Profit Announcement

For the full year ended 30 June 2017

CommonwealthBank

Commonwealth Bank of Australia | ACN 123 123 124 | 9 August 2017

ASX Appendix 4E

Results for announcement to the market [1]

Report for the year ended 30 June 2017	$M	
Revenue from ordinary activities	44,949	Up 1%
Profit/(loss) from ordinary activities after tax attributable to Equity holders	9,928	Up 8%
Net profit/(loss) for the period attributable to Equity holders	9,928	Up 8%
Dividends (distributions)		
Final dividend - fully franked (cents per share)		230
Interim dividend - fully franked (cents per share)		199
Record date for determining entitlements to the dividend		17 August 2017

(1) Rule 4.3A.

This preliminary final report is provided to the ASX under Rule 4.3A. Refer to Appendix 18 ASX Appendix 4E for disclosures required under ASX Listing Rules.

This report should be read in conjunction with the 30 June 2017 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

Full year results announcement	9 August 2017
Ex-dividend date	16 August 2017
Record date	17 August 2017
Last Date to change participation in DRP	18 August 2017
Final dividend payment date	29 September 2017
2018 interim results date	7 February 2018

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All figures relate to the full year ended 30 June 2017 and comparative information to the full year ended 30 June 2016 unless stated otherwise. The term “prior year” refers to the full year ended 30 June 2016, while the term “prior half” refers to the half year ended 31 December 2016.

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Media Release
CBA FY17 Results

For the full year ended 30 June 2017[1]
Reported 9 August 2017

Commonwealth Bank delivers for Australia

CEO Comment: Ian Narev
"Commonwealth Bank's performance this year has again contributed to the financial wellbeing of our customers, shareholders, our people and the Australian economy. This is the result of our consistent focus on customer satisfaction, innovation and financial strength."

- Served 16.6 million customers
- Employed 51,800 people, including 41,600 in Australia
- Returned 75% of profits to 800,000+ shareholders, with almost 80% of shareholders based in Australia
- Invested 25% of profits back into the business for growth
- Provided $197 billion in new lending, including 330,000 home loans
- Helped 1.8 million customers invest for the future
- $3.9 billion tax expense, Australia's largest taxpayer

Financial summary

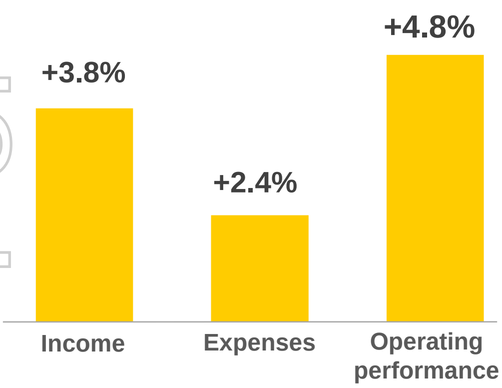
Performance	FY17	FY17 v FY16
Statutory NPAT [2]	$9,928m	7.6%
Cash NPAT	$9,881m	4.6%
Operating performance	$14,862m	4.9%
Loan impairment expense	$1,095m	(12.8%)
Net interest margin	2.11%	(3)bpts
Cost-to-income (underlying) [3]	41.8%	(60)bpts

Returns and strength	FY17	FY16
Dividend per share	$4.29	$4.20
Earnings per share (cash)	$5.74	$5.55
Return on equity (cash)	16.0%	16.5%
Common Equity Tier 1 - APRA	10.1%	10.6%
CET1 – International	15.6%	14.4%
Customer deposits as % funding	67%	66%

Strong operating performance

Positive jaws

FY17 v FY16 underlying basis[3]



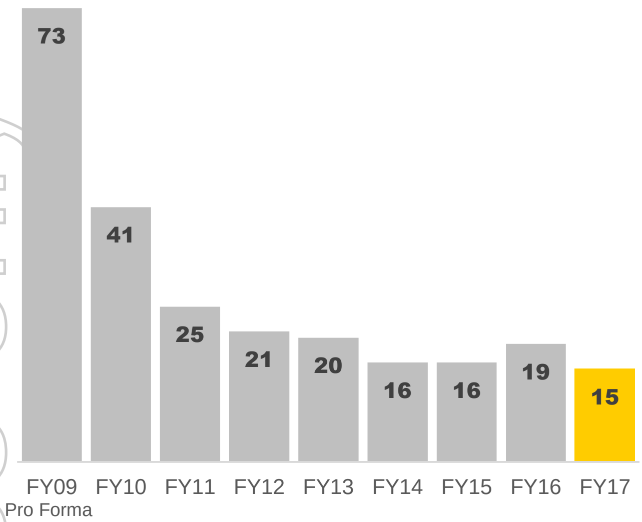
- Operating income increased by 3.8%, ahead of operating expense growth of 2.4%, delivering positive jaws on an underlying basis.[3]
- Banking income grew 4.3% due to volume growth in home lending, business lending and deposits.[3] Insurance income fell 1.1% due to loss recognition of $143 million.
- Invested almost $1.3 billion whilst maintaining underlying expense growth to 2.4%.[3]
- Higher wholesale funding costs and increased competition in home and business lending more than offset asset repricing, resulting in a 3 basis point decline in the net interest margin to 2.11%.

[1] Unless otherwise indicated all comparisons are to the prior full year ended 30 June 2016.
[2] For an explanation of and reconciliation between statutory and cash NPAT, refer to pages 2, 3 and 15 of the Group's Profit Announcement for the full year ended 30 June 2017, available at commbank.com.au/shareholder.
[3] "Underlying basis" excludes a $397 million gain on sale of the Group's remaining investment in Visa Inc. and a $393 million one-off expense for acceleration of amortisation on certain software assets.

