

# PROFIT ANNOUNCEMENT

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

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**WHEN  
WE BELIEVE,  
WE CAN.**

## ASX Appendix 4D

### Results for announcement to the market <sup>(1)</sup>

#### Report for the half year ended 31 December 2015

	<b>\$M</b>	
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%
<b>Dividends (distributions)</b>		
Interim dividend - fully franked (cents per share)		198
<b>Record date for determining entitlements to the dividend</b>		18 February 2016

(1) Rule 4.2A.3.

This half year report is provided to the ASX under Rule 4.2A. Refer to Appendix 10 ASX Appendix 4D for disclosures required under ASX Listing Rules.

This report should be read in conjunction with the 30 June 2015 Annual Financial Report of the Commonwealth Bank of Australia and any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

#### Important dates for shareholders

Half year results announcement	10 February 2016
Ex-dividend date	16 February 2016
Record date	18 February 2016
Interim dividend payment date	31 March 2016

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Except where otherwise stated, all figures 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.

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# MEDIA RELEASE



## Operating momentum across all divisions, cash earnings up 4 per cent

### Interim Result Highlights

Half year to 31 December 2015. Unless otherwise indicated, all comparisons are to prior comparative period.<sup>1</sup>

- Cash NPAT of \$4,804 million – up 4 per cent;<sup>2</sup>
- Statutory NPAT of \$4,618 million – up 2 per cent;<sup>3</sup>
- Operating income of \$12,362 million – up 6 per cent;
- Fully franked interim dividend of \$1.98;
- Return on Equity (cash basis) of 17.2 per cent;
- Strengthened capital position – Basel III Common Equity Tier 1 (CET1) (APRA)<sup>4</sup> of 10.2 per cent; and CET1 (Internationally Comparable)<sup>5</sup> of 14.3 per cent; and
- Customer deposits up 9 per cent to \$500 billion, representing 64 per cent of funding.

**Sydney, Wednesday, 10 February 2016:** The Commonwealth Bank of Australia's (the Group's) statutory net profit after tax (NPAT) for the half year ended 31 December 2015 was \$4,618 million, a 2 per cent increase on the prior comparative period ('pcp'). Cash NPAT for the half was \$4,804 million, an increase of 4 per cent.

The Board declared an interim dividend of \$1.98 per share, unchanged from the 2015 interim dividend. The dividend payout ratio is 70.8 per cent of cash NPAT. The interim dividend, which will be fully franked, will be paid on 31 March 2016. The ex-dividend date is 16 February 2016. The Dividend Reinvestment Plan (DRP) will continue to operate, but no discount will be applied to shares issued under the plan for this dividend. The Group is also considering the issue of a Tier 1 capital instrument to replace PERLS III should markets be receptive.

Commenting on the result, Group Chief Executive Officer, Ian Narev said: "Our focus on customers has continued during this period to benefit the people, businesses and communities we exist to serve. Our people remain the key to our on-going success. As a result of their efforts, we ranked outright number one for retail customer satisfaction in the half, and equal first for business customer satisfaction."

"Customer satisfaction has again led to volume growth across our businesses. Operating income grew 6 per cent during this period, with all businesses contributing. This consistency of income, combined with our focus on long-term productivity, sustains our commitment to keep investing in our customer-focused strategy. We will continue to invest to ensure that our strong franchise remains competitive in the future."

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“In addition to investing in our people, we have prioritised investment in technology and innovation to make life easier for our customers in a banking environment that is increasingly digital and mobile. Though many of our investments are future-focused, we have already seen strong uptake of our digital wallet and mobile offerings such as Cardless Cash and Tap & Pay, and of new CommBank app services including portfolio view, loyalty card storage and tailored merchant offers. In the first half we also invested in cyber security, blockchain and quantum computing, with an eye to building leading-edge technologies, platforms and skills for the future.”

Mr Narev also emphasised the importance of balance sheet strength. “All our stakeholders rely on 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, and positions us even higher in the top quartile of banks internationally. Our liquidity, funding and provisioning positions are similarly strong.”

On the economic outlook, Mr Narev commented, “These results show that through the latter part of 2015, the Australian economy continued its steady transition from a resource-dependent economy to a more diversified one. Sound monetary policy and a lower Australian dollar are stimulating construction and 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 also have one of the strongest financial systems in the world, to underpin economic growth. With the Financial System Inquiry now concluded, all political, regulatory and industry participants need to be forward-looking and build on this 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 wellbeing of people, businesses and communities.”

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## First half 2016 result in detail

### Operating performance, earnings

Net interest income increased 6 per cent on pcp, reflecting 9 per cent growth in average interest earning assets. This was driven by solid volume growth and revenue momentum across the business. Group transaction balances grew 21 per cent and above-system growth was achieved in household deposits (up 10.6 per cent) and business lending (up 6.8 per cent, excluding Bankwest). A balanced approach to margin over volume in home lending produced growth of 6.5 per cent, slightly below system. ASB saw 12 per cent growth in business and rural balances. Overall, net interest margin was flat on the prior half at 2.06 per cent.

Other banking income increased 4 per cent, due to higher profits from associates and solid growth in fees and commissions, partly offset by derivative valuation adjustments.

Growth in insurance and funds management income of 17 per cent and 6 per cent, respectively, led to a 10 per cent increase in underlying profit after tax for the Wealth Management division.

Ongoing investment spend, inflation and unfavourable foreign exchange movements resulted in a 6.1 per cent increase in total operating expenses. On an underlying basis, expenses grew 3.8 per cent as a result of cost discipline in business units. Total investment spend increased 14 per cent, with the majority earmarked for productivity and growth initiatives.

Loan impairment expense increased 3 per cent on the prior half to \$564 million, and the loan loss ratio remained stable at 17bpts.

Cash net profit after tax (NPAT) increased 4 per cent to \$4,804 million, 6 per cent higher on the prior half.

### Dividend, returns

In declaring a fully franked dividend of \$1.98, a dividend payout ratio of 70.8 per cent, the Board considered the long-term sustainability of the dividend and maximising utilisation of franking credits. The dividend is unchanged from the prior corresponding period.

Return on equity was 17.2 per cent, down 140bpts, due to the increased equity base post the \$5.1 billion capital raising.

### Balance sheet strength, capital, funding, liquidity, provisioning

The Group's balance sheet and conservative positions on capital, funding and liquidity have been strengthened in the first half.

Basel III Common Equity Tier 1 (CET1) capital increased 100bpts to 10.2 per cent on an APRA basis (14.3 per cent on an internationally comparable basis), reflecting organic capital growth and the proceeds of the rights issue. This puts the Group in the top quartile of banks globally for capital adequacy.

Growth in customer deposits of 9 per cent to \$500 billion increased deposit funding to 64 per cent of total funding, up 1 per cent.

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The Group's liquidity coverage ratio increased to 123 per cent as at 31 December 2015, up from 120 per cent at the end of the prior half, with the Group continuing to benefit from a strong position in more stable deposits.

Provisioning levels remain prudent and there has been no change to the economic overlay.

## Customer-focused strategy

Continued focus on the customer has translated through to further improvements in customer satisfaction rankings. The Retail Bank was outright number one in the Roy Morgan Research Retail Main Financial Institution (MFI) Customer Satisfaction survey throughout the six months ended December 2015; and our share of MFI was 34.1 per cent, compared to 19.4 per cent for the closest peer bank. We also ranked equal first for business customer satisfaction in the DBM Business Financial Services MFI Monitor.

## Innovation and technology

Strong uptake of digital and mobile services in the half shows the benefit of consistent innovation and investment in these areas. Tap & Pay card numbers have more than doubled on the prior half, Cardless Cash transactions grew 96 per cent, and the value of transactions via the CommBank app was up 27 per cent. The volume of transfers via mobile now exceeds BPAY volumes through Netbank. We are also seeing customers increasingly turn to mobile for product purchases with mobile now accounting for 40 per cent of Retail Banking Services sales.

In the half we made additional future-focused investments in technology and skills. We provided \$10 million to help Australian researchers build the world's first silicon-based quantum computer, and committed \$1.6 million to develop a centre of expertise for cyber security education with the University of New South Wales. We launched a series of blockchain workshops for industry and regulators, and are collaborating with other international banks on blockchain trials.

The objective of our investment in innovation is to deliver customer value through world-class technology and operations.

## For further information:

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## Key financial information

	Half year ended				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
<b>Group performance summary</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>		
Total banking income	10,843	10,377	10,261	4	6
Funds management income	1,032	968	970	7	6
Insurance income	487	376	416	30	17
<b>Total operating income</b>	<b>12,362</b>	<b>11,721</b>	<b>11,647</b>	<b>5</b>	<b>6</b>
Investment experience	58	130	80	(55)	(28)
<b>Total income</b>	<b>12,420</b>	<b>11,851</b>	<b>11,727</b>	<b>5</b>	<b>6</b>
Operating expenses	(5,216)	(5,079)	(4,914)	3	6
Loan impairment expense	(564)	(548)	(440)	3	28
<b>Net profit before tax</b>	<b>6,640</b>	<b>6,224</b>	<b>6,373</b>	<b>7</b>	<b>4</b>
<b>Net profit after income tax (cash basis)<sup>2</sup></b>	<b>4,804</b>	<b>4,514</b>	<b>4,623</b>	<b>6</b>	<b>4</b>
<b>Net profit after income tax (statutory basis)<sup>3</sup></b>	<b>4,618</b>	<b>4,528</b>	<b>4,535</b>	<b>2</b>	<b>2</b>

	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
<b>Cash net profit after tax, by division</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>		
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	372	304	349	22	7
New Zealand	463	439	443	5	5
Bankwest	396	395	400	-	(1)
IFS and Other	(53)	69	(36)	large	47

	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
<b>Shareholder ratios &amp; performance indicators</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>		
<b>Key Shareholder Ratios</b>					
Earnings per share (cents) - cash basis - basic	284. 4	275. 0	282. 5	3	1
Return on equity (%) - cash basis	17. 2	17. 8	18. 6	(60)bpts	(140)bpts
Return on assets (%) - cash basis	1. 1	1. 1	1. 1	-	10 bpts
Dividend per share (cents) - fully franked	198	222	198	(11)	-
Dividend payout ratio (%) - cash basis	70. 8	80. 5	69. 8	large	100bpts
Average interest earning assets (\$M)	805,916	772,747	739,272	4	9
Funds Under Administration - average (\$M)	143,120	143,052	133,584	-	7
Assets Under Management - average (\$M)	203,603	207,187	190,806	(2)	7
Net interest margin (%)	2. 06	2. 06	2. 11	-	(5)bpts
Operating expenses to operating income (%)	42. 2	43. 3	42. 2	(110)bpts	-

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## Explanatory notes:

<sup>1</sup> 'Prior comparative period' refers to the half year ended 31 December 2014. 'Prior half' refers to the half year ended 30 June 2015. Comparative information has been restated to conform to presentation in the current period.

<sup>2</sup> Net profit after income tax (cash basis) is used by management to present 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. Excluded items include hedging and IFRS volatility, Bankwest non-cash items and Treasury shares valuation adjustment. For a complete explanation of, and reconciliation between cash and statutory NPAT, refer to pages 3 and 15 of the Group's Profit Announcement for the half-year ended 31 December 2015, available at: [www.commbank.com.au/shareholders](http://www.commbank.com.au/shareholders).

<sup>3</sup> Net profit after income tax (statutory basis) is prepared and reviewed in accordance with the Corporations Act 2001 and the Australian Accounting Standards, which comply with International Financial Reporting Standards (IFRS).

<sup>4</sup> The Australian Prudential Regulatory Authority (APRA) requires a minimum CET1 ratio of 4.5%, a CET1 capital conservation buffer of 2.5% of risk weighted assets, a Domestic Systemically Important Bank (DSIB) requirement of 1%, plus a countercyclical capital buffer currently set at 0%, bringing the CET1 requirement for the Group to at least 8%.

<sup>5</sup> Analysis aligns with APRA's Information Paper, "International capital comparison study", dated 13 July 2015.

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# Highlights

## Group Performance Highlights

	Half Year Ended ("statutory basis")	
	Dec 15 vs	
	31 Dec 15	Dec 14 %
Net profit after tax (\$M)	4,618	2
Return on equity (%)	16.6	(180)bpts
Earnings per share - basic (cents)	273.6	(1)
Dividends per share (cents)	198	-

	Half Year Ended ("cash basis")				
	Dec 15 vs		Dec 15 vs		
	31 Dec 15	30 Jun 15	31 Dec 14	Jun 15 %	
	4,804	4,514	4,623	6	4
	17.2	17.8	18.6	(60)bpts	(140)bpts
	284.4	275.0	282.5	3	1
	198	222	198	(11)	-

### 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% and 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 International Financial Reporting Standards (IFRS). The cash basis is used by management to present 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 list of items excluded from statutory profit is provided in the reconciliation of the Net profit after tax ("cash basis") on page 3 and described in greater detail on page 15.

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 IFS. 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. Cash earnings per share 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, ahead of the APRA requirement to hold additional capital with respect to Australian residential

mortgages effective from 1 July 2016. This capital raising places the Group in a strong position both domestically and on an internationally comparable basis. As at 31 December 2015, the Basel III Common Equity Tier 1 (CET1) ratio was 14.3% on an internationally comparable basis and 10.2% on an APRA basis.

### Funding

The Group continued 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.

### 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 paid on 31 March 2016 to owners of ordinary shares at the close of business on 18 February 2016 (record date). Shares will be quoted ex-dividend on 16 February 2016.

### Outlook

All our stakeholders rely on 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, and positions us even higher in the top quartile of banks internationally. Our liquidity, funding and provisioning positions are similarly strong.

These results show that through the latter part of 2015, the Australian economy continued its steady transition from a resource-dependent economy to a more diversified one. Sound monetary policy and a lower Australian dollar are stimulating construction and 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 also have one of the strongest financial systems in the world, to underpin economic growth. With the Financial System Inquiry now concluded, all political, regulatory and industry participants need to be forward-looking and build on this prevailing strength of our economy.

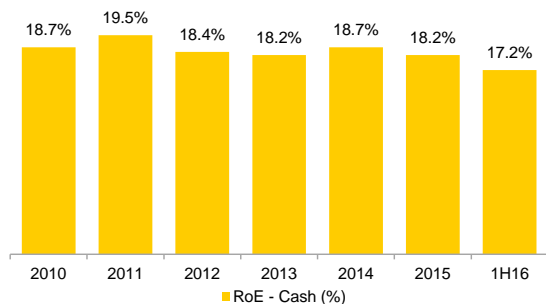
At CBA, we will also maintain a long-term focus. We are confident that our long-term strategy remains the right one. We are intensely focused on our vision to secure and enhance the financial wellbeing of individuals, businesses and communities.

