**191**	153	163	**(63)**	(14)	(58)

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.
(2) Colonial First State incorporates the results of all Wealth Management Financial Planning businesses.
(3) AUM include Realindex Investments and exclude the Group's interest in the First State Cinda Fund Management Company Limited.

Financial Performance and Business Review

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

December 2015 versus December 2014

Wealth Management net profit after tax ("statutory basis") for the half year ended 31 December 2015 was $363 million, an increase of 10% on the prior comparative period. The result was driven by a strong contribution from insurance income, and solid growth in funds management income. This was partly offset by higher operating expenses, which included the impact of the lower Australian dollar, and lower investment experience.

The Open Advice Review program closed for expressions of interest on 3 July 2015. Approximately 8,000 applicants have requested for their advice to be reviewed, and over 1,900 customers have had their advice assessed as at 31 December 2015.

For more information on the Open Advice Review program, see Note 11 of this Document, Note 19 to the 2015 Financial Report and pages 102-103 of the 2015 Annual U.S. Disclosure Document.

Funds Management Income

Funds Management Income was $964 million, an increase of 5% on the prior comparative period.

Average AUM increased 6% on the prior comparative period to $199 billion, reflecting positive investment markets performance, and the benefit of the lower Australian dollar, with 85% of CFS Global Asset Management assets outperforming their three year benchmark. Net flows were impacted by investment market volatility with short-term cash investments and emerging market equities, in particular China, experiencing net outflows. Client retention remained strong.

AUM margins improved despite a challenging environment, supported by a higher contribution from global equities and strong growth in the infrastructure business.

Average FUA increased 6% on the prior comparative period to $133 billion. The FirstChoice and Custom Solutions platforms experienced solid growth in average FUA of 7% and 15% respectively, reflecting positive net flows and a solid performance in investment markets.

FUA margins declined slightly due to lower platform margins, driven by competition and continued run-off in the legacy investment business, partly offset by higher Advice revenue.

Insurance Income

Insurance income was $330 million, a 20% increase on the prior comparative period. Life insurance inforce premiums increased 4%. Wholesale life insurance income increased reflecting the repricing activity and improved lapses, partly offset by higher claims. Retail life insurance income increased 12%, due to the continued benefit of lower lapse rates, partly offset by lower new business sales. General insurance income increased as a result of lower event claims, and a 4% increase in inforce premiums from higher renewals, partly offset by lower new business sales.

Operating Expenses

Operating expenses were $832 million, an increase of 6% on the prior comparative period. This was largely attributable to the lower Australian dollar, increased investment spend, and inflation-related salary and performance-related increases, partly offset by productivity savings. The business also continued investing in technology-related initiatives, and delivering risk management, compliance and regulatory change programs.

Investment Experience

Investment experience after tax decreased 13%, as a result of lower fixed interest returns from rising bond yields, partly offset by higher income from annuity investments.

December 2015 versus June 2015

Net profit after tax ("statutory basis") increased 23% on the prior half, driven by strong growth in insurance and funds management income, and lower operating expenses mainly due to reduced provisioning for compliance and remediation program costs. This was partly offset by lower investment experience.

Funds Management Income

Funds management income increased 4% on the prior half. Average AUM decreased 2%, reflecting weakness in global markets and lower net flows, partly offset by continued investment outperformance, and the benefit of the lower Australian dollar.

AUM margins were flat on the prior half.

Average FUA was flat on the prior half, with the benefit of positive net flows offset by lower investment market returns.

FUA margins improved, reflecting reduced provisioning for customer remediation costs, partly offset by the continued run-off in the legacy investment business.

Insurance Income

Insurance income increased 44% on the prior half. Wholesale life insurance income increased as a result of business growth and repricing in the prior half, partly offset by higher claims. Retail life insurance income increased on the prior half due to improved lapse rates, partly offset by lower new business sales. General insurance income benefited significantly from lower event claims, improved working claims, and 2% growth in inforce premiums driven by improved renewals and stable new business sales.

Operating Expenses

Operating expenses decreased 12% on the prior half mainly driven by reduced provisioning for compliance and remediation program costs, and the benefit of productivity initiatives. This was partly offset by inflation-related salary and performance-related increases, and the impact of the lower Australian dollar.

Investment Experience

Investment experience decreased 69% on the prior half, primarily due to the non-recurrence of benefits from divestments and investment revaluation gains in the prior half.

Wealth Management

Assets Under Management (AUM) [1] [2]	30 Jun 15 $M	Inflows $M	Outflows $M	Net Flows $M	Other [3] $M	31 Dec 15 $M	31 Dec 14 $M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
	Half Year Ended								
Australian equities	28,451	2,065	(2,967)	(902)	416	**27,965**	28,535	(2)	(2)
Global equities	95,109	14,337	(16,114)	(1,777)	(3,577)	**89,755**	88,151	(6)	2
Fixed income [4]	73,138	23,567	(26,360)	(2,793)	1,335	**71,680**	70,171	(2)	2
Infrastructure	5,470	240	(109)	131	247	**5,848**	4,749	7	23
Total	202,168	40,209	(45,550)	(5,341)	(1,579)	**195,248**	191,606	(3)	2

Funds Under Administration (FUA) [1]	30 Jun 15 $M	Inflows $M	Outflows $M	Net Flows $M	Other $M	31 Dec 15 $M	31 Dec 14 $M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
	Half Year Ended								
FirstChoice	73,582	7,738	(6,891)	847	445	**74,874**	70,959	2	6
Custom Solutions [5]	21,303	2,819	(1,917)	902	71	**22,276**	19,926	5	12
CFS Non-Platform	15,920	4,018	(4,200)	(182)	291	**16,029**	15,946	1	1
CommInsure Investments	13,108	215	(772)	(557)	29	**12,580**	13,364	(4)	(6)
Other	7,990	316	(216)	100	37	**8,127**	7,914	2	3
Total	131,903	15,106	(13,996)	1,110	873	**133,886**	128,109	2	5

Insurance Inforce [1]	30 Jun 15 $M	Sales $M	Lapses $M	Net Flows $M	Other $M	31 Dec 15 $M	31 Dec 14 $M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
	Half Year Ended								
Life Insurance	1,774	118	(126)	(8)	-	**1,766**	1,699	-	4
General insurance	693	77	(64)	13	-	**706**	682	2	4
Total	2,467	195	(190)	5	-	**2,472**	2,381	-	4

(1) Comparatives have been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.
(2) AUM includes Realindex Investments and excludes the Group's interest in the First State Cinda Fund Management Company Limited.
(3) Other includes investment income and foreign exchange gains and losses from translation of internationally sourced business.
(4) Fixed income include short-term investments and global credit.
(5) Custom Solutions include FirstWrap product.

	Half Year Ended (1)				
	31 Dec 15 A$M	30 Jun 15 A$M	31 Dec 14 A$M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Net interest income	**760**	772	755	(2)	1
Other banking income (2)	**180**	141	145	28	24
Total banking income	**940**	913	900	3	4
Funds management income	**40**	37	34	8	18
Insurance income	**127**	123	109	3	17
Total operating income	**1,107**	1,073	1,043	3	6
Operating expenses	**(441)**	(441)	(420)	-	5
Loan impairment expense	**(37)**	(49)	(34)	(24)	9
Net profit before tax	**629**	583	589	8	7
Corporate tax expense	**(170)**	(146)	(150)	16	13
Underlying profit after tax	**459**	437	439	5	5
Investment experience after tax	**4**	2	4	large	-
Cash net profit after tax	**463**	439	443	5	5
Hedging and IFRS volatility (after tax)	**(109)**	102	(59)	large	85
Statutory net profit after tax	**354**	541	384	(35)	(8)

	Half Year Ended (1)				
	31 Dec 15 NZ$M	30 Jun 15 NZ$M	31 Dec 14 NZ$M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Net interest income	**828**	815	827	2	-
Other banking income	**210**	174	170	21	24
Total banking income	**1,038**	989	997	5	4
Funds management income	**43**	39	38	10	13
Insurance income	**140**	131	119	7	18
Total operating income	**1,221**	1,159	1,154	5	6
Operating expenses	**(480)**	(468)	(461)	3	4
Loan impairment expense	**(41)**	(52)	(37)	(21)	11
Net profit before tax	**700**	639	656	10	7
Corporate tax expense	**(189)**	(158)	(167)	20	13
Underlying profit after tax	**511**	481	489	6	4
Investment experience after tax	**4**	2	5	large	(20)
Cash net profit after tax	**515**	483	494	7	4
Hedging and IFRS volatility (after tax)	**(2)**	(18)	(5)	(89)	(60)
Statutory net profit after tax	**513**	465	489	10	5
Represented by:					
ASB (1)	**473**	408	433	16	9
Sovereign	**54**	66	57	(18)	(5)
Other (3)	**(14)**	(9)	(1)	56	large
Statutory net profit after tax	**513**	465	489	10	5

	Half Year Ended (1)				
Key Financial Metrics (4)	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Statutory operating expenses to total operating income (%)	**38.9**	40.6	38.4	(170)bpts	50 bpts
FUA - average (NZ$M)	**11,420**	10,748	9,833	6	16
FUA - spot (NZ$M)	**11,731**	11,117	10,132	6	16
AUM - average (NZ$M)	**4,752**	4,427	3,966	7	20
AUM - spot (NZ$M)	**4,791**	4,486	4,095	7	17

(1) Comparatives have been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.
(2) Other banking income disclosed in AUD includes realised gains or losses associated with the hedge of the New Zealand operations.
(3) Other includes ASB and Sovereign funding entities and elimination entries between Sovereign and ASB.
(4) Key financial metrics are calculated in New Zealand dollar terms.

New Zealand

Financial Performance and Business Review

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

December 2015 versus December 2014

New Zealand[1] net profit after tax[2] ("statutory basis") for the half year ended 31 December 2015 was NZD513 million, an increase of 5% on the prior comparative period, driven by a strong performance from ASB Bank. ASB experienced strong growth in lending and retail deposits, and higher other banking income and funds management income. This was partly offset by lower profit in Sovereign.

The Australian dollar equivalent line item growth rates are impacted by the appreciation of the New Zealand dollar and mark-to-market movements in foreign exchange hedges relating to New Zealand earnings.

December 2015 versus June 2015

Net profit after tax ("statutory basis") increased 10% on the prior half. The result was driven by a strong performance from ASB Bank, reflecting strong lending growth, higher other banking income, and lower loan impairment expense. Sovereign profit was down on the prior half reflecting lower investment returns and higher lapse rates.

(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.

	Half Year Ended [1]				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs	Dec 15 vs
ASB Bank	NZ$M	NZ$M	NZ$M	Jun 15 %	Dec 14 %
Net interest income	**844**	820	823	3	3
Other banking income	**228**	191	186	19	23
Total banking income	**1,072**	1,011	1,009	6	6
Funds management income	**42**	38	36	11	17
Total operating income	**1,114**	1,049	1,045	6	7
Operating expenses	**(414)**	(406)	(399)	2	4
Loan impairment expense	**(41)**	(52)	(37)	(21)	11
Net profit before tax	**659**	591	609	12	8
Corporate tax expense	**(184)**	(165)	(171)	12	8
Cash net profit after tax	**475**	426	438	12	8
Hedging and IFRS volatility (after tax)	**(2)**	(18)	(5)	(89)	(60)
Statutory net profit after tax	**473**	408	433	16	9

	As at				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs	Dec 15 vs
Balance Sheet	NZ$M	NZ$M	NZ$M	Jun 15 %	Dec 14 %
Home loans	**45,662**	43,737	42,184	4	8
Business and rural lending	**21,310**	20,019	18,761	6	14
Other interest earning assets	**1,910**	1,809	1,747	6	9
Total lending interest earning assets	**68,882**	65,565	62,692	5	10
Non-lending interest earning assets	**6,413**	7,297	5,907	(12)	9
Other assets	**2,179**	2,993	1,783	(27)	22
Total assets	**77,474**	75,855	70,382	2	10
Customer deposits	**48,524**	46,751	42,727	4	14
Debt issues	**11,221**	11,076	10,307	1	9
Other interest bearing liabilities [2]	**4,812**	4,198	5,977	15	(19)
Total interest bearing liabilities	**64,557**	62,025	59,011	4	9
Non-interest bearing liabilities	**5,473**	6,013	4,377	(9)	25
Total liabilities	**70,030**	68,038	63,388	3	10

(1) Comparatives have been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.

(2) Includes NZD1.5 billion due to Group companies (30 June 2015: NZD1.4 billion; 31 December 2014: NZD2.7 billion).

Key Financial Metrics	Half Year Ended (1) 31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Performance indicators					
Statutory return on assets (%)	**1. 2**	1. 1	1. 2	10 bpts	-
Statutory impairment expense annualised as a % of average GLAAs (%)	**0. 12**	0. 16	0. 12	(4)bpts	-
Statutory operating expenses to total operating income (%)	**37. 3**	39. 6	38. 4	(230)bpts	(110)bpts
Other asset/liability information					
Average interest earning assets (NZ$M)	**73,717**	70,828	67,956	4	8
Average interest bearing liabilities (NZ$M)	**63,203**	60,357	58,276	5	8
FUA - average (NZ$M)	**11,420**	10,748	9,833	6	16
FUA - spot (NZ$M)	**11,731**	11,117	10,132	6	16
AUM - average (NZ$M)	**4,031**	3,727	3,307	8	22
AUM - spot (NZ$M)	**4,051**	3,802	3,419	7	18

(1) Comparatives have been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.

New Zealand

December 2015 versus December 2014

ASB Bank net profit after tax ("statutory basis") for the half year ended 31 December 2015 was NZD473 million, an increase of 9% on the prior comparative period. The result was driven by operating income growth of 7% resulting from favourable other banking income and strong lending and deposit growth, partly offset by margin compression across key products and higher operating expenses and loan impairment expense.

Net Interest Income

Net interest income was NZD844 million, an increase of 3% on the prior comparative period, with strong volume growth, partly offset by margin pressure across key portfolios and increased fixed rate prepayment expense, with the associated recoveries included in other banking income.

Balance Sheet growth (spot) included:

- Home loan growth of 8%, in line with system, with continued customer preference for fixed rate borrowing;
- Business and rural loan growth of 14%, with above system growth resulting from continued investment in these businesses; and
- Above system growth in customer deposits of 14%, with strong demand across the retail deposit portfolio.

Net interest margin decreased, reflecting continued competitive pressure in the home lending market and a customer preference for fixed rate borrowing, lower deposit margins, and higher fixed rate prepayment expense associated with the falling interest rate environment.

Other Banking and Funds Management Income

Other banking income was NZD228 million, an increase of 23% on the prior comparative period, driven by higher fixed rate loan prepayment cost recoveries, and a stronger Markets performance, partly offset by lower card fees.

Funds management income was NZD42 million, an increase of 17% on the prior comparative period, due to strong FUA and AUM growth.

Operating Expenses

Operating expenses were NZD414 million, an increase of 4% on the prior comparative period. This increase was driven by inflation-related salary increases and continued investment in frontline capability and technology.

The statutory expense to income ratio for ASB Bank was 37.3%, an improvement of 110 basis points, reflecting a continued focus on productivity.

Loan Impairment Expense

Loan impairment expense was NZD41 million, an increase of 11% on the prior comparative period, primarily due to an increase in rural lending provisioning within the dairy sector, partly offset by improved home loan arrears.

December 2015 versus June 2015

Net profit after tax ("statutory basis") increased 16% on the prior half. This result was driven by continued lending and deposit volume growth, an increase in other banking income, and a reduction in impairment expense, partly offset by higher operating expenses.

Net Interest Income

Net interest income increased 3% on the prior half, driven by solid balance growth in home, business and rural lending and deposits. This was partly offset by a decrease in deposit margins and higher fixed rate prepayment expense.

Balance Sheet growth (spot) included:

- Home loan growth of 4%, ahead of system, with customers continuing to prefer fixed rate borrowing;
- Business and rural loans up 6%, with growth remaining above system; and
- Customer deposit growth of 4%, driven by continued demand across the portfolio.

Net interest margin decreased, due to margin compression in lending and deposit products and higher fixed rate prepayment expense.

Other Banking and Funds Management Income

Other banking income increased 19% on the prior half, driven by higher fixed rate loan prepayment cost recoveries, improved Markets performance, and higher lending fees.

Funds management income increased 11%, primarily due to the performance of the ASB KiwiSaver scheme and FUA growth.

Operating Expenses

Operating expenses increased 2% on the prior half, with inflation-related staff expense increases and continued investment in technology, partly offset by a reduction in operational losses.

The statutory expense to income ratio decreased 230 basis points on the prior half.

Loan Impairment Expense

Loan impairment expense decreased NZD11 million on the prior half, driven by lower home loan arrears, and an increased level of write-backs in the business lending portfolio. This was partly offset by higher rural lending provisioning.

Sovereign	31 Dec 15 NZ$M	30 Jun 15 NZ$M	31 Dec 14 NZ$M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
	Half Year Ended				
Insurance income	123	118	107	4	15
Operating expenses	(65)	(62)	(62)	5	5
Net profit before tax	58	56	45	4	29
Corporate tax (expense)/benefit	(10)	2	3	large	large
Underlying profit after tax	48	58	48	(17)	-
Investment experience after tax	6	8	9	(25)	(33)
Cash net profit after tax	54	66	57	(18)	(5)
Statutory net profit after tax	54	66	57	(18)	(5)
Sources of profit represented by:					
Planned profit margins	45	44	43	2	5
Experience variations	3	14	5	(79)	(40)
Operating margins	48	58	48	(17)	-
Investment experience after tax	6	8	9	(25)	(33)
Statutory net profit after tax	54	66	57	(18)	(5)

Key Financial Metrics	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
	Half Year Ended				
Performance indicators					
Average inforce premiums - average (NZ$M)	727	714	698	2	4
Average inforce premiums - spot (NZ$M)	733	721	703	2	4

Insurance Inforce	30 Jun 15 $M	Sales $M	Lapses $M	Net Flows $M	Other $M	31 Dec 15 $M	31 Dec 14 $M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
	Half Year Ended								
Life Insurance	721	59	(43)	16	(4)	733	703	2	4
Total	721	59	(43)	16	(4)	733	703	2	4

Financial Performance and Business Review

December 2015 versus December 2014

Sovereign net profit after tax ("statutory basis") for the half year ended 31 December 2015 was NZD54 million, a decrease of 5% on the prior comparative period, driven by lower investment returns and higher lapse rates.

Insurance Income

Insurance income was NZD123 million, an increase of 15% on the prior comparative period, due to annual inforce premium growth, positive claims experience, and reduced policy liability expense following the expiry of transitional tax relief.

Operating Expenses

Operating expenses were NZD65 million, an increase of 5% on the prior comparative period, driven by investment in technology and inflationary increases.