Sound credit quality

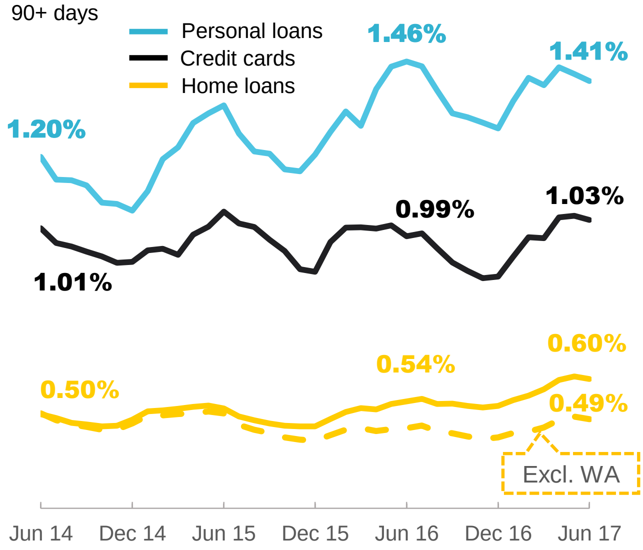
Loan impairment expense

Group (basis points)



Consumer arrears

90+ days

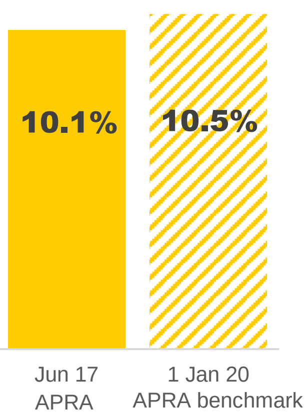


- Loan impairment expense (LIE) remained low, at 15 basis points of gross loans and acceptances. Consumer LIE was flat at 18 basis points, while corporate LIE fell to 8 basis points from 20 basis points.
- Personal loan arrears were elevated in Western Australia and credit card arrears were seasonally higher in 2H17.
- Home loan arrears remained at low levels, despite higher arrears in Western Australia.
- Home lending growth is within regulatory benchmarks.

Capital, funding and liquidity

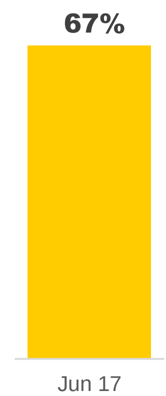
Capital

Basel III Common Equity Tier 1



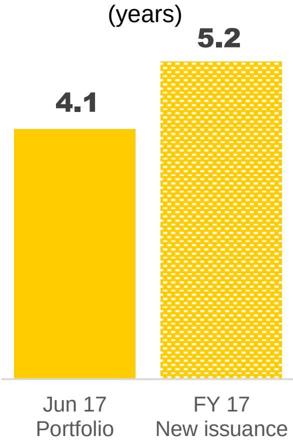
Deposit Funding

% of total funding

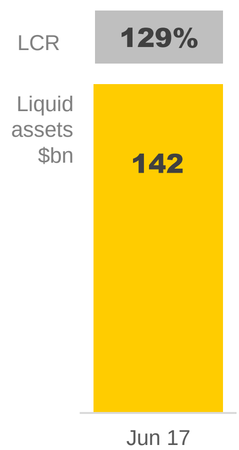


Wholesale Funding

Tenor (years)



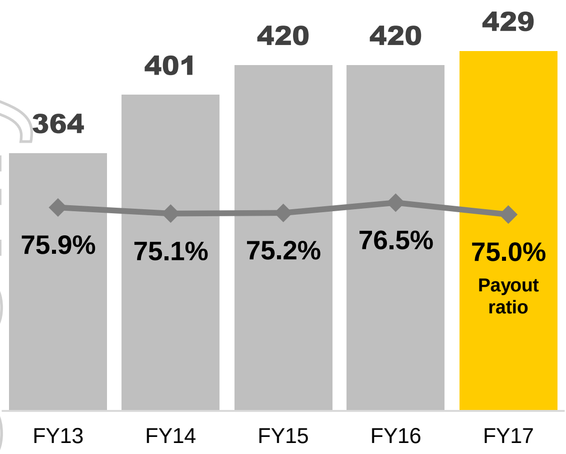
Liquidity



- The Group's Common Equity Tier 1 (CET1) ratio was 10.1% on an APRA basis, and 15.6% on an internationally comparable basis, maintaining CBA's position in the top quartile of international peer banks for CET1.
- Our strong organic capital generation and commitment to financial strength, give us confidence that we will meet APRA's 'unquestionably strong' CET1 ratio average benchmark of 10.5% or more by 1 January 2020.
- Customer deposits contributed 67% of total funding and the Net Stable Funding Ratio (NSFR) was 107%.
- The average tenor of the wholesale funding portfolio was 4.1 years and the average tenor of new issuance was 5.2 years.
- Liquid assets increased from $134 billion in 2016 to $142 billion, and the Liquidity Coverage Ratio was 129%.
- The Leverage Ratio was 5.1% on an APRA basis and 5.8% on an internationally comparable basis.