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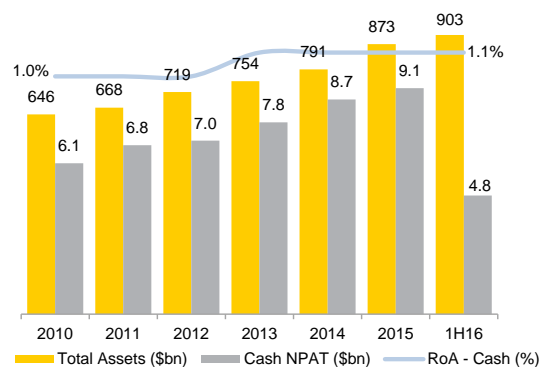
Group Performance Summary	Half Year Ended ("cash basis")					Half Year Ended ("statutory basis")	
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %	31 Dec 15	Dec 15 vs Dec 14 %
	\$M	\$M	\$M			\$M	
Net interest income <sup>(1)</sup>	8,364	7,890	7,875	6	6	8,363	6
Other banking income <sup>(1)</sup>	2,479	2,487	2,386	-	4	2,267	(3)
<b>Total banking income</b>	<b>10,843</b>	<b>10,377</b>	<b>10,261</b>	<b>4</b>	<b>6</b>	<b>10,630</b>	<b>4</b>
Funds management income	1,032	968	970	7	6	1,024	5
Insurance income	487	376	416	30	17	552	3
<b>Total operating income</b>	<b>12,362</b>	<b>11,721</b>	<b>11,647</b>	<b>5</b>	<b>6</b>	<b>12,206</b>	<b>4</b>
Investment experience	58	130	80	(55)	(28)	-	n/a
<b>Total income</b>	<b>12,420</b>	<b>11,851</b>	<b>11,727</b>	<b>5</b>	<b>6</b>	<b>12,206</b>	<b>4</b>
Operating expenses	(5,216)	(5,079)	(4,914)	3	6	(5,253)	6
Loan impairment expense	(564)	(548)	(440)	3	28	(564)	28
<b>Net profit before tax</b>	<b>6,640</b>	<b>6,224</b>	<b>6,373</b>	<b>7</b>	<b>4</b>	<b>6,389</b>	<b>1</b>
Corporate tax expense <sup>(2)</sup>	(1,825)	(1,699)	(1,740)	7	5	(1,760)	(1)
Non-controlling interests <sup>(3)</sup>	(11)	(11)	(10)	-	10	(11)	10
<b>Net profit after tax ("cash basis")</b>	<b>4,804</b>	<b>4,514</b>	<b>4,623</b>	<b>6</b>	<b>4</b>	<b>n/a</b>	<b>n/a</b>
Hedging and IFRS volatility <sup>(4)</sup>	(151)	48	(42)	large	large	n/a	n/a
Other non-cash items <sup>(4)</sup>	(35)	(34)	(46)	3	(24)	n/a	n/a
<b>Net profit after tax ("statutory basis")</b>	<b>4,618</b>	<b>4,528</b>	<b>4,535</b>	<b>2</b>	<b>2</b>	<b>4,618</b>	<b>2</b>
<b>Represented by: <sup>(1)</sup></b>							
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	372	304	349	22	7		
New Zealand	463	439	443	5	5		
Bankwest	396	395	400	-	(1)		
IFS and Other	(53)	69	(36)	large	47		
<b>Net profit after tax ("cash basis")</b>	<b>4,804</b>	<b>4,514</b>	<b>4,623</b>	<b>6</b>	<b>4</b>		
Investment experience - after tax	(44)	(93)	(57)	(53)	(23)		
<b>Net profit after tax ("underlying basis")</b>	<b>4,760</b>	<b>4,421</b>	<b>4,566</b>	<b>8</b>	<b>4</b>		

- (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 a component of ASB's interest expense.
- (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 page 15 for details.

### Group Return on Equity



### Group Return on Assets



# Highlights

Key Performance Indicators	Half Year Ended <sup>(1)</sup>			Dec 15 vs	Dec 15 vs
	31 Dec 15	30 Jun 15	31 Dec 14	Jun 15 %	Dec 14 %
<b>Group</b>					
Statutory net profit after tax (\$M)	4,618	4,528	4,535	2	2
Cash net profit after tax (\$M)	4,804	4,514	4,623	6	4
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
Operating expenses to total operating income (%)	42.2	43.3	42.2	(110)bpts	-
Effective corporate tax rate ("cash basis") (%)	27.5	27.3	27.3	20 bpts	20 bpts
<b>Retail Banking Services</b>					
Cash net profit after tax (\$M)	2,215	1,940	2,054	14	8
Operating expenses to total banking income (%)	32.8	34.6	33.6	(180)bpts	(80)bpts
<b>Business and Private Banking</b>					
Cash net profit after tax (\$M)	803	731	764	10	5
Operating expenses to total banking income (%)	37.8	38.7	38.1	(90)bpts	(30)bpts
<b>Institutional Banking and Markets</b>					
Cash net profit after tax (\$M)	608	636	649	(4)	(6)
Operating expenses to total banking income (%)	37.1	36.1	33.2	100 bpts	390 bpts
<b>Wealth Management</b>					
Cash net profit after tax (\$M)	372	304	349	22	7
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
Operating expenses to total operating income (%)	64.3	81.4	65.7	large	(140)bpts
<b>New Zealand</b>					
Cash net profit after tax (\$M)	463	439	443	5	5
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
Operating expenses to total operating income (%) <sup>(2)</sup>	39.3	40.4	39.9	(110)bpts	(60)bpts
<b>Bankwest</b>					
Cash net profit after tax (\$M)	396	395	400	-	(1)
Operating expenses to total banking income (%)	41.5	41.8	42.2	(30)bpts	(70)bpts
<b>Capital (Basel III)</b>					
Common Equity Tier 1 (Internationally Comparable) (%) <sup>(3)</sup>	14.3	12.7	n/a	160 bpts	n/a
Common Equity Tier 1 (APRA) (%)	10.2	9.1	9.2	110 bpts	100 bpts
<b>Leverage Ratio (Basel III) <sup>(4)</sup></b>					
Leverage Ratio (Internationally Comparable) (%) <sup>(5)</sup>	5.6	n/a	n/a	n/a	n/a
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 a component of ASB's interest expense.

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

(3) Analysis aligns with the 13 July 2015 APRA study titled "International capital comparison study".

(4) 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.

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

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 - cash (times)	1.4	1.2	1.4	17	-
Earnings Per Share (EPS) (cents) <sup>(1) (2)</sup>					
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 (%) <sup>(2)</sup>					
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) <sup>(1) (2) (3)</sup>	1,676	1,629	1,626	3	3
Weighted average no. of shares - "cash basis" - basic (M) <sup>(1) (2) (3)</sup>	1,678	1,631	1,628	3	3
Return on equity - "statutory basis" (%) <sup>(2)</sup>	16.6	18.0	18.4	(140)bpts	(180)bpts
Return on equity - "cash basis" (%) <sup>(2)</sup>	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 <sup>(1)</sup>	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 <sup>(2)</sup>	24.4	24.3	25.1	10 bpts	(70)bpts
Other household lending <sup>(3)</sup>	16.6	16.3	16.6	30 bpts	-
Household deposits <sup>(4)</sup>	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 <sup>(5)</sup>	16.0	16.0	16.1	-	(10)bpts
FirstChoice Platform <sup>(5)</sup>	11.3	11.3	11.4	-	(10)bpts
Australia life insurance (total risk) <sup>(5)</sup>	11.8	12.1	11.9	(30)bpts	(10)bpts
Australia life insurance (individual risk) <sup>(5)</sup>	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 <sup>(6)</sup>	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

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## Contents

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# Group Performance Analysis

## Financial Performance and Business Review

### December 2015 versus December 2014

The Group's net profit after tax ("cash basis") 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, whilst return on equity ("cash basis") decreased 140 basis points on the prior comparative period to 17.2%.

The key components of the Group result were:

- **Net interest income** increased 6% to \$8,364 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** increased 4% to \$2,479 million, including a 2% benefit from the lower Australian dollar, increased share of profits from associates, and solid growth in fees and commissions, partly offset by unfavourable derivative valuation adjustments;
- **Funds management income** increased 6% to \$1,032 million, including a 5% benefit from the lower Australian dollar. This reflects a 7% increase in average Funds Under Administration (FUA), a 7% increase in average Assets Under Management (AUM), and improved AUM margins, partly offset by lower FUA margins;
- **Insurance income** increased 17% to \$487 million, 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% to \$5,216 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% to \$564 million, due to higher provisioning predominately in Retail Banking Services, Institutional Banking and Markets, and IFS from a low base.

### December 2015 versus June 2015

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

Earnings per share ("cash basis") increased 3% on the prior half to 284.4 cents per share, whilst return on equity ("cash basis") decreased 60 basis points to 17.2%.

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

- **Net interest income** increased 6%, 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** was flat, with solid growth in fees and commissions, offset by lower gain on sale of investments;
- **Funds management income** increased 7%, including a 2% benefit from the lower Australian dollar. This reflects flat average FUA with improved FUA margins, partly offset by a 2% decrease in average AUM and lower AUM margins;
- **Insurance income** increased 30%, due to a 2% increase in average inforce premiums, significantly lower event claims and repricing;
- **Operating expenses** increased 3%, 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%, reflecting higher collective provisioning and lower write-backs in Institutional Banking and Markets, partly offset by seasonally lower arrears in Retail Banking Services.

## 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 %
<b>Net interest income - "cash basis" <sup>(1)</sup></b>	<b>8,364</b>	7,890	7,875	6	6
<b>Average interest earning assets</b>					
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 <sup>(1)</sup>	144,943	136,746	126,435	6	15
<b>Total average interest earning assets <sup>(1)</sup></b>	<b>805,916</b>	772,747	739,272	4	9
Net interest margin (%) <sup>(1)</sup>	2.06	2.06	2.11	-	(5)bpts
Net interest margin excluding Treasury and Markets (%) <sup>(1)</sup>	2.04	2.04	2.09	-	(5)bpts

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

### December 2015 versus December 2014 <sup>(1)</sup>

Net interest income increased 6% on the prior comparative period to \$8,364 million. The result was driven by growth in average interest earning assets of 9%, 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

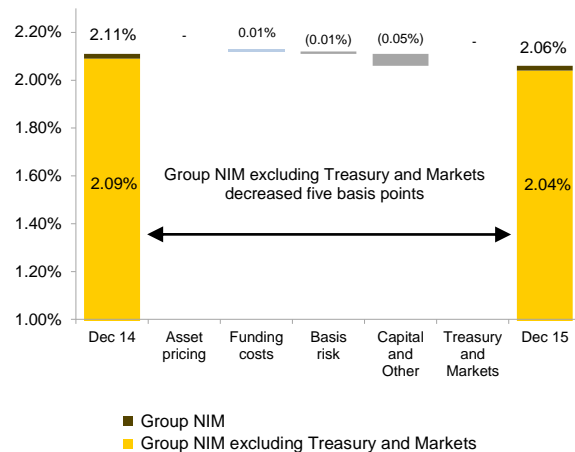
The Group's net interest margin decreased five basis points on the prior comparative period to 2.06%. The key drivers of the movement were:

**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.

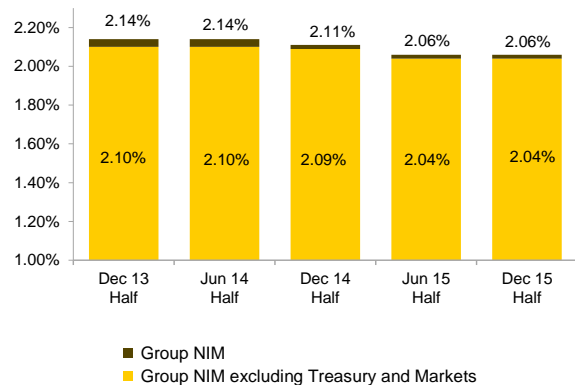
**Basis risk:** Basis risk arises from funding assets which are priced relative to the cash rate with liabilities priced relative to the bank bill swap rate. The margin decreased one basis point as a result of an increase in the spread between the cash rate and the bank bill swap rate during the period.

**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 <sup>(1)</sup>



### Group NIM (Half Year Ended) <sup>(1)</sup>



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

# Group Performance Analysis

## Net Interest Income (continued)

### December 2015 versus June 2015

Net interest income 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.

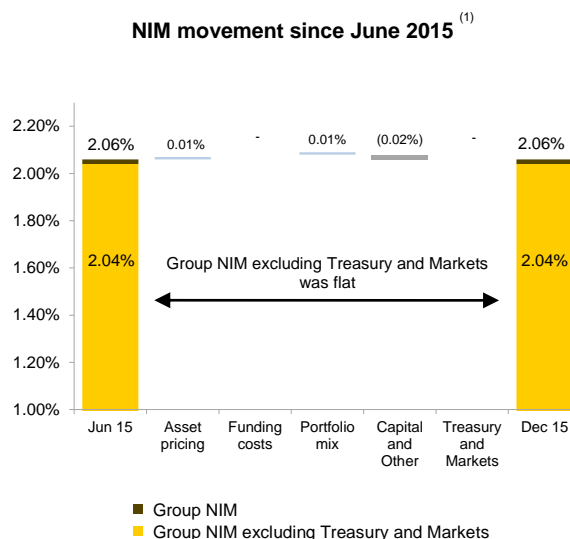
### Net Interest Margin

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 free equity funding, and a lower contribution from New Zealand.



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

## 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 <sup>(1)</sup>	496	510	529	(3)	(6)
Other income	262	356	202	(26)	30
<b>Other banking income - "cash basis" <sup>(1)</sup></b>	<b>2,479</b>	<b>2,487</b>	<b>2,386</b>	<b>-</b>	<b>4</b>

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

### December 2015 versus December 2014

Other banking income increased 4% on the prior comparative period to \$2,479 million, driven by the following revenue items:

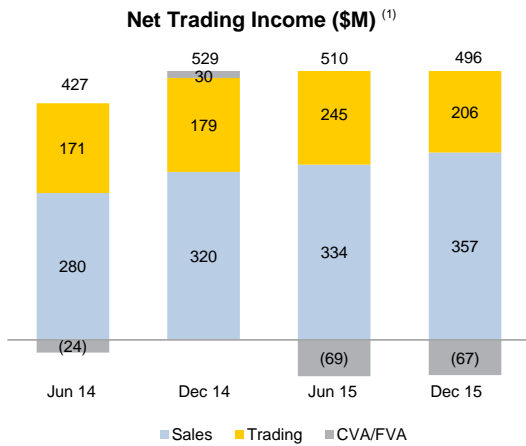
**Commissions** increased 3% on the prior comparative period to \$1,159 million due to higher credit card interchange income, and increased foreign exchange and equities trading volumes;

**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 due to unfavourable derivative valuation adjustments, partly offset by a favourable sales and trading performance; and

**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.

## Other Banking Income (continued)



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

### December 2015 versus June 2015

Other banking income was flat 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, due to lower Treasury earnings, partly offset by a solid sales performance; and

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

## Funds Management Income

	Half Year Ended				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
	\$M	\$M	\$M		
Colonial First State (CFS) <sup>(1)</sup>	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
<b>Funds management income - "cash basis"</b>	<b>1,032</b>	<b>968</b>	<b>970</b>	<b>7</b>	<b>6</b>

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

### December 2015 versus December 2014

Funds management income increased 6% on the prior comparative period to \$1,032 million, driven by:

- A 7% increase in average FUA as a result of solid growth in CFS FirstChoice and Custom Solutions platforms and the ASB Aegis fund;
- A 7% increase in average AUM 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 increased 7% on the prior half, driven by:

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

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# Group Performance Analysis

## Insurance Income

	Half Year Ended				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
	\$M	\$M	\$M		
CommInsure	330	229	274	44	20
New Zealand	127	123	109	3	17
IFS	24	21	21	14	14
Other	6	3	12	large	(50)
<b>Insurance income - "cash basis"</b>	<b>487</b>	<b>376</b>	<b>416</b>	<b>30</b>	<b>17</b>

### December 2015 versus December 2014

Insurance income increased 17% on the prior comparative period to \$487 million, driven by:

- A 5% increase in average inforce premiums to \$3,386 million;
- A 20% increase in CommInsure income 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%, reflecting average inforce premium growth and lower claims; and
- IFS results benefited from favourable renewal premiums.

### December 2015 versus June 2015

Insurance income increased 30% on the prior half, driven by:

- A 44% increase in CommInsure income 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; and
- Favourable renewal premiums in IFS.

## Operating Expenses

	Half Year Ended				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
	\$M	\$M	\$M		
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)
<b>Operating expenses - "cash basis"</b>	<b>5,216</b>	<b>5,079</b>	<b>4,914</b>	<b>3</b>	<b>6</b>
Operating expenses to total operating income (%)	42.2	43.3	42.2	(110)bpts	-
Banking expense to total operating income (%)	38.6	39.0	39.3	(40)bpts	(70)bpts

### December 2015 versus December 2014

Operating expenses increased 6% on the prior comparative period to \$5,216 million. The key drivers were:

**Staff expenses** increased 6% 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% to \$559 million, primarily due to rental reviews and a 1% impact of the lower Australian dollar;

**Information technology services expenses** increased 20% 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% to \$820 million driven by lower professional fees and non-lending losses; and

**Group expense to income ratio** was 42.2%, consistent with the prior comparative period, reflecting income growth and productivity initiatives, offset by expense growth. The banking expense to operating income ratio decreased 70 basis points on the prior comparative period to 38.6%.

### December 2015 versus June 2015

Operating expenses increased 3% on the prior half. The key drivers were:

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

**Occupancy and equipment expenses** increased 2%, primarily due to rental reviews;

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

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

**Group expense to income ratio** decreased 110 basis points on the prior half, reflecting higher revenues and productivity initiatives. The banking expense to operating income ratio decreased 40 basis points on the prior half.