Corporate Tax Expense

Corporate tax expense increased NZD13 million on the prior comparative period, driven by a change in tax legislation, resulting in premium income on life insurance policies becoming assessable for tax.

December 2015 versus June 2015

Net profit after tax ("statutory basis") decreased 18% on the prior half, reflecting lower investment returns and higher lapse rates.

Insurance Income

Insurance income increased 4% on the prior half, driven by growth in annual inforce premiums and reduced policy liability expense following the expiry of transitional tax relief, partly offset by higher lapse experience.

Operating Expenses

Operating expenses increased 5% on the prior half, due to investment in technology and inflationary increases.

Corporate Tax Expense

Corporate tax expense increased NZD12 million on the prior half, driven by a change in tax legislation, resulting in premium income on life insurance policies becoming assessable for tax.

Bankwest

	Half Year Ended (1)				
	31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Net interest income	**833**	823	835	1	-
Other banking income	**107**	107	109	-	(2)
Total banking income	**940**	930	944	1	-
Operating expenses	**(390)**	(389)	(398)	-	(2)
Loan impairment benefit	**16**	24	26	(33)	(38)
Net profit before tax	**566**	565	572	-	(1)
Corporate tax expense	**(170)**	(170)	(172)	-	(1)
Cash net profit after tax	**396**	395	400	-	(1)
Other non-cash items	**(26)**	(26)	(26)	-	-
Statutory net profit after tax	**370**	369	374	-	(1)

	As at (1)				
Balance Sheet	31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Home loans	**62,041**	61,472	59,658	1	4
Other interest earning assets	**17,832**	17,748	18,008	-	(1)
Total interest earning assets	**79,873**	79,220	77,666	1	3
Other assets	**219**	269	175	(19)	25
Total assets	**80,092**	79,489	77,841	1	3
Transaction deposits	**11,369**	10,009	8,824	14	29
Savings deposits	**11,017**	10,882	10,181	1	8
Investment deposits	**26,339**	26,473	25,724	(1)	2
Certificates of deposit and other	**45**	42	31	7	45
Total interest bearing deposits	**48,770**	47,406	44,760	3	9
Other interest bearing liabilities	**27**	57	24	(53)	13
Non-interest bearing liabilities	**2,040**	2,036	1,899	-	7
Total liabilities	**50,837**	49,499	46,683	3	9

	Half Year Ended (1)				
Key Financial Metrics	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Performance indicators					
Statutory return on assets (%)	**0. 9**	0. 9	1. 0	-	(10)bpts
Statutory impairment expense annualised as a % of average GLAAs (%)	**(0. 04)**	(0. 06)	(0. 07)	2 bpts	3 bpts
Statutory operating expenses to total banking income (%)	**45. 4**	45. 9	46. 1	(50)bpts	(70)bpts
Other asset/liability information					
Average interest earning assets ($M)	**79,287**	78,024	77,179	2	3
Average interest bearing liabilities ($M)	**48,265**	46,917	44,186	3	9

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.

Financial Performance and Business Review

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

December 2015 versus December 2014

Bankwest net profit after tax ("statutory basis") for the half year ended 31 December 2015 was $370 million, a decrease of 1% on the prior comparative period. The result reflects lower other banking income and lower loan impairment benefit, partly offset by lower operating expenses.

Net Interest Income

Net interest income was $833 million, flat on the prior comparative period, with balance growth in key product lines, offset by a reduction in net interest margin.

Balance Sheet growth (spot) included:

- Home loan growth of 4%, reflecting the slowing of the Western Australian economy, and restriction of new investment home lending growth;
- Strong growth in transaction deposits of 29%, reflecting a focus on deepening of customer relationships;
- An 8% increase in savings deposits, primarily due to growth in online products; and
- Growth in core business lending volumes of 2%, driven by the property and commercial segments; partly offset by
- A decrease in higher risk non-core business lending.

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

Other Banking Income

Other banking income was $107 million, a decrease of 2% on the prior comparative period, due to lower fees from lending products, partly offset by fees linked to volume growth in deposit products.

Operating Expenses

Operating expenses were $390 million, a decrease of 2% on the prior comparative period, attributable to a strong focus on productivity and disciplined expense management.

The statutory expense to income ratio was 45.4%, an improvement of 70 basis points on the prior comparative period.

Loan Impairment Expense

Loan impairment expense increased $10 million on the prior comparative period, however continued to be a net write-back. This was primarily driven by continued, albeit slower, run-off of the troublesome and impaired book.

December 2015 versus June 2015

Net profit after tax ("statutory basis") was flat on the prior half. The result was driven by modest growth in total banking income, offset by lower loan impairment benefit.

Net Interest Income

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

Balance Sheet growth (spot) included:

- Home loan balance growth of 1%, reflecting challenging market conditions and an increase in advanced payments;
- An increase of 14% in transaction deposits, driven by a continued focus on deepening customer relationships; and
- Modest growth in core business lending; partly offset by
- A decrease in higher risk non-core business lending; and
- Lower investment deposit balances, due to repricing.

Net interest margin decreased on the prior half, due to lower business lending margins and the lower cash rate impact on deposit margins, partly offset by increased home loan margins resulting from repricing.

Other Banking Income

Other banking income was flat on the prior half, reflecting lower lending fees, offset by volume growth in deposit products.

Operating Expenses

Operating expenses were flat on the prior half, driven by disciplined expense management, offset by targeted business investment.

The statutory expense to income ratio improved 50 basis points on the prior half.

Loan Impairment Expense

Loan impairment expense increased $8 million on the prior half, however continued to be a net write-back. This reflected continued improvement in the credit quality of the Business portfolio, albeit at a slower rate, than prior periods.

IFS and Other

	Half Year Ended (1)				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs	Dec 15 vs
	$M	$M	$M	Jun 15 %	Dec 14 %
IFS	**11**	49	55	(78)	(80)
Corporate Centre	**(122)**	(93)	(164)	31	(26)
Eliminations/Unallocated	**58**	113	73	(49)	(21)
Cash net profit after tax	**(53)**	69	(36)	large	47
Hedging and IFRS volatility (after tax)	**(42)**	(54)	17	(22)	large
Statutory net profit after tax	**(95)**	15	(19)	large	large

	Half Year Ended				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs	Dec 15 vs
IFS (2)	$M	$M	$M	Jun 15 %	Dec 14 %
Net interest income	**74**	72	65	3	14
Other banking income	**143**	128	113	12	27
Total banking income	**217**	200	178	9	22
Insurance income	**24**	21	21	14	14
Total operating income	**241**	221	199	9	21
Operating expenses	**(198)**	(153)	(121)	29	64
Loan impairment expense	**(27)**	(19)	(6)	42	large
Net profit before tax	**16**	49	72	(67)	(78)
Corporate tax expense	**(8)**	(4)	(17)	large	(53)
Non-controlling interests	**(2)**	(2)	(2)	-	-
Underlying profit after tax	**6**	43	53	(86)	(89)
Investment experience after tax	**5**	6	2	(17)	large
Cash net profit after tax	**11**	49	55	(78)	(80)
Statutory net profit after tax	**11**	49	55	(78)	(80)

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.
(2) International Financial Services ("IFS") incorporates the Asian retail and business banking operations (Indonesia, China, Vietnam and India), 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.

Financial Performance and Business Review

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

December 2015 versus December 2014

IFS net profit after tax ("statutory basis") for the half year ended 31 December 2015 was $11 million, a decrease of 80% on the prior comparative period, including a 26% benefit from the lower Australian dollar.

The economic slowdown experienced in China, Indonesia and other emerging markets adversely impacted business volume growth, and resulted in higher loan impairment expense. Despite these challenges, IFS delivered higher banking and insurance income, and continued to invest in digital banking and capability.

The total number of direct customers from outside Australia and New Zealand grew 8% on the prior comparative period to over 481,000.

Net Interest Income

Net interest income was $74 million, an increase of 14% on the prior comparative period, including a 9% benefit from the lower Australian dollar. This reflected strong lending and deposit balance growth in the China County Banks of 38% and 69% respectively, and growth in consumer lending balances in PT Bank Commonwealth ("PTBC"). A strategic shift away from multi-finance and commercial segments in PTBC resulted in a contraction in lending balances of 45% and 27% respectively.

Net interest margin remained stable in the China County Bank and decreased in PTBC due to competitive pressure and a change in funding mix.

Other Banking Income

Other banking income was $143 million, an increase of 27% on the prior comparative period, including an 18% benefit from the lower Australian dollar. This reflected strong contribution from associates in China due to above system asset growth, partly offset by lower sales of wealth management products in PTBC.

Insurance Income

Insurance income was $24 million, an increase of 14% on the prior comparative period, including a 7% benefit from the lower Australian dollar, with higher renewal premiums, partly offset by lower first year premiums.

Operating Expenses

Operating expenses were $198 million, an increase of 64% on the prior comparative period, including an 8% increase from the lower Australian dollar. This reflected increased investment in digital banking, primarily in South Africa, and people capability across the business, including the relocation of the head office to Hong Kong.

Loan Impairment Expense

Loan impairment expense was $27 million, an increase of $21 million on the prior comparative period, driven by an increase in commercial loan impairment expense.

December 2015 versus June 2015

Net profit after tax ("statutory basis") decreased 78% on the prior half, including a 5% benefit from the lower Australian dollar. The result was driven by higher operating expenses from investment in digital banking and people capability, and higher loan impairment expense in PTBC, partly offset by growth in operating income.

Net Interest Income

Net interest income increased 3% on the prior half, including a 3% benefit from the lower Australian dollar. This reflects growth in lending balances in the China County Banks, offset by lower multi-finance and commercial lending balances in PTBC, and lower margins from higher deposit costs driven by competitive pressure and funding mix changes.

Other Banking Income

Other banking income increased 12% on the prior half, including a 5% benefit from the lower Australian dollar. The result was driven by higher share of profits from associates in China, due to above system asset growth, partly offset by lower sales of wealth management products in PTBC.

Insurance Income

Insurance income increased 14% on the prior half, due to higher renewal premiums, partly offset by lower first year premiums.

Operating Expenses

Operating expenses increased 29% on the prior half, including a 4% increase from the lower Australian dollar, reflecting investment in digital banking, primarily in South Africa, and people capability across the business, including the relocation of the head office to Hong Kong.

Loan Impairment Expense

Loan impairment expense increased $8 million on the prior half, driven by an increase in commercial loan impairment expense.

	Half Year Ended (1) (2)				
Corporate Centre	**31 Dec 15 $M**	**30 Jun 15 $M**	**31 Dec 14 $M**	**Dec 15 vs Jun 15 %**	**Dec 15 vs Dec 14 %**
Net interest income	**139**	67	96	large	45
Other banking income	**83**	116	71	(28)	17
Total operating income	**222**	183	167	21	33
Operating expenses	**(385)**	(287)	(384)	34	-
Net profit before tax	**(163)**	(104)	(217)	57	(25)
Corporate tax expense	**41**	11	53	large	(23)
Cash net loss after tax	**(122)**	(93)	(164)	31	(26)
Hedging and IFRS volatility	**(42)**	(54)	17	(22)	large
Statutory net loss after tax	**(164)**	(147)	(147)	12	12

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.

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

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

December 2015 versus December 2014

Corporate Centre net loss after tax ("statutory basis") for the half year ended 31 December 2015 increased $17 million on the prior comparative period to a loss of $164 million.

Total operating income increased 33% on the prior comparative period to $222 million reflecting higher Treasury income from increased capital.

Operating expenses were $385 million, in line with the prior comparative period.

December 2015 versus June 2015

Net loss after tax ("statutory basis") increased $17 million on the prior half.

Total operating income increased 21% on the prior half, reflecting higher Treasury income from increased capital.

Operating expenses increased 34% primarily due to the reallocation of expenses to the business in the prior half, and increased investment in infrastructure and safeguarding of the Group's information security to mitigate risk.

IFS and Other

Eliminations/Unallocated	31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
	Half Year Ended [1][2]				
Net interest income	**(1)**	56	9	large	large
Other banking income	**(34)**	92	(56)	large	(39)
Total banking income	**(35)**	148	(47)	large	(26)
Funds management income	**28**	2	19	large	47
Insurance income	**6**	3	12	large	(50)
Total operating income	**(1)**	153	(16)	large	(94)
Loan impairment expense	**-**	13	2	large	large
Net profit before tax	**(1)**	166	(14)	large	(93)
Corporate tax expense	**73**	1	91	large	(20)
Non-controlling interests	**(9)**	(9)	(8)	-	13
Underlying profit after tax	**63**	158	69	(60)	(9)
Investment experience after tax	**(5)**	(45)	4	(89)	large
Cash net profit after tax	**58**	113	73	(49)	(21)
Statutory net profit after tax	**58**	113	73	(49)	(21)

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.
(2) Group wide Eliminations/Unallocated includes intra-group elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses.

December 2015 versus December 2014

Eliminations/Unallocated net profit after tax ("statutory basis") for the half year ended 31 December 2015 decreased $15 million on the prior comparative period to $58 million. This was primarily driven by timing of recognition of unallocated revenue items in the prior comparative period.

December 2015 versus June 2015

Eliminations/Unallocated net profit after tax ("statutory basis") decreased $55 million on the prior half. This was primarily driven by the timing of recognition of unallocated revenue items in the prior half.

Contents

Section 6 – Directors' Report and Financial Statements

Directors' Report

The Directors of the Commonwealth Bank of Australia submit their report together with the financial statements of the Commonwealth Bank of Australia and its controlled entities (collectively referred to as "the Group") for the half year ended 31 December 2015.

Directors

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

David Turner	Chairman
Ian Narev	Managing Director and Chief Executive Officer
Sir John Anderson	Director
Shirish Apte	Director
Jane Hemstritch	Director
Sir David Higgins	Director
Launa Inman	Director
Brian Long	Director
Andrew Mohl	Director
Wendy Stops	Director
Harrison Young	Director

Review and Results of Operations

The Group earned a consolidated statutory net profit after tax of $4,618 million for the half year ended 31 December 2015, compared with $4,535 million for the prior comparative period, an increase of 2%. The result was driven by solid revenue growth in most businesses.

The statutory net profit after tax from Retail Banking Services was $2,215 million (December 2014: $2,054 million) reflecting strong volume growth in home lending and deposits, and improved net interest margin.

The statutory net profit after tax from Business and Private Banking was $803 million (December 2014: $764 million), driven by strong growth in deposits and improved margins, partly offset by higher loan impairment expense and operating expenses.

The statutory net profit after tax from Institutional Banking and Markets was $608 million (December 2014: $649 million), impacted by unfavourable derivative valuation adjustments, higher loan impairment expense and increased operating expenses, partly offset by positive Markets income and strong lending growth.

The statutory net profit after tax from Wealth Management was $363 million (December 2014: $329 million), reflecting the contribution from insurance and funds management income, partly offset by higher operating expenses.

The statutory net profit after tax from New Zealand was $354 million (December 2014: $384 million), driven by a strong performance from ASB Bank with growth in lending and retail deposits, and funds management income, offset by lower profit in Sovereign and the foreign exchange hedge on earnings.

The statutory net profit after tax from Bankwest was $370 million (December 2014: $374 million). The result was driven by lower other banking income and a lower loan impairment benefit, partly offset by lower operating expenses.

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

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

Rounding of Amounts

Unless otherwise indicated, the Bank has rounded off amounts in this Directors' Report and the accompanying financial statements to the nearest million dollars in accordance with ASIC Class Order 98/100.

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 2015, I declare that to the best of my knowledge and belief, there have been:

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

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

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

M. Laithwaite

Marcus Laithwaite
Partner
PricewaterhouseCoopers

Sydney
9 February 2016

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, 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.

David Turner
Chairman
9 February 2016

Ian Narev
Managing Director and Chief Executive Officer
9 February 2016

Consolidated Income Statement

For the half year ended 31 December 2015

	Notes	Half Year Ended 31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M
Interest income	2	**16,788**	16,805	17,295
Interest expense (1)	2	**(8,425)**	(8,916)	(9,423)
Net interest income		**8,363**	7,889	7,872
Other banking income (1)		**2,267**	2,560	2,330
Net banking operating income		**10,630**	10,449	10,202
Funds management income		**1,186**	1,245	1,151
Investment revenue		**90**	276	342
Claims, policyholder liability and commission expense		**(252)**	(492)	(519)
Net funds management operating income		**1,024**	1,029	974
Premiums from insurance contracts		**1,463**	1,424	1,373
Investment revenue		**130**	169	374
Claims, policyholder liability and commission expense from insurance contracts		**(1,041)**	(1,114)	(1,212)
Net insurance operating income		**552**	479	535
Total net operating income before impairment and operating expenses		**12,206**	11,957	11,711
Loan impairment expense	5	**(564)**	(548)	(440)
Operating expenses	2	**(5,253)**	(5,117)	(4,951)
Net profit before income tax		**6,389**	6,292	6,320
Corporate tax expense	3	**(1,751)**	(1,715)	(1,714)
Policyholder tax expense	3	**(9)**	(38)	(61)
Net profit after income tax		**4,629**	4,539	4,545
Non-controlling interests		**(11)**	(11)	(10)
Net profit attributable to Equity holders of the Bank		**4,618**	4,528	4,535

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

	Half Year Ended (2) 31 Dec 15	30 Jun 15	31 Dec 14
	Cents per Share		
Earnings per share:			
Basic	**273. 6**	276. 2	277. 5
Diluted	**266. 9**	269. 0	270. 6

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.
(2) Comparative information has been restated to incorporate the bonus element of the rights issue in the weighted average number of ordinary shares.