Returning profits to shareholders

Full year dividend
(cents per share)

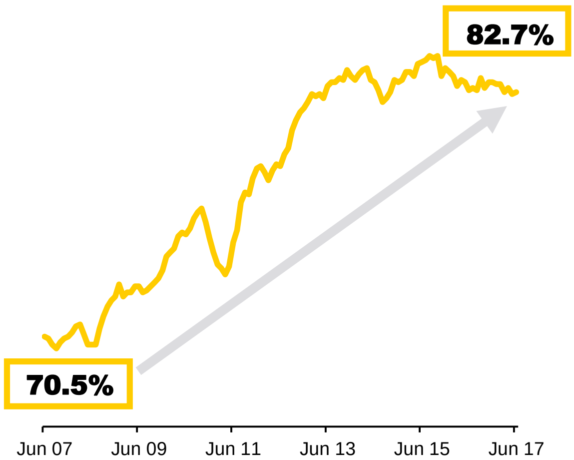


- The strength of CBA's financial performance has supported the Board's aim of stable dividends for shareholders.
- CBA dividends are paid to more than 800,000 shareholders and to millions more through their super funds. A final dividend of $2.30 per share was determined, delivering a full year dividend of $4.29 (fully franked).
- 75% of cash NPAT is being returned to shareholders.
- The ex-dividend date is 16 August, the Record Date is 17 August and dividends will be paid on 29 September.
- A discount of 1.5% will apply to the market price of shares issued under the dividend reinvestment plan (DRP) for the final dividend. The deadline for notifying participation in the DRP is 18 August.

Setting new customer service goals

- Since January 2013, we have been first or equal first more than 80% of the time in retail customer satisfaction.
- As at 30 June 2017, we were number one for retail and internet customer satisfaction and equal first for business.[4]
- Given the extent and consistency of our performance, we have decided to set more ambitious targets. Starting this financial year, the Net Promoter Score (NPS) will become the primary metric by which we assess customer satisfaction and our overarching goal is to be number one in NPS for all customer segments.
- We believe that alignment around this ambitious goal will drive future performance for customers and shareholders.

Retail customer satisfaction



Strategic corporate actions

- We are committed to securing and enhancing the financial wellbeing of people, businesses and communities, and the provision of insurance products to our customers remains core to that vision. CommInsure and Sovereign are strong businesses with scale, expertise, competitive products and access to attractive distribution channels.

  We are in discussions with third parties in relation to their potential interest in our life insurance businesses in Australia and New Zealand. The outcome of those discussions is uncertain. While the discussions may lead to the divestment of those businesses, we will also consider a full range of alternatives, including retaining the businesses, reinsurance arrangements or other strategic options.

- On 4 August 2017, John Symond exercised his put option which will require us to acquire the remaining 20% interest in Aussie Home Loans (AHL). The purchase price will be determined in accordance with the terms agreed in 2012 and the purchase consideration will be paid in the issue of CBA shares. We will consolidate AHL from completion of the acquisition which is currently expected to be in late August 2017.

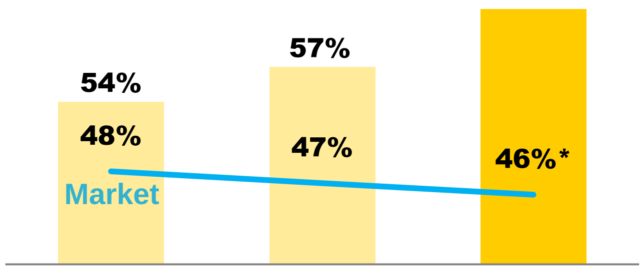
[4] Roy Morgan Research Retail Main Financial Institution Customer Satisfaction; DBM Business Financial Services Monitor.

Delivering great customer experience across channels

- A strategic priority in FY17 was to enhance the home loan experience for customers by better integrating our branch, online and mobile channels.
- Customers' needs and preferences were gathered through smarter use of data and better conversations across all channels.
- Using this information to serve customers better has resulted in more customers choosing to take out a mortgage through our proprietary channels.

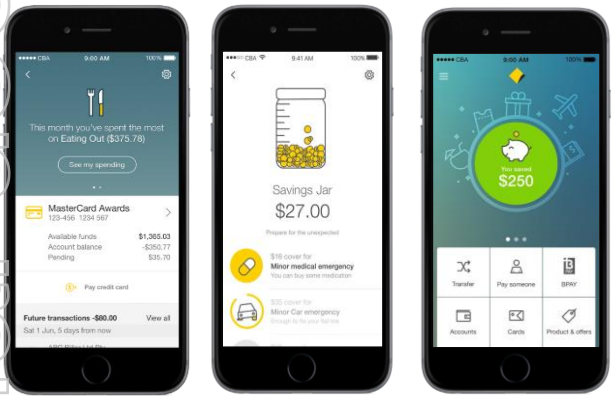
Proprietary % of total flows

Home lending (RBS)



* Market as at Mar 17

Helping customers through technology



Spend Tracker | **Savings Jar** | **Savings Challenge**

- CommBank research on financial wellbeing shows one in three Australian households would struggle to access $500 in an emergency, and more than a third of Australians are spending more than they earn each month.
- To help our customers better manage their finances we have developed new features in the CommBank app that can help improve financial wellbeing at scale.
- Spend Tracker helps improve everyday spending habits.
- Savings Jar helps customers save for times of need.
- Savings Challenge encourages customers to save for goals and tracks their progress.

Outlook

CEO Comment: Ian Narev

"Headline indicators show that the Australian economy remains sound overall, albeit variable. However many households are concerned about job security, wages and the cost of living. Cyclical investment in mining and construction has underpinned our economy for some time. The next wave of more broad-based business investment that we need to secure jobs and lift wages is important. Business balance sheets have the capacity, and we have a strong banking system. But global caution remains high due to geopolitical change and less expansionist monetary policy. So all of us need to focus on working together to create an environment where businesses continue to invest to create rewarding jobs.

For our part, we will continue to strengthen our balance sheet to ensure that we can support our customers through a variety of economic scenarios. We will also maintain our focus on our long term sources of competitive advantage in our customer base and in technology, while accelerating the focus on productivity that we need to remain competitive for the long term, and listening more to our community to strengthen trust. And above all, we will continue to invest in our people, who are the most critical determinant of long term success."