## Operating Expenses (continued)

### 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 <sup>(1)</sup>	299	284	255	5	17
Capitalised investment spend	382	367	340	4	12
<b>Investment spend</b>	<b>681</b>	<b>651</b>	<b>595</b>	<b>5</b>	<b>14</b>
<b>Comprising:</b>					
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
<b>Investment spend</b>	<b>681</b>	<b>651</b>	<b>595</b>	<b>5</b>	<b>14</b>

(1) Included within Operating Expenses disclosure on page 12.

#### 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 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
<b>Loan impairment expense - "cash basis"</b>	<b>564</b>	<b>548</b>	<b>440</b>	<b>3</b>	<b>28</b>

#### December 2015 versus December 2014

Loan impairment expense increased 28% on the prior comparative period to \$564 million. The increase was driven by:

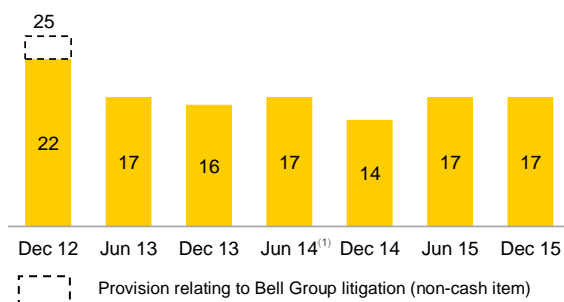
- An increase in Retail Banking Services as a result of higher home loan arrears and losses in Western Australia and Queensland, predominantly driven by deterioration in mining towns, and arrears in the personal loans portfolio;
- Growth in client exposures in Business and Private Banking and a lower level of write-backs, partly offset by lower individual provisions;

- An increase in Institutional Banking and Markets driven by higher individual provisions;
- An increase in New Zealand 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.

# Group Performance Analysis

## Loan Impairment Expense (continued)

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



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

### December 2015 versus June 2015

Loan impairment expense 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	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
	\$M	\$M	\$M		
Corporate tax expense (\$M)	1,825	1,699	1,740	7	5
Effective tax rate - "cash basis" (%)	27.5	27.3	27.3	20 bpts	20 bpts

### December 2015 versus December 2014

Corporate tax expense for the half year ended 31 December 2015 increased 5% on the prior comparative period representing a 27.5% 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 for the half year ended 31 December 2015 increased 7% on the prior half representing a 27.5% 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.



## Non-Cash Items Included in Statutory Profit

	Half Year Ended				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
	\$M	\$M	\$M		
<b>Hedging and IFRS volatility</b>	(151)	48	(42)	large	large
Bankwest non-cash items	(26)	(26)	(26)	-	-
Treasury shares valuation adjustment	(9)	(8)	(20)	13	(55)
<b>Other non-cash items</b>	(35)	(34)	(46)	3	(24)
<b>Total non-cash items (after tax)</b>	<b>(186)</b>	14	(88)	large	large

Non-cash items are excluded from net profit after tax ("cash basis"), which is management's preferred measure of the Group's financial performance, as they tend to be non-recurring in nature or are not considered representative of the Group's ongoing financial performance. The impact of these items on the Group's net profit after tax ("statutory basis") is outlined below and treated consistently with prior comparative period and prior half disclosures. Refer to Appendix 11 for the detailed profit reconciliation.

### Hedging and IFRS volatility

Hedging and IFRS volatility includes unrealised fair value gains or losses on economic hedges that do not qualify for hedge accounting under IFRS, including:

- Cross currency interest rate swaps hedging foreign currency denominated debt issues; and
- Foreign exchange hedges relating to future New Zealand earnings.

Hedging and IFRS volatility also includes unrealised fair value gains or losses on the ineffective portion of economic hedges that qualify for hedge accounting under IFRS.

Fair value gains or losses on all of these economic hedges are excluded from cash profit, since the asymmetric recognition of the gains or losses does not affect the Group's performance over the life of the hedge. A \$151 million after tax loss was recognised in statutory profit for the half year ended 31 December 2015 (30 June 2015: \$48 million after tax gain; 31 December 2014: \$42 million after tax loss).

### Bankwest non-cash items

The acquisition of Bankwest resulted in the recognition of assets at fair value, representing certain financial instruments, core deposits and brand name totalling \$463 million that are being amortised over their useful lives. This resulted in amortisation charges of \$26 million after tax in the half year ended 31 December 2015 (30 June 2015: \$26 million; 31 December 2014: \$26 million).

These items were not recognised in cash profit as they were not representative of the Group's expected ongoing financial performance.

### Treasury shares valuation adjustment

Under IFRS, Commonwealth Bank of Australia shares held by the Group in the managed funds and life insurance businesses are defined as treasury shares and are held at cost. Distributions, realised and unrealised gains and losses are recognised in cash profit representing the underlying performance of the asset portfolio attributable to the wealth and life insurance businesses. These distributions, gains and losses are reversed as non-cash items for statutory reporting purposes. A \$9 million after tax loss was included in statutory profit in the half year ended 31 December 2015 (30 June 2015: \$8 million after tax loss; 31 December 2014: \$20 million after tax loss).

### Policyholder tax

Policyholder tax is included in the Wealth Management business results for statutory reporting purposes. In the half year ended 31 December 2015, tax expense of \$9 million (30 June 2015: \$38 million; 31 December 2014: \$61 million), funds management income refund of \$11 million (30 June 2015: \$10 million income; 31 December 2014: \$11 million income) and insurance income of \$20 million (30 June 2015: \$28 million; 31 December 2014: \$50 million) was recognised. The gross up of these items are excluded from cash profit, as they do not reflect the underlying performance of the business, which is measured on a net of policyholder tax basis.

### Investment experience

Investment experience primarily includes the returns on shareholder capital invested in the wealth management and insurance businesses, as well as the volatility generated through the economically hedged guaranteed annuity portfolio held by the Group's Wealth Management division. This item is classified separately within cash profit.

# Group Performance Analysis

## Review of 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 %
<b>Total Group Assets and Liabilities</b>					
<b>Interest earning assets</b>					
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
<b>Loans, bills discounted and other receivables <sup>(1)</sup></b>	<b>674,466</b>	<b>644,824</b>	<b>626,214</b>	<b>5</b>	<b>8</b>
Non-lending interest earning assets <sup>(2)</sup>	138,499	138,166	128,620	-	8
<b>Total interest earning assets</b>	<b>812,965</b>	<b>782,990</b>	<b>754,834</b>	<b>4</b>	<b>8</b>
Other assets <sup>(2)</sup>	90,110	90,456	95,880	-	(6)
<b>Total assets</b>	<b>903,075</b>	<b>873,446</b>	<b>850,714</b>	<b>3</b>	<b>6</b>
<b>Interest bearing liabilities</b>					
Transaction deposits <sup>(2)</sup>	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)
<b>Total interest bearing deposits</b>	<b>543,562</b>	<b>527,996</b>	<b>507,671</b>	<b>3</b>	<b>7</b>
Debt issues	162,438	156,372	155,275	4	5
Other interest bearing liabilities	58,147	57,523	52,638	1	10
<b>Total interest bearing liabilities</b>	<b>764,147</b>	<b>741,891</b>	<b>715,584</b>	<b>3</b>	<b>7</b>
Non-interest bearing liabilities <sup>(2)</sup>	79,081	78,562	84,099	1	(6)
<b>Total liabilities</b>	<b>843,228</b>	<b>820,453</b>	<b>799,683</b>	<b>3</b>	<b>5</b>

(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.

### 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 represent 64% of total funding (31 December 2014: 63%).

Total assets include a 1% increase due to the lower Australian dollar, with no impact on total liabilities.

#### Home loans

Home loan balances increased \$26 billion to \$437 billion, reflecting 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 26 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. 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.

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## Review of Group Assets and Liabilities (continued)

### 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, with no impact on 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 26 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 1% on the prior half. This includes a 1% increase due to the lower Australian dollar.

#### Non-interest bearing liabilities

Non-interest bearing liabilities, including derivative liabilities and insurance policy liabilities, increased 1% on the prior half. This includes a 3% increase due to the lower Australian dollar.

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## Contents

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# 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 %
<b>Provisions for impairment losses</b>					
Collective provision	2,801	2,762	2,763	1	1
Individually assessed provisions	909	887	1,116	2	(19)
<b>Total provisions for impairment losses</b>	<b>3,710</b>	<b>3,649</b>	<b>3,879</b>	<b>2</b>	<b>(4)</b>
Less: Provision for Off Balance Sheet exposures	(47)	(31)	(19)	52	large
<b>Total provisions for loan impairment</b>	<b>3,663</b>	<b>3,618</b>	<b>3,860</b>	<b>1</b>	<b>(5)</b>

#### 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:

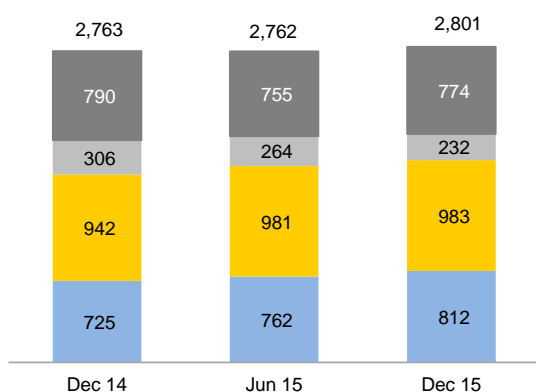
- The reduction in individual provisioning as impaired loans reduced;
- Reduced Bankwest collective provision, as a result of the continued run-off of troublesome loans; and
- Reduced management overlays; partly offset by
- An increase in economic overlays;
- An increase in collective provisioning in 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

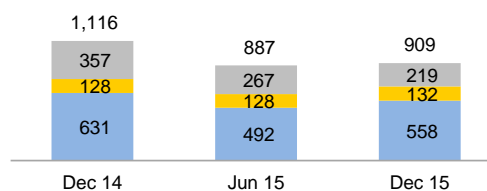
Total provisions for impairment losses increased 2% on the prior half. The movement in the level of provisioning reflects:

- 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 remain unchanged on the prior half.

Collective Provisions (\$M)



Individually Assessed Provisions (\$M)



■ Overlay    ■ Bankwest    ■ Consumer    ■ Commercial

# Group Operations and Business Settings

## Loan Impairment Provisions and Credit Quality (continued)

### Credit Quality

Credit Quality Metrics	Half Year Ended			Dec 15 vs	Dec 15 vs
	31 Dec 15	30 Jun 15	31 Dec 14	Jun 15 %	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)
<b>Provision Ratios</b>					
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 GLAAs	0.55	0.56	0.62	(1)bpt	(7)bpts
<b>Asset Quality Ratios</b>					
Gross impaired assets as a % of GLAAs	0.41	0.44	0.54	(3)bpts	(13)bpts
Loans 90+ days past due but not impaired as a % of GLAAs	0.30	0.36	0.34	(6)bpts	(4)bpts
Loan impairment expense ("cash basis") annualised as a % of average GLAAs	0.17	0.17	0.14	-	3 bpts

### Provision Ratios

Provision coverage ratios remain prudent. The impaired asset portfolio remains well provisioned with provision coverage of 37.02%.

### Asset Quality

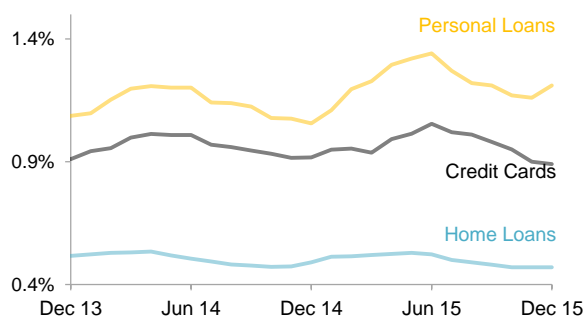
The low interest rate environment has helped keep troublesome and impaired assets to remain low. The arrears for the home loan and credit card portfolios are relatively low, however personal loan arrears remained elevated, driven primarily by Western Australia and Queensland.

### Retail Portfolios – Arrears Rates

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

Home loan arrears reduced over the prior half, with 30+ days arrears decreasing from 1.25% 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%.

### 90+ Days Arrears Ratios (%) <sup>(1)</sup>

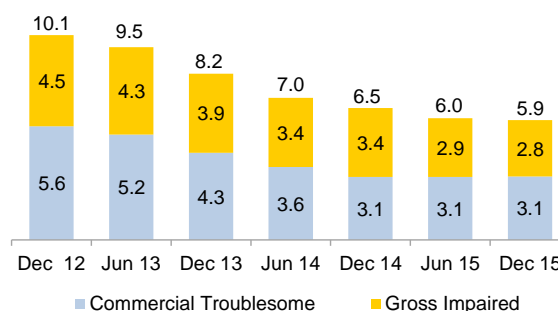


### Troublesome and Impaired Assets

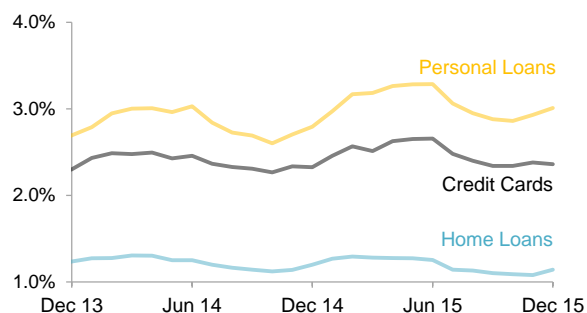
Commercial troublesome assets increased 2% during the half to \$3,123 million.

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)



### 30+ Days Arrears Ratios (%) <sup>(1)</sup>



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

# Group Operations and Business Settings

## Capital

### Basel Regulatory Framework

#### Background

The Basel Committee on Banking Supervision (BCBS) has implemented a set of capital, liquidity and funding reforms known as “Basel III”. The objectives of the capital 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 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 confirmed 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.

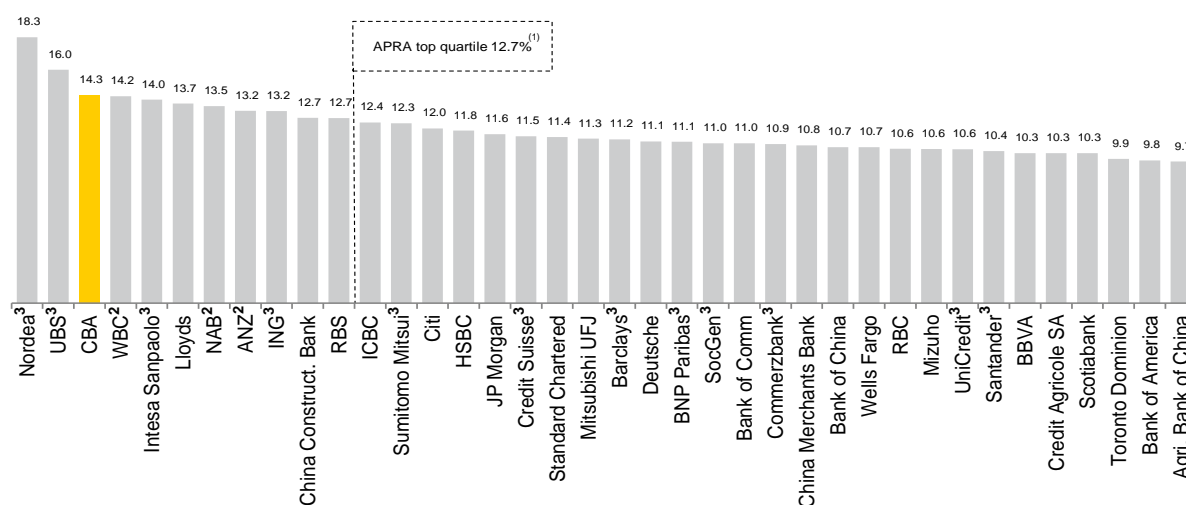
As a result of this additional capital requirement, the Group undertook a \$5.1 billion institutional and retail entitlement offer, which was completed in September 2015.

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.

#### Internationally Comparable Capital Position

The Group’s CET1 as measured on an internationally comparable basis was 14.3% as at 31 December 2015, placing it amongst the top quartile of international peer banks.

#### International Peer Basel III CET1



**Source:** Morgan Stanley and CBA. Based on last reported CET1 ratios up to 4 February 2016 assuming Basel III capital reforms fully implemented. Peer group comprises listed commercial banks with total assets in excess of AUD800 billion and which have disclosed fully implemented Basel III ratios or provided sufficient disclosure for a Morgan Stanley estimate.

(1) Calculated top quartile of above peer group.

(2) Domestic peer figures as at 30 September 2015, WBC reported proforma at 30 September 2015.