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2015

	Half Year Ended		
	31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M
Net profit after income tax for the period	**4,629**	4,539	4,545
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit/loss:			
Foreign currency translation reserve net of tax	**381**	10	388
Gains and (losses) on cash flow hedging instruments net of tax	**(126)**	(196)	235
Gains and (losses) on available-for-sale investments net of tax	**(96)**	(136)	91
Total of items that may be reclassified	**159**	(322)	714
Items that will not be reclassified to profit/loss:			
Actuarial gains and (losses) from defined benefit superannuation plans net of tax	**130**	327	(16)
Gains and (losses) on liabilities at fair value due to changes in own credit risk net of tax	**(1)**	(2)	(1)
Revaluation of properties net of tax	**-**	15	-
Total of items that will not be reclassified	**129**	340	(17)
Other comprehensive income/(expense) net of income tax	**288**	18	697
Total comprehensive income for the period	**4,917**	4,557	5,242
Total comprehensive income for the period is attributable to:			
Equity holders of the Bank	**4,906**	4,546	5,232
Non-controlling interests	**11**	11	10
Total comprehensive income net of income tax for the period	**4,917**	4,557	5,242

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

	Half Year Ended		
	31 Dec 15	30 Jun 15	31 Dec 14
	Cents per Share		
Dividends per share attributable to shareholders of the Bank:			
Ordinary shares	**198**	222	198
Trust preferred securities	**4,308**	3,947	3,440

Consolidated Balance Sheet

As at 31 December 2015

		As at		
		31 Dec 15	30 Jun 15	31 Dec 14
Assets	Notes	$M	$M	$M
Cash and liquid assets		**31,587**	33,116	30,047
Receivables due from other financial institutions (1)		**12,350**	13,063	9,795
Assets at fair value through Income Statement:				
Trading		**27,140**	26,424	29,931
Insurance		**13,316**	14,088	14,418
Other		**1,488**	1,278	624
Derivative assets		**45,532**	46,154	53,489
Available-for-sale investments		**78,161**	74,684	69,591
Loans, bills discounted and other receivables	4	**669,163**	639,262	620,328
Bank acceptances of customers		**1,640**	1,944	2,026
Property, plant and equipment		**3,321**	2,833	2,689
Investment in associates and joint ventures		**2,673**	2,637	2,102
Intangible assets		**10,018**	9,970	9,881
Deferred tax assets		**394**	455	418
Other assets (1)		**6,292**	7,538	5,375
Total assets		**903,075**	873,446	850,714
Liabilities				
Deposits and other public borrowings	6	**560,498**	543,231	522,563
Payables due to other financial institutions		**35,053**	36,416	33,957
Liabilities at fair value through Income Statement		**9,011**	8,493	7,246
Derivative liabilities		**37,357**	35,213	43,162
Bank acceptances		**1,640**	1,944	2,026
Current tax liabilities		**559**	661	524
Deferred tax liabilities		**360**	351	385
Other provisions		**1,657**	1,726	1,473
Insurance policy liabilities		**12,611**	12,911	13,177
Debt issues		**160,798**	154,429	153,249
Managed funds units on issue		**1,326**	1,149	1,058
Bills payable and other liabilities		**7,959**	11,105	9,293
		828,829	807,629	788,113
Loan capital		**14,399**	12,824	11,570
Total liabilities		**843,228**	820,453	799,683
Net assets		**59,847**	52,993	51,031
Shareholders' Equity				
Share capital:				
Ordinary share capital	8	**33,252**	27,619	27,039
Other equity instruments	8	**939**	939	939
Reserves	8	**2,554**	2,345	2,674
Retained profits	8	**22,548**	21,528	19,823
Shareholders' Equity attributable to Equity holders of the Bank		**59,293**	52,431	50,475
Non-controlling interests	8	**554**	562	556
Total Shareholders' Equity		**59,847**	52,993	51,031

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.

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

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2015

	Ordinary share capital $M	Other equity instruments $M	Reserves $M	Retained profits $M	Shareholders' Equity attributable to Equity holders of the Bank $M	Non-controlling interests $M	Total Shareholders' Equity $M
As at 30 June 2014	27,036	939	2,009	18,827	**48,811**	537	**49,348**
Net profit after income tax		-	-	4,535	**4,535**	10	**4,545**
Net other comprehensive income		-	714	(17)	**697**	-	**697**
Total comprehensive income for the period	-	-	714	4,518	**5,232**	10	**5,242**
Transactions with Equity holders in their capacity as Equity holders:							
Dividends paid on ordinary shares	-	-	-	(3,534)	**(3,534)**	-	**(3,534)**
Dividends paid on other equity instruments	-	-	-	(17)	**(17)**	-	**(17)**
Other equity movements:							
Share based payments	-	-	(46)	-	**(46)**	-	**(46)**
Purchase of treasury shares	(727)	-	-	-	**(727)**	-	**(727)**
Sale and vesting of treasury shares	730	-	-	-	**730**	-	**730**
Other changes	-	-	(3)	29	**26**	9	**35**
As at 31 December 2014	27,039	939	2,674	19,823	**50,475**	556	**51,031**
Net profit after income tax	-	-	-	4,528	**4,528**	11	**4,539**
Net other comprehensive income	-	-	(307)	325	**18**	-	**18**
Total comprehensive income for the period	-	-	(307)	4,853	**4,546**	11	**4,557**
Transactions with Equity holders in their capacity as Equity holders:							
Dividends paid on ordinary shares	-	-	-	(3,210)	**(3,210)**	-	**(3,210)**
Dividends paid on other equity instruments	-	-	-	(19)	**(19)**	-	**(19)**
Dividend reinvestment plan (net of issue costs)	571	-	-	-	**571**	-	**571**
Other equity movements:							
Share based payments	-	-	43	-	**43**	-	**43**
Purchase of treasury shares	(63)	-	-	-	**(63)**	-	**(63)**
Sale and vesting of treasury shares	72	-	-	-	**72**	-	**72**
Other changes	-	-	(65)	81	**16**	(5)	**11**
As at 30 June 2015	27,619	939	2,345	21,528	**52,431**	562	**52,993**
Net profit after income tax	-	-	-	4,618	**4,618**	11	**4,629**
Net other comprehensive income	-	-	159	129	**288**	-	**288**
Total comprehensive income for the period	-	-	159	4,747	**4,906**	11	**4,917**
Transactions with Equity holders in their capacity as Equity holders:							
Dividends paid on ordinary shares	-	-	-	(3,613)	**(3,613)**	-	**(3,613)**
Dividends paid on other equity instruments	-	-	-	(32)	**(32)**	-	**(32)**
Dividend reinvestment plan (net of issue costs)	657	-	-	-	**657**	-	**657**
Issue of shares (net of issue costs)	5,022	-	-	-	**5,022**	-	**5,022**
Other equity movements:							
Share based payments	-	-	(37)	-	**(37)**	-	**(37)**
Purchase of treasury shares	(99)	-	-	-	**(99)**	-	**(99)**
Sale and vesting of treasury shares	53	-	-	-	**53**	-	**53**
Other changes	-	-	87	(82)	**5**	(19)	**(14)**
As at 31 December 2015	33,252	939	2,554	22,548	**59,293**	554	**59,847**

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 2015

	Half Year Ended [2]		
	31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M
Cash flows provided by/(used in) operating activities before changes in operating assets and liabilities	**9,580**	12,010	(169)
Changes in operating assets and liabilities arising from cash flow movements	**(13,213)**	(12,881)	8,223
Net cash (used in)/provided by operating activities	**(3,633)**	(871)	8,054
Net cash used in investing activities	**(810)**	(601)	(614)
Dividends paid (excluding Dividend Reinvestment Plan)	**(2,978)**	(2,654)	(3,546)
Proceeds from issuance of debt securities	**49,724**	35,748	32,907
Redemption of issued debt securities	**(48,342)**	(37,932)	(35,445)
Proceeds from issue of shares (net of issue costs)	**5,022**	-	-
Other cash provided by financing activities	**1,389**	1,558	1,489
Net cash provided by/(used in) financing activities	**4,815**	(3,280)	(4,595)
Net increase/(decrease) in cash and cash equivalents	**372**	(4,752)	2,845
Effect of foreign exchange rates on cash and cash equivalents	**438**	660	1,389
Cash and cash equivalents at beginning of period	**19,270**	23,362	19,128
Cash and cash equivalents at end of period	**20,080**	19,270	23,362

(1) It should be noted that the Group does not use this accounting Statement of Cash Flows in the internal management of its liquidity positions.
(2) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.

Notes to the Financial Statements

Note 1 Accounting Policies

General Information

The Financial Statements of the Commonwealth Bank of Australia ("the Bank") and its subsidiaries ("the Group") for the half year ended 31 December 2015, were approved and authorised for issue by the Board of Directors on 9 February 2016. The Directors have the power to amend and reissue the Financial Statements.

The Bank is incorporated and domiciled in Australia. It is a company limited by shares that are publicly traded on the Australian Securities Exchange ("ASX"). The address of its registered office is Ground Floor, Tower 1, 201 Sussex Street, Sydney NSW 2000, Australia.

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

Basis of Accounting

This Interim Financial Report for the half year ended 31 December 2015 has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 'Interim Financial Reporting' which ensures compliance with IAS 34 'Interim Financial Reporting'. The Group is a for-profit entity for the purpose of preparing this report.

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

As a result, this report should be read in conjunction with the 30 June 2015 Annual Financial Report of the Group and any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

The amounts contained in this Financial Report and the Financial Statements are presented in Australian dollars and rounded to the nearest million dollars unless otherwise stated, under the option available under ASIC Class Order 98/100.

For the purpose of this half year financial report, the half year has been treated as a discrete reporting period.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Annual Financial Report for the year ended 30 June 2015.

Where necessary, comparative information has been restated to conform to changes in presentation in the current period. All changes have been footnoted throughout the financial statements. Aside from changes to the presentation of segment information as disclosed in Note 7, the restatements are not considered to have a material impact.

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

Future Accounting Developments

AASB 9 'Financial Instruments' amends the classification and measurement, impairment of financial instruments and general hedge accounting requirements. AASB 9 is not mandatory until 1 July 2018 for the Group. Other than the own credit requirements of the standard, which were early adopted from 1 January 2014, the Group does not intend to early adopt the standard.

AASB 15 'Revenue from Contracts with Customers' contains new requirements for the recognition of revenue and additional disclosures. AASB 15 is not mandatory until 1 July 2018.

IFRS 16 'Leases' amends the accounting for leases. Lessees will be required to bring all leases on Balance Sheet as the distinction between operating and finance leases has been eliminated. Lessor accounting remains largely unchanged. IFRS 16 is not mandatory until 1 July 2019.

The potential financial impact of the above to the Group is not yet possible to determine.

Note 2 Profit

	Half Year Ended		
	31 Dec 15	30 Jun 15	31 Dec 14
	$M	$M	$M
Interest Income			
Loans and bills discounted	**15,405**	15,518	15,913
Other financial institutions	**46**	38	35
Cash and liquid assets	**129**	131	137
Assets at fair value through Income Statement	**297**	231	287
Available-for-sale investments	**911**	887	923
Total interest income	**16,788**	16,805	17,295
Interest Expense			
Deposits	**6,013**	6,281	6,672
Other financial institutions	**131**	118	102
Liabilities at fair value through Income Statement (1)	**104**	103	119
Debt issues	**1,895**	2,117	2,255
Loan capital	**282**	297	275
Total interest expense	**8,425**	8,916	9,423
Net interest income	**8,363**	7,889	7,872
Other Operating Income			
Lending fees	**562**	522	528
Commissions	**1,159**	1,099	1,127
Trading income (1)	**496**	510	529
Net gain/(loss) on non-trading financial instruments (2)	**(122)**	241	10
Net gain/(loss) on sale of property, plant and equipment	**(6)**	(6)	(2)
Net hedging ineffectiveness	**(35)**	(77)	(18)
Dividends - Other	**5**	11	5
Net funds management operating income	**1,024**	1,029	974
Insurance contracts income	**552**	479	535
Share of profit of associates and joint ventures net of impairment	**145**	181	104
Other (3)	**63**	79	47
Total other operating income	**3,843**	4,068	3,839
Total net operating income before impairment and operating expense	**12,206**	11,957	11,711
Impairment Expense			
Loan impairment expense	**564**	548	440
Total impairment expense (Note 5)	**564**	548	440

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.
(2) Includes non-trading derivatives that are held for risk management purposes.
(3) Includes depreciation in relation to operating leases where the Group is a lessor of $52 million (30 June 2015: $39 million; 31 December 2014: $41 million).

Note 2 Profit (continued)

	Half Year Ended (1)		
	31 Dec 15	30 Jun 15	31 Dec 14
	$M	$M	$M
Staff Expenses			
Salaries and related on-costs	**2,832**	2,661	2,660
Share-based compensation	**50**	49	47
Superannuation	**203**	200	199
Total staff expenses	**3,085**	2,910	2,906
Occupancy and Equipment Expenses			
Operating lease rentals	**321**	311	309
Depreciation of property, plant and equipment	**130**	131	122
Other	**108**	105	108
Total occupancy and equipment expenses	**559**	547	539
Information Technology Services			
Application, maintenance and development	**280**	233	197
Data processing	**99**	94	89
Desktop	**61**	52	58
Communications	**108**	90	100
Amortisation of software assets	**177**	165	143
Software write-offs	**1**	1	10
IT equipment depreciation	**26**	29	31
Total information technology services	**752**	664	628
Other Expenses			
Postage and stationery	**96**	98	97
Transaction processing and market data	**95**	76	77
Fees and commissions:			
Professional fees	**117**	238	152
Other	**47**	48	49
Advertising, marketing and loyalty	**259**	275	247
Amortisation of intangible assets (excluding software and merger related amortisation)	**7**	7	9
Non-lending losses	**40**	64	54
Other	**159**	152	156
Total other expenses	**820**	958	841
Total operating expenses	**5,216**	5,079	4,914
Investment and Restructuring			
Merger related amortisation (2)	**37**	38	37
Total investment and restructuring	**37**	38	37
Total operating expenses	**5,253**	5,117	4,951
Profit before income tax	**6,389**	6,292	6,320
Net hedging ineffectiveness comprises:			
Gain/(loss) on fair value hedges:			
Hedging instruments	**(517)**	(803)	235
Hedged items	**478**	735	(242)
Cash flow hedge ineffectiveness	**4**	(9)	(11)
Net hedging ineffectiveness	**(35)**	(77)	(18)

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.
(2) Merger related amortisation relates to Bankwest core deposits and customer lists.

Note 3 Income Tax Expense

	Half Year Ended		
	31 Dec 15	30 Jun 15	31 Dec 14
	$M	$M	$M
Profit before Income Tax	**6,389**	6,292	6,320
Prima facie income tax at 30%	**1,917**	1,888	1,896
Effect of amounts which are non-deductible/(assessable) in calculating taxable income:			
Taxation offsets and other dividend adjustments	**(4)**	(4)	(2)
Tax adjustment referable to policyholder income	**6**	26	43
Tax losses not previously brought to account	**(2)**	(3)	(6)
Offshore tax rate differential	**(43)**	(61)	(55)
Offshore banking unit	**(24)**	(21)	(18)
Effect of changes in tax rates	**-**	-	2
Income tax over provided in previous years	**(86)**	(66)	(97)
Other	**(4)**	(6)	12
Total income tax expense	**1,760**	1,753	1,775
Corporate tax expense	**1,751**	1,715	1,714
Policyholder tax expense	**9**	38	61
Total income tax expense	**1,760**	1,753	1,775
Effective tax rate (%) - "statutory basis" (1)	**27.4**	27.4	27.4

(1) Policyholder tax is excluded from both profit before income tax and tax expense for the purpose of calculating the Group's effective tax rate as it is not incurred directly by the Group.

Note 4 Loans, Bills Discounted and Other Receivables

	As at		
	31 Dec 15	30 Jun 15	31 Dec 14
	$M	$M	$M
Australia			
Overdrafts	**22,066**	22,353	21,565
Home loans	**393,395**	383,174	370,043
Credit card outstandings	**12,243**	11,887	12,189
Lease financing	**4,414**	4,485	4,612
Bills discounted	**11,615**	14,847	17,890
Term loans	**136,245**	123,489	115,075
Other lending	**2,120**	823	618
Total Australia	**582,098**	561,058	541,992
New Zealand			
Overdrafts	**984**	925	1,022
Home loans	**42,834**	38,763	40,368
Credit card outstandings	**912**	816	888
Lease financing	**283**	287	296
Term loans	**23,196**	20,669	20,669
Total New Zealand	**68,209**	61,460	63,243
Other Overseas			
Overdrafts	**480**	448	426
Home loans	**947**	914	894
Lease financing	**38**	48	53
Term loans	**22,316**	20,300	19,064
Total Other Overseas	**23,781**	21,710	20,437
Gross loans, bills discounted and other receivables	**674,088**	644,228	625,672
Less:			
Provisions for Loan Impairment:			
Collective provision	**(2,763)**	(2,739)	(2,744)
Individually assessed provisions	**(900)**	(879)	(1,116)
Unearned income:			
Term loans	**(722)**	(756)	(790)
Lease financing	**(540)**	(592)	(694)
	(4,925)	(4,966)	(5,344)
Net loans, bills discounted and other receivables	**669,163**	639,262	620,328

Note 5 Provisions for Impairment and Asset Quality

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

	As at 30 June 2015				
	Home Loans $M	Other Personal (1) $M	Asset Financing $M	Other Commercial Industrial $M	Total $M
Loans which were neither past due nor impaired					
Investment Grade	264,205	4,247	947	121,689	391,088
Pass Grade	135,531	13,882	7,503	62,711	219,627
Weak	9,962	3,722	201	1,138	15,023
Total loans which were neither past due nor impaired	409,698	21,851	8,651	185,538	625,738
Loans which were past due but not impaired					
Past due 1 - 29 days	7,541	909	67	1,202	9,719
Past due 30 - 59 days	2,012	236	46	216	2,510
Past due 60 - 89 days	910	141	28	167	1,246
Past due 90 - 179 days	1,005	12	2	239	1,258
Past due 180 days or more	748	13	-	304	1,065
Total loans past due but not impaired	12,216	1,311	143	2,128	15,798

	As at 31 December 2014				
	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	255,512	4,518	924	117,712	378,666
Pass Grade	134,119	14,343	7,527	58,767	214,756
Weak	9,314	3,381	218	964	13,877
Total loans which were neither past due nor impaired	398,945	22,242	8,669	177,443	607,299
Loans which were past due but not impaired					
Past due 1 - 29 days	7,100	837	74	1,406	9,417
Past due 30 - 59 days	1,936	219	35	289	2,479
Past due 60 - 89 days	850	130	11	107	1,098
Past due 90 - 179 days	927	13	2	184	1,126
Past due 180 days or more	656	15	1	353	1,025
Total loans past due but not impaired	11,469	1,214	123	2,339	15,145

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

Note 5 Provisions for Impairment and Asset Quality (continued)

	Half Year Ended		
	31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M
Movement in gross impaired assets			
Gross impaired assets - opening balance	**2,855**	3,360	3,367
New and increased	**1,068**	1,134	961
Balances written off	**(630)**	(822)	(533)
Returned to performing or repaid	**(810)**	(1,164)	(739)
Portfolio managed - new/increased/return to performing/repaid	**305**	347	304
Gross impaired assets - closing balance (1)	**2,788**	2,855	3,360

(1) Includes $2,690 million of loans and advances and $98 million of other financial assets (30 June 2015: $2,692 million of loans and advances and $163 million of other financial assets; 31 December 2014: $3,228 million of loans and advances and $132 million of other financial assets).