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Key financial information

	Full year ended [1] (cash basis)			Half year ended (cash basis)		
	30 June 17	30 Jun 16	Jun 17 vs	30 Jun 17	31 Dec 16	Jun 17 vs
Group performance summary	$M	$M	Jun 16 %	$M	$M	Dec 16 %
Net interest income	17,600	16,935	4	8,857	8,743	1
Other banking income [2]	5,520	4,860	14	2,534	2,986	(15)
Total banking income	23,120	21,795	6	11,391	11,729	(3)
Funds management income	2,034	2,016	1	1,030	1,004	3
Insurance income	786	795	(1)	393	393	-
Total operating income	25,940	24,606	5	12,814	13,126	(2)
Investment experience	65	141	(54)	49	16	large
Total income	26,005	24,747	5	12,863	13,142	(2)
Operating expenses [3]	(11,078)	(10,434)	6	(5,401)	(5,677)	(5)
Loan impairment expense	(1,095)	(1,256)	(13)	(496)	(599)	(17)
Net profit before tax	13,832	13,057	6	6,966	6,866	1
Net profit after tax ("cash basis")	9,881	9,445	5	4,974	4,907	1
Net profit after tax ("statutory basis")	9,928	9,223	8	5,033	4,895	3
Cash net profit after tax, by division [1]						
Retail Banking Services	4,964	4,540	9	2,498	2,466	1
Business and Private Banking	1,639	1,522	8	848	791	7
Institutional Banking and Markets	1,306	1,190	10	623	683	(9)
Wealth Management	553	612	(10)	304	249	22
New Zealand	973	881	10	502	471	7
Bankwest	702	778	(10)	347	355	(2)
IFS and Other	(256)	(78)	large	(148)	(108)	37
Shareholder ratios & performance indicators						
Earnings Per Share - "cash basis" - basic (cents) [1]	574.4	554.8	4	288.5	285.8	1
Return on equity - "cash basis" (%) [1]	16.0	16.5	(50)bpts	16.1	16.0	10 bpts
Return on average total assets - "cash basis" (%) [1]	1.0	1.0	-	1.0	1.0	-
Dividends per share - fully franked (cents)	429	420	2	230	199	16
Dividend payout ratio - "cash basis" (%) [1]	75.0	76.5	(150)bpts	80.0	69.9	large
Average interest earning assets ($M) [4]	834,741	790,596	6	846,619	823,058	3
Funds Under Administration - average ($M) [1]	152,999	144,913	6	155,855	150,134	4
Assets Under Management - average ($M)	210,929	202,000	4	214,446	206,996	4
Net interest margin (%)	2.11	2.14	(3)bpts	2.11	2.11	-
Operating expenses to total operating income (%) [5]	42.7	42.4	30 bpts	42.1	43.3	(120)bpts

[1] Comparative information has been restated to reflect refinements to the allocation of customer balances, revenue and expense methodology including updated transfer pricing allocations, and changes to the recognition of Global Asset Management long-term incentives in Wealth Management.
[2] The half year ended 31 December 2016 includes a $397 million gain on sale of the Group's remaining investment in Visa Inc.
[3] The half year ended 31 December 2016 includes a $393 million one-off expense for acceleration of amortisation on certain software assets.
[4] Net of average mortgage offset balances.
[5] Excluding a $397 million gain on sale of the Group's remaining investment in Visa Inc. and a $393 million one-off expense for acceleration of amortisation on certain software assets, operating expenses to total operating income is 41.8% for the full year ended 30 June 2017.

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Highlights

Group Performance Highlights

	Full Year Ended (1) ("statutory basis")		Full Year Ended (1) ("cash basis")			Half Year Ended ("cash basis")		
	30 Jun 17	Jun 17 vs Jun 16 %	30 Jun 17	30 Jun 16	Jun 17 vs Jun 16 %	30 Jun 17	31 Dec 16	Jun 17 vs Dec 16 %
Net profit after tax ($M)	**9,928**	8	**9,881**	9,445	5	**4,974**	4,907	1
Return on equity (%)	**16. 1**	(10)bpts	**16. 0**	16. 5	(50)bpts	**16. 1**	16. 0	10 bpts
Earnings per share - basic (cents)	**577. 6**	7	**574. 4**	554. 8	4	**288. 5**	285. 8	1
Dividends per share (cents)	**429**	2	**429**	420	2	**230**	199	16

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

Financial Performance

The Group's net profit after tax ("statutory basis") for the year ended 30 June 2017 increased 8% on the prior year to $9,928 million.

Return on equity ("statutory basis") was 16.1% and Earnings per share ("statutory basis") was 577.6 cents, an increase of 7% on the prior year.

The Management Discussion and Analysis discloses the net profit after tax on both a statutory and cash basis. The statutory basis is prepared and audited 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 certain 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 year 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 increased, relative to the prior year, including a $397 million one-off gain on sale of the Group's remaining investment in Visa Inc. On an underlying basis, banking operating income growth was strong, partly offset by lower insurance income.

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

Loan impairment expense decreased, primarily due to lower provisioning in Institutional Banking and Markets and Business and Private Banking, partly offset by Bankwest. Provisioning levels remain prudent and there has been no change to the economic overlay.

Net profit after tax ("cash basis") for the year ended 30 June 2017 increased 5% on the prior year to $9,881 million. Cash earnings per share increased 4% to 574.4 cents per share.

Return on equity ("cash basis") for the year ended 30 June 2017 was 16.0%, a decrease of 50 basis points on the prior year.

Capital

After allowing for the APRA requirement to hold additional capital with respect to Australian residential mortgages, the Group continued to strengthen its capital position during the year.

As at 30 June 2017, the Basel III Common Equity Tier 1 (CET1) ratio was 15.6% on an internationally comparable basis and 10.1% on an APRA basis.