(3) Deduction for accrued expected future dividends added back for comparability.

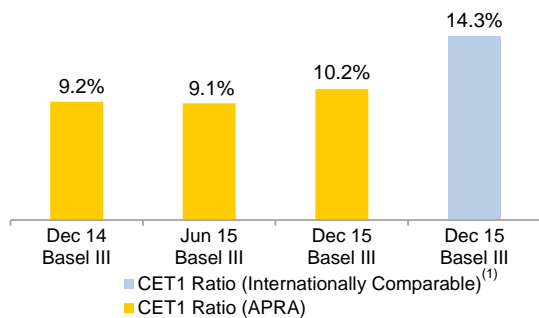
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## Capital (continued)

### 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.



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

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 on the Group's website at:

[www.commbank.com.au/about-us/shareholders](http://www.commbank.com.au/about-us/shareholders).

### 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.

# Group Operations and Business Settings

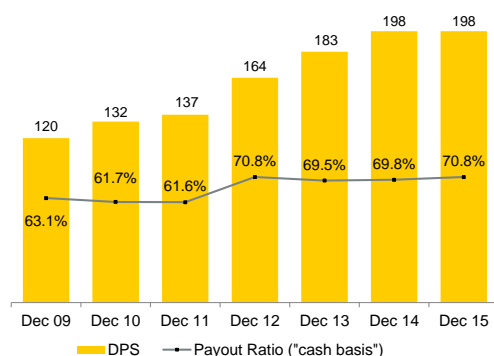
## Dividends

### 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 will be paid on 31 March 2016 to owners of ordinary shares at the close of business on 18 February 2016 (record date). Shares will be 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%; and
- Maximise the use of its franking account by paying fully franked dividends.

## Leverage Ratio

	<b>As at</b>
	<b>31 Dec 15</b>
<b>Summary Group Leverage Ratio</b>	
Tier 1 Capital (\$M)	47,972
Total Exposures (\$M) <sup>(1)</sup>	952,969
<b>Leverage Ratio (APRA) (%)</b>	<b>5.0</b>
<b>Leverage Ratio (Internationally Comparable) (%) <sup>(2)</sup></b>	<b>5.6</b>

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

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

The 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 and 5.6% on an internationally comparable 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.

# Group Operations and Business Settings

## Liquidity

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

(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 84.

(3) Includes cash inflows.

### December 2015 versus December 2014

The Group 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 LCR, which requires the Group to hold qualifying liquid assets in excess of projected 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 liquid assets of \$140 billion, including a \$66 billion 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.

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.

### Pillar 3 Disclosures

Details on the market disclosures required under Pillar 3, per prudential standard APS 330 "Public Disclosure", are provided on the Group's website at: [www.commbank.com.au/about-us/shareholders](http://www.commbank.com.au/about-us/shareholders).

### 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.

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.

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# Group Operations and Business Settings

## Funding

	As at				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
<b>Group Funding <sup>(1)</sup></b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>		
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 <sup>(2)</sup>	107,395	105,055	105,888	2	1
IFRS MTM and derivative FX revaluations	10,346	11,657	10,403	(11)	(1)
<b>Total wholesale funding</b>	<b>281,982</b>	<b>280,465</b>	<b>273,122</b>	<b>1</b>	<b>3</b>
<b>Total funding</b>	<b>782,338</b>	<b>758,276</b>	<b>731,550</b>	<b>3</b>	<b>7</b>

(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.

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

### 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 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, 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. During the half, the Group raised \$17 billion of long-term wholesale funding.

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.

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# Retail Banking Services

	Half Year Ended <sup>(1)</sup>				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
	\$M	\$M	\$M		
Net interest income	4,236	3,917	3,931	8	8
Other banking income	924	863	891	7	4
<b>Total banking income</b>	<b>5,160</b>	<b>4,780</b>	<b>4,822</b>	<b>8</b>	<b>7</b>
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
<b>Cash net profit after tax</b>	<b>2,215</b>	<b>1,940</b>	<b>2,054</b>	<b>14</b>	<b>8</b>
<b>Income analysis</b>					
<b>Net interest income</b>					
Home loans	1,971	1,752	1,809	13	9
Consumer finance <sup>(2)</sup>	997	954	925	5	8
Retail deposits	1,238	1,179	1,157	5	7
Other <sup>(3)</sup>	30	32	40	(6)	(25)
<b>Total net interest income</b>	<b>4,236</b>	<b>3,917</b>	<b>3,931</b>	<b>8</b>	<b>8</b>
<b>Other banking income</b>					
Home loans	110	106	111	4	(1)
Consumer finance <sup>(2)</sup>	281	266	279	6	1
Retail deposits	260	254	249	2	4
Distribution <sup>(4)</sup>	223	192	204	16	9
Other <sup>(3)</sup>	50	45	48	11	4
<b>Total other banking income</b>	<b>924</b>	<b>863</b>	<b>891</b>	<b>7</b>	<b>4</b>
<b>Total banking income</b>	<b>5,160</b>	<b>4,780</b>	<b>4,822</b>	<b>8</b>	<b>7</b>

	As at <sup>(1)</sup>				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
	\$M	\$M	\$M		
<b>Balance Sheet</b>					
Home loans	298,693	289,633	279,078	3	7
Consumer finance <sup>(2)</sup>	17,168	16,897	16,968	2	1
Other interest earning assets	1,766	1,943	2,049	(9)	(14)
<b>Total interest earning assets</b>	<b>317,627</b>	<b>308,473</b>	<b>298,095</b>	<b>3</b>	<b>7</b>
Other assets	1,250	1,070	883	17	42
<b>Total assets</b>	<b>318,877</b>	<b>309,543</b>	<b>298,978</b>	<b>3</b>	<b>7</b>
Transaction deposits <sup>(5)</sup>	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)
<b>Total interest bearing deposits</b>	<b>224,398</b>	<b>213,827</b>	<b>208,203</b>	<b>5</b>	<b>8</b>
Non-interest bearing liabilities	8,367	8,123	7,370	3	14
<b>Total liabilities</b>	<b>232,765</b>	<b>221,950</b>	<b>215,573</b>	<b>5</b>	<b>8</b>

	Half Year Ended <sup>(1)</sup>				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
<b>Key Financial Metrics</b>					
<b>Performance indicators</b>					
Return on assets (%)	1.4	1.3	1.4	10 bpts	-
Impairment expense annualised as a % of average GLAAs (%)	0.19	0.24	0.18	(5)bpts	1 bpt
Operating expenses to total banking income (%)	32.8	34.6	33.6	(180)bpts	(80)bpts
<b>Other asset/liability information</b>					
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.

(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

### December 2015 versus December 2014

Retail Banking Services cash net profit after tax 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. As at December 2015, the Retail bank remained ranked number one in customer satisfaction amongst its peers<sup>(1)</sup>.

#### 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 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 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

Cash net profit after tax 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 included:

- Home loan growth of 3%, with solid growth in the broker channel;
- Consumer finance balances increased 2%, reflecting seasonal demand; 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 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.

(1) Roy Morgan Research. Retail Main Financial Institution (MFI) Customer Satisfaction, Australians 14+, % "Very Satisfied" or "Fairly Satisfied" with relationship with that MFI. Six month rolling average to December 2015. Rank based on the major four Australian banks.

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## Business and Private Banking

	Half Year Ended <sup>(1)</sup>				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
	\$M	\$M	\$M		
Net interest income	1,538	1,459	1,466	5	5
Other banking income	423	392	401	8	5
<b>Total banking income</b>	<b>1,961</b>	<b>1,851</b>	<b>1,867</b>	<b>6</b>	<b>5</b>
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
<b>Cash net profit after tax</b>	<b>803</b>	<b>731</b>	<b>764</b>	<b>10</b>	<b>5</b>

### Income analysis

<b>Net interest income</b>					
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
<b>Total net interest income</b>	<b>1,538</b>	<b>1,459</b>	<b>1,466</b>	<b>5</b>	<b>5</b>
<b>Other banking income</b>					
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
<b>Total other banking income</b>	<b>423</b>	<b>392</b>	<b>401</b>	<b>8</b>	<b>5</b>
<b>Total banking income</b>	<b>1,961</b>	<b>1,851</b>	<b>1,867</b>	<b>6</b>	<b>5</b>

### 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)
<b>Total banking income</b>	<b>1,961</b>	<b>1,851</b>	<b>1,867</b>	<b>6</b>	<b>5</b>

	As at <sup>(1)</sup>				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
	\$M	\$M	\$M		
<b>Balance Sheet</b>					
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
<b>Total interest earning assets</b>	<b>99,936</b>	<b>98,246</b>	<b>95,694</b>	<b>2</b>	<b>4</b>
Non-lending interest earning assets	346	259	291	34	19
Other assets <sup>(2)</sup>	318	485	79	(34)	large
<b>Total assets</b>	<b>100,600</b>	<b>98,990</b>	<b>96,064</b>	<b>2</b>	<b>5</b>
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
<b>Total interest bearing deposits</b>	<b>68,036</b>	<b>64,968</b>	<b>61,806</b>	<b>5</b>	<b>10</b>
Non-interest bearing liabilities <sup>(2)</sup>	6,062	6,138	5,368	(1)	13
<b>Total liabilities</b>	<b>74,098</b>	<b>71,106</b>	<b>67,174</b>	<b>4</b>	<b>10</b>

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

(2) Other assets include Intangible assets and Non-interest bearing liabilities include Non-interest bearing deposits.



Key Financial Metrics	Half Year Ended <sup>(1)</sup>				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
<b>Performance indicators</b>					
Return on assets (%)	1.6	1.5	1.6	10 bpts	-
Impairment expense annualised as a % of average GLAAs (%)	0.14	0.19	0.13	(5)bpts	1 bpt
Operating expenses to total banking income (%)	37.8	38.7	38.1	(90)bpts	(30)bpts
<b>Other asset/liability information</b>					
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.

## Financial Performance and Business Review

### December 2015 versus December 2014

Business and Private Banking cash net profit after tax 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 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, 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, 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

Cash net profit after tax 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 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 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, 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 <sup>(1)</sup>				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
	\$M	\$M	\$M		
Net interest income	785	724	718	8	9
Other banking income	653	648	712	1	(8)
<b>Total banking income</b>	<b>1,438</b>	<b>1,372</b>	<b>1,430</b>	<b>5</b>	<b>1</b>
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)
<b>Cash net profit after tax</b>	<b>608</b>	<b>636</b>	<b>649</b>	<b>(4)</b>	<b>(6)</b>

## Income analysis

Net interest income					
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
	\$M	\$M	\$M		
Institutional Banking	724	666	670	9	8
Markets	61	58	48	5	27
<b>Total net interest income</b>	<b>785</b>	<b>724</b>	<b>718</b>	<b>8</b>	<b>9</b>
Other banking income					
Institutional Banking	403	432	404	(7)	-
Markets	250	216	308	16	(19)
<b>Total other banking income</b>	<b>653</b>	<b>648</b>	<b>712</b>	<b>1</b>	<b>(8)</b>
<b>Total banking income</b>	<b>1,438</b>	<b>1,372</b>	<b>1,430</b>	<b>5</b>	<b>1</b>

## Income by product

	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
	\$M	\$M	\$M		
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)
<b>Total banking income excluding derivative valuation adjustments</b>	<b>1,502</b>	<b>1,440</b>	<b>1,396</b>	<b>4</b>	<b>8</b>
Derivative valuation adjustments	(64)	(68)	34	(6)	large
<b>Total banking income</b>	<b>1,438</b>	<b>1,372</b>	<b>1,430</b>	<b>5</b>	<b>1</b>

	As at <sup>(1)</sup>				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
	\$M	\$M	\$M		
Balance Sheet					
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 <sup>(2)</sup>	54,037	38,018	45,925	42	18
<b>Total assets</b>	<b>193,638</b>	<b>164,963</b>	<b>160,864</b>	<b>17</b>	<b>20</b>
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 <sup>(3)</sup>	8,058	9,501	7,347	(15)	10
Non-interest bearing liabilities <sup>(2)</sup>	24,853	26,031	35,653	(5)	(30)
<b>Total liabilities</b>	<b>143,983</b>	<b>143,161</b>	<b>134,483</b>	<b>1</b>	<b>7</b>

	Half Year Ended <sup>(1)</sup>				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
Key Financial Metrics					
Performance indicators					
Return on assets (%)	0.7	0.8	0.8	(10)bpts	(10)bpts
Impairment expense annualised as a % of average GLAAs (%)	0.27	0.15	0.22	12 bpts	5 bpts
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.

(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

### December 2015 versus December 2014

Institutional Banking and Markets cash net profit after tax 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 due to a higher proportion of profits earned in offshore jurisdictions that have lower corporate tax rates.

### December 2015 versus June 2015

Cash net profit after tax 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, due to a higher proportion of profits earned in offshore jurisdictions that have lower corporate tax rates.

# Wealth Management

	Half Year Ended <sup>(1)</sup>				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs	Dec 15 vs
	\$M	\$M	\$M	Jun 15 %	Dec 14 %
Funds management income	964	929	917	4	5
Insurance income	330	229	274	44	20
<b>Total operating income</b>	<b>1,294</b>	<b>1,158</b>	<b>1,191</b>	<b>12</b>	<b>9</b>
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)
<b>Cash net profit after tax</b>	<b>372</b>	<b>304</b>	<b>349</b>	<b>22</b>	<b>7</b>

## Represented by:

	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs	Dec 15 vs
	\$M	\$M	\$M	Jun 15 %	Dec 14 %
CFS Global Asset Management	120	174	113	(31)	6
Colonial First State <sup>(2)</sup>	115	(17)	111	large	4
CommInsure	191	153	163	25	17
Other	(54)	(6)	(38)	large	42
<b>Cash net profit after tax</b>	<b>372</b>	<b>304</b>	<b>349</b>	<b>22</b>	<b>7</b>

Key Financial Metrics	Half Year Ended <sup>(1)</sup>				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs	Dec 15 vs
				Jun 15 %	Dec 14 %
<b>Performance indicators</b>					
Operating expenses to total operating income (%)	64.3	81.4	65.7	large	(140)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) <sup>(3)</sup>	199,294	203,052	187,216	(2)	6
AUM - spot (\$M) <sup>(3)</sup>	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 <sup>(1)</sup>											
	CFS			Colonial			CommInsure			Other		
	Global Asset Management			First State <sup>(2)</sup>								
	Dec 15	Jun 15	Dec 14	Dec 15	Jun 15	Dec 14	Dec 15	Jun 15	Dec 14	Dec 15	Jun 15	Dec 14
\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	
Funds management income	437	445	402	467	415	451	60	69	64	-	-	-
Insurance income	-	-	-	-	-	-	330	229	274	-	-	-
<b>Total operating income</b>	<b>437</b>	<b>445</b>	<b>402</b>	<b>467</b>	<b>415</b>	<b>451</b>	<b>390</b>	<b>298</b>	<b>338</b>	<b>-</b>	<b>-</b>	<b>-</b>
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
<b>Cash net profit after tax</b>	<b>120</b>	<b>174</b>	<b>113</b>	<b>115</b>	<b>(17)</b>	<b>111</b>	<b>191</b>	<b>153</b>	<b>163</b>	<b>(54)</b>	<b>(6)</b>	<b>(38)</b>

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

(2) Colonial First State incorporates the results of all Wealth Management 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

### December 2015 versus December 2014

Wealth Management cash net profit after tax for the half year ended 31 December 2015 was \$372 million, an increase of 7% 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.

#### Funds Management Income

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

Average Assets Under Management (AUM) increased 6% to \$199 billion, reflecting positive investment markets performance, and the benefit of the lower Australian dollar, with 85% of CFS GAM 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 Funds Under Administration (FUA) increased 6% 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 premium 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

Cash net profit after tax increased 22% 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% 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.