	As at		
	31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M
Impaired assets by size of asset			
Less than $1 million	**1,280**	1,333	1,284
$1 million to $10 million	**876**	843	970
Greater than $10 million	**632**	679	1,106
Gross impaired assets	**2,788**	2,855	3,360
Less total provisions for impaired assets (1)	**(1,032)**	(1,026)	(1,244)
Net impaired assets	**1,756**	1,829	2,116

(1) Includes $909 million of individually assessed provisions and $123 million of collective provisions (30 June 2015: $887 million of individually assessed provisions and $139 million of collective provisions; 31 December 2014: $1,116 million of individually assessed provisions and $128 million of collective provisions).

Provisioning Policy

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

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

	Half Year Ended		
	31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M
Provision for impairment losses			
Collective provision			
Opening balance	**2,762**	2,763	2,779
Net collective provision funding	**324**	325	264
Impairment losses written off	**(415)**	(387)	(383)
Impairment losses recovered	**120**	78	98
Other	**10**	(17)	5
Closing balance	**2,801**	2,762	2,763
Individually assessed provisions			
Opening balance	**887**	1,116	1,127
Net new and increased individual provisioning	**334**	362	297
Write-back of provisions no longer required	**(94)**	(139)	(121)
Discount unwind to interest income	**(13)**	(20)	(18)
Impairment losses written off	**(232)**	(480)	(229)
Other	**27**	48	60
Closing balance	**909**	887	1,116
Total provisions for impairment losses	**3,710**	3,649	3,879
Less: Provision for Off Balance Sheet exposures	**(47)**	(31)	(19)
Total provisions for loan impairment	**3,663**	3,618	3,860

Note 5 Provisions for Impairment and Asset Quality (continued)

	As at		
	31 Dec 15	30 Jun 15	31 Dec 14
	%	%	%
Provision ratios			
Total provisions for impaired assets as a % of gross impaired assets	**37. 02**	35. 94	37. 02
Total provisions for impairment losses as a % of gross loans and acceptances	**0. 55**	0. 56	0. 62

	Half Year Ended		
	31 Dec 15	30 Jun 15	31 Dec 14
	$M	$M	$M
Loan impairment expense			
Net collective provision funding	**324**	325	264
Net new and increased individual provisioning	**334**	362	297
Write-back of individually assessed provisions	**(94)**	(139)	(121)
Total loan impairment expense	**564**	548	440

Note 6 Deposits and Other Public Borrowings

	As at		
	31 Dec 15	30 Jun 15	31 Dec 15
	$M	$M	$M
Australia			
Certificates of deposit	**38,800**	46,083	45,307
Term deposits	**140,409**	143,285	149,057
On demand and short-term deposits (1)	**285,414**	265,620	242,254
Deposits not bearing interest (1)	**13,699**	12,568	12,078
Securities sold under agreements to repurchase	**11,910**	12,964	9,015
Total Australia	**490,232**	480,520	457,711
New Zealand			
Certificates of deposit	**2,210**	1,862	759
Term deposits	**21,694**	21,494	22,043
On demand and short-term deposits	**22,750**	19,880	19,509
Deposits not bearing interest	**3,170**	2,592	2,768
Securities sold under agreements to repurchase	**29**	-	52
Total New Zealand	**49,853**	45,828	45,131
Other Overseas			
Certificates of deposit	**6,962**	5,198	10,040
Term deposits	**10,967**	9,318	7,600
On demand and short-term deposits	**2,417**	2,279	2,035
Deposits not bearing interest	**67**	76	46
Securities sold under agreements to repurchase	**-**	12	-
Total Other Overseas	**20,413**	16,883	19,721
Total deposits and other public borrowings	**560,498**	543,231	522,563

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.

Note 7 Financial Reporting by Segments

The principal activities of the Group are carried out in the below business segments. These segments are based on the distribution channels through which the customer relationship is being managed. During the half year refinements have been made to the allocation of customer balances and associated revenue and expenses between business segments, including updated transfer pricing allocations and realignment between Institutional Banking and Markets and Group Treasury. Finally, ASB's interest expense disclosure was changed to include the impact of hedging offshore debt. These changes have not impacted the Group's net profit, but have resulted in changes to presentation of the Profit and Loss and the Balance Sheet of the Group and affected segments.

	Half Year Ended 31 December 2015							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	IFS and Other $M	Total $M
Net interest income	4,236	1,538	785	-	760	833	212	8,364
Other banking income	924	423	653	-	180	107	192	2,479
Total banking income	5,160	1,961	1,438	-	940	940	404	10,843
Funds management income	-	-	-	964	40	-	28	1,032
Insurance income	-	-	-	330	127	-	30	487
Total operating income	5,160	1,961	1,438	1,294	1,107	940	462	12,362
Investment experience (1)	-	-	-	56	5	-	(3)	58
Total income	5,160	1,961	1,438	1,350	1,112	940	459	12,420
Operating expenses	(1,694)	(742)	(534)	(832)	(441)	(390)	(583)	(5,216)
Loan impairment expense	(305)	(71)	(140)	-	(37)	16	(27)	(564)
Net profit before tax	3,161	1,148	764	518	634	566	(151)	6,640
Corporate tax expense	(946)	(345)	(156)	(146)	(171)	(170)	109	(1,825)
Non-controlling interests	-	-	-	-	-	-	(11)	(11)
Net profit after tax "cash basis" (2)	2,215	803	608	372	463	396	(53)	4,804
Hedging and IFRS volatility	-	-	-	-	(109)	-	(42)	(151)
Other non-cash items	-	-	-	(9)	-	(26)	-	(35)
Net profit after tax "statutory basis"	2,215	803	608	363	354	370	(95)	4,618
Additional information								
Amortisation and depreciation	(14)	(8)	(50)	(14)	(40)	(42)	(209)	(377)
Balance Sheet								
Total assets	318,877	100,600	193,638	19,754	75,066	80,092	115,048	903,075
Total liabilities	232,765	74,098	143,983	24,761	68,087	50,837	248,697	843,228

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

(2) This balance excludes non-cash items, including treasury share valuation adjustments ($9 million expense), unrealised gains and losses relating to hedging and IFRS volatility ($151 million expense) and Bankwest non-cash items ($26 million expense).

Note 7 Financial Reporting by Segments (continued)

	Half Year Ended 31 December 2014 (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	3,931	1,466	718	-	755	835	170	7,875
Other banking income	891	401	712	-	145	109	128	2,386
Total banking income	4,822	1,867	1,430	-	900	944	298	10,261
Funds management income	-	-	-	917	34	-	19	970
Insurance income	-	-	-	274	109	-	33	416
Total operating income	4,822	1,867	1,430	1,191	1,043	944	350	11,647
Investment experience (2)	-	-	-	66	8	-	6	80
Total income	4,822	1,867	1,430	1,257	1,051	944	356	11,727
Operating expenses	(1,622)	(711)	(475)	(783)	(420)	(398)	(505)	(4,914)
Loan impairment expense	(268)	(63)	(97)	-	(34)	26	(4)	(440)
Net profit before tax	2,932	1,093	858	474	597	572	(153)	6,373
Corporate tax expense	(878)	(329)	(209)	(125)	(154)	(172)	127	(1,740)
Non-controlling interests	-	-	-	-	-	-	(10)	(10)
Net profit after tax "cash basis" (3)	2,054	764	649	349	443	400	(36)	4,623
Hedging and IFRS volatility	-	-	-	-	(59)	-	17	(42)
Other non-cash items	-	-	-	(20)	-	(26)	-	(46)
Net profit after tax "statutory basis"	2,054	764	649	329	384	374	(19)	4,535
Additional information								
Amortisation and depreciation	(9)	(12)	(24)	(13)	(38)	(64)	(196)	(356)
Balance Sheet								
Total assets	298,978	96,064	160,864	20,475	69,842	77,841	126,650	850,714
Total liabilities	215,573	67,174	134,483	24,197	62,509	46,683	249,064	799,683

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Investment experience is presented on a pre-tax basis.
(3) This balance excludes non-cash items, including treasury share valuation adjustments ($20 million expense), unrealised gains and losses relating to hedging and IFRS volatility ($42 million expense) and Bankwest non-cash items ($26 million expense).

Note 7 Financial Reporting by Segments (continued)

Geographical Information Financial Performance and Position	Half Year Ended (1) 31 Dec 15 $M	 31 Dec 15 %	 31 Dec 14 $M	 31 Dec 14 %
Income				
Australia	**18,192**	**83.0**	19,256	84.2
New Zealand	**2,514**	**11.5**	2,540	11.1
Other locations (2)	**1,218**	**5.5**	1,069	4.7
Total Income	**21,924**	**100.0**	22,865	100.0
Non-Current Assets				
Australia	**14,689**	**91.7**	13,364	91.1
New Zealand	**1,017**	**6.4**	1,078	7.3
Other locations (2)	**306**	**1.9**	230	1.6
Total non-current assets (3)	**16,012**	**100.0**	14,672	100.0

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.
(2) Other locations include: United Kingdom, United States, Japan, Singapore, Malta, Hong Kong, Indonesia, China, India, Vietnam and South Africa.
(3) Non-current assets include Property, plant and equipment, Investments in associates and joint ventures and Intangible assets.

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

Note 8 Shareholders' Equity

	Half Year Ended		
	31 Dec 15	30 Jun 15	31 Dec 14
	$M	$M	$M
Ordinary share capital			
Shares on issue:			
Opening balance	**27,898**	27,327	27,327
Issue of shares (net of issue costs) (1)	**5,022**	-	-
Dividend reinvestment plan (net of issue costs) (2) (3)	**657**	571	-
	33,577	27,898	27,327
Less treasury shares:			
Opening balance	**(279)**	(288)	(291)
Purchase of treasury shares (4)	**(99)**	(63)	(727)
Sale and vesting of treasury shares (4)	**53**	72	730
	(325)	(279)	(288)
Closing balance	**33,252**	27,619	27,039
Other equity instruments			
Opening balance	**939**	939	939
Closing balance	**939**	939	939
Retained profits			
Opening balance	**21,528**	19,823	18,827
Actuarial gains and losses from defined benefit superannuation plans	**130**	327	(16)
Gains and losses on liabilities at fair value due to changes in own credit risk	**(1)**	(2)	(1)
Realised gains and dividend income on treasury shares	**7**	16	26
Operating profit attributable to Equity holders of the Bank	**4,618**	4,528	4,535
Total available for appropriation	**26,282**	24,692	23,371
Transfers (to)/from general reserve	**(101)**	56	(9)
Transfer from asset revaluation reserve	**14**	9	12
Transfers from employee compensation reserve	**(2)**	-	-
Interim dividend - cash component	**-**	(2,636)	-
Interim dividend - dividend reinvestment plan (2)	**-**	(574)	-
Final dividend - cash component	**(2,958)**	-	(3,534)
Final dividend - dividend reinvestment plan (2)	**(655)**	-	-
Other dividends (5)	**(32)**	(19)	(17)
Closing balance	**22,548**	21,528	19,823

(1) During the period the Group undertook a capital raising through a Rights Issue to all shareholders. An accelerated institutional offer closed on 13 August 2015, while the retail entitlement offer closed on 8 September 2015, jointly raising $5,022 million net of issue costs.

(2) The determined dividend includes an amount attributable to DRP of $655 million (final 2014/2015) and $574 million (interim 2014/2015) with $657 million and $571 million ordinary shares being issued under plan rules, which include the carry forward of DRP balance from previous dividends.

(3) The DRP in respect of 2013/14 final dividends was satisfied in full through the on-market purchase and transfer of 8,749,607 shares to participating shareholders.

(4) Relates to the movements in treasury shares held within Life Insurance Statutory Funds and the employee share scheme trust.

(5) Includes dividends relating to equity instruments on issue other than ordinary shares.

Note 8 Shareholders' Equity (continued)

	Half Year Ended		
	31 Dec 15	30 Jun 15	31 Dec 14
	$M	$M	$M
Reserves			
General Reserve			
Opening balance	**819**	875	866
Appropriation from/(to) retained profits	**101**	(56)	9
Closing balance	**920**	819	875
Asset Revaluation Reserve			
Opening balance	**191**	185	197
Revaluation of properties	**-**	19	-
Tax on revaluation of properties	**-**	(4)	-
Transfer to retained profits	**(14)**	(9)	(12)
Closing balance	**177**	191	185
Foreign Currency Translation Reserve			
Opening balance	**356**	346	(42)
Currency translation adjustments of foreign operations	**378**	44	395
Currency translation on net investment hedge	**(4)**	4	(7)
Tax on translation adjustments	**7**	(38)	-
Closing balance	**737**	356	346
Cash Flow Hedge Reserve			
Opening balance	**263**	459	224
Gains and losses on cash flow hedging instruments:			
Recognised in other comprehensive income	**1**	270	436
Transferred to Income Statement:			
Interest income	**(558)**	(584)	(551)
Interest expense	**379**	36	452
Tax on cash flow hedging instruments	**52**	82	(102)
Closing balance	**137**	263	459
Employee Compensation Reserve			
Opening balance	**122**	79	125
Current period movement	**(37)**	43	(46)
Closing balance	**85**	122	79
Available-for-sale Investments Reserve			
Opening balance	**594**	730	639
Net gains and losses on revaluation of available-for-sale investments	**(74)**	(32)	172
Net gains and losses on available-for-sale investments transferred to Income Statement on disposal	**(72)**	(168)	(55)
Tax on available-for-sale investments	**50**	64	(26)
Closing balance	**498**	594	730
Total Reserves	**2,554**	2,345	2,674
Shareholders' Equity attributable to Equity holders of the Bank	**59,293**	52,431	50,475
Shareholders' Equity attributable to Non-controlling interests	**554**	562	556
Total Shareholders' Equity	**59,847**	52,993	51,031

Note 9 Disclosures about Fair Values

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or amortised cost. AASB 134 'Interim Financial Reporting' requires the disclosure of the fair value of those financial instruments not already carried at fair value in the Balance Sheet and disclosures about fair value measurements.

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date.

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

The estimated fair value of the Group's financial instruments not measured at fair value as at 31 December 2015 are presented below. The disclosure does not cover assets or liabilities that are not considered to be financial instruments from an accounting perspective.

	31 Dec 2015		30 June 2015	
	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	**31,587**	**31,587**	33,116	33,116
Receivables due from other financial institutions [(1)]	**12,350**	**12,350**	13,063	13,063
Loans and other receivables	**657,548**	**658,079**	624,415	625,265
Bank acceptances of customers	**1,640**	**1,640**	1,944	1,944
Other assets	**4,337**	**4,337**	5,894	5,894
Total financial assets	**707,462**	**707,993**	678,432	679,282
Financial liabilities not measured at fair value on a recurring basis				
Deposits and other public borrowings	**560,498**	**560,915**	543,231	544,557
Payables due to other financial institutions	**35,053**	**35,053**	36,416	36,416
Bank acceptances	**1,640**	**1,640**	1,944	1,944
Debt issues	**160,798**	**162,629**	154,429	155,288
Managed funds units on issue	**1,326**	**1,326**	1,149	1,149
Bills payable and other liabilities	**5,986**	**5,986**	8,963	8,963
Loan capital	**14,399**	**14,231**	12,824	12,306
Total financial liabilities	**779,700**	**781,780**	758,956	760,623

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.

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

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

Note 9 Disclosures about Fair Values (continued)

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

Loans and Other Receivables

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

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

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

Deposits and Other Public Borrowings

The fair value of non-interest bearing, 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.

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

Other Financial Assets and Liabilities

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

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

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

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

Determination of the fair value of Over-the-Counter ("OTC") derivatives includes Credit Valuation Adjustments ("CVA") for derivative assets to reflect the credit worthiness of the counterparty, Debit Valuation Adjustment ("DVA") for other liabilities at fair value to reflect the Group's own credit risk. Fair value of uncollateralised derivative assets and uncollateralised derivative liabilities incorporate a Funding Valuation Adjustment ("FVA") to reflect funding costs and benefits to the Group. These adjustments are applied after considering any relevant collateral or master netting arrangements.

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

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

Valuation Inputs

Quoted Prices in Active Markets – Level 1

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

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

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

Valuation Technique Using Observable Inputs – Level 2

Level 2 financial instruments are valued using inputs other than quoted prices as described for Level 1, but which are observable for the asset or liability, either directly or indirectly. The valuation techniques include the use of discounted cash flow analysis, option pricing models and other market accepted valuation models.

Financial instruments included in this category are commercial papers, mortgage-backed securities and OTC derivatives, including interest rate swaps, cross currency swaps and FX options.

Valuation Technique Using Significant Unobservable Inputs – Level 3

The valuation of Level 3 financial instruments incorporates a significant input for the asset or liability that is not based on observable market data (unobservable input). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally derived and extrapolated from observable inputs to match the risk profile of the financial instrument, and are calibrated against current market assumptions, historic transactions and economic models, where available. These inputs may include the timing and amount of future cash flows, rates of estimated credit losses, discount rates and volatility.

Financial instruments included in this category for the Group are certain exotic OTC derivatives and certain asset-backed securities valued using unobservable inputs.

Note 9 Disclosures about Fair Values (continued)

(c) Fair Value Hierarchy for Financial Assets and Liabilities measured at Fair Value

The classification in the fair value hierarchy of the Group's financial assets and liabilities measured at fair value is presented in the table below:

	Fair Value as at 31 December 2015				Fair Value as 30 June 2015			
	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	17,311	9,829	-	**27,140**	18,623	7,801	-	26,424
Insurance	4,400	8,916	-	**13,316**	5,395	8,693	-	14,088
Other	97	1,391	-	**1,488**	95	1,183	-	1,278
Derivative assets	-	45,438	94	**45,532**	12	46,062	80	46,154
Available-for-sale investments	65,960	11,798	403	**78,161**	64,341	10,228	115	74,684
Bills Discounted (1)	11,615	-	-	**11,615**	14,847	-	-	14,847
Total financial assets measured at fair value	99,383	77,372	497	**177,252**	103,313	73,967	195	177,475
Financial Liabilities measured at fair value on a recurring basis								
Liabilities at fair value through Income Statement	3,972	5,039	-	**9,011**	4,437	4,056	-	8,493
Derivative liabilities	-	37,313	44	**37,357**	-	35,190	23	35,213
Life investment contracts	-	8,794	-	**8,794**	-	9,159	-	9,159
Total financial liabilities measured at fair value	3,972	51,146	44	**55,162**	4,437	48,405	23	52,865

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

(d) Analysis of Movements between Fair Value Levels

During the half year ended 31 December 2015 there have been no significant reclassifications of available-for-sale securities (30 June 2015: $1,379 million from Level 2 to Level 1). There were insurance security reclassifications of $184 million (30 June 2015: $nil) from Level 1 to Level 2. There were no trading security reclassifications (30 June 2015: $148 million) from Level 2 to Level 1, due to changes in the observability of inputs. Transfers in and out of Level 3 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 2015

	Derivative Assets	Available for Sale Investments	Derivative Liabilities	Total
	$M	$M	$M	$M
As at 1 July 2015	80	115	(23)	172
Purchases	-	3	-	3
Sales/Settlements	(1)	(11)	16	4
Gains/(losses) in the period:				
Recognised in the Income Statement	15	-	(37)	(22)
Recognised in the Statement of Comprehensive Income	-	-	-	-
Transfers in	-	305	-	305
Transfers out	-	(9)	-	(9)
As at 31 December 2015	94	403	(44)	453
Gains/(losses) recognised in the Income Statement for financial instruments held as at 31 December 2015	15	-	(37)	(22)

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

Note 10 Subsequent Events

The Group announced an offer for a new Tier 1 hybrid, CommBank PERLS VIII Capital Notes ("PERLS VIII") and lodged a prospectus and replacement prospectus, on 16 February 2016 and 24 February 2016, respectively. PERLS VIII will qualify as Tier 1 Loan Capital of the Group. The offer is expected to raise $1.25 billion, with the ability to raise more or less. PERLS VIII are not offered for investment in the United States. PERLS VIII are perpetual, subordinated, unsecured notes scheduled to pay quarterly, floating rate distributions which are discretionary and non-cumulative. The net proceeds of the offer will be used to fund the Group's business.