Details on unquestionably strong capital ratios as detailed in APRA's information paper released in July 2017 are provided on page 22.

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 $561 billion as at 30 June 2017, up $43 billion on the prior year.

Dividends

The final dividend declared was $2.30 per share, bringing the total dividend for the year ended 30 June 2017 to $4.29 per share, an increase of 9 cents or 2% on the prior year. This represents a dividend payout ratio ("cash basis") of 75%.

The final dividend payment will be fully franked and paid on 29 September 2017 to owners of ordinary shares at the close of business on 17 August 2017 (record date). Shares will be quoted ex–dividend on 16 August 2017.

Outlook

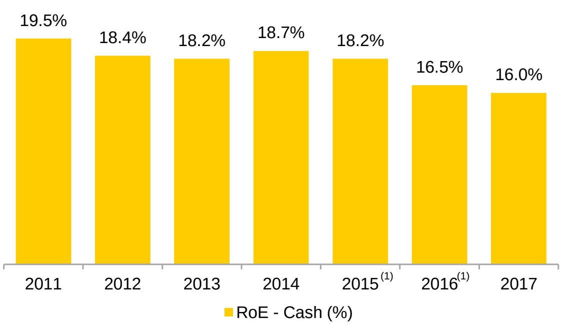
Headline indicators show that the Australian economy remains sound overall, albeit variable. However many households are concerned about job security, wages and the cost of living. Cyclical investment in mining and construction has underpinned our economy for some time. The next wave of more broad-based business investment that we need to secure jobs and lift wages is important. Business balance sheets have the capacity, and we have a strong banking system. But global caution remains high due to geopolitical change and less expansionist monetary policy. So all of us need to focus on working together to create an environment where businesses continue to invest to create rewarding jobs.

For our part, we will continue to strengthen our balance sheet to ensure that we can support our customers through a variety of economic scenarios. We will also maintain our focus on our long term sources of competitive advantage in our customer base and in technology, while accelerating the focus on productivity that we need to remain competitive for the long term, and listening more to our community to strengthen trust. And above all, we will continue to invest in our people, who are the most critical determinant of long term success.

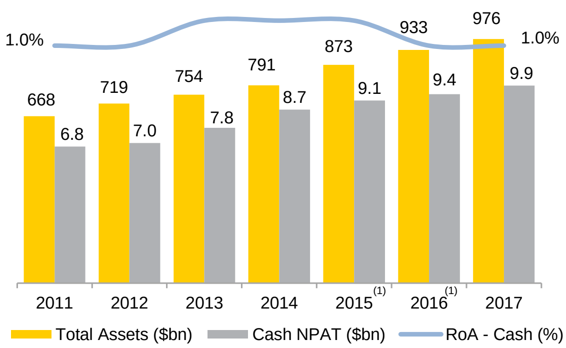
Group Performance Summary	Full Year Ended [1] ("cash basis") 30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %	Half Year Ended ("cash basis") 30 Jun 17 $M	31 Dec 16 $M	Jun 17 vs Dec 16 %	Full Year Ended [1] ("statutory basis") 30 Jun 17 $M	Jun 17 vs Jun 16 %
Net interest income	**17,600**	16,935	4	**8,857**	8,743	1	**17,600**	4
Other banking income [2]	**5,520**	4,860	14	**2,534**	2,986	(15)	**5,626**	23
Total banking income	**23,120**	21,795	6	**11,391**	11,729	(3)	**23,226**	8
Funds management income	**2,034**	2,016	1	**1,030**	1,004	3	**2,051**	-
Insurance income	**786**	795	(1)	**393**	393	-	**844**	(16)
Total operating income	**25,940**	24,606	5	**12,814**	13,126	(2)	**26,121**	6
Investment experience	**65**	141	(54)	**49**	16	large	**n/a**	n/a
Total income	**26,005**	24,747	5	**12,863**	13,142	(2)	**26,121**	6
Operating expenses [3]	**(11,078)**	(10,434)	6	**(5,401)**	(5,677)	(5)	**(11,082)**	6
Loan impairment expense	**(1,095)**	(1,256)	(13)	**(496)**	(599)	(17)	**(1,095)**	(13)
Net profit before tax	**13,832**	13,057	6	**6,966**	6,866	1	**13,944**	9
Corporate tax expense [4]	**(3,927)**	(3,592)	9	**(1,977)**	(1,950)	1	**(3,992)**	11
Non-controlling interests [5]	**(24)**	(20)	20	**(15)**	(9)	67	**(24)**	20
Net profit after tax ("cash basis")	**9,881**	9,445	5	**4,974**	4,907	1	**n/a**	n/a
Hedging and IFRS volatility [6]	**73**	(199)	large	**65**	8	large	**n/a**	n/a
Other non-cash items [6]	**(26)**	(23)	13	**(6)**	(20)	(70)	**n/a**	n/a
Net profit after tax ("statutory basis")	**9,928**	9,223	8	**5,033**	4,895	3	**9,928**	8
Represented by: [1]								
Retail Banking Services	**4,964**	4,540	9	**2,498**	2,466	1		
Business and Private Banking	**1,639**	1,522	8	**848**	791	7		
Institutional Banking and Markets	**1,306**	1,190	10	**623**	683	(9)		
Wealth Management	**553**	612	(10)	**304**	249	22		
New Zealand	**973**	881	10	**502**	471	7		
Bankwest	**702**	778	(10)	**347**	355	(2)		
IFS and Other	**(256)**	(78)	large	**(148)**	(108)	37		
Net profit after tax ("cash basis")	**9,881**	9,445	5	**4,974**	4,907	1		
Investment experience after tax	**(44)**	(100)	(56)	**(35)**	(9)	large		
Net profit after tax ("underlying basis")	**9,837**	9,345	5	**4,939**	4,898	1		