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## Wealth Management

Assets Under Management (AUM) <sup>(1) (2)</sup>	Half Year Ended								
	30 Jun 15	Inflows	Outflows	Net Flows	Other <sup>(3)</sup>	31 Dec 15	31 Dec 14	Dec 15 vs Dec 14	Dec 15 vs Dec 14
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	%	%
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 <sup>(4)</sup>	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
<b>Total</b>	<b>202,168</b>	<b>40,209</b>	<b>(45,550)</b>	<b>(5,341)</b>	<b>(1,579)</b>	<b>195,248</b>	<b>191,606</b>	<b>(3)</b>	<b>2</b>

Funds Under Administration (FUA) <sup>(1)</sup>	Half Year Ended								
	30 Jun 15	Inflows	Outflows	Net Flows	Other	31 Dec 15	31 Dec 14	Dec 15 vs Dec 14	Dec 15 vs Dec 14
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	%	%
FirstChoice	73,582	7,738	(6,891)	847	445	74,874	70,959	2	6
Custom Solutions <sup>(5)</sup>	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
<b>Total</b>	<b>131,903</b>	<b>15,106</b>	<b>(13,996)</b>	<b>1,110</b>	<b>873</b>	<b>133,886</b>	<b>128,109</b>	<b>2</b>	<b>5</b>

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

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

(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.

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## New Zealand

	Half Year Ended <sup>(1)</sup>				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
	A\$M	A\$M	A\$M		
Net interest income	760	772	755	(2)	1
Other banking income <sup>(2)</sup>	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	-
<b>Cash net profit after tax</b>	<b>463</b>	<b>439</b>	<b>443</b>	<b>5</b>	<b>5</b>

	Half Year Ended <sup>(1)</sup>				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
	NZ\$M	NZ\$M	NZ\$M		
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)
<b>Cash net profit after tax</b>	<b>515</b>	<b>483</b>	<b>494</b>	<b>7</b>	<b>4</b>
<b>Represented by:</b>					
ASB <sup>(1)</sup>	475	426	438	12	8
Sovereign	54	66	57	(18)	(5)
Other <sup>(3)</sup>	(14)	(9)	(1)	56	large
<b>Cash net profit after tax</b>	<b>515</b>	<b>483</b>	<b>494</b>	<b>7</b>	<b>4</b>

	Half Year Ended <sup>(1)</sup>				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
<b>Key Financial Metrics <sup>(4)</sup></b>					
Operating expenses to total operating income (%)	39.3	40.4	39.9	(110)bpts	(60)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.

(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.

### Financial Performance and Business Review

#### December 2015 versus December 2014

New Zealand<sup>(1)</sup> cash net profit after tax<sup>(2)</sup> for the half year ended 31 December 2015 was NZD515 million, an increase of 4% 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

Cash net profit after tax increased 7% 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 <sup>(1)</sup>				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
<b>ASB Bank</b>	<b>NZ\$M</b>	<b>NZ\$M</b>	<b>NZ\$M</b>		
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
<b>Cash net profit after tax</b>	<b>475</b>	<b>426</b>	<b>438</b>	<b>12</b>	<b>8</b>

	As at				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
<b>Balance Sheet</b>	<b>NZ\$M</b>	<b>NZ\$M</b>	<b>NZ\$M</b>		
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
<b>Total assets</b>	<b>77,474</b>	<b>75,855</b>	<b>70,382</b>	<b>2</b>	<b>10</b>
Customer deposits	48,524	46,751	42,727	4	14
Debt issues	11,221	11,076	10,307	1	9
Other interest bearing liabilities <sup>(2)</sup>	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
<b>Total liabilities</b>	<b>70,030</b>	<b>68,038</b>	<b>63,388</b>	<b>3</b>	<b>10</b>

	Half Year Ended <sup>(1)</sup>				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
<b>Key Financial Metrics</b>					
<b>Performance indicators</b>					
Return on assets (%)	1.2	1.2	1.3	-	(10)bpts
Impairment expense annualised as a % of average GLAAs (%)	0.12	0.16	0.12	(4)bpts	-
Operating expenses to total operating income (%)	37.2	38.7	38.2	(150)bpts	(100)bpts
<b>Other asset/liability information</b>					
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) Comparative information has been restated to conform to presentation in the current period.

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

# New Zealand

## Financial Performance and Business Review

### December 2015 versus December 2014

ASB Bank cash net profit after tax for the half year ended 31 December 2015 was NZD475 million, an increase of 8% 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 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 Funds Under Administration and Assets Under Management 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 expense to income ratio for ASB Bank was 37.2%, an improvement of 100 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

Cash net profit after tax increased 12% 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%, 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 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 Funds Under Administration 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 expense to income ratio improved 150 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.

	Half Year Ended				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
<b>Sovereign</b>	<b>NZ\$M</b>	<b>NZ\$M</b>	<b>NZ\$M</b>		
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)
<b>Cash net profit after tax</b>	<b>54</b>	<b>66</b>	<b>57</b>	<b>(18)</b>	<b>(5)</b>
<b>Represented by:</b>					
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)
<b>Cash net profit after tax</b>	<b>54</b>	<b>66</b>	<b>57</b>	<b>(18)</b>	<b>(5)</b>

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

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

## Financial Performance and Business Review

### December 2015 versus December 2014

Sovereign cash net profit after tax 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

Cash net profit after tax 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.

	Half Year Ended <sup>(1)</sup>				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs	Dec 15 vs
	\$M	\$M	\$M	Jun 15 %	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)
<b>Cash net profit after tax</b>	<b>396</b>	<b>395</b>	<b>400</b>	<b>-</b>	<b>(1)</b>

Balance Sheet	As at <sup>(1)</sup>				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs	Dec 15 vs
	\$M	\$M	\$M	Jun 15 %	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
<b>Total assets</b>	<b>80,092</b>	<b>79,489</b>	<b>77,841</b>	<b>1</b>	<b>3</b>
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
<b>Total liabilities</b>	<b>50,837</b>	<b>49,499</b>	<b>46,683</b>	<b>3</b>	<b>9</b>

Key Financial Metrics	Half Year Ended <sup>(1)</sup>				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs	Dec 15 vs
				Jun 15 %	Dec 14 %
<b>Performance indicators</b>					
Return on assets (%)	1.0	1.0	1.0	-	-
Impairment expense annualised as a % of average GLAAs (%)	(0.04)	(0.06)	(0.07)	2 bpts	3 bpts
Operating expenses to total banking income (%)	41.5	41.8	42.2	(30)bpts	(70)bpts
<b>Other asset/liability information</b>					
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.

## Financial Performance and Business Review

### December 2015 versus December 2014

Bankwest cash net profit after tax for the half year ended 31 December 2015 was \$396 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 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, 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 expense to income ratio was 41.5%, 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

Cash net profit after tax 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 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 expense to income ratio improved 30 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 <sup>(1)</sup>				
	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)
<b>Cash net profit after tax</b>	<b>(53)</b>	<b>69</b>	<b>(36)</b>	<b>large</b>	<b>47</b>

IFS <sup>(2)</sup>	Half Year Ended				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs	Dec 15 vs
	\$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
<b>Cash net profit after tax</b>	<b>11</b>	<b>49</b>	<b>55</b>	<b>(78)</b>	<b>(80)</b>

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

(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

#### December 2015 versus December 2014

International Financial Services (IFS) cash net profit after tax 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 grew 8% 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.

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**December 2015 versus June 2015**

Cash net profit after tax 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 <sup>(1) (2)</sup>				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
<b>Corporate Centre</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>		
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)
<b>Cash net loss after tax</b>	<b>(122)</b>	<b>(93)</b>	<b>(164)</b>	<b>31</b>	<b>(26)</b>

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

(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 cash net loss after tax for the half year ended 31 December 2015 reduced \$42 million on the prior comparative period to a loss of \$122 million.

Total operating income increased 33% 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**

Cash net loss after tax increased \$29 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.

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## IFS and Other

Eliminations/Unallocated	Half Year Ended <sup>(1) (2)</sup>				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
	\$M	\$M	\$M		
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
<b>Cash net profit after tax</b>	<b>58</b>	<b>113</b>	<b>73</b>	<b>(49)</b>	<b>(21)</b>

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

(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 cash net profit after tax 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 cash net profit after tax decreased \$55 million on the prior half. This was primarily driven by the timing of recognition of unallocated revenue items in the prior half.



## Investment Experience

### Investment Experience

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

Investment Experience	Half Year Ended				
	31 Dec 15	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
	\$M	\$M	\$M		
Wealth Management <sup>(1)</sup>	56	165	66	(66)	(15)
New Zealand	5	4	8	25	(38)
IFS and Other <sup>(1)</sup>	(3)	(39)	6	(92)	large
Investment experience before tax	58	130	80	(55)	(28)
Corporate Tax expense	(14)	(37)	(23)	(62)	(39)
<b>Investment experience after tax</b>	<b>44</b>	<b>93</b>	<b>57</b>	<b>(53)</b>	<b>(23)</b>

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

### Shareholder Investment Asset Mix

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

Shareholder Investment Asset Mix (%)	As at 31 December 2015			
	Australia <sup>(1)</sup>	New Zealand	Asia	Total
	%	%	%	%
Equities	-	1	-	-
Fixed interest	2	54	79	18
Cash	97	45	21	81
Other	1	-	-	1
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Shareholder Investment Asset Mix (\$M)	As at 31 December 2015			
	Australia <sup>(1)</sup>	New Zealand	Asia	Total
	\$M	\$M	\$M	\$M
Equities	-	6	-	6
Fixed interest	69	375	223	667
Cash	2,670	311	58	3,039
Other	20	-	-	20
<b>Total</b>	<b>2,759</b>	<b>692</b>	<b>281</b>	<b>3,732</b>

(1) Includes Shareholders' funds in the CFS Global Asset Management, Colonial First State and CommInsure businesses.

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# 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:

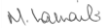


**Auditor's Independence Declaration**

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:

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



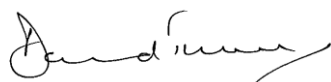
Marcus Laithwaite  
Partner  
PricewaterhouseCoopers

Sydney  
9 February 2016

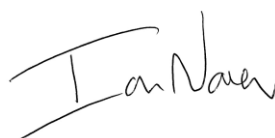
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PricewaterhouseCoopers, ABN 52 780 433 757  
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2620, SYDNEY NSW 1171  
T: +61 2 8266 0000, F: +61 2 8266 9999, [www.pwc.com/au](http://www.pwc.com/au)  
Liability limited by a scheme approved under Professional 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 <sup>(1)</sup>	2	(8,425)	(8,916)	(9,423)
Net interest income		8,363	7,889	7,872
Other banking income <sup>(1)</sup>		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
<b>Total net operating income before impairment and operating expenses</b>		<b>12,206</b>	<b>11,957</b>	<b>11,711</b>
Loan impairment expense	5	(564)	(548)	(440)
Operating expenses	2	(5,253)	(5,117)	(4,951)
<b>Net profit before income tax</b>		<b>6,389</b>	<b>6,292</b>	<b>6,320</b>
Corporate tax expense	3	(1,751)	(1,715)	(1,714)
Policyholder tax expense	3	(9)	(38)	(61)
<b>Net profit after income tax</b>		<b>4,629</b>	<b>4,539</b>	<b>4,545</b>
Non-controlling interests		(11)	(11)	(10)
<b>Net profit attributable to Equity holders of the Bank</b>		<b>4,618</b>	<b>4,528</b>	<b>4,535</b>

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

	Half Year Ended <sup>(2)</sup>		
	31 Dec 15	30 Jun 15	31 Dec 14
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.

(2) Comparative information has been restated to incorporate the bonus element of the rights issue in the weighted average number of ordinary shares.

# Financial Statements

## 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
<b>Net profit after income tax for the period</b>	<b>4,629</b>	4,539	4,545
<b>Other comprehensive income/(expense):</b>			
<b>Items that may be reclassified subsequently to profit/loss:</b>			
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
<b>Total of items that may be reclassified</b>	<b>159</b>	(322)	714
<b>Items that will not be reclassified to profit/loss:</b>			
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	-
<b>Total of items that will not be reclassified</b>	<b>129</b>	340	(17)
<b>Other comprehensive income/(expense) net of income tax</b>	<b>288</b>	18	697
<b>Total comprehensive income for the period</b>	<b>4,917</b>	4,557	5,242
<b>Total comprehensive income for the period is attributable to:</b>			
Equity holders of the Bank	4,906	4,546	5,232
Non-controlling interests	11	11	10
<b>Total comprehensive income net of income tax for the period</b>	<b>4,917</b>	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

	Notes	As at		
		31 Dec 15 \$M	30 Jun 15 \$M	31 Dec 14 \$M
<b>Assets</b>				
Cash and liquid assets		31,587	33,116	30,047
Receivables due from other financial institutions <sup>(1)</sup>		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 <sup>(1)</sup>		6,292	7,538	5,375
<b>Total assets</b>		<b>903,075</b>	<b>873,446</b>	<b>850,714</b>
<b>Liabilities</b>				
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				
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
<b>Total liabilities</b>		<b>843,228</b>	<b>820,453</b>	<b>799,683</b>
<b>Net assets</b>		<b>59,847</b>	<b>52,993</b>	<b>51,031</b>
<b>Shareholders' Equity</b>				
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
<b>Shareholders' Equity attributable to Equity holders of the Bank</b>		<b>59,293</b>	<b>52,431</b>	<b>50,475</b>
Non-controlling interests	8	554	562	556
<b>Total Shareholders' Equity</b>		<b>59,847</b>	<b>52,993</b>	<b>51,031</b>

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

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

# Financial Statements

## 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
<b>As at 30 June 2014</b>	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)
Dividend reinvestment plan (net of issue costs)	-	-	-	-	-	-	-
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
<b>As at 31 December 2014</b>	27,039	939	2,674	19,823	50,475	566	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
<b>As at 30 June 2015</b>	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)
<b>As at 31 December 2015</b>	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 <sup>(1)</sup>

For the half year ended 31 December 2015

	Half Year Ended <sup>(2)</sup>		
	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
<b>Net cash (used in)/provided by operating activities</b>	<b>(3,633)</b>	<b>(871)</b>	<b>8,054</b>
<b>Net cash used in investing activities</b>	<b>(810)</b>	<b>(601)</b>	<b>(614)</b>
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
<b>Net cash provided by/(used in) financing activities</b>	<b>4,815</b>	<b>(3,280)</b>	<b>(4,595)</b>
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
<b>Cash and cash equivalents at end of period</b>	<b>20,080</b>	<b>19,270</b>	<b>23,362</b>

(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.

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# 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
<b>Interest Income</b>			
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
<b>Total interest income</b>	<b>16,788</b>	<b>16,805</b>	<b>17,295</b>
<b>Interest Expense</b>			
Deposits	6,013	6,281	6,672
Other financial institutions	131	118	102
Liabilities at fair value through Income Statement <sup>(1)</sup>	104	103	119
Debt issues	1,895	2,117	2,255
Loan capital	282	297	275
<b>Total interest expense</b>	<b>8,425</b>	<b>8,916</b>	<b>9,423</b>
<b>Net interest income</b>	<b>8,363</b>	<b>7,889</b>	<b>7,872</b>
<b>Other Operating Income</b>			
Lending fees	562	522	528
Commissions	1,159	1,099	1,127
Trading income <sup>(1)</sup>	496	510	529
Net gain/(loss) on non-trading financial instruments <sup>(2)</sup>	(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 <sup>(3)</sup>	63	79	47
<b>Total other operating income</b>	<b>3,843</b>	<b>4,068</b>	<b>3,839</b>
<b>Total net operating income before impairment and operating expense</b>	<b>12,206</b>	<b>11,957</b>	<b>11,711</b>
<b>Impairment Expense</b>			
Loan impairment expense	564	548	440
<b>Total impairment expense (Note 5)</b>	<b>564</b>	<b>548</b>	<b>440</b>

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

(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).

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# Notes to the Financial Statements

## Note 2 Profit (continued)

	Half Year Ended <sup>(1)</sup>		
	31 Dec 15	30 Jun 15	31 Dec 14
	\$M	\$M	\$M
<b>Staff Expenses</b>			
Salaries and related on-costs	2,832	2,661	2,660
Share-based compensation	50	49	47
Superannuation	203	200	199
<b>Total staff expenses</b>	<b>3,085</b>	<b>2,910</b>	<b>2,906</b>
<b>Occupancy and Equipment Expenses</b>			
Operating lease rentals	321	311	309
Depreciation of property, plant and equipment	130	131	122
Other occupancy expenses	108	105	108
<b>Total occupancy and equipment expenses</b>	<b>559</b>	<b>547</b>	<b>539</b>
<b>Information Technology Services</b>			
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
<b>Total information technology services</b>	<b>752</b>	<b>664</b>	<b>628</b>
<b>Other Expenses</b>			
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
<b>Total other expenses</b>	<b>820</b>	<b>958</b>	<b>841</b>
<b>Total operating expenses</b>	<b>5,216</b>	<b>5,079</b>	<b>4,914</b>
<b>Investment and Restructuring</b>			
Merger related amortisation <sup>(2)</sup>	37	38	37
<b>Total investment and restructuring</b>	<b>37</b>	<b>38</b>	<b>37</b>
<b>Total operating expenses</b>	<b>5,253</b>	<b>5,117</b>	<b>4,951</b>
<b>Profit before income tax</b>	<b>6,389</b>	<b>6,292</b>	<b>6,320</b>
<b>Net hedging ineffectiveness comprises:</b>			
Gain/(loss) on fair value hedges:			
Hedging instruments	(517)	(803)	235
Hedged items	478	735	(242)
Cash flow hedge ineffectiveness	4	(9)	(11)
<b>Net hedging ineffectiveness</b>	<b>(35)</b>	<b>(77)</b>	<b>(18)</b>

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

(2) Merger related amortisation relates to Bankwest core deposits and customer lists.