The Directors are 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.

Note 11 Contingent Liabilities and Commitments

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

				Group
		Face Value		Credit Equivalent
	31 Dec 15	30 Jun 15	31 Dec 15	30 Jun 15
Credit risk related instruments	$M	$M	$M	$M
Guarantees (1)	**6,270**	6,181	**6,270**	6,181
Documentary letters of credit (2)	**1,546**	1,764	**1,402**	1,621
Performance related contingents (3)	**2,231**	2,007	**2,213**	1,881
Commitments to provide credit (4)	**171,743**	165,511	**163,869**	157,387
Other commitments (5)	**1,868**	2,113	**1,619**	1,852
Total credit risk related instruments - Face Value	**183,658**	177,576	**175,373**	168,922

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

Other than outlined below, there has been no material change in contingent liabilities since those disclosed in the Financial Statements for the year ended 30 June 2015.

Storm Financial

Class action proceedings were commenced in the Federal Court against the Group in relation to Storm Financial on 1 July 2010. The hearing of the proceedings concluded in November 2013 and judgement was reserved.

The parties exchanged a Deed of Settlement on 27 February 2015 and the Federal Court approved the proposed settlement on 7 July 2015. The settlement is currently being implemented and the Court's orders require that all steps to give effect to the settlement be completed by 18 February 2016. The Group holds adequate provisions to cover this.

Exception Fee Class Actions

In May 2011, Maurice Blackburn announced that it intended to sue various Australian banks with respect to exception fees. Proceedings were issued against Commonwealth Bank of Australia in December 2011 and against Bankwest in April 2012. Neither claim has been progressed and both have been stayed since issue, and currently until mid-2016, pending the outcome of similar proceedings against another bank where an appeal process to the High Court has been commenced. The appeal will be heard in February 2016. The Group denies the claims and the financial impact, if any, is not anticipated to have a material impact on the Group.

Open Advice Review Program and License Conditions

The Group is undertaking the Open Advice Review program for customers of Commonwealth Financial Planning Limited ("CFPL") and Financial Wisdom Limited ("FWL"), who received advice between 1 September 2003 and 1 July 2012. Expressions of interest for the program closed on 3 July 2015. Customers who lodged an expression of interest before this date have 12 months to formally register for the program. Customer file assessments and remediation have commenced and are ongoing. Promontory Financial Group has been appointed as an Independent Expert to oversee the program. Four public reports have been issued in December 2014, May 2015, September 2015 and February 2016.

On 8 August 2014, variations to CFPL's and FWL's Australian Financial Services Licences ("AFSL") were agreed. ASIC subsequently appointed KordaMentha Forensic ("KMF") as the Compliance Expert. Following receipt of KMF's Comparison Report in April 2015, the Group issued 4,329 letters to financial planning customers and offered to pay up to $5,000 to have their advice assessment reviewed independently, to send customers copies of their files, and for the Group to do a further review of the advice the customer received. KMF's Identification Report released in December 2015 assesses whether the process steps

Note 11 Contingent Liabilities and Commitments (continued)

undertaken in previous remediation programs were reasonable. As a result of this report, the Group will review six customer files from each of the 17 advisers identified in the report to confirm whether the advice received before 2012 was appropriate.

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

Directors' Declaration

In accordance with a resolution of the Directors of the Commonwealth Bank of Australia, the Directors declare that in the opinion of the Directors:

(a) The consolidated financial statements for the half year ended on 31 December 2015 and notes, as set out on pages 59 to 80, are in accordance with the Corporations Act 2001, including:

- (i) section 304 (which requires the financial report, which includes the financial statements and the notes to the financial statements, to comply with the Accounting Standards and any further requirements in the Corporations Regulations 2001); and
- (ii) section 305 (which requires the financial statements, and the notes to the financial statements, to give a true and fair view of the financial position and performance of the consolidated entity); 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.

Signed in accordance with a resolution of the Directors.

David Turner
Chairman
9 February 2016

Ian Narev
Managing Director and Chief Executive Officer
9 February 2016

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

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of Commonwealth Bank of Australia (the Company), which comprises the consolidated balance sheet as at 31 December 2015, 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 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 (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the 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 2015 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Commonwealth Bank of Australia, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Commonwealth Bank of Australia is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half year ended on that date;

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

PricewaterhouseCoopers

Marcus Laithwaite
Partner

Sydney
9 February 2016

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Contents

Section 7 - Appendices

Appendices

1. Net Interest Margin

	Half Year Ended (1)		
	31 Dec 15	30 Jun 15	31 Dec 14
	%	%	%
Australia			
Interest spread (2)	**2. 04**	2. 03	2. 04
Benefit of interest-free liabilities, provisions and equity (3)	**0. 11**	0. 07	0. 13
Net interest margin (4)	**2. 15**	2. 10	2. 17
New Zealand			
Interest spread (2)	**1. 77**	1. 75	1. 85
Benefit of interest-free liabilities, provisions and equity (3)	**0. 38**	0. 46	0. 48
Net interest margin (4)	**2. 15**	2. 21	2. 33
Other Overseas			
Interest spread (2)	**0. 69**	0. 87	0. 91
Benefit of interest-free liabilities, provisions and equity (3)	**0. 02**	0. 06	0. 06
Net interest margin (4)	**0. 71**	0. 93	0. 97
Total Group			
Interest spread (2)	**1. 94**	1. 93	1. 95
Benefit of interest-free liabilities, provisions and equity (3)	**0. 12**	0. 13	0. 16
Net interest margin (4)	**2. 06**	2. 06	2. 11

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.
(2) Difference between the average interest rate earned and the average interest rate paid on funds.
(3) A portion of the Group's interest earning assets is funded by net interest free liabilities and Shareholders' Equity. The benefit to the Group of these interest free funds is the amount it would cost to replace them at the average cost of funds.
(4) Net interest income divided by average interest earning assets for the half year annualised.

2. Average Balances and Related Interest

The following table lists 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 ending 31 December 2015, 30 June 2015 and 31 December 2014. 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 remained unchanged during the half year while rates in New Zealand decreased 75 basis points.

	Half Year Ended 31 Dec 15			Half Year Ended 30 Jun 15 (1)			Half Year Ended 31 Dec 14 (1)		
	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
Interest Earning Assets	$M	$M	%	$M	$M	%	$M	$M	%
Home loans	**429,639**	**9,591**	**4. 44**	416,761	9,575	4.63	403,956	9,943	4.88
Personal loans (2)	**23,608**	**1,458**	**12. 28**	23,722	1,452	12.34	23,244	1,435	12.25
Business and corporate loans	**207,726**	**4,355**	**4. 17**	195,518	4,493	4.63	185,637	4,534	4.84
Loans, bills discounted and other receivables	**660,973**	**15,404**	**4. 64**	636,001	15,520	4.92	612,837	15,912	5.15
Cash and other liquid assets	**45,838**	**175**	**0. 76**	43,879	169	0.78	38,428	172	0.89
Assets at fair value through Income Statement (excluding life insurance)	**20,661**	**297**	**2. 86**	21,697	231	2.15	22,268	287	2.56
Available-for-sale investments	**78,444**	**911**	**2. 31**	71,170	887	2.51	65,739	926	2.79
Non-lending interest earning assets	**144,943**	**1,383**	**1. 90**	136,746	1,287	1.90	126,435	1,385	2.17
Total interest earning assets (3)	**805,916**	**16,787**	**4. 14**	772,747	16,807	4.39	739,272	17,297	4.64
Non-interest earning assets	**103,383**			98,205			76,986		
Total average assets	**909,299**			870,952			816,258		

	Half Year Ended 31 Dec 15			Half Year Ended 30 Jun 15 (1)			Half Year Ended 31 Dec 14 (1)		
Interest Bearing	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
Liabilities	$M	$M	%	$M	$M	%	$M	$M	%
Transaction deposits	**92,066**	**303**	**0.65**	81,571	300	0.74	74,766	309	0.82
Savings deposits	**186,344**	**1,816**	**1.94**	172,436	1,851	2.16	158,607	1,926	2.41
Investment deposits	**196,068**	**2,755**	**2.79**	202,133	3,075	3.07	197,603	3,247	3.26
Certificates of deposit and other	**64,646**	**1,137**	**3.50**	64,249	1,056	3.31	66,881	1,189	3.53
Total interest bearing deposits	**539,124**	**6,011**	**2.22**	520,389	6,282	2.43	497,857	6,671	2.66
Payables due to other financial institutions	**41,622**	**131**	**0.63**	34,989	118	0.68	28,447	102	0.71
Liabilities at fair value through Income Statement	**6,155**	**104**	**3.36**	6,162	103	3.37	8,011	119	2.95
Debt issues	**162,155**	**1,895**	**2.32**	158,161	2,117	2.70	149,488	2,255	2.99
Loan capital	**13,165**	**282**	**4.26**	12,409	297	4.83	10,569	275	5.16
Total interest bearing liabilities	**762,221**	**8,423**	**2.20**	732,110	8,917	2.46	694,372	9,422	2.69
Total non-interest bearing liabilities	**90,657**			86,677			71,697		
Total average liabilities	**852,878**			818,787			766,069		

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.
(2) Personal loans include consumer finance, credit cards and margin loans.
(3) Used for calculating Net interest margin.

2. Average Balances and Related Interest (continued)

Net Interest Margin	Half Year Ended 31 Dec 15 Avg Bal $M	Interest $M	Yield %	Half Year Ended 30 Jun 15 [1] Avg Bal $M	Interest $M	Yield %	Half Year Ended 31 Dec 14 [1] Avg Bal $M	Interest $M	Yield %
Total interest earning assets	805,916	16,787	4. 14	772,747	16,807	4.39	739,272	17,297	4.64
Total interest bearing liabilities	762,221	8,423	2. 20	732,110	8,917	2.46	694,372	9,422	2.69
Net interest income and interest spread		8,364	1. 94		7,890	1. 93		7,875	1. 95
Benefit of free funds			0. 12			0. 13			0. 16
Net interest margin			2. 06			2. 06			2. 11

Geographical Analysis of Key Categories	Half Year Ended 31 Dec 15 Avg Bal $M	Interest $M	Yield %	Half Year Ended 30 Jun 15 [1] Avg Bal $M	Interest $M	Yield %	Half Year Ended 31 Dec 14 [1] Avg Bal $M	Interest $M	Yield %
Loans, Bills Discounted and Other Receivables									
Australia	572,488	13,229	4. 60	550,314	13,284	4. 87	534,095	13,795	5. 12
New Zealand [2]	64,496	1,841	5. 68	64,009	1,904	6. 00	59,457	1,821	6. 08
Other Overseas [2]	23,989	334	2. 77	21,678	332	3. 09	19,285	296	3. 04
Total	660,973	15,404	4. 64	636,001	15,520	4. 92	612,837	15,912	5. 15
Non-Lending Interest Earning Assets									
Australia	99,318	1,177	2. 36	89,406	1,052	2. 37	86,764	1,197	2. 74
New Zealand [2]	6,392	101	3. 14	6,905	129	3. 77	6,058	117	3. 83
Other Overseas [2]	39,233	105	0. 53	40,435	106	0. 53	33,613	71	0. 42
Total	144,943	1,383	1. 90	136,746	1,287	1. 90	126,435	1,385	2. 17
Total Interest Bearing Deposits									
Australia	475,627	5,026	2. 10	458,677	5,392	2. 37	440,644	5,886	2. 65
New Zealand [2]	45,819	828	3. 59	44,848	833	3. 75	39,396	732	3. 69
Other Overseas [2]	17,678	157	1. 77	16,864	57	0. 68	17,817	53	0. 59
Total	539,124	6,011	2. 22	520,389	6,282	2. 43	497,857	6,671	2. 66
Other Interest Bearing Liabilities									
Australia	167,733	1,905	2. 26	159,195	2,105	2. 67	151,946	2,266	2. 96
New Zealand [2]	14,766	311	4. 19	14,649	362	4. 98	14,646	375	5. 08
Other Overseas [2]	40,598	196	0. 96	37,877	168	0. 89	29,923	110	0. 73
Total	223,097	2,412	2. 15	211,721	2,635	2. 51	196,515	2,751	2. 78

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.

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

3. Interest Rate and Volume Analysis

Interest Earning Assets [1]	Half Year Ended Dec 15 vs Jun 15 Volume $M	Rate $M	Total $M	Half Year Ended Dec 15 vs Dec 14 Volume $M	Rate $M	Total $M
Home loans	292	(276)	16	603	(955)	(352)
Personal loans	(7)	13	6	22	1	23
Business and corporate loans	268	(406)	(138)	501	(680)	(179)
Loans, bills discounted and other receivables	596	(712)	(116)	1,186	(1,694)	(508)
Cash and liquid assets	8	(2)	6	31	(28)	3
Assets at fair value through Income Statement (excluding life insurance)	(13)	79	66	(22)	32	10
Available-for-sale investments	88	(64)	24	163	(178)	(15)
Non-lending interest earning assets	78	18	96	190	(192)	(2)
Total interest earning assets	706	(726)	(20)	1,474	(1,984)	(510)

Interest Bearing Liabilities [1]	Half Year Ended Dec 15 vs Jun 15 Volume $M	Rate $M	Total $M	Half Year Ended Dec 15 vs Dec 14 Volume $M	Rate $M	Total $M
Transaction deposits	37	(34)	3	64	(70)	(6)
Savings deposits	142	(177)	(35)	304	(414)	(110)
Investment deposits	(89)	(231)	(320)	(23)	(469)	(492)
Certificates of deposit and other	7	74	81	(40)	(12)	(52)
Total interest bearing deposits	218	(489)	(271)	507	(1,167)	(660)
Payables due to other financial institutions	22	(9)	13	44	(15)	29
Liabilities at fair value through Income Statement	-	1	1	(29)	14	(15)
Debt issues	50	(272)	(222)	170	(530)	(360)
Loan capital	17	(32)	(15)	62	(55)	7
Total interest bearing liabilities	350	(844)	(494)	835	(1,834)	(999)

Change in Net Interest Income [2]	Half Year Ended Dec 15 vs Jun 15 Increase/(Decrease) $M	Dec 15 vs Dec 14 Increase/(Decrease) $M
Due to changes in average volume of interest earning assets	344	701
Due to changes in interest margin	(1)	(212)
Due to variation in time period	131	-
Change in net interest income	474	489

(1) 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).

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

3. Interest Rate and Volume Analysis (continued)

Geographical Analysis of Key Categories [1]	Half Year Ended Dec 15 vs Jun 15 Volume $M	Rate $M	Total $M	Half Year Ended Dec 15 vs Dec 14 Volume $M	Rate $M	Total $M
Loans, Bills Discounted and Other Receivables						
Australia	524	(579)	(55)	939	(1,505)	(566)
New Zealand	14	(77)	(63)	149	(129)	20
Other Overseas	34	(32)	2	69	(31)	38
Total	596	(712)	(116)	1,186	(1,694)	(508)
Non-Lending Interest Earning Assets						
Australia	117	8	125	161	(181)	(20)
New Zealand	(9)	(19)	(28)	6	(22)	(16)
Other Overseas	(3)	2	(1)	13	21	34
Total	78	18	96	190	(192)	(2)
Total Interest Bearing Deposits						
Australia	189	(555)	(366)	418	(1,278)	(860)
New Zealand	18	(23)	(5)	118	(22)	96
Other Overseas	5	95	100	(1)	105	104
Total	218	(489)	(271)	507	(1,167)	(660)
Other Interest Bearing Liabilities						
Australia	105	(305)	(200)	207	(568)	(361)
New Zealand	3	(54)	(51)	3	(67)	(64)
Other Overseas	13	15	28	45	41	86
Total	132	(355)	(223)	330	(669)	(339)

(1) The volume and rate variances for total loans, bills discounted and other receivables, total non-lending interest earning assets, total interest bearing deposits and total other interest bearing liabilities have been calculated separately (rather than being the sum of the individual categories).

4. Other Banking Income

	Half Year Ended 31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Lending fees	**562**	522	528	8	6
Commissions	**1,159**	1,099	1,127	5	3
Trading income [1]	**496**	510	529	(3)	(6)
Net gain/(loss) on non-trading financial instruments	**(122)**	241	10	large	large
Net loss on sale of property, plant and equipment	**(6)**	(6)	(2)	-	large
Net hedging ineffectiveness	**(35)**	(77)	(18)	(55)	94
Dividends	**5**	11	5	(55)	-
Share of profit of associates and joint ventures	**145**	181	104	(20)	39
Other	**63**	79	47	(20)	34
Total other banking income - "statutory basis"	**2,267**	2,560	2,330	(11)	(3)

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.

Other Banking Income – Reconciliation of Cash and Statutory Basis

The table below sets out various accounting impacts arising from the application of AASB 139 'Financial Instruments: Recognition and Measurement' to the Group's derivative hedging activities and other non-cash items.

	Half Year Ended 31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M
Other banking income ("cash basis") [1]	**2,479**	2,487	2,386
Revenue hedge of New Zealand operations - unrealised	**(151)**	168	(78)
Hedging and IFRS volatility	**(61)**	(95)	22
Other banking income ("statutory basis")	**2,267**	2,560	2,330

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.

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

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

The Group's approach to risk management including governance, management, material business risks, and policies and procedures are described in the Notes to the 2015 Financial Report. Further disclosures in respect of capital adequacy and risk are provided in the Group's annual Pillar 3 Document.

Credit Risk

The Group uses a portfolio approach for the management of its credit risk, of which a key element is a well-diversified portfolio. The Group uses various portfolio management tools to assist in diversifying the credit portfolio.

Below is a breakdown of the Group's committed exposure across industry, region and commercial credit quality.