(1) Comparative information has been restated to reflect refinements to the allocation of customer balances, revenue and expense methodology including updated transfer pricing allocations, and changes to the recognition of Global Asset Management long-term incentives in Wealth Management.
(2) The half year ended 31 December 2016 includes a $397 million gain on sale of the Group's remaining investment in Visa Inc.
(3) The half year ended 31 December 2016 includes a $393 million one-off expense for acceleration of amortisation on certain software assets.
(4) For the purposes of presentation of Net profit after tax ("cash basis"), policyholder tax benefit/(expense) components of corporate tax expense are shown on a net basis (30 June 2017: $32 million expense and 30 June 2016: $101 million expense, and for the half years ended 30 June 2017: $56 million expense and 31 December 2016: $24 million benefit).
(5) Non-controlling interests include preference dividends paid to holders of preference shares in ASB Capital Limited and ASB Capital No.2 Limited.
(6) Refer to page 15 for details.

Group Return on Equity



Group Return on Assets



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

Highlights

Key Performance Indicators	Full Year Ended (1) 30 Jun 17	30 Jun 16	Jun 17 vs Jun 16 %	Half Year Ended 30 Jun 17	31 Dec 16	Jun 17 vs Dec 16 %
Group						
Statutory net profit after tax ($M)	**9,928**	9,223	8	**5,033**	4,895	3
Cash net profit after tax ($M)	**9,881**	9,445	5	**4,974**	4,907	1
Net interest margin (%)	**2. 11**	2. 14	(3)bpts	**2. 11**	2. 11	-
Net interest margin excluding Treasury and Markets (%)	**2. 09**	2. 13	(4)bpts	**2. 10**	2. 08	2 bpts
Average interest earning assets ($M) (2)	**834,741**	790,596	6	**846,619**	823,058	3
Average interest bearing liabilities ($M) (2) (3)	**755,612**	733,754	3	**764,126**	747,236	2
Funds Under Administration (FUA) - average ($M)	**152,999**	144,913	6	**155,855**	150,134	4
Assets Under Management (AUM) - average ($M)	**210,929**	202,000	4	**214,446**	206,996	4
Average inforce premiums ($M)	**3,434**	3,401	1	**3,402**	3,475	(2)
Operating expenses to total operating income (%) (4) (5)	**42. 7**	42. 4	30 bpts	**42. 1**	43. 3	(120)bpts
Effective corporate tax rate ("cash basis") (%)	**28. 4**	27. 5	90 bpts	**28. 4**	28. 4	-
Profit after capital charge (PACC) ($M) (6)	**6,525**	6,187	5	**3,270**	3,255	-
Retail Banking Services						
Cash net profit after tax ($M)	**4,964**	4,540	9	**2,498**	2,466	1
Operating expenses to total banking income (%) (5)	**30. 8**	32. 1	(130)bpts	**30. 7**	30. 8	(10)bpts
Business and Private Banking						
Cash net profit after tax ($M)	**1,639**	1,522	8	**848**	791	7
Operating expenses to total banking income (%) (5)	**39. 1**	38. 8	30 bpts	**38. 8**	39. 3	(50)bpts
Institutional Banking and Markets						
Cash net profit after tax ($M)	**1,306**	1,190	10	**623**	683	(9)
Operating expenses to total banking income (%) (5)	**37. 6**	37. 4	20 bpts	**38. 5**	36. 7	180 bpts
Wealth Management						
Cash net profit after tax ($M)	**553**	612	(10)	**304**	249	22
FUA - average ($M)	**141,005**	134,233	5	**143,838**	138,146	4
AUM - average ($M)	**205,910**	197,569	4	**209,469**	201,967	4
Average inforce premiums ($M)	**2,465**	2,474	-	**2,432**	2,505	(3)
Operating expenses to total operating income (%) (5)	**70. 9**	70. 2	70 bpts	**68. 4**	73. 5	large
New Zealand						
Cash net profit after tax ($M)	**973**	881	10	**502**	471	7
FUA - average ($M)	**11,994**	10,680	12	**12,017**	11,988	-
AUM - average ($M)	**5,019**	4,431	13	**4,977**	5,029	(1)
Average inforce premiums ($M)	**715**	672	6	**716**	715	-
Operating expenses to total operating income (%) (5) (7)	**38. 4**	39. 9	(150)bpts	**38. 7**	38. 0	70 bpts
Bankwest						
Cash net profit after tax ($M)	**702**	778	(10)	**347**	355	(2)
Operating expenses to total banking income (%) (5)	**42. 1**	41. 2	90 bpts	**42. 9**	41. 3	160 bpts
Capital (Basel III)						
Common Equity Tier 1 (Internationally Comparable) (%) (8)	**15. 6**	14. 4	120 bpts	**15. 6**	15. 4	20 bpts
Common Equity Tier 1 (APRA) (%)	**10. 1**	10. 6	(50)bpts	**10. 1**	9. 9	20 bpts
Leverage Ratio (Basel III)						
Leverage Ratio (Internationally Comparable) (%) (9)	**5. 8**	5. 6	20 bpts	**5. 8**	5. 5	30 bpts
Leverage Ratio (APRA) (%)	**5. 1**	5. 0	10 bpts	**5. 1**	4. 9	20 bpts