## Notes to the Financial Statements

### Note 3 Income Tax Expense

	Half Year Ended		
	31 Dec 15	30 Jun 15	31 Dec 14
	\$M	\$M	\$M
<b>Profit before Income Tax</b>	<b>6,389</b>	6,292	6,320
Prima facie income tax at 30%	1,917	1,888	1,896
<b>Effect of amounts which are non-deductible/(assessable) in calculating taxable income:</b>			
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
<b>Total income tax expense</b>	<b>1,760</b>	1,753	1,775
Corporate tax expense	1,751	1,715	1,714
Policyholder tax expense	9	38	61
<b>Total income tax expense</b>	<b>1,760</b>	1,753	1,775
<b>Effective tax rate (%) - "statutory basis" <sup>(1)</sup></b>	<b>27.4</b>	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.

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## Notes to the Financial Statements

### Note 4 Loans, Bills Discounted and Other Receivables

	As at		
	31 Dec 15 \$M	30 Jun 15 \$M	31 Dec 14 \$M
<b>Australia</b>			
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
<b>Total Australia</b>	<b>582,098</b>	<b>561,058</b>	<b>541,992</b>
<b>New Zealand</b>			
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
<b>Total New Zealand</b>	<b>68,209</b>	<b>61,460</b>	<b>63,243</b>
<b>Other Overseas</b>			
Overdrafts	480	448	426
Home loans	947	914	894
Lease financing	38	48	53
Term loans	22,316	20,300	19,064
<b>Total Other Overseas</b>	<b>23,781</b>	<b>21,710</b>	<b>20,437</b>
<b>Gross loans, bills discounted and other receivables</b>	<b>674,088</b>	<b>644,228</b>	<b>625,672</b>
<b>Less:</b>			
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)
	<b>(4,925)</b>	<b>(4,966)</b>	<b>(5,344)</b>
<b>Net loans, bills discounted and other receivables</b>	<b>669,163</b>	<b>639,262</b>	<b>620,328</b>

# Notes to the Financial Statements

## Note 5 Provisions for Impairment and Asset Quality

As at 31 December 2015					
	Home Loans \$M	Other Personal <sup>(1)</sup> \$M	Asset Financing \$M	Other Commercial Industrial \$M	Total \$M
<b>Loans which were neither past due nor impaired</b>					
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
<b>Total loans which were neither past due nor impaired</b>	<b>424,529</b>	<b>22,530</b>	<b>9,514</b>	<b>200,160</b>	<b>656,733</b>
<b>Loans which were past due but not impaired</b>					
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
<b>Total loans past due but not impaired</b>	<b>11,681</b>	<b>1,232</b>	<b>159</b>	<b>1,592</b>	<b>14,664</b>

As at 30 June 2015					
	Home Loans \$M	Other Personal <sup>(1)</sup> \$M	Asset Financing \$M	Other Commercial Industrial \$M	Total \$M
<b>Loans which were neither past due nor impaired</b>					
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
<b>Total loans which were neither past due nor impaired</b>	<b>409,698</b>	<b>21,851</b>	<b>8,651</b>	<b>185,538</b>	<b>625,738</b>
<b>Loans which were past due but not impaired</b>					
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
<b>Total loans past due but not impaired</b>	<b>12,216</b>	<b>1,311</b>	<b>143</b>	<b>2,128</b>	<b>15,798</b>

As at 31 December 2014					
	Home Loans \$M	Other Personal <sup>(1)</sup> \$M	Asset Financing \$M	Other Commercial Industrial \$M	Total \$M
<b>Loans which were neither past due nor impaired</b>					
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
<b>Total loans which were neither past due nor impaired</b>	<b>398,945</b>	<b>22,242</b>	<b>8,669</b>	<b>177,443</b>	<b>607,299</b>
<b>Loans which were past due but not impaired</b>					
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
<b>Total loans past due but not impaired</b>	<b>11,469</b>	<b>1,214</b>	<b>123</b>	<b>2,339</b>	<b>15,145</b>

(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.

## Notes to the Financial Statements

### Note 5 Provisions for Impairment and Asset Quality (continued)

	Half Year Ended		
	31 Dec 15 \$M	30 Jun 15 \$M	31 Dec 14 \$M
<b>Movement in gross impaired assets</b>			
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
<b>Gross impaired assets - closing balance <sup>(1)</sup></b>	<b>2,788</b>	<b>2,855</b>	<b>3,360</b>

(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
<b>Impaired assets by size of asset</b>			
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
<b>Gross impaired assets</b>	<b>2,788</b>	<b>2,855</b>	<b>3,360</b>
Less total provisions for impaired assets <sup>(1)</sup>	(1,032)	(1,026)	(1,244)
<b>Net impaired assets</b>	<b>1,756</b>	<b>1,829</b>	<b>2,116</b>

(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
<b>Provision for impairment losses</b>			
<b>Collective provision</b>			
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
<b>Closing balance</b>	<b>2,801</b>	<b>2,762</b>	<b>2,763</b>
<b>Individually assessed provisions</b>			
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
<b>Closing balance</b>	<b>909</b>	<b>887</b>	<b>1,116</b>
<b>Total provisions for impairment losses</b>	<b>3,710</b>	<b>3,649</b>	<b>3,879</b>
Less: Provision for Off Balance Sheet exposures	(47)	(31)	(19)
<b>Total provisions for loan impairment</b>	<b>3,663</b>	<b>3,618</b>	<b>3,860</b>



# Notes to the Financial Statements

## Note 5 Provisions for Impairment and Asset Quality (continued)

	As at		
	31 Dec 15	30 Jun 15	31 Dec 14
	%	%	%
<b>Provision ratios</b>			
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
<b>Loan impairment expense</b>			
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)
<b>Total loan impairment expense</b>	<b>564</b>	<b>548</b>	<b>440</b>

## Note 6 Deposits and Other Public Borrowings

	As at		
	31 Dec 15	30 Jun 15	31 Dec 14
	\$M	\$M	\$M
<b>Australia</b>			
Certificates of deposit	38,800	46,083	45,307
Term deposits	140,409	143,285	149,057
On demand and short-term deposits <sup>(1)</sup>	285,414	265,620	242,254
Deposits not bearing interest <sup>(1)</sup>	13,699	12,568	12,078
Securities sold under agreements to repurchase	11,910	12,964	9,015
<b>Total Australia</b>	<b>490,232</b>	<b>480,520</b>	<b>457,711</b>
<b>New Zealand</b>			
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
<b>Total New Zealand</b>	<b>49,853</b>	<b>45,828</b>	<b>45,131</b>
<b>Other Overseas</b>			
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	-
<b>Total Other Overseas</b>	<b>20,413</b>	<b>16,883</b>	<b>19,721</b>
<b>Total deposits and other public borrowings</b>	<b>560,498</b>	<b>543,231</b>	<b>522,563</b>

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

## Notes to the Financial Statements

### 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								
	<b>Retail Banking Services</b>	<b>Business and Private Banking</b>	<b>Institutional Banking and Markets</b>	<b>Wealth Management</b>	<b>New Zealand</b>	<b>Bankwest</b>	<b>IFS and Other</b>	<b>Total</b>
	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
Net interest income	4,236	1,538	785	-	760	833	212	8,364
Other banking income	924	423	653	-	180	107	192	2,479
<b>Total banking income</b>	<b>5,160</b>	<b>1,961</b>	<b>1,438</b>	<b>-</b>	<b>940</b>	<b>940</b>	<b>404</b>	<b>10,843</b>
Funds management income	-	-	-	964	40	-	28	1,032
Insurance income	-	-	-	330	127	-	30	487
<b>Total operating income</b>	<b>5,160</b>	<b>1,961</b>	<b>1,438</b>	<b>1,294</b>	<b>1,107</b>	<b>940</b>	<b>462</b>	<b>12,362</b>
Investment experience <sup>(1)</sup>	-	-	-	56	5	-	(3)	58
<b>Total income</b>	<b>5,160</b>	<b>1,961</b>	<b>1,438</b>	<b>1,350</b>	<b>1,112</b>	<b>940</b>	<b>459</b>	<b>12,420</b>
Operating expenses	(1,694)	(742)	(534)	(832)	(441)	(390)	(583)	(5,216)
Loan impairment expense	(305)	(71)	(140)	-	(37)	16	(27)	(564)
<b>Net profit before tax</b>	<b>3,161</b>	<b>1,148</b>	<b>764</b>	<b>518</b>	<b>634</b>	<b>566</b>	<b>(151)</b>	<b>6,640</b>
Corporate tax expense	(946)	(345)	(156)	(146)	(171)	(170)	109	(1,825)
Non-controlling interests	-	-	-	-	-	-	(11)	(11)
<b>Net profit after tax - "cash basis" <sup>(2)</sup></b>	<b>2,215</b>	<b>803</b>	<b>608</b>	<b>372</b>	<b>463</b>	<b>396</b>	<b>(53)</b>	<b>4,804</b>
Hedging and IFRS volatility	-	-	-	-	(109)	-	(42)	(151)
Other non-cash items	-	-	-	(9)	-	(26)	-	(35)
<b>Net profit after tax - "statutory basis"</b>	<b>2,215</b>	<b>803</b>	<b>608</b>	<b>363</b>	<b>354</b>	<b>370</b>	<b>(95)</b>	<b>4,618</b>
<b>Additional information</b>								
Amortisation and depreciation	(14)	(8)	(50)	(14)	(40)	(42)	(209)	(377)
<b>Balance Sheet</b>								
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 <sup>(1)</sup>

	<b>Retail Banking Services</b>	<b>Business and Private Banking</b>	<b>Institutional Banking and Markets</b>	<b>Wealth Management</b>	<b>New Zealand</b>	<b>Bankwest</b>	<b>IFS and Other</b>	<b>Total</b>
	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
Net interest income	3,931	1,466	718	-	755	835	170	7,875
Other banking income	891	401	712	-	145	109	128	2,386
<b>Total banking income</b>	<b>4,822</b>	<b>1,867</b>	<b>1,430</b>	<b>-</b>	<b>900</b>	<b>944</b>	<b>298</b>	<b>10,261</b>
Funds management income	-	-	-	917	34	-	19	970
Insurance income	-	-	-	274	109	-	33	416
<b>Total operating income</b>	<b>4,822</b>	<b>1,867</b>	<b>1,430</b>	<b>1,191</b>	<b>1,043</b>	<b>944</b>	<b>350</b>	<b>11,647</b>
Investment experience <sup>(2)</sup>	-	-	-	66	8	-	6	80
<b>Total income</b>	<b>4,822</b>	<b>1,867</b>	<b>1,430</b>	<b>1,257</b>	<b>1,051</b>	<b>944</b>	<b>356</b>	<b>11,727</b>
Operating expenses	(1,622)	(711)	(475)	(783)	(420)	(398)	(505)	(4,914)
Loan impairment expense	(268)	(63)	(97)	-	(34)	26	(4)	(440)
<b>Net profit before tax</b>	<b>2,932</b>	<b>1,093</b>	<b>858</b>	<b>474</b>	<b>597</b>	<b>572</b>	<b>(153)</b>	<b>6,373</b>
Corporate tax expense	(878)	(329)	(209)	(125)	(154)	(172)	127	(1,740)
Non-controlling interests	-	-	-	-	-	-	(10)	(10)
<b>Net profit after tax - "cash basis" <sup>(3)</sup></b>	<b>2,054</b>	<b>764</b>	<b>649</b>	<b>349</b>	<b>443</b>	<b>400</b>	<b>(36)</b>	<b>4,623</b>
Hedging and IFRS volatility	-	-	-	-	(59)	-	17	(42)
Other non-cash items	-	-	-	(20)	-	(26)	-	(46)
<b>Net profit after tax - "statutory basis"</b>	<b>2,054</b>	<b>764</b>	<b>649</b>	<b>329</b>	<b>384</b>	<b>374</b>	<b>(19)</b>	<b>4,535</b>
<b>Additional information</b>								
Amortisation and depreciation	(9)	(12)	(24)	(13)	(38)	(64)	(196)	(356)
<b>Balance Sheet</b>								
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).

## Notes to the Financial Statements

### Note 7 Financial Reporting by Segments (continued)

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

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

(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
<b>Ordinary Share Capital</b>			
Shares on issue:			
Opening balance	27,898	27,327	27,327
Issue of shares (net of issue costs) <sup>(1)</sup>	5,022	-	-
Dividend reinvestment plan (net of issue costs) <sup>(2) (3)</sup>	657	571	-
	<b>33,577</b>	27,898	27,327
Less treasury shares:			
Opening balance	(279)	(288)	(291)
Purchase of treasury shares <sup>(4)</sup>	(99)	(63)	(727)
Sale and vesting of treasury shares <sup>(4)</sup>	53	72	730
	<b>(325)</b>	(279)	(288)
<b>Closing balance</b>	<b>33,252</b>	27,619	27,039
<b>Other Equity Instruments</b>			
Opening balance	939	939	939
<b>Closing balance</b>	<b>939</b>	939	939
<b>Retained Profits</b>			
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
	<b>26,282</b>	24,692	23,371
Total available for appropriation	26,282	24,692	23,371
Transfers (to)/from general reserve	(101)	56	(9)
Transfers from asset revaluation reserve	14	9	12
Transfers from employee compensation reserve	(2)	-	-
Interim dividend - cash component	-	(2,636)	-
Interim dividend - dividend reinvestment plan <sup>(2)</sup>	-	(574)	-
Final dividend - cash component	(2,958)	-	(3,534)
Final dividend - dividend reinvestment plan <sup>(2)</sup>	(655)	-	-
Other dividends <sup>(5)</sup>	(32)	(19)	(17)
<b>Closing balance</b>	<b>22,548</b>	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 dividend 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.

## Notes to the Financial Statements

### Note 8 Shareholders' Equity (continued)

	Half Year Ended		
	31 Dec 15	30 Jun 15	31 Dec 14
	\$M	\$M	\$M
<b>Reserves</b>			
<b>General Reserve</b>			
Opening balance	819	875	866
Appropriation from/(to) retained profits	101	(56)	9
Closing balance	920	819	875
<b>Asset Revaluation Reserve</b>			
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
<b>Foreign Currency Translation Reserve</b>			
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
<b>Cash Flow Hedge Reserve</b>			
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
<b>Employee Compensation Reserve</b>			
Opening balance	122	79	125
Current period movement	(37)	43	(46)
Closing balance	85	122	79
<b>Available-for-sale Investments Reserve</b>			
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
<b>Total Reserves</b>	<b>2,554</b>	<b>2,345</b>	<b>2,674</b>
<b>Shareholders' Equity attributable to Equity holders of the Bank</b>	<b>59,293</b>	<b>52,431</b>	<b>50,475</b>
<b>Shareholders' Equity attributable to Non-controlling interests</b>	<b>554</b>	<b>562</b>	<b>556</b>
<b>Total Shareholders' Equity</b>	<b>59,847</b>	<b>52,993</b>	<b>51,031</b>

## 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
<b>Financial assets not measured at fair value on a recurring basis</b>				
Cash and liquid assets	31,587	31,587	33,116	33,116
Receivables due from other financial institutions <sup>(1)</sup>	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
<b>Total financial assets</b>	<b>707,462</b>	<b>707,993</b>	678,432	679,282
<b>Financial liabilities not measured at fair value on a recurring basis</b>				
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
<b>Total financial liabilities</b>	<b>779,700</b>	<b>781,780</b>	758,956	760,623

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

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.

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# Notes to the Financial Statements

## 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 is 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, and Debit Valuation Adjustments (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.