	As at		
	31 Dec 15	30 Jun 15	31 Dec 14
By Industry [1]	%	%	%
Agriculture, forestry and fishing	**1. 8**	1. 8	1. 9
Banks	**7. 8**	8. 6	8. 3
Business services	**1. 3**	1. 2	1. 2
Construction	**0. 8**	0. 9	0. 9
Consumer	**54. 0**	54. 2	54. 2
Culture and recreational services	**0. 7**	0. 8	0. 8
Energy	**1. 1**	0. 9	1. 0
Finance - Other	**5. 1**	4. 6	4. 5
Health and community service	**0. 7**	0. 6	0. 7
Manufacturing	**1. 8**	1. 7	1. 6
Mining	**1. 8**	1. 9	1. 9
Property	**6. 4**	6. 3	6. 1
Retail trade and wholesale trade	**2. 3**	2. 3	2. 3
Sovereign	**8. 7**	8. 4	8. 8
Transport and storage	**1. 5**	1. 5	1. 5
Other	**4. 2**	4. 3	4. 3
	100. 0	100. 0	100. 0

	As at		
	31 Dec 15	30 Jun 15	31 Dec 14
By Region [1]	%	%	%
Australia	**75. 4**	76. 6	76. 7
New Zealand	**8. 8**	8. 5	8. 8
Europe	**6. 4**	5. 6	6. 1
Americas	**5. 1**	5. 5	4. 6
Asia	**4. 1**	3. 6	3. 6
Other	**0. 2**	0. 2	0. 2
	100. 0	100. 0	100. 0

	As at		
	31 Dec 15	30 Jun 15	31 Dec 14
Commercial Portfolio Quality [1]	%	%	%
AAA/AA	**30. 7**	31. 3	32. 2
A	**19. 0**	20. 6	20. 0
BBB	**20. 1**	18. 0	17. 6
Other	**30. 2**	30. 1	30. 2
	100. 0	100. 0	100. 0

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

As a measure of individually risk-rated commercial portfolio exposure (including finance and insurance), the Group has 69.8% (June 2015: 69.9%; December 2014: 69.8%) of commercial exposures at investment grade quality.

Included in the Group's European exposures is $1,544 million (June 2015: $1,124 million; December 2014: $1,607 million) of exposure to Spain, Ireland and Italy. The exposure comprises $55 million Italian and Spanish banks (primarily short-term deposits and derivatives), and $1,489 million of predominantly Irish and Spanish corporate counterparties (primarily secured by residential and other security).

5. Integrated Risk Management (continued)

Market Risk

Market risk in the Balance Sheet is discussed within Note 33 of the 2015 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 measures potential loss using historically observed market volatility and correlation between different markets.

VaR is modelled at a 97.5% confidence level over a 1 day holding period for Trading Book positions and over a 20 day holding period for the Life Insurance business, Non-Traded Equity and Interest Rate Risk in the Banking Book.

Where VaR is deemed not to be an appropriate method of risk measurement other risk measures have been used, as specified by the heading or accompanying footnotes of the tables provided.

	Average VaR		
	31 Dec 15	30 Jun 15	31 Dec 14
Traded Market Risk (1)	$M	$M	$M
Risk Type			
Interest rate risk	**6. 3**	5. 8	5. 7
Foreign exchange risk	**2. 6**	2. 1	1. 9
Equities risk	**0. 4**	0. 4	0. 9
Commodities risk	**2. 1**	1. 9	1. 1
Credit spread risk	**2. 9**	2. 9	2. 6
Diversification benefit	**(8. 4)**	(7. 3)	(7. 4)
Total general market risk	**5. 9**	5. 8	4. 8
Undiversified risk	**2. 3**	3. 4	3. 5
ASB Bank	**0. 2**	0. 1	0. 2
Total	**8. 4**	9. 3	8. 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 15	30 Jun 15	31 Dec 14
(20 day 97.5% Confidence)	$M	$M	$M
Shareholder funds (2)	**5. 7**	11. 7	14. 5
Guarantees (to Policyholders) (3)	**17. 0**	13. 5	16. 8

(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 structural and strategic holdings integral to the Group's operations.

	As at VaR		
	VaR	VaR	VaR
	31 Dec 15	30 Jun 15	31 Dec 14
Non-Traded Equity Risk VaR (20 day 97.5% Confidence)	$M	$M	$M
VaR	**43. 5**	57. 9	68. 5

5. Integrated Risk Management (continued)

Interest Rate Risk in the Banking Book

Interest Rate Risk in the Banking Book is discussed within Note 33 of the 2015 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 (decrease) is as follows:

Net Interest Earnings at Risk [1]		31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M
Average monthly exposure	AUD	**324. 6**	237. 8	250. 9
	NZD	**29. 5**	28. 9	23. 4
High month exposure	AUD	**408. 7**	360. 5	298. 2
	NZD	**37. 7**	35. 7	27. 4
Low month exposure	AUD	**227. 1**	168. 9	200. 4
	NZD	**23. 9**	25. 2	19. 4

(1) For the half year ended.

(b) Economic Value

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

	Average VaR [1]		
Non-Traded Interest Rate Risk VaR (20 day 97.5% Confidence)	31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M
AUD Interest rate risk	**51. 8**	49. 2	84. 8
NZD Interest rate risk [2]	**3. 8**	2. 9	3. 6

(1) For the half year ended.
(2) Relates specifically to ASB data as at month end.

5. Integrated Risk Management (continued)

Funding Sources

The following table provides the funding sources for the Group including customer deposits, short-term and long-term wholesale funding. Shareholders' Equity is excluded from this view of funding sources other than the USD Trust Preferred Securities which are classified as other equity instruments in the statutory Balance Sheet.

	As at				
	31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Transaction deposits [1]	**97,327**	89,360	80,758	9	21
Savings deposits	**189,560**	176,497	163,477	7	16
Investment deposits	**195,814**	195,065	197,569	-	(1)
Other customer deposits [1] [2]	**17,655**	16,889	16,624	5	6
Total customer deposits	**500,356**	477,811	458,428	5	9
Wholesale funding					
Short term					
Certificates of deposit	**35,798**	38,861	39,671	(8)	(10)
Bank acceptances	**1,640**	1,944	2,026	(16)	(19)
Multi-currency Euro commercial paper program	**3,518**	1,379	1,691	large	large
US commercial paper program	**37,919**	36,664	37,072	3	2
Securities sold under agreements to repurchase	**11,939**	12,976	9,067	(8)	32
Other [3]	**43,504**	40,013	35,418	9	23
Total short term funding	**134,318**	131,837	124,945	2	8
Short sales	**3,980**	4,437	3,584	(10)	11
Total Long term funding - less than or equal to one year residual maturity [4]	**25,943**	27,479	28,302	(6)	(8)
Long term - greater than one year residual maturity [4]					
Domestic debt program [5]	**12,292**	11,388	11,336	8	8
Euro medium term note program	**22,249**	27,149	27,981	(18)	(20)
US medium term note program	**6,942**	8,410	9,204	(17)	(25)
Covered bond programs	**26,538**	22,776	24,640	17	8
Other debt issues [6]	**16,873**	14,557	11,988	16	41
Securitisation	**9,205**	9,724	9,303	(5)	(1)
Loan capital	**12,866**	11,006	10,455	17	23
Other	**430**	45	981	large	(56)
Total long term funding - greater than one year residual maturity	**107,395**	105,055	105,888	2	1
IFRS MTM and derivative FX revaluations	**10,346**	11,657	10,403	(11)	(1)
Total wholesale funding	**281,982**	280,465	273,122	1	3
Total funding	**782,338**	758,276	731,550	3	7
Reported as					
Deposits and other public borrowings	**560,498**	543,231	522,563	3	7
Payables due to other financial institutions	**35,053**	36,416	33,957	(4)	3
Liabilities at fair value through income statement	**9,011**	8,493	7,246	6	24
Bank acceptances	**1,640**	1,944	2,026	(16)	(19)
Debt issues	**160,798**	154,429	153,249	4	5
Loan capital	**14,399**	12,824	11,570	12	24
Share capital - other equity instruments	**939**	939	939	-	-
Total funding	**782,338**	758,276	731,550	3	7

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.
(2) Other customer deposits primarily consist of non-interest bearing deposits and deposits held at fair value through the Income Statement.
(3) Includes Payables due to other financial institutions, Debt issues with original maturity/call date less than or equal to one year.
(4) Residual maturity of long-term wholesale funding included in Debt issues, Loan capital and Share capital – other equity instruments, is the earlier of the next call date or final maturity.
(5) Domestic debt programs are included within Certificates of deposit (refer to Note 6 of this Document) and Debt issues.
(6) Includes debt included in Liabilities at fair value through Income Statement.

5. Integrated Risk Management (continued)

Liquidity and Funding Policies and Management

Please refer to Page 33 of this Document for more information on liquidity and funding policies and management.

6. 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 hedging, and provides other facilities such as liquidity facilities. The Group retains the risks associated with the provision of these services. The Group is also entitled to any residual income from the SPVs after all payments due to investors and costs of the program have been met.

Asset-backed Securities

Asset-backed securities are debt securities where the cash flow is dependent on the performance of the assets assigned to the SPV, which may consist of residential mortgages, commercial mortgages or other types of receivables. The Group has acquired asset-backed securities primarily as part of its trading activities (classified as Trading assets), liquidity management (classified as Available-for-sale investments), or through investments in SPVs.

The primary source of repayment of the debt instruments is the cash flows from the underlying assets. Investors in the debt instruments have no recourse to the general assets of the sponsor (except in the case of covered bonds where investors have recourse to both the underlying pool and the sponsor for repayment of principal and interest). The majority of the Group's asset-backed securities portfolio consists of notes externally rated AAA that are carried at fair value on the Balance Sheet.

Special Purpose Vehicles

The Group invests in or establishes SPVs in the ordinary course of business, primarily to provide funding and financial services for its customers. These SPVs are consolidated in the Financial Statements whenever they meet the criteria of control as outlined in Note 36 to the 2015 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 a modest amount of debt financing to companies acquired by private equity firms. These acquisitions are typically highly leveraged. Target businesses are those with operations 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 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 2015 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.

Monoline Insurers

The underlying debt instrument wrapped by a monoline insurer is Australian domiciled and has a rating of AA/A2 by S&P/Moody's. As at 31 December 2015, the Group had $45 million in exposure to this instrument (June 2015: Two underlying debt instruments with cumulative exposure of $47 million).

6. Counterparty and Other Credit Risk Exposures (continued)

Securitisation Vehicles

An analysis of the assets of, and exposures to, consolidated securitisation vehicles which the Group has established or manages is outlined in the tables below.

	Covered Bonds		Securitisation	
	31 Dec 15	30 Jun 15	31 Dec 15	30 Jun 15
	$M	$M	$M	$M
Carrying amount of transferred assets	30,577	32,316	14,067	14,264
Carrying amount of associated liabilities	31,305	28,755	12,359	12,603
Net position [1]	(728)	3,561	1,708	1,661

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

Asset-backed Securities

An analysis of the exposure to non-Group originated asset-backed securities and related facilities is outlined in the tables below.

	Carrying Amount	
	31 Dec 15	30 Jun 15
Summary of Asset-backed Securities	$M	$M
Commercial mortgage backed securities	42	46
Residential mortgage backed securities	7,770	7,799
Other asset-backed securities	836	955
Total	8,648	8,800

Asset-backed Securities by Underlying Asset

	Trading Portfolio		AFS Portfolio [1]		Other		Total	
	31 Dec 15	30 Jun 15	31 Dec 15	30 Jun 15	31 Dec 15	30 Jun 15	31 Dec 15	30 Jun 15
	$M	$M	$M	$M	$M	$M	$M	$M
Sub-prime	-	-	-	-	-	-	-	-
Non-conforming	1	-	405	457	-	-	406	457
Prime mortgages	27	33	7,337	7,309	-	-	7,364	7,342
Consumer receivables	-	-	-	-	-	-	-	-
Other assets	-	-	878	1,001	-	-	878	1,001
Total	28	33	8,620	8,767	-	-	8,648	8,800

(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 15	30 Jun 15	31 Dec 15	30 Jun 15	31 Dec 15	30 Jun 15	31 Dec 15	30 Jun 15	31 Dec 15	30 Jun 15
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Australia	8,570	8,716	7	10	3	4	26	24	8,606	8,754
UK	-	-	42	46	-	-	-	-	42	46
Total	8,570	8,716	49	56	3	4	26	24	8,648	8,800

	Funded Commitments		Unfunded Commitments		Total	
	31 Dec 15	30 Jun 15	31 Dec 15	30 Jun 15	31 Dec 15	30 Jun 15
Warehousing Financing Facilities	$M	$M	$M	$M	$M	$M
Australia	3,670	2,093	1,031	1,451	4,701	3,544
New Zealand	348	107	121	23	469	130
UK	-	-	304	308	304	308
Total	4,018	2,200	1,456	1,782	5,474	3,982

7. Capital

The tables below show the APRA Basel III capital adequacy calculation at 31 December 2015 together with prior period comparatives.

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

	Half Year Ended		
	31 Dec 15	30 Jun 15	31 Dec 14
	$M	$M	$M
Ordinary Share Capital and Treasury Shares			
Ordinary Share Capital	**33,252**	27,619	27,039
Treasury Shares (1)	**325**	279	287
Ordinary Share Capital and Treasury Shares	**33,577**	27,898	27,326
Reserves			
Reserves	**2,554**	2,345	2,674
Reserves related to non-consolidated subsidiaries (2)	**(181)**	(93)	(126)
Total Reserves	**2,373**	2,252	2,548
Retained Earnings and Current Period Profits			
Retained earnings and current period profits	**22,548**	21,528	19,823
Retained earnings adjustment from non-consolidated subsidiaries (3)	**(481)**	(529)	(377)
Net Retained Earnings	**22,067**	20,999	19,446
Non-controlling interest			
Non-controlling interest (4)	**554**	562	556
Less ASB perpetual preference shares	**(505)**	(505)	(505)
Less other non-controlling interests not eligible for inclusion in regulatory capital	**(49)**	(57)	(51)
Minority Interest	**-**	-	-
Common Equity Tier 1 Capital before regulatory adjustments	**58,017**	51,149	49,320

(1) Represents shares held by the Group's life insurance operations ($145 million) and employee share scheme trusts ($180 million).
(2) Represents foreign currency translation reserve and available-for-sale investments reserve balances associated with the insurance and funds management entities, and those entities through which securitisation of the Group's assets are conducted. These entities are classified as non-consolidated subsidiaries by APRA and are excluded from the Level 2 Regulatory Consolidated Banking Group.
(3) Cumulative current year profit and retained earnings adjustments for subsidiaries not consolidated for regulatory purposes.
(4) 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.

7. Capital (continued)

	Half Year Ended		
	31 Dec 15	30 Jun 15	31 Dec 14
	$M	$M	$M
Common Equity Tier 1 regulatory adjustments			
Goodwill	**(7,597)**	(7,599)	(7,576)
Other intangibles (excluding software) [(1)]	**(111)**	(164)	(225)
Capitalised costs	**(331)**	(337)	(341)
Capitalised software	**(2,183)**	(2,089)	(1,979)
Defined benefit superannuation plan surplus [(2)]	**(307)**	(193)	-
General reserve for credit losses [(3)]	**(270)**	(242)	(225)
Net deferred tax asset	**(1,078)**	(1,164)	(1,024)
Cash flow hedge reserve	**(137)**	(263)	(459)
Employee compensation reserve	**(85)**	(122)	(79)
Equity investments [(4)]	**(3,263)**	(3,179)	(2,990)
Equity investments in non-consolidated subsidiaries [(5)]	**(1,688)**	(1,705)	(1,307)
Shortfall of provisions to expected losses [(6)]	**(245)**	(134)	(102)
Deferred fees	**(167)**	(222)	(145)
Gain due to changes in own credit risk on fair valued liabilities	**(132)**	(144)	(113)
Other	**(207)**	(194)	(170)
Common Equity Tier 1 regulatory adjustments	**(17,801)**	(17,751)	(16,735)
Common Equity Tier 1	**40,216**	33,398	32,585
Additional Tier 1 Capital			
Basel III complying instruments [(7)]	**5,000**	5,000	5,000
Basel III non-complying instruments net of transitional amortisation [(8)]	**2,756**	2,749	3,413
Additional Tier 1 Capital	**7,756**	7,749	8,413
Tier 1 Capital	**47,972**	41,147	40,998
Tier 2 Capital			
Basel III complying instruments [(9)]	**5,033**	3,268	1,254
Basel III non-complying instruments net of transitional amortisation [(10)]	**2,141**	2,257	2,493
Holding of Tier 2 Capital	**(19)**	(20)	(30)
Prudential general reserve for credit losses [(11)]	**178**	156	186
Total Tier 2 Capital	**7,333**	5,661	3,903
Total Capital	**55,305**	46,808	44,901

(1) Other intangibles (excluding capitalised software costs) net of any associated deferred tax liability.

(2) In accordance with APRA regulations, the surplus in the Group's defined superannuation fund, net of any deferred tax liability, must be deducted from CET 1 capital.

(3) 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.

(4) Represents the Group's non-controlling interest in other entities.

(5) Represents the net tangible assets within the non-consolidated subsidiaries (primarily the insurance and funds management businesses operating within the Colonial Group). The adjustment at 31 December 2015 is net of $900 million in non-recourse debt and $1,000 million in Colonial Group Subordinated Notes. The Group's Insurance and fund management companies held $1,295 million of capital in excess of minimum regulatory capital requirements at 31 December 2015.

(6) Regulatory Expected Loss (pre-tax) using stressed loss given default assumptions associated with the loan portfolio in excess of eligible credit provisions (pre-tax).

(7) As at 31 December 2015, comprises PERLS VI $2,000 million issued in October 2012 and PERLS VII $3,000 million issued in October 2014.

(8) As at 31 December 2015, represents APRA Basel III non-compliant Additional Tier 1 Capital Instruments (PERLS III, Trust Preferred Securities (TPS) 06, ASB Perpetual Preference Shares, and Perpetual Exchangeable Floating Rate Note). These instruments are eligible for Basel III transitional relief. In June 2015, the Group redeemed USD550 million in TPS 03. In February 2016, CBA gave notice to the holders of the TPS 06 that it intends to redeem them on 15 March 2016.

(9) As at 31 December 2015, comprises the following subordinated notes: USD1,250 million issued in December 2015, EUR1,250 million issued in April 2015, Chinese Renminbi 1,000 million issued in March 2015, AUD1,000 million issued in November 2014 and NZD400 million issued in April 2014. The NZD400 million notes were issued through ASB, the Group's New Zealand subsidiary. The ASB notes are Basel III compliant Tier 2 securities and fully contribute towards ASB capital ratios. The amount of the ASB notes that contributes to ASB capital in excess of its minimum regulatory requirements is not eligible for inclusion in the Group's capital (31 December 2015 ineligible amount, AUD130 million, 30 June 2015 ineligible amount, AUD114 million, 31 December 2014 ineligible amount AUD129 million).