(1) Comparative information has been restated to reflect refinements to the allocation of customer balances, revenue and expense methodology including updated transfer pricing allocations, and changes to the recognition of Global Asset Management long-term incentives in Wealth Management.
(2) Net of average mortgage offset balances.
(3) During the prior year, following a change in terms, Interest bearing transaction deposits of $18,314 million became Non-interest bearing and have been disclosed accordingly.
(4) The Group result includes a $397 million gain on sale of the Group's remaining investment in Visa Inc. and a $393 million one-off expense for acceleration of amortisation on certain software assets. On an underlying basis the Operating expenses to total operating income is 41.8% for the full year ended 30 June 2017 and 41.5% for the half year ended 31 December 2016.
(5) Presented on a "cash basis".
(6) The Group uses PACC, a risk-adjusted measure, as a key measure of financial performance. It takes into account the profit achieved, the risk to capital that was taken to achieve it, and other adjustments.
(7) Key financial metrics are calculated in New Zealand dollar terms.
(8) Analysis aligns with the 13 July 2015 APRA study titled "International capital comparison study".
(9) 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	Full Year Ended			Half Year Ended		
	30 Jun 17	30 Jun 16	Jun 17 vs Jun 16 %	30 Jun 17	31 Dec 16	Jun 17 vs Dec 16 %
Dividends per share - fully franked (cents)	**429**	420	2	**230**	199	16
Dividend cover - "cash basis" (times)	**1.3**	1.3	-	**1.3**	1.4	(7)
Earnings Per Share (EPS) (cents) (1) (2)						
Statutory basis - basic	**577.6**	542.3	7	**292.2**	285.3	2
Cash basis - basic	**574.4**	554.8	4	**288.5**	285.8	1
Dividend payout ratio (%) (1) (2)						
Statutory basis	**74.6**	78.4	(380)bpts	**79.0**	70.1	large
Cash basis	**75.0**	76.5	(150)bpts	**80.0**	69.9	large
Weighted average no. of shares ("statutory basis") - basic (M) (2) (3)	**1,719**	1,692	2	**1,723**	1,715	-
Weighted average no. of shares ("cash basis") - basic (M) (2) (3)	**1,720**	1,693	2	**1,724**	1,717	-
Return on equity - "statutory basis" (%) (1) (2)	**16.1**	16.2	(10)bpts	**16.3**	16.0	30 bpts
Return on equity - "cash basis" (%) (1) (2)	**16.0**	16.5	(50)bpts	**16.1**	16.0	10 bpts

(1) Comparative information has been restated to conform to presentation in the current period.
(2) For definitions refer to Appendix 24.
(3) Diluted EPS and weighted average number of shares are disclosed in Appendix 21.

Market Share (1) (2)	As at				
	30 Jun 17 %	31 Dec 16 %	30 Jun 16 %	Jun 17 vs Dec 16	Jun 17 vs Jun 16
Home loans	**25.2**	25.4	25.3	(20)bpts	(10)bpts
Credit cards - RBA (3)	**24.3**	24.4	24.4	(10)bpts	(10)bpts
Other household lending (4)	**17.0**	16.9	16.8	10 bpts	20 bpts
Household deposits	**28.8**	29.0	29.2	(20)bpts	(40)bpts
Business lending - RBA	**16.5**	16.6	16.9	(10)bpts	(40)bpts
Business lending - APRA	**18.6**	18.6	18.8	-	(20)bpts
Business deposits - APRA	**20.3**	19.8	20.2	50 bpts	10 bpts
Asset Finance	**12.5**	12.7	12.9	(20)bpts	(40)bpts
Equities trading	**3.9**	4.0	4.7	(10)bpts	(80)bpts
Australian Retail - administrator view (5)	**15.6**	15.5	15.6	10 bpts	-
FirstChoice Platform (5)	**10.8**	10.8	11.0	-	(20)bpts
Australia life insurance (total risk) (5)	**10.6**	11.1	11.4	(50)bpts	(80)bpts
Australia life insurance (individual risk) (5)	**10.1**	10.2	10.7	(10)bpts	(60)bpts
NZ home loans (6)	**21.7**	n/a	n/a	n/a	n/a
NZ customer deposits (6)	**17.8**	n/a	n/a	n/a	n/a
NZ business lending (6)	**14.4**	n/a	n/a	n/a	n/a
NZ retail FUA	**15.3**	15.5	15.4	(20)bpts	(10)bpts
NZ annual inforce premiums (5)	**27.9**	28.0	28.4	(10)bpts	(50)bpts

(1) Prior periods have been restated in line with market updates and comparatives have not been restated to include the impact of new market entrants in the current period.
(2) For market share source references refer to Appendix 24.
(3) As at 31 May 2017.
(4) Other household lending market share includes personal loans, margin loans and other forms of lending to individuals.
(5) As at 31 March 2017.
(6) RBNZ published data collection has changed based on a new collection template implemented with all NZ banks. The RBNZ has not republished the equivalent metrics on a restated basis for June 2016. The restated December 2016 metrics will be presented in December 2017 allowing for comparatives on a twelve month basis.

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

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Financial Performance and Business Review

Year Ended June 2017 versus June 2016

The Group's net profit after tax ("cash basis") increased 5% on the prior year to $9,881 million.

Earnings per share ("cash basis") increased 4% on the prior year to 574.4 cents per share and return on equity ("cash basis") decreased 50 basis points on the prior year to 16.0%.

The key components of the Group result were:

- **Net interest income** increased 4% to $17,600 million, reflecting 6% growth in average interest earning assets, partly offset by a three basis point decrease in net interest margin. Net interest margin excluding Treasury and Markets decreased four basis points to 2.09%;
- **Other banking income** increased 14% to $5,520 million, including a $397 million gain on sale of the Group's remaining investment in Visa Inc. Underlying income increased 5% driven by strong growth in fees and commissions;
- **Funds management income** increased 1% to $2,034 million, including a 3% unfavourable impact from the higher Australian dollar. This reflects a 6% increase in average Funds Under Administration (FUA) and a 4% increase in average Assets Under Management (AUM), partly offset by lower FUA and AUM margins;
- **Insurance income** decreased 1% to $786 million with higher claims resulting in loss recognition of $143 million, $78 million higher than the prior year, partly offset by 1% growth in average inforce premiums;
- **Operating expenses** increased 6% to $11,078 million, including a $393 million one-off expense for acceleration of amortisation on certain software assets. Underlying expense growth of 2% was driven by increases in staff, technology and investment spend, partly offset by the continued realisation of incremental benefits from productivity initiatives; and
- **Loan impairment expense** decreased 13% to $1,095 million, due to lower provisioning primarily in Institutional Banking and Markets and Business and Private Banking, partly offset by an increase in Bankwest.