## Notes to the Financial Statements

### 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 at 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
<b>Financial Assets measured at fair value on a recurring basis</b>								
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 <sup>(1)</sup>	11,615	-	-	11,615	14,847	-	-	14,847
<b>Total financial assets measured at fair value</b>	<b>99,383</b>	<b>77,372</b>	<b>497</b>	<b>177,252</b>	<b>103,313</b>	<b>73,967</b>	<b>195</b>	<b>177,475</b>
<b>Financial Liabilities measured at fair value on a recurring basis</b>								
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
<b>Total financial liabilities measured at fair value</b>	<b>3,972</b>	<b>51,146</b>	<b>44</b>	<b>55,162</b>	<b>4,437</b>	<b>48,405</b>	<b>23</b>	<b>52,865</b>

(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
<b>As at 1 July 2015</b>	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)
<b>As at 31 December 2015</b>	<b>94</b>	<b>403</b>	<b>(44)</b>	<b>453</b>
<b>Gains/(losses) recognised in the Income Statement for financial instruments held as at 31 December 2015</b>	<b>15</b>	<b>-</b>	<b>(37)</b>	<b>(22)</b>

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

## Notes to the Financial Statements

### Note 11 Contingent Liabilities, Contingent Assets, Provisions and Commitments

Details of contingent liabilities, provisions and off Balance Sheet business are presented below. The face (contract) value represents the maximum potential amount that could be lost if the counterparty fails to meet its financial obligations. The credit 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.

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

- (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 Licence 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.

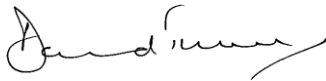
On 8 August 2014, variations to CFPL's and FWL's Australian Financial Services Licences (AFSL) were agreed. ASIC subsequently appointed KordaMentha Forensic (KMF) as the Compliance Expert. Following receipt of KMF's Comparison Report in April 2015, the Group issued 4,329 letters to financial planning 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 undertaken in previous remediation programs were reasonable. As a result of this report, the Group will review up to 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.

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 51 to 72, 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

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## 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

Sydney  
9 February 2016

Marcus Laithwaite  
Partner

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## 1. Net Interest Margin

	Half Year Ended <sup>(1)</sup>		
	31 Dec 15	30 Jun 15	31 Dec 14
	%	%	%
<b>Australia</b>			
Interest spread <sup>(2)</sup>	2.04	2.03	2.04
Benefit of interest-free liabilities, provisions and equity <sup>(3)</sup>	0.11	0.07	0.13
Net interest margin <sup>(4)</sup>	2.15	2.10	2.17
<b>New Zealand</b>			
Interest spread <sup>(2)</sup>	1.77	1.75	1.85
Benefit of interest-free liabilities, provisions and equity <sup>(3)</sup>	0.38	0.46	0.48
Net interest margin <sup>(4)</sup>	2.15	2.21	2.33
<b>Other Overseas</b>			
Interest spread <sup>(2)</sup>	0.69	0.87	0.91
Benefit of interest-free liabilities, provisions and equity <sup>(3)</sup>	0.02	0.06	0.06
Net interest margin <sup>(4)</sup>	0.71	0.93	0.97
<b>Total Group</b>			
Interest spread <sup>(2)</sup>	1.94	1.93	1.95
Benefit of interest-free liabilities, provisions and equity <sup>(3)</sup>	0.12	0.13	0.16
Net interest margin <sup>(4)</sup>	2.06	2.06	2.11

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

(2) Difference between the average interest rate earned and the average interest rate paid on funds.

(3) 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 <sup>(1)</sup>			Half Year Ended 31 Dec 14 <sup>(1)</sup>		
	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
	\$M	\$M	%	\$M	\$M	%	\$M	\$M	%
<b>Interest Earning Assets</b>									
Home loans	429,639	9,591	4.44	416,761	9,575	4.63	403,956	9,943	4.88
Personal loans <sup>(2)</sup>	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
<b>Loans, bills discounted and other receivables</b>	<b>660,973</b>	<b>15,404</b>	<b>4.64</b>	<b>636,001</b>	<b>15,520</b>	<b>4.92</b>	<b>612,837</b>	<b>15,912</b>	<b>5.15</b>
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
<b>Non-lending interest earning assets</b>	<b>144,943</b>	<b>1,383</b>	<b>1.90</b>	<b>136,746</b>	<b>1,287</b>	<b>1.90</b>	<b>126,435</b>	<b>1,385</b>	<b>2.17</b>
Total interest earning assets <sup>(3)</sup>	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		
<b>Total average assets</b>	<b>909,299</b>			<b>870,952</b>			<b>816,258</b>		

	Half Year Ended 31 Dec 15			Half Year Ended 30 Jun 15 <sup>(1)</sup>			Half Year Ended 31 Dec 14 <sup>(1)</sup>		
	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
	\$M	\$M	%	\$M	\$M	%	\$M	\$M	%
<b>Interest Bearing Liabilities</b>									
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
<b>Total interest bearing deposits</b>	<b>539,124</b>	<b>6,011</b>	<b>2.22</b>	<b>520,389</b>	<b>6,282</b>	<b>2.43</b>	<b>497,857</b>	<b>6,671</b>	<b>2.66</b>
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
<b>Total interest bearing liabilities</b>	<b>762,221</b>	<b>8,423</b>	<b>2.20</b>	<b>732,110</b>	<b>8,917</b>	<b>2.46</b>	<b>694,372</b>	<b>9,422</b>	<b>2.69</b>
Total non-interest bearing liabilities	90,657			86,677			71,697		
<b>Total average liabilities</b>	<b>852,878</b>			<b>818,787</b>			<b>766,069</b>		

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

(2) Personal loans include consumer finance, credit cards and margin loans.

(3) Used for calculating Net interest margin.

## Appendices

### 2. Average Balances and Related Interest (continued)

	Half Year Ended 31 Dec 15			Half Year Ended 30 Jun 15 <sup>(1)</sup>			Half Year Ended 31 Dec 14 <sup>(1)</sup>		
	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
	\$M	\$M	%	\$M	\$M	%	\$M	\$M	%
<b>Net Interest Margin</b>									
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
<b>Net interest income and interest spread</b>		8,364	1.94		7,890	1.93		7,875	1.95
Benefit of free funds			0.12			0.13			0.16
<b>Net interest margin</b>			2.06			2.06			2.11

	Half Year Ended 31 Dec 15			Half Year Ended 30 Jun 15 <sup>(1)</sup>			Half Year Ended 31 Dec 14 <sup>(1)</sup>		
	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
	\$M	\$M	%	\$M	\$M	%	\$M	\$M	%
<b>Geographical Analysis of Key Categories</b>									
<b>Loans, Bills Discounted and Other Receivables</b>									
Australia	572,488	13,229	4.60	550,314	13,284	4.87	534,095	13,795	5.12
New Zealand <sup>(2)</sup>	64,496	1,841	5.68	64,009	1,904	6.00	59,457	1,821	6.08
Other Overseas <sup>(2)</sup>	23,989	334	2.77	21,678	332	3.09	19,285	296	3.04
<b>Total</b>	<b>660,973</b>	<b>15,404</b>	<b>4.64</b>	<b>636,001</b>	<b>15,520</b>	<b>4.92</b>	<b>612,837</b>	<b>15,912</b>	<b>5.15</b>
<b>Non-Lending Interest Earning Assets</b>									
Australia	99,318	1,177	2.36	89,406	1,052	2.37	86,764	1,197	2.74
New Zealand <sup>(2)</sup>	6,392	101	3.14	6,905	129	3.77	6,058	117	3.83
Other Overseas <sup>(2)</sup>	39,233	105	0.53	40,435	106	0.53	33,613	71	0.42
<b>Total</b>	<b>144,943</b>	<b>1,383</b>	<b>1.90</b>	<b>136,746</b>	<b>1,287</b>	<b>1.90</b>	<b>126,435</b>	<b>1,385</b>	<b>2.17</b>
<b>Total Interest Bearing Deposits</b>									
Australia	475,627	5,026	2.10	458,677	5,392	2.37	440,644	5,886	2.65
New Zealand <sup>(2)</sup>	45,819	828	3.59	44,848	833	3.75	39,396	732	3.69
Other Overseas <sup>(2)</sup>	17,678	157	1.77	16,864	57	0.68	17,817	53	0.59
<b>Total</b>	<b>539,124</b>	<b>6,011</b>	<b>2.22</b>	<b>520,389</b>	<b>6,282</b>	<b>2.43</b>	<b>497,857</b>	<b>6,671</b>	<b>2.66</b>
<b>Other Interest Bearing Liabilities</b>									
Australia	167,733	1,905	2.26	159,195	2,105	2.67	151,946	2,266	2.96
New Zealand <sup>(2)</sup>	14,766	311	4.19	14,649	362	4.98	14,646	375	5.08
Other Overseas <sup>(2)</sup>	40,598	196	0.96	37,877	168	0.89	29,923	110	0.73
<b>Total</b>	<b>223,097</b>	<b>2,412</b>	<b>2.15</b>	<b>211,721</b>	<b>2,635</b>	<b>2.51</b>	<b>196,515</b>	<b>2,751</b>	<b>2.78</b>

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

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



### 3. Interest Rate and Volume Analysis

	Half Year Ended Dec 15 vs Jun 15			Half Year Ended Dec 15 vs Dec 14		
	Volume	Rate	Total	Volume	Rate	Total
	\$M	\$M	\$M	\$M	\$M	\$M
<b>Interest Earning Assets <sup>(1)</sup></b>						
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)
<b>Loans, bills discounted and other receivables</b>	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)
<b>Non-lending interest earning assets</b>	78	18	96	190	(192)	(2)
<b>Total interest earning assets</b>	706	(726)	(20)	1,474	(1,984)	(510)

	Half Year Ended Dec 15 vs Jun 15			Half Year Ended Dec 15 vs Dec 14		
	Volume	Rate	Total	Volume	Rate	Total
	\$M	\$M	\$M	\$M	\$M	\$M
<b>Interest Bearing Liabilities <sup>(1)</sup></b>						
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)
<b>Total interest bearing deposits</b>	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
<b>Total interest bearing liabilities</b>	350	(844)	(494)	835	(1,834)	(999)

	Half Year Ended	
	Dec 15 vs Jun 15 Increase/(Decrease)	Dec 15 vs Dec 14 Increase/(Decrease)
	\$M	\$M
<b>Change in Net Interest Income <sup>(2)</sup></b>		
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	-
<b>Change in net interest income</b>	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).

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## Appendices

### 3. Interest Rate and Volume Analysis (continued)

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

(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	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
	\$M	\$M	\$M		
Lending fees	562	522	528	8	6
Commissions	1,159	1,099	1,127	5	3
Trading income <sup>(1)</sup>	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
<b>Total other banking income - "statutory basis"</b>	<b>2,267</b>	<b>2,560</b>	<b>2,330</b>	<b>(11)</b>	<b>(3)</b>

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

#### 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	30 Jun 15	31 Dec 14
	\$M	\$M	\$M
<b>Other banking income - "cash basis" <sup>(1)</sup></b>	<b>2,479</b>	<b>2,487</b>	<b>2,386</b>
Revenue hedge of New Zealand operations - unrealised	(151)	168	(78)
Hedging and IFRS volatility	(61)	(95)	22
<b>Other banking income - "statutory basis"</b>	<b>2,267</b>	<b>2,560</b>	<b>2,330</b>

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

## 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 Financial Statements in the 30 June 2015 Annual Report of the Group. Further disclosures in respect of capital adequacy and risk are provided in the Group's annual Pillar 3 document.

### Credit Risk

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

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

	As at		
	31 Dec 15	30 Jun 15	31 Dec 14
By Industry <sup>(1)</sup>	%	%	%
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 <sup>(1)</sup>	%	%	%
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 <sup>(1)</sup>	%	%	%
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).

## Appendices

### 5. Integrated Risk Management (continued)

#### Market Risk

Market risk in the Balance Sheet is discussed within Note 33 of the 2015 Annual Report.

#### Value at Risk (VaR)

The Group uses Value at Risk (VaR) as one of the measures of Traded and Non-Traded Market Risk. VaR measures potential loss using historically observed market 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
	\$M	\$M	\$M
<b>Traded Market Risk <sup>(1)</sup></b>			
<b>Risk Type</b>			
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
<b>Total</b>	<b>8.4</b>	<b>9.3</b>	<b>8.5</b>

(1) Average VaR is at 1 day 97.5% confidence, and is calculated for each six month period.

	Average VaR <sup>(1)</sup>		
	31 Dec 15	30 Jun 15	31 Dec 14
	\$M	\$M	\$M
<b>Non-Traded VaR in Australian Life Insurance Business (20 day 97.5% Confidence)</b>			
Shareholder funds <sup>(2)</sup>	5.7	11.7	14.5
Guarantees (to Policyholders) <sup>(3)</sup>	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		
	31 Dec 15	30 Jun 15	31 Dec 14
	\$M	\$M	\$M
<b>Non-Traded Equity Risk VaR (20 day 97.5% Confidence)</b>			
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 Annual 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:

		31 Dec 15	30 Jun 15	31 Dec 14
		\$M	\$M	\$M
<b>Net Interest Earnings at Risk<sup>(1)</sup></b>				
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 <sup>(1)</sup>		
		31 Dec 15	30 Jun 15	31 Dec 14
		\$M	\$M	\$M
<b>Non-Traded Interest Rate Risk (20 day 97.5% Confidence)</b>				
AUD Interest rate risk		51.8	49.2	84.8
NZD Interest rate risk <sup>(2)</sup>		3.8	2.9	3.6

(1) For the half year ended.

(2) Relates specifically to ASB data as at month end.

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## Appendices

### 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	30 Jun 15	31 Dec 14	Dec 15 vs Jun 15 %	Dec 15 vs Dec 14 %
	\$M	\$M	\$M		
Transaction deposits <sup>(1)</sup>	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 <sup>(1) (2)</sup>	17,655	16,889	16,624	5	6
<b>Total customer deposits</b>	<b>500,356</b>	<b>477,811</b>	<b>458,428</b>	<b>5</b>	<b>9</b>
<b>Wholesale funding</b>					
<b>Short-term</b>					
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 <sup>(3)</sup>	43,504	40,013	35,418	9	23
<b>Total short-term funding</b>	<b>134,318</b>	<b>131,837</b>	<b>124,945</b>	<b>2</b>	<b>8</b>
<b>Short sales</b>	<b>3,980</b>	<b>4,437</b>	<b>3,584</b>	<b>(10)</b>	<b>11</b>
<b>Total long-term funding - less than or equal to one year residual maturity <sup>(4)</sup></b>	<b>25,943</b>	<b>27,479</b>	<b>28,302</b>	<b>(6)</b>	<b>(8)</b>
<b>Long-term - greater than one year residual maturity <sup>(4)</sup></b>					
Domestic debt program <sup>(5)</sup>	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 <sup>(6)</sup>	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)
<b>Total long-term funding - greater than one year residual maturity</b>	<b>107,395</b>	<b>105,055</b>	<b>105,888</b>	<b>2</b>	<b>1</b>
<b>IFRS MTM and derivative FX revaluations</b>	<b>10,346</b>	<b>11,657</b>	<b>10,403</b>	<b>(11)</b>	<b>(1)</b>
<b>Total wholesale funding</b>	<b>281,982</b>	<b>280,465</b>	<b>273,122</b>	<b>1</b>	<b>3</b>
<b>Total funding</b>	<b>782,338</b>	<b>758,276</b>	<b>731,550</b>	<b>3</b>	<b>7</b>
<b>Reported as</b>					
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	-	-
<b>Total funding</b>	<b>782,338</b>	<b>758,276</b>	<b>731,550</b>	<b>3</b>	<b>7</b>

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

(2) Other customer deposits primarily consist of non-interest bearing deposits and deposits held at fair value through the Income Statement.

(3) Includes 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) 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

The Group's liquidity and funding policies enable 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, 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 has the requisite policies and actively manages its forward-looking LCR position.

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

- Predominantly customer deposit funding;
- Diverse and stable sources of wholesale funding;
- 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, ensuring 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 its 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.

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### 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, provide 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 Financial Statements of the 2015 Annual Report. The definition of control depends upon substance rather than form and, accordingly, determination of the existence of control involves management judgement. The Group assesses, at inception and periodically, whether an SPV should be consolidated

based on the power the Group has over relevant activities of the entity, and the significance of the Group's exposure to variable returns of the structured entity.