(10) 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.

(11) 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.

7. Capital (continued)

Risk Weighted Assets	31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M
	As at		
Credit Risk			
Subject to Advanced IRB approach			
Corporate	**69,392**	60,879	56,612
SME Corporate	**25,066**	25,289	23,913
SME Retail	**5,328**	5,068	4,963
SME Retail secured by residential mortgage	**2,670**	2,949	3,285
Sovereign	**6,147**	5,163	5,432
Bank	**12,581**	12,024	10,983
Residential mortgage	**75,010**	74,382	72,278
Qualifying revolving retail	**9,306**	8,861	8,533
Other retail	**14,249**	13,942	13,620
Impact of the regulatory scaling factor (1)	**13,185**	12,513	11,977
Total Risk Weighted Assets subject to Advanced IRB approach	**232,934**	221,070	211,596
Specialised lending exposures subject to slotting criteria	**54,885**	51,081	48,774
Subject to Standardised approach			
Corporate	**10,284**	10,357	11,358
SME Corporate	**4,571**	5,921	5,470
SME Retail	**6,093**	5,843	5,571
Sovereign	**206**	209	169
Bank	**236**	244	204
Residential mortgage	**7,044**	6,728	6,416
Other retail	**2,744**	2,679	2,946
Other assets	**5,811**	4,982	4,924
Total Risk Weighted Assets subject to Standardised approach	**36,989**	36,963	37,058
Securitisation	**1,567**	1,653	5,016
Credit valuation adjustment	**7,686**	7,712	8,126
Central counterparties	**896**	695	954
Total Risk Weighted Assets for Credit Risk Exposures	**334,957**	319,174	311,524
Traded market risk	**7,451**	6,335	6,466
Interest rate risk in the banking book	**17,511**	10,847	4,846
Operational risk	**32,743**	32,365	30,212
Total Risk Weighted Assets	**392,662**	368,721	353,048

(1) APRA requires RWA amounts derived from IRB risk weight functions to be multiplied by a factor of 1.06.

8. Share Capital

Shares on Issue	31 Dec 15 Number	30 Jun 15 Number	31 Dec 14 Number
	Half Year Ended		
Opening balance (excluding Treasury Shares deduction)	**1,627,592,713**	1,621,319,194	1,621,319,194
Dividend reinvestment plan issue:			
2014/2015 Interim dividend fully paid ordinary shares $91.26	**-**	6,273,519	-
2014/2015 final dividend fully paid ordinary shares $74.75	**8,790,794**	-	-
Equity raising (1)	**71,161,207**	-	-
Closing balance (excluding Treasury Shares deduction)	**1,707,544,714**	1,627,592,713	1,621,319,194
Less: Treasury Shares (2)	**(4,578,698)**	(4,654,277)	(4,898,558)
Closing balance	**1,702,966,016**	1,622,938,436	1,616,420,636

(1) During the period the Group undertook a capital raising through a Rights Issue to all shareholders. The accelerated institutional component of this Rights Issue closed on 13 August 2015 resulting in the issue of 28,897,186 shares on 26 August 2015. The retail entitlement component of this Rights Issue closed on 8 September 2015 resulting in the issue of 42,264,021 shares on 18 September 2015.

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

Dividend Franking Account

After fully franking the interim dividend to be paid for the half year, the amount of credits available at the 30% tax rate as at 31 December 2015 to frank dividends for subsequent financial years is $395 million (June 2015: $569 million; December 2014: $624 million). This figure is based on the franking accounts of the Bank at 31 December 2015, 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 2015.

Dividends

The Directors have declared a fully franked interim dividend of 198 cents per share amounting to $3,381 million. There is no foreign conduit income attributed to the final dividend. The dividend is scheduled to be paid on 31 March 2016 to shareholders on the register at 5:00pm AEDT on 18 February 2016.

The Board determines the dividends per share based on net profit after tax ("cash basis") per share, having regard to a range of factors including:

- Current and expected rates of business growth and the mix of business;
- Capital needs to support economic, regulatory and credit ratings requirements;
- Investments and/or divestments to support business development;
- Competitors comparison and market expectations; and
- Earnings per share growth.

Dividend Reinvestment Plan

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

Record Date

The register closed for determination of dividend entitlement at 5:00pm AEDT on 18 February 2016. The deadline for notifying participation in the DRP was 5:00pm AEDT on 19 February 2016.

Ex-Dividend Date

The ex-dividend date was 16 February 2016.

9. Intangible Assets

	As at		
	31 Dec 15	30 Jun 15	31 Dec 14
	$M	$M	$M
Goodwill			
Purchased goodwill at cost	**7,597**	7,599	7,576
Closing balance	**7,597**	7,599	7,576
Computer Software Costs			
Cost	**3,592**	3,359	3,112
Accumulated amortisation	**(1,409)**	(1,270)	(1,133)
Closing balance	**2,183**	2,089	1,979
Core Deposits (1)			
Cost	**495**	495	495
Accumulated amortisation	**(495)**	(461)	(425)
Closing balance	**-**	34	70
Brand Names (2)			
Cost	**190**	190	190
Accumulated amortisation	**(1)**	(1)	(1)
Closing balance	**189**	189	189
Other Intangibles (3)			
Cost	**154**	162	221
Accumulated amortisation	**(105)**	(103)	(154)
Closing balance	**49**	59	67
Total intangible assets	**10,018**	9,970	9,881

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

(2) Brand names predominantly represent the value of royalty costs foregone by the Group through acquiring the Bankwest brand name. The royalty costs that would have been incurred by an entity using the Bankwest brand name are based on an annual percentage of income generated by Bankwest. This asset 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. The asset 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 Count Financial Limited brand name ($4 million) that is amortised over the estimated useful life of 20 years.

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

Appendices

10. 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 not gained or lost control over any material entities during the half.

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

As at 31 December 2015	Ownership Interest Held (%)
AHL Holdings Pty Limited (1)	80%
Aegis Correctional Partnership Pty Limited	50%
Aegis Correctional Partnership Trust	50%
Aegis Securitisation Nominees Pty Limited	50%
Aegis Securitisation Trust	50%
equigroup Holdings Pty Limited	50%
First State Cinda Fund Management Company Limited	46%
BoCommLife Insurance Company Limited	38%
Countplus Limited	36%
Vipro Pty Limited	33%
Cardlink Services Limited	25%
Cash Services Australia Pty Limited	25%
Paymark Limited (2)	25%
Bank of Hangzhou Co., Ltd.	20%
Qilu Bank Co., Ltd.	20%
Vietnam International Commercial Joint Stock Bank	20%
Payments NZ Limited	19%
First State European Diversified Investment Fund	4%

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

(2) Formerly known as Electronic Transaction Services Limited.

Foreign Entities (Rule 4.2A.3 Item No. 8)

Not applicable.

Independent auditor's review report subject to a modified opinion, emphasis of matter or other matter (Rule 4.2A.3 Item No. 9)

Not applicable.

11. Profit Reconciliation

	Half Year Ended 31 December 2015						
	Net profit after tax "cash basis"	Hedging and IFRS volatility	Bankwest non-cash items [1]	Treasury shares valuation adjustment	Policyholder tax	Investment experience	Net profit after tax "statutory basis"
Profit Reconciliation	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Group							
Interest income	**16,787**	1	-	-	-	-	**16,788**
Interest expense	**(8,423)**	(2)	-	-	-	-	**(8,425)**
Net interest income	**8,364**	(1)	-	-	-	-	**8,363**
Other banking income	**2,479**	(212)	-	-	-	-	**2,267**
Total banking income	**10,843**	(213)	-	-	-	-	**10,630**
Funds management income	**1,032**	-	-	(10)	(11)	13	**1,024**
Insurance income	**487**	-	-	-	20	45	**552**
Total operating income	**12,362**	(213)	-	(10)	9	58	**12,206**
Investment experience	**58**	-	-	-	-	(58)	**-**
Total income	**12,420**	(213)	-	(10)	9	-	**12,206**
Operating expenses	**(5,216)**	-	(37)	-	-	-	**(5,253)**
Loan impairment expense	**(564)**	-	-	-	-	-	**(564)**
Net profit before tax	**6,640**	(213)	(37)	(10)	9	-	**6,389**
Corporate tax expense	**(1,825)**	62	11	1	(9)	-	**(1,760)**
Non-controlling interests	**(11)**	-	-	-	-	-	**(11)**
Net profit after tax	**4,804**	(151)	(26)	(9)	-	-	**4,618**

(1) Includes merger related amortisation through operating expense of $37 million and an income tax benefit of $11 million.

11. Profit Reconciliation (continued)

	Half Year Ended 30 June 2015						
	Net profit after tax "cash basis"	Hedging and IFRS volatility	Bankwest non-cash items [1]	Treasury shares valuation adjustment	Policyholder tax	Investment experience	Net profit after tax "statutory basis"
Profit Reconciliation	$M	$M	$M	$M	$M	$M	$M
Group							
Interest income	16,807	(2)	-	-	-	-	16,805
Interest expense [2]	(8,917)	1	-	-	-	-	(8,916)
Net interest income	7,890	(1)	-	-	-	-	7,889
Other banking income [2]	2,487	73	-	-	-	-	2,560
Total banking income	10,377	72	-	-	-	-	10,449
Funds management income	968	-	-	(4)	10	55	1,029
Insurance income	376	-	-	-	28	75	479
Total operating income	11,721	72	-	(4)	38	130	11,957
Investment experience	130	-	-	-	-	(130)	-
Total income	11,851	72	-	(4)	38	-	11,957
Operating expenses	(5,079)	-	(38)	-	-	-	(5,117)
Loan impairment expense	(548)	-	-	-	-	-	(548)
Net profit before tax	6,224	72	(38)	(4)	38	-	6,292
Corporate tax expense	(1,699)	(24)	12	(4)	(38)	-	(1,753)
Non-controlling interests	(11)	-	-	-	-	-	(11)
Net profit after tax	4,514	48	(26)	(8)	-	-	4,528

(1) Includes merger related amortisation through operating expense of $38 million, and an income tax benefit of $12 million.
(2) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.

11. Profit Reconciliation (continued)

	Half Year Ended 31 December 2014						
	Net profit after tax "cash basis"	Hedging and IFRS volatility	Bankwest non-cash items (1)	Treasury shares valuation adjustment	Policyholder tax	Investment experience	Net profit after tax "statutory basis"
Profit Reconciliation	$M	$M	$M	$M	$M	$M	$M
Group							
Interest income	17,297	(2)	-	-	-	-	17,295
Interest expense (2)	(9,422)	(1)	-	-	-	-	(9,423)
Net interest income	7,875	(3)	-	-	-	-	7,872
Other banking income (2)	2,386	(56)	-	-	-	-	2,330
Total banking income	10,261	(59)	-	-	-	-	10,202
Funds management income	970	-	-	(18)	11	11	974
Insurance income	416	-	-	-	50	69	535
Total operating income	11,647	(59)	-	(18)	61	80	11,711
Investment experience	80	-	-	-	-	(80)	-
Total income	11,727	(59)	-	(18)	61	-	11,711
Operating expenses	(4,914)	-	(37)	-	-	-	(4,951)
Loan impairment expense	(440)	-	-	-	-	-	(440)
Net profit before tax	6,373	(59)	(37)	(18)	61	-	6,320
Corporate tax expense	(1,740)	17	11	(2)	(61)	-	(1,775)
Non-controlling interests	(10)	-	-	-	-	-	(10)
Net profit after tax	4,623	(42)	(26)	(20)	-	-	4,535

(1) Includes merger related amortisation through operating expense of $37 million, and an income tax benefit of $11 million.
(2) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.

12. Analysis Template

Profit Summary - Input Schedule	Half Year Ended (1) 31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M
Net interest income	**8,364**	7,890	7,875
Other banking income	**2,479**	2,487	2,386
Total banking income	**10,843**	10,377	10,261
Funds management income	**1,032**	968	970
Insurance income	**487**	376	416
Total operating income	**12,362**	11,721	11,647
Investment experience	**58**	130	80
Total income	**12,420**	11,851	11,727
Operating Expenses			
Retail Banking Services	**(1,694)**	(1,654)	(1,622)
Business and Private Banking	**(742)**	(717)	(711)
Institutional Banking and Markets	**(534)**	(495)	(475)
Wealth Management	**(832)**	(943)	(783)
New Zealand	**(441)**	(441)	(420)
Bankwest	**(390)**	(389)	(398)
IFS and Other	**(583)**	(440)	(505)
Total operating expenses	**(5,216)**	(5,079)	(4,914)
Profit before loan impairment expense	**7,204**	6,772	6,813
Loan impairment expense	**(564)**	(548)	(440)
Net profit before income tax	**6,640**	6,224	6,373
Corporate tax expense	**(1,825)**	(1,699)	(1,740)
Operating profit after tax	**4,815**	4,525	4,633
Non-controlling interests	**(11)**	(11)	(10)
Net profit after tax ("cash basis")	**4,804**	4,514	4,623
Treasury shares valuation adjustment (after tax)	**(9)**	(8)	(20)
Hedging and IFRS volatility (after tax)	**(151)**	48	(42)
Bankwest non-cash items (after tax)	**(26)**	(26)	(26)
Net profit after tax ("statutory basis")	**4,618**	4,528	4,535
Total Operating Income			
Retail Banking Services	**5,160**	4,780	4,822
Business and Private Banking	**1,961**	1,851	1,867
Institutional Banking and Markets	**1,438**	1,372	1,430
Wealth Management (net of volume expenses)	**1,294**	1,158	1,191
New Zealand	**1,107**	1,073	1,043
Bankwest	**940**	930	944
IFS and Other	**462**	557	350

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.

12. Analysis Template (continued)

Profit Summary - Input Schedule	Half Year Ended [1] 31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M
Other Data			
Net interest income	**8,364**	7,890	7,875
Average interest earning assets	**805,916**	772,747	739,272
Average net assets [2]	**56,420**	52,012	50,190
Average non-controlling interests [2]	**558**	559	547
Average other equity instruments [2]	**939**	939	939
Average treasury shares [2]	**(302)**	(283)	(288)
Distributions - other equity instruments	**32**	28	24
Interest expense (after tax) - PERLS III	**10**	11	12
Interest expense (after tax) - PERLS V	**-**	-	19
Interest expense (after tax) - PERLS VI	**45**	45	48
Interest expense (after tax) - PERLS VII	**38**	40	21
Interest expense (after tax) - TPS	**-**	14	13
Interest expense (after tax) - Convertible notes	**-**	2	-
Weighted average number of shares - statutory basis (M)	**1,676**	1,629	1,626
Weighted average number of shares - statutory diluted (M)	**1,753**	1,715	1,709
Weighted average number of shares - cash basis (M)	**1,678**	1,631	1,628
Weighted average number of shares - cash diluted (M)	**1,755**	1,717	1,711
Weighted average number of shares - PERLS III (M)	**14**	14	14
Weighted average number of shares - PERLS V (M)	**-**	-	16
Weighted average number of shares - PERLS VI (M)	**24**	24	24
Weighted average number of shares - PERLS VII (M)	**36**	36	18
Weighted average number of shares - TPS (M)	**-**	9	9
Weighted average number of shares - Convertible notes (M)	**-**	2	1
Weighted average number of shares - Employee Share Plans (M)	**3**	1	1
Dividends per share (cents) - fully franked	**198**	222	198
No. of shares at end of period excluding Treasury Shares deduction (M)	**1,708**	1,628	1,621
Funds Under Administration (FUA) - average	**143,120**	143,052	133,584
Assets Under Management (AUM) - average	**203,603**	207,187	190,806
Average inforce premiums	**3,386**	3,332	3,234
Net assets	**59,847**	52,993	51,031
Total intangible assets	**10,018**	9,970	9,881
Non-controlling interests	**554**	562	556
Other equity instruments	**939**	939	939

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.
(2) Average of reporting period balances.

Appendices

12. Analysis Template (continued)

Ratios - Output Summary	Half Year Ended [1] 31 Dec 15 $M	30 Jun 15 $M	31 Dec 14 $M
Earnings Per Share (EPS)			
Net profit after tax - "cash basis"	**4,804**	4,514	4,623
Less distribution - other equity instruments	**(32)**	(28)	(24)
Adjusted profit for EPS calculation	**4,772**	4,486	4,599
Average number of shares (M) "cash basis"	**1,678**	1,631	1,628
Earnings Per Share basic - "cash basis" (cents) [2]	**284. 4**	275. 0	282. 5
Net profit after tax - "statutory basis"	**4,618**	4,528	4,535
Less distribution - other equity instruments	**(32)**	(28)	(24)
Adjusted profit for EPS calculation	**4,586**	4,500	4,511
Average number of shares (M) - "statutory basis"	**1,676**	1,629	1,626
Earnings Per Share basic - "statutory basis" (cents) [2]	**273. 6**	276. 2	277. 5
Interest expense (after tax) - PERLS III	**10**	11	12
Interest expense (after tax) - PERLS V	**-**	-	19
Interest expense (after tax) - PERLS VI	**45**	45	48
Interest expense (after tax) - PERLS VII	**38**	40	21
Interest expense (after tax) - TPS	**-**	14	13
Interest expense (after tax) - Convertible notes	**-**	2	-
Profit impact of assumed conversions (after tax)	**93**	112	113
Weighted average number of shares - PERLS III (M)	**14**	14	14
Weighted average number of shares - PERLS V (M)	**-**	-	16
Weighted average number of shares - PERLS VI (M)	**24**	24	24
Weighted average number of shares - PERLS VII (M)	**36**	36	18
Weighted average number of shares - TPS (M)	**-**	9	9
Weighted average number of shares - Convertible notes (M)	**-**	2	1
Weighted average number of shares - Employee Share Plans (M)	**3**	1	1
Weighted average number of shares - dilutive securities (M)	**77**	86	83
Adjusted cash profit for EPS calculation	**4,772**	4,486	4,599
Add back profit impact of assumed conversions (after tax)	**93**	112	113
Adjusted diluted profit for EPS calculation	**4,865**	4,598	4,712
Average number of shares (M) "cash basis"	**1,678**	1,631	1,628
Add back weighted average number of shares (M)	**77**	86	83
Diluted average number of shares (M)	**1,755**	1,717	1,711
Earnings Per Share diluted - "cash basis" (cents) [2]	**277. 2**	267. 8	275. 3
Adjusted profit for EPS calculation	**4,586**	4,500	4,511
Add back profit impact of assumed conversions (after tax)	**93**	112	113
Adjusted diluted profit for EPS calculation	**4,679**	4,612	4,624
Average number of shares (M) - "statutory basis"	**1,676**	1,629	1,626
Add back weighted average number of shares (M)	**77**	86	83
Diluted average number of shares (M)	**1,753**	1,715	1,709
Earnings Per Share diluted - "statutory basis" (cents) [2]	**266. 9**	269. 0	270. 6
Dividends Per Share (DPS)			
Dividends			
Dividends per share (cents) - fully franked	**198**	222	198
No. of shares at end of period excluding Treasury Shares deduction (M)	**1,708**	1,628	1,621
Total dividends	**3,381**	3,613	3,210
Dividend payout ratio - "cash basis"			
Net profit after tax - "cash basis"	**4,804**	4,514	4,623
Net profit after tax - attributable to ordinary shareholders	**4,772**	4,486	4,599
Total dividends	**3,381**	3,613	3,210
Payout ratio - "cash basis" (%)	**70. 8**	80. 5	69. 8
Dividend cover			
Net profit after tax - attributable to ordinary shareholders	**4,772**	4,486	4,599
Total dividends	**3,381**	3,613	3,210
Dividend cover - "cash basis" (times)	**1. 4**	1. 2	1. 4

(1) Comparative information has been restated to incorporate the bonus element of the rights issue in the weighted average number of ordinary shares. Refer to Appendix 16 to this Document for further details.
(2) EPS calculations are based on actual NPAT, interest expense, distributions and number of shares prior to rounding to the nearest million.

12. Analysis Template (continued)

	Half Year Ended		
	31 Dec 15	30 Jun 15	31 Dec 14
Ratios - Output Summary	$M	$M	$M
Return on Equity (ROE)			
Return on Equity - "cash basis"			
Average net assets	**56,420**	52,012	50,190
Less:			
Average non-controlling interests	**(558)**	(559)	(547)
Average other equity instruments	**(939)**	(939)	(939)
Average equity	**54,923**	50,514	48,704
Add average treasury shares	**302**	283	288
Net average equity	**55,225**	50,797	48,992
Net profit after tax - "cash basis"	**4,804**	4,514	4,623
Less distribution - other equity instruments	**(32)**	(28)	(24)
Adjusted profit for ROE calculation	**4,772**	4,486	4,599
ROE - "cash basis" (%)	**17. 2**	17. 8	18. 6
Return on Equity - "statutory basis"			
Average net assets	**56,420**	52,012	50,190
Average non-controlling interests	**(558)**	(559)	(547)
Average other equity interests	**(939)**	(939)	(939)
Average equity	**54,923**	50,514	48,704
Net profit after tax - "statutory basis"	**4,618**	4,528	4,535
Less distribution other equity instruments	**(32)**	(28)	(24)
Adjusted profit for ROE calculation	**4,586**	4,500	4,511
ROE - "statutory basis" (%)	**16. 6**	18. 0	18. 4
Net Tangible Assets per share			
Net assets	**59,847**	52,993	51,031
Less:			
Intangible assets	**(10,018)**	(9,970)	(9,881)
Non-controlling interests	**(554)**	(562)	(556)
Other equity instruments	**(939)**	(939)	(939)
Total net tangible assets	**48,336**	41,522	39,655
No. of shares at end of period excluding Treasury Shares deduction (M)	**1,708**	1,628	1,621
Net Tangible Assets per share ($)	**28. 30**	25. 50	24. 46

13. Summary

Group		Half Year Ended (1) 31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Net profit after tax - "cash basis"	$M	**4,804**	4,514	4,623	6	4
Treasury shares valuation adjustment (after tax)	$M	**(9)**	(8)	(20)	13	(55)
Hedging and IFRS volatility (after tax)	$M	**(151)**	48	(42)	large	large
Bankwest non-cash items (after tax)	$M	**(26)**	(26)	(26)	-	-
Net profit after tax - "statutory basis"	$M	**4,618**	4,528	4,535	2	2
Earnings per share basic - "cash basis"	cents	**284. 4**	275. 0	282. 5	3	1
Dividends per share (fully franked)	cents	**198**	222	198	(11)	-
Dividend payout ratio - "cash basis"	%	**70. 8**	80. 5	69. 8	large	100 bpts
Common Equity Tier 1 (APRA) - Basel III	%	**10. 2**	9. 1	9. 2	110 bpts	100 bpts
Leverage ratio (APRA) (2)	%	**5. 0**	n/a	n/a	n/a	n/a
Number of full time equivalent staff	No.	**45,221**	45,948	44,520	(2)	2
Return on equity - "cash basis"	%	**17. 2**	17. 8	18. 6	(60)bpts	(140)bpts
Return on equity - "statutory basis"	%	**16. 6**	18. 0	18. 4	(140)bpts	(180)bpts
Weighted average no. of shares - "statutory basis" - basic	M	**1,676**	1,629	1,626	3	3
Net tangible assets per share	$	**28. 30**	25. 50	24. 46	11	16
Net interest income - "cash basis"	$M	**8,364**	7,890	7,875	6	6
Net interest margin	%	**2. 06**	2. 06	2. 11	-	(5)bpts
Net interest margin excluding Treasury and Markets	%	**2. 04**	2. 04	2. 09	-	(5)bpts
Other banking income - "cash basis"	$M	**2,479**	2,487	2,386	-	4
Other banking income to total banking income - "cash basis"	%	**22. 9**	24. 0	23. 3	(110)bpts	(40)bpts
Operating expenses to total operating income - "cash basis"	%	**42. 2**	43. 3	42. 2	(110)bpts	-
Average interest earning assets	$M	**805,916**	772,747	739,272	4	9
Average interest bearing liabilities	$M	**762,221**	732,110	694,372	4	10
Loan impairment expense - "cash basis"	$M	**564**	548	440	3	28
Loan impairment expense - "cash basis" annualised as a % of average gross loans and acceptances	%	**0. 17**	0. 17	0. 14	-	3 bpts
Total provisions for impaired assets as a % of gross impaired assets	%	**37. 02**	35. 94	37. 02	108 bpts	-
Risk weighted assets (APRA) - Basel III	$M	**392,662**	368,721	353,048	6	11
Retail Banking Services						
Cash net profit after tax	$M	**2,215**	1,940	2,054	14	8
Operating expenses to total banking income - "cash basis"	%	**32.8**	34.6	33.6	(180)bpts	(80)bpts
Effective tax rate - "cash basis"	%	**29. 9**	29. 9	29. 9	-	-
Business and Private Banking						
Cash net profit after tax	$M	**803**	731	764	10	5
Operating expenses to total banking income - "cash basis"	%	**37.8**	38.7	38.1	(90)bpts	(30)bpts
Effective tax rate - "cash basis"	%	**30. 1**	30. 0	30. 1	10 bpts	-
Institutional Banking and Markets						
Cash net profit after tax	$M	**608**	636	649	(4)	(6)
Operating expenses to total banking income - "cash basis"	%	**37.1**	36.1	33.2	100 bpts	390 bpts
Effective tax rate - "cash basis"	%	**20. 4**	21. 2	24. 4	(80)bpts	(400)bpts

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.
(2) The Group commenced disclosure of its leverage ratio at 30 September 2015, thus no comparatives have been presented.

13. Summary (continued)

		Half Year Ended (1)				
		31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Wealth Management						
Cash net profit after tax	$M	**372**	304	349	22	7
Underlying profit after tax	$M	**331**	173	302	91	10
Investment experience after tax	$M	**41**	131	47	(69)	(13)
FUA - average	$M	**132,721**	132,991	124,659	-	6
FUA - spot	$M	**133,886**	131,903	128,109	2	5
AUM - average	$M	**199,294**	203,052	187,216	(2)	6
AUM - spot	$M	**195,248**	202,168	191,606	(3)	2
Annual inforce premiums - average	$M	**2,470**	2,424	2,345	2	5
Annual inforce premiums - spot	$M	**2,472**	2,467	2,381	-	4
Operating expenses to total operating income - "cash basis"	%	**64. 3**	81. 4	65. 7	large	(140)bpts
Effective tax rate - "cash basis"	%	**28. 4**	19. 5	26. 0	large	240 bpts
New Zealand						
Cash net profit after tax	$M	**463**	439	443	5	5
Underlying profit after tax	$M	**459**	437	439	5	5
FUA - average	$M	**10,399**	10,061	8,925	3	17
FUA - spot	$M	**11,004**	9,853	9,695	12	14
AUM - average	$M	**4,309**	4,135	3,590	4	20
AUM - spot	$M	**4,495**	3,976	3,918	13	15
Annual inforce premiums - average	$M	**664**	658	656	1	1
Annual inforce premiums - spot	$M	**688**	639	676	8	2
Operating expenses to total operating income - "cash basis" (2)	%	**39. 3**	40. 4	39. 9	(110)bpts	(60)bpts
Effective tax rate - "cash basis" (2)	%	**27. 0**	25. 0	25. 5	200 bpts	150 bpts
Bankwest						
Cash net profit after tax	$M	**396**	395	400	-	(1)
Operating expenses to total banking income - "cash basis"	%	**41. 5**	41. 8	42. 2	(30)bpts	(70)bpts
Effective tax rate - "cash basis"	%	**30. 0**	30. 1	30. 1	(10)bpts	(10)bpts

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 to this Document for further details.
(2) Key financial metrics are calculated in New Zealand dollar terms.

14. Foreign Exchange Rates

Exchange Rates Utilised (1)	Currency	As at 31 Dec 15	30 Jun 15	31 Dec 14
AUD 1.00 =	USD	**0. 7308**	0. 7681	0. 8188
	EUR	**0. 6688**	0. 6880	0. 6738
	GBP	**0. 4929**	0. 4893	0. 5262
	NZD	**1. 0660**	1. 1283	1. 0450
	JPY	**88. 0051**	94. 0578	98. 0111

(1) End of day, Sydney time

15. Definitions

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

16. Disclosure Changes

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

- **Re-segmentation and Allocations** – Minor refinements have been made to the allocation of customer balances and associated revenue and expenses between business segments, including updated transfer pricing allocations and realignment between Institutional Banking and Markets and Group Treasury.
- **ASB Interest Expense** – ASB's interest expense disclosure was changed to include the impact of hedging offshore debt, previously recognised in Other banking income.
- **Funds Under Administration (FUA)** – The Group amended its approach used to determine FUA to align with market convention.
- **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 bonus element of the rights issue.

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

Segment Statutory NPAT (impact by adjustment type)

	Half Year Ended 30 June 2015							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	IFS and Other $M	Group $M
Statutory NPAT - as published	1,875	716	615	295	532	348	147	**4,528**
Restatements:								
Re-segmentation and allocations	65	15	21	1	9	21	(132)	**-**
Statutory NPAT - as restated	**1,940**	**731**	**636**	**296**	**541**	**369**	**15**	**4,528**

	Half Year Ended 31 December 2014							
	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	1,992	743	653	327	376	352	92	**4,535**
Restatements:								
Re-segmentation and allocations	62	21	(4)	2	8	22	(111)	**-**
Statuory NPAT - as restated	**2,054**	**764**	**649**	**329**	**384**	**374**	**(19)**	**4,535**

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

	Half Year Ended 30 June 2015							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	IFS and Other $M	Group $M
Statutory NPAT - as published	1,875	716	615	295	532	348	147	**4,528**
Restatements:								
Increase/(decrease) in Total operating income	89	39	(13)	-	13	31	(159)	**-**
(Increase)/decrease in Operating expenses	4	(17)	43	-	-	(1)	(29)	**-**
Increase/(decrease) in Investment experience	-	-	-	2	-	-	(2)	**-**
(Increase)/decrease in Corporate tax expense	(28)	(7)	(9)	(1)	(4)	(9)	58	**-**
Statutory NPAT - as restated	**1,940**	**731**	**636**	**296**	**541**	**369**	**15**	**4,528**

16. Disclosure Changes (continued)

	Half Year Ended 31 December 2014							
	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	1,992	743	653	327	376	352	92	**4,535**
Restatements:								
Increase/(decrease) in Total operating income	76	43	(4)	-	11	32	(158)	**-**
(Increase)/decrease in Operating expenses	13	(14)	-	-	-	(1)	2	**-**
Increase/(decrease) in Investment experience	-	-	-	3	-	-	(3)	**-**
(Increase)/decrease in Corporate tax expense	(27)	(8)	-	(1)	(3)	(9)	48	**-**
Statutory NPAT - as restated	**2,054**	**764**	**649**	**329**	**384**	**374**	**(19)**	**4,535**

Group Performance Summary

Group Performance Summary	Half Year Ended 30 Jun 15 $M	31 Dec 14 $M
Net interest income	7,889	7,872
Other banking income	2,560	2,330
Total banking income	**10,449**	**10,202**
Funds management income	1,029	974
Insurance income	479	535
Total income	**11,957**	**11,711**
Operating expenses	(5,117)	(4,951)
Loan impairment expense	(548)	(440)
Net profit before tax	**6,292**	**6,320**
Corporate tax expense	(1,753)	(1,775)
Non controlling interests	(11)	(10)
Net profit after tax ("statutory basis")	**4,528**	**4,535**
Represented by:		
Retail Banking Services	1,940	2,054
Business and Private Banking	731	764
Institutional Banking and Markets	636	649
Wealth Management	296	329
New Zealand	541	384
Bankwest	369	374
IFS and Other	15	(19)
Net profit after tax ("underlying basis")	**4,528**	**4,535**

16. Disclosure Changes (continued)

	As at 30 June 2015							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	IFS and Other $M	Group $M
Total Assets - as published	310,313	98,392	181,919	20,792	69,608	79,141	113,281	**873,446**
Increase/(decrease)	(770)	598	(16,956)	-	-	348	16,780	**-**
Total Assets - as restated	**309,543**	**98,990**	**164,963**	**20,792**	**69,608**	**79,489**	**130,061**	**873,446**
Total Liabilities - as published	221,018	71,138	162,054	24,652	62,488	49,499	229,604	**820,453**
Increase/(decrease)	932	(32)	(18,893)	3	-	-	17,990	**-**
Total Liabilities - as restated	**221,950**	**71,106**	**143,161**	**24,655**	**62,488**	**49,499**	**247,594**	**820,453**

	As at 31 December 2014							
	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	299,926	95,444	179,636	20,475	69,842	77,491	107,900	**850,714**
Increase/(decrease)	(948)	620	(18,772)	-	-	350	18,750	**-**
Total Assets - as restated	**298,978**	**96,064**	**160,864**	**20,475**	**69,842**	**77,841**	**126,650**	**850,714**
Total Liabilities - as published	216,477	66,406	157,113	24,192	62,509	46,683	226,303	**799,683**
Increase/(decrease)	(904)	768	(22,630)	5	-	-	22,761	**-**
Total Liabilities - as restated	**215,573**	**67,174**	**134,483**	**24,197**	**62,509**	**46,683**	**249,064**	**799,683**

16. Disclosure Changes (continued)

Balance Sheet Product Reclassification

Total Group Assets and Liabilities	As Published 30 Jun 15 $M	As Restated 30 Jun 15 $M	As Published 31 Dec 14 $M	As Restated 31 Dec 14 $M
Interest earning assets				
Home loans	422,851	422,851	411,305	411,305
Consumer finance	23,497	23,497	23,706	23,706
Business and corporate loans	198,476	198,476	191,203	191,203
Loans, bills discounted and other receivables	644,824	644,824	626,214	626,214
Non-lending interest earning assets	136,643	138,166	127,312	128,620
Total interest earning assets	781,467	782,990	753,526	754,834
Other assets	91,979	90,456	97,188	95,880
Total assets	873,446	873,446	850,714	850,714
Interest bearing liabilities				
Transaction deposits	90,589	89,360	81,866	80,758
Savings deposits	176,497	176,497	163,477	163,477
Investment deposits	195,065	195,065	197,569	197,569
Other demand deposits	67,074	67,074	65,867	65,867
Total interest bearing liabilities	529,225	527,996	508,779	507,671
Debt issues	156,372	156,372	155,275	155,275
Other interest bearing liabilities	57,523	57,523	52,638	52,638
Total interest bearing liabilities	743,120	741,891	716,692	715,584
Non-interest bearing liabilities	77,333	78,562	82,991	84,099
Total liabilities	820,453	820,453	799,683	799,683

Segment Cost to Income Ratios

	Half Year Ended 30 June 2015							
	Retail Banking Services %	Business and Private Banking %	Institutional Banking and Markets %	Wealth Management %	New Zealand %	Bankwest %	IFS and Other %	Group %
Statutory operating expenses to total operating income - as published	35. 3	38. 6	38. 8	72. 6	34. 8	47. 4	n/a	**42. 8**
Statutory operating expenses to total operating income - as restated	34. 6	38. 7	36. 1	72. 6	40. 6	45. 9	n/a	**42. 8**

	Half Year Ended 31 December 2014							
	Retail Banking Services %	Business and Private Banking %	Institutional Banking and Markets %	Wealth Management %	New Zealand %	Bankwest %	IFS and Other %	Group %
Statutory operating expenses to total operating income - as published	34. 5	38. 2	33. 1	60. 4	43. 9	47. 6	n/a	**42. 3**
Statutory operating expenses to total operating income - as restated	33. 6	38. 1	33. 2	60. 4	38. 4	46. 1	n/a	**42. 3**

17. Euro-zone Exposures

This table includes exposures to Euro-zone countries that are currently experiencing significant economic, fiscal and/or political strains such that likelihood of default would be higher than would be anticipated when such factors do not exist.

The exposures below are represented gross unless cash collateral has been pledged which is the case for derivative exposures, where collateral agreements exist.

Of the total exposures to these countries, $224 million is committed and undrawn, however the remaining exposures are 100% funded.

The Group continues to monitor these exposures and notes that, due to their size and associated security, they are not considered significant to the Group as a whole.

	As at 31 December 2015			
	Sovereign	Non Sovereign Exposure		Total
	Exposure	Bank	Corporate/Other	Exposure
Financial Instrument	$M	$M	$M	$M
Italy				
Loans and Leases	-	30	-	30
Available for Sale Assets	-	-	-	-
Derivative Assets	-	3	17	20
	-	33	17	50
Spain				
Loans and Leases	-	-	187	187
Off Balance Sheet	-	17	-	17
Derivative Assets	-	5	23	28
	-	22	210	232
Ireland				
Loans and Leases	-	-	1,096	1,096
Off Balance Sheet	-	-	31	31
Derivative Assets	-	-	135	135
	-	-	1,262	1,262
Total Exposure	-	55	1,489	1,544

18. Independent Auditors

With respect to the unaudited financial information contained in the half-year financial report of Commonwealth Bank of Australia which comprises the balance sheet, the income statement, the statement of comprehensive income, statement of changes in equity, statement of cash flows and related notes for the six-month periods ended 31 December 2015, 30 June 2015, and 31 December 2014, 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 9 February 2016 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.