The lending and investment arrangements are entered into under the Group's approved lending criteria and are subject to appropriate credit approval processes. The assets arising from these financing activities are generally included in Receivables due from other financial institutions, 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
<b>Net position <sup>(1)</sup></b>	<b>(728)</b>	<b>3,561</b>	<b>1,708</b>	<b>1,661</b>

(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.

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

### Asset-backed Securities by Underlying Asset

	Trading Portfolio		AFS Portfolio <sup>(1)</sup>		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
<b>Total</b>	<b>28</b>	<b>33</b>	<b>8,620</b>	<b>8,767</b>	<b>-</b>	<b>-</b>	<b>8,648</b>	<b>8,800</b>

(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
<b>Total</b>	<b>8,570</b>	<b>8,716</b>	<b>49</b>	<b>56</b>	<b>3</b>	<b>4</b>	<b>26</b>	<b>24</b>	<b>8,648</b>	<b>8,800</b>

Warehousing Financing Facilities	Funded Commitments		Unfunded Commitments		Total	
	31 Dec 15	30 Jun 15	31 Dec 15	30 Jun 15	31 Dec 15	30 Jun 15
	\$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
<b>Total</b>	<b>4,018</b>	<b>2,200</b>	<b>1,456</b>	<b>1,782</b>	<b>5,474</b>	<b>3,982</b>

## Appendices

### 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
	%	%	%
<b>Risk Weighted Capital Ratios</b>			
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
<b>Total Capital</b>	<b>14.1</b>	<b>12.7</b>	<b>12.7</b>

	Half Year Ended		
	31 Dec 15	30 Jun 15	31 Dec 14
	\$M	\$M	\$M
<b>Ordinary Share Capital and Treasury Shares</b>			
Ordinary Share Capital	33,252	27,619	27,039
Treasury Shares <sup>(1)</sup>	325	279	287
<b>Ordinary Share Capital and Treasury Shares</b>	<b>33,577</b>	<b>27,898</b>	<b>27,326</b>
<b>Reserves</b>			
Reserves	2,554	2,345	2,674
Reserves related to non-consolidated subsidiaries <sup>(2)</sup>	(181)	(93)	(126)
<b>Total Reserves</b>	<b>2,373</b>	<b>2,252</b>	<b>2,548</b>
<b>Retained Earnings and Current Period Profits</b>			
Retained earnings and current period profits	22,548	21,528	19,823
Retained earnings adjustment from non-consolidated subsidiaries <sup>(3)</sup>	(481)	(529)	(377)
<b>Net Retained Earnings</b>	<b>22,067</b>	<b>20,999</b>	<b>19,446</b>
<b>Non-controlling interest</b>			
Non-controlling interest <sup>(4)</sup>	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)
<b>Minority Interest</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Common Equity Tier 1 Capital before regulatory adjustments</b>	<b>58,017</b>	<b>51,149</b>	<b>49,320</b>

(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
<b>Common Equity Tier 1 regulatory adjustments</b>			
Goodwill	(7,597)	(7,599)	(7,576)
Other intangibles (excluding software) <sup>(1)</sup>	(111)	(164)	(225)
Capitalised costs	(331)	(337)	(341)
Capitalised software	(2,183)	(2,089)	(1,979)
Defined benefit superannuation plan surplus <sup>(2)</sup>	(307)	(193)	-
General reserve for credit losses <sup>(3)</sup>	(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 <sup>(4)</sup>	(3,263)	(3,179)	(2,990)
Equity investments in non-consolidated subsidiaries <sup>(5)</sup>	(1,688)	(1,705)	(1,307)
Shortfall of provisions to expected losses <sup>(6)</sup>	(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)
<b>Common Equity Tier 1 regulatory adjustments</b>	<b>(17,801)</b>	<b>(17,751)</b>	<b>(16,735)</b>
<b>Common Equity Tier 1</b>	<b>40,216</b>	<b>33,398</b>	<b>32,585</b>
<b>Additional Tier 1 Capital</b>			
Basel III complying instruments <sup>(7)</sup>	5,000	5,000	5,000
Basel III non-complying instruments net of transitional amortisation <sup>(8)</sup>	2,756	2,749	3,413
<b>Additional Tier 1 Capital</b>	<b>7,756</b>	<b>7,749</b>	<b>8,413</b>
<b>Tier 1 Capital</b>	<b>47,972</b>	<b>41,147</b>	<b>40,998</b>
<b>Tier 2 Capital</b>			
Basel III complying instruments <sup>(9)</sup>	5,033	3,268	1,254
Basel III non-complying instruments net of transitional amortisation <sup>(10)</sup>	2,141	2,257	2,493
Holding of Tier 2 Capital	(19)	(20)	(30)
Prudential general reserve for credit losses <sup>(11)</sup>	178	156	186
<b>Total Tier 2 Capital</b>	<b>7,333</b>	<b>5,661</b>	<b>3,903</b>
<b>Total Capital</b>	<b>55,305</b>	<b>46,808</b>	<b>44,901</b>

- (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 Common Equity Tier 1.
- (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.
- (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.

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## Appendices

### 7. Capital (continued)

Risk Weighted Assets	As at		
	31 Dec 15	30 Jun 15	31 Dec 14
	\$M	\$M	\$M
<b>Credit Risk</b>			
<b>Subject to Advanced IRB approach</b>			
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 <sup>(1)</sup>	13,185	12,513	11,977
<b>Total Risk Weighted Assets subject to Advanced IRB approach</b>	<b>232,934</b>	<b>221,070</b>	<b>211,596</b>
<b>Specialised lending exposures subject to slotting criteria</b>	<b>54,885</b>	<b>51,081</b>	<b>48,774</b>
<b>Subject to Standardised approach</b>			
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
<b>Total Risk Weighted Assets subject to Standardised approach</b>	<b>36,989</b>	<b>36,963</b>	<b>37,058</b>
Securitisation	1,567	1,653	5,016
Credit valuation adjustment	7,686	7,712	8,126
Central counterparties	896	695	954
<b>Total Risk Weighted Assets for Credit Risk Exposures</b>	<b>334,957</b>	<b>319,174</b>	<b>311,524</b>
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
<b>Total Risk Weighted Assets</b>	<b>392,662</b>	<b>368,721</b>	<b>353,048</b>

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

## 8. Share Capital

	Half Year Ended		
	31 Dec 15	30 Jun 15	31 Dec 14
Shares on Issue	Number	Number	Number
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 <sup>(1)</sup>	71,161,207	-	-
Closing balance (excluding Treasury Shares deduction)	1,707,544,714	1,627,592,713	1,621,319,194
Less: Treasury Shares <sup>(2)</sup>	(4,578,698)	(4,654,277)	(4,898,558)
<b>Closing balance</b>	<b>1,702,966,016</b>	<b>1,622,938,436</b>	<b>1,616,420,636</b>

(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 resulting in the issue of 28,897,186 shares on 26 August 2015. The retail entitlement offer closed on 8 September 2015 resulting in the issue of 42,264,021 shares on 18 September 2015.

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

### Dividend Franking Account

After fully franking the interim dividend to be paid for the half year, the amount of credits available at the 30% tax rate as at 31 December 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 will be payable 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 closes for determination of dividend entitlement at 5:00pm AEDT on 18 February 2016. The deadline for notifying participation in the DRP is 5:00pm AEDT on 19 February 2016.

### Ex-Dividend Date

The ex-dividend date is 16 February 2016.

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## Appendices

### 9. Intangible Assets

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

- (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.

## 10. ASX Appendix 4D

Cross Reference Index	Page
Details of Reporting Period and Previous Period (Rule 4.2A.3 Item No. 1)	Inside front cover
Results for Announcement to the Market (Rule 4.2A.3 Item No. 2)	Inside front cover
Commentary on Results (Rule 4.2A.3 Item No. 2.6)	2
Net Tangible Assets per Security (Rule 4.2A.3 Item No. 3)	100
Dividends (Rule 4.2A.3 Item No. 5)	91
Dividend Dates (Rule 4.2A.3 Item No. 5)	Inside front cover
Dividend Reinvestment Plan (Rule 4.2A.3 Item No. 6)	91

### 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 <sup>(1)</sup>	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 <sup>(2)</sup>	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.

## Appendices

### 11. Profit Reconciliation

	Half Year Ended 31 December 2015						Net profit after tax "statutory basis"
	Net profit after tax "cash basis"	Hedging and IFRS volatility	Bankwest non-cash items <sup>(1)</sup>	Treasury shares valuation adjustment	Policyholder tax	Investment experience	
Profit Reconciliation	\$M	\$M	\$M	\$M	\$M	\$M	\$M
<b>Group</b>							
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)

Profit Reconciliation	Half Year Ended 30 June 2015						Net profit after tax "statutory basis" \$M
	Net profit after tax "cash basis" \$M	Hedging and IFRS volatility \$M	Bankwest non-cash items <sup>(1)</sup> \$M	Treasury shares valuation adjustment \$M	Policyholder tax \$M	Investment experience \$M	
<b>Group</b>							
Interest income	16,807	(2)	-	-	-	-	16,805
Interest expense <sup>(2)</sup>	(8,917)	1	-	-	-	-	(8,916)
Net interest income	7,890	(1)	-	-	-	-	7,889
Other banking income <sup>(2)</sup>	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.

## Appendices

### 11. Profit Reconciliation (continued)

	Half Year Ended 31 December 2014						
	Net profit after tax "cash basis"	Hedging and IFRS volatility	Bankwest non-cash items <sup>(1)</sup>	Treasury shares valuation adjustment	Policyholder tax	Investment experience	Net profit after tax "statutory basis"
Profit Reconciliation	\$M	\$M	\$M	\$M	\$M	\$M	\$M
<b>Group</b>							
Interest income	17,297	(2)	-	-	-	-	17,295
Interest expense <sup>(2)</sup>	(9,422)	(1)	-	-	-	-	(9,423)
Net interest income	7,875	(3)	-	-	-	-	7,872
Other banking income <sup>(2)</sup>	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.

12. Analysis Template

	Half Year Ended <sup>(1)</sup>		
	31 Dec 15	30 Jun 15	31 Dec 14
	\$M	\$M	\$M
<b>Profit Summary - Input Schedule</b>			
Net interest income	8,364	7,890	7,875
Other banking income	2,479	2,487	2,386
<b>Total banking income</b>	<b>10,843</b>	<b>10,377</b>	<b>10,261</b>
Funds management income	1,032	968	970
Insurance income	487	376	416
<b>Total operating income</b>	<b>12,362</b>	<b>11,721</b>	<b>11,647</b>
Investment experience	58	130	80
<b>Total income</b>	<b>12,420</b>	<b>11,851</b>	<b>11,727</b>
<b>Operating Expenses</b>			
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)
<b>Total operating expenses</b>	<b>(5,216)</b>	<b>(5,079)</b>	<b>(4,914)</b>
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)
<b>Net profit after tax - "cash basis"</b>	<b>4,804</b>	<b>4,514</b>	<b>4,623</b>
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)
<b>Net profit after tax - "statutory basis"</b>	<b>4,618</b>	<b>4,528</b>	<b>4,535</b>
<b>Total Operating Income</b>			
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.

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## Appendices

### 12. Analysis Template (continued)

	Half Year Ended <sup>(1)</sup>		
	31 Dec 15	30 Jun 15	31 Dec 14
	\$M	\$M	\$M
<b>Profit Summary - Input Schedule</b>			
<b>Other Data</b>			
Net interest income	8,364	7,890	7,875
Average interest earning assets	805,916	772,747	739,272
Average net assets <sup>(2)</sup>	56,420	52,012	50,190
Average non-controlling interests <sup>(2)</sup>	558	559	547
Average other equity instruments <sup>(2)</sup>	939	939	939
Average treasury shares <sup>(2)</sup>	(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 basic (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 basic (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.

(2) Average of reporting period balances.

12. Analysis Template (continued)

	Half Year Ended <sup>(1)</sup>		
	31 Dec 15	30 Jun 15	31 Dec 14
	\$M	\$M	\$M
<b>Ratios - Output Summary</b>			
<b>Earnings Per Share (EPS)</b>			
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
<b>Earnings Per Share basic - "cash basis" (cents) <sup>(2)</sup></b>	<b>284.4</b>	<b>275.0</b>	<b>282.5</b>
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
<b>Earnings Per Share basic - "statutory basis" (cents) <sup>(2)</sup></b>	<b>273.6</b>	<b>276.2</b>	<b>277.5</b>
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	-
<b>Profit impact of assumed conversions (after tax)</b>	<b>93</b>	<b>112</b>	<b>113</b>
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
<b>Weighted average number of shares - dilutive securities (M)</b>	<b>77</b>	<b>86</b>	<b>83</b>
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
<b>Earnings Per Share diluted - "cash basis" (cents) <sup>(2)</sup></b>	<b>277.2</b>	<b>267.8</b>	<b>275.3</b>
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
<b>Earnings Per Share diluted - "statutory basis" (cents) <sup>(2)</sup></b>	<b>266.9</b>	<b>269.0</b>	<b>270.6</b>
<b>Dividends Per Share (DPS)</b>			
<b>Dividends</b>			
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
<b>Dividend payout ratio - "cash basis"</b>			
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
<b>Dividend cover</b>			
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.

(2) EPS calculations are based on actual NPAT, interest expense, distributions and number of shares prior to rounding to the nearest million.

## Appendices

### 12. Analysis Template (continued)

	Half Year Ended		
	31 Dec 15	30 Jun 15	31 Dec 14
	\$M	\$M	\$M
<b>Ratios - Output Summary</b>			
<b>Return on Equity (ROE)</b>			
<b>Return on Equity - "cash basis"</b>			
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
<b>Return on Equity - "statutory basis"</b>			
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
<b>Net Tangible Assets per share</b>			
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
<b>Net Tangible Assets per share (\$)</b>	<b>28.30</b>	<b>25.50</b>	<b>24.46</b>

13. Summary

Group		Half Year Ended <sup>(1)</sup>			Dec 15 vs	Dec 15 vs
		31 Dec 15	30 Jun 15	31 Dec 14	Jun 15 %	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 (Internationally comparable) - Basel III <sup>(2)</sup>	%	14.3	12.7	n/a	160 bpts	n/a
Common Equity Tier 1 (APRA) - Basel III	%	10.2	9.1	9.2	110 bpts	100 bpts
Leverage ratio (Internationally comparable) <sup>(3) (4)</sup>	%	5.6	n/a	n/a	n/a	n/a
Leverage ratio (APRA) <sup>(4)</sup>	%	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
<b>Retail Banking Services</b>						
Cash net profit after tax	\$M	2,215	1,940	2,054	14	8
Operating expenses to total banking income	%	32.8	34.6	33.6	(180)bpts	(80)bpts
Effective tax rate - "cash basis"	%	29.9	29.9	29.9	-	-
<b>Business and Private Banking</b>						
Cash net profit after tax	\$M	803	731	764	10	5
Operating expenses to total banking income	%	37.8	38.7	38.1	(90)bpts	(30)bpts
Effective tax rate - "cash basis"	%	30.1	30.0	30.1	10 bpts	-
<b>Institutional Banking and Markets</b>						
Cash net profit after tax	\$M	608	636	649	(4)	(6)
Operating expenses to total banking income	%	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.

(2) Analysis aligns with the 13 July 2015 APRA study titled "International capital comparison study".

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

(4) The Group commenced disclosure of its leverage ratio at 30 September 2015, thus no comparatives have been presented.

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## Appendices

### 13. Summary (continued)

		Half Year Ended <sup>(1)</sup>			Dec 15 vs	Dec 15 vs
		31 Dec 15	30 Jun 15	31 Dec 14	Jun 15 %	Dec 14 %
<b>Wealth Management</b>						
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	%	64.3	81.4	65.7	large	(140)bpts
Effective tax rate - "cash basis"	%	28.4	19.5	26.0	large	240 bpts
<b>New Zealand</b>						
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 <sup>(2)</sup>	%	39.3	40.4	39.9	(110)bpts	(60)bpts
Effective tax rate - "cash basis" <sup>(2)</sup>	%	27.0	25.0	25.5	200 bpts	150 bpts
<b>Bankwest</b>						
Cash net profit after tax	\$M	396	395	400	-	(1)
Operating expenses to total banking income	%	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.

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

### 14. Foreign Exchange Rates

Exchange Rates Utilised <sup>(1)</sup>	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 this Profit Announcement, including market share definitions, can be found on: [www.commbank.com.au/about-us/shareholders/financial-information/results.html](http://www.commbank.com.au/about-us/shareholders/financial-information/results.html).