Half Year Ended June 2017 versus December 2016

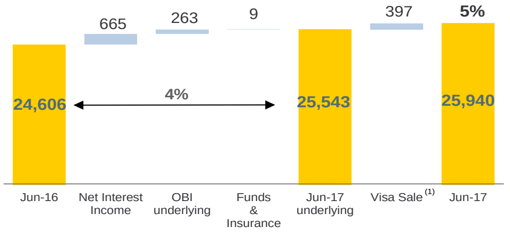
The Group's net profit after tax ("cash basis") increased 1% on the prior half.

Earnings per share ("cash basis") increased 1% on the prior half to 288.5 cents per share, and return on equity ("cash basis") increased 10 basis points on the prior half to 16.1%.

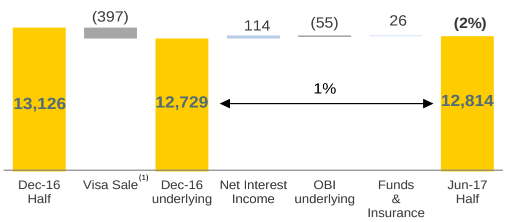
It should be noted when comparing current half financial performance to the prior half that there are three fewer calendar days, impacting revenue in the current half. Key points of note in the result included the following:

- **Net interest income** increased 1%, reflecting 3% growth in average interest earning assets, with net interest margin remaining flat. Net interest margin excluding Treasury and Markets increased two basis points;
- **Other banking income** decreased 15%, including a $397 million gain on sale of the Group's remaining investment in Visa Inc. in the prior half. Underlying income decreased 2% driven by lower trading income;
- **Funds management income** increased 3%, reflecting a 4% increase in both average FUA and AUM;
- **Insurance income** was flat, with lower wholesale life claims and loss recognition of $53 million, $37 million lower than the prior half, offset by higher weather event claims and a 2% decrease in average inforce premiums;
- **Operating expenses** decreased 5%, including a $393 million one-off expense for acceleration of amortisation on certain software assets in the prior half. Underlying expense growth of 2% was driven by investment spend and staff costs, partly offset by the continued realisation of incremental benefits from productivity initiatives; and
- **Loan impairment expense** decreased 17% due to lower provisioning in Business and Private Banking, New Zealand and Institutional Banking and Markets.

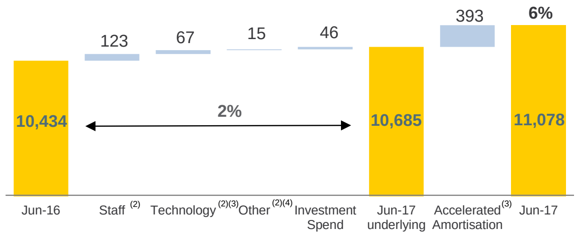
Total Operating Income



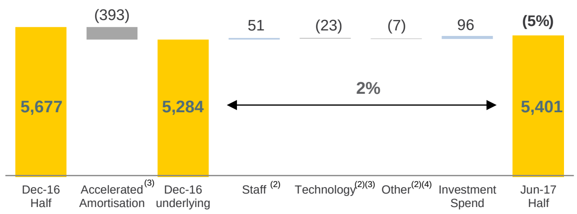
Total Operating Income



Total Operating Expenses



Total Operating Expenses



(1) Represents a $397 million gain on sale of the Group's remaining investment in Visa Inc.
(2) Excludes investment spend. Movements will not agree to the table on page 12.
(3) Technology excludes a $393 million one-off expense for accelerated amortisation on certain software assets which has been presented as a separate category.
(4) Other includes occupancy and equipment expense movement and other expense movement.

Net Interest Income

	Full Year Ended (1)			Half Year Ended		
	30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %	30 Jun 17 $M	31 Dec 16 $M	Jun 17 vs Dec 16 %
Net interest income - "cash basis"	**17,600**	16,935	4	**8,857**	8,743	1
Average interest earning assets						
Home loans (2)	**435,448**	409,669	6	**440,572**	430,408	2
Consumer Finance	**23,518**	23,722	(1)	**23,577**	23,460	-
Business and corporate loans	**221,188**	211,356	5	**221,868**	220,519	1
Total average lending interest earning assets	**680,154**	644,747	5	**686,017**	674,387	2
Non-lending interest earning assets	**154,587**	145,849	6	**160,602**	148,671	8
Total average interest earning assets	**834,741**	790,596	6	**846,619**	823,058	3
Net interest margin (%)	**2. 11**	2. 14	(3)bpts	**2. 11**	2. 11	-
Net interest margin excluding Treasury and Markets (%)	**2. 09**	2. 13	(4)bpts	**2. 10**	2. 08	2 bpts

(1) Comparative information has been reclassified to conform to presentation in the current period.
(2) Net of average mortgage offset balances. Gross average home loans balance, excluding mortgage offset accounts is $470,773 million for the full year ended 30 June 2017 ($436,530 million for the full year ended 30 June 2016), $477,851 million for the half year ended 30 June 2017 ($463,811 million for the half year ended 31 December 2016).

Year Ended June 2017 versus June 2016

Net interest income increased 4% on the prior year to $17,600 million. The result was driven by growth in average interest earning assets of 6%, partly offset by a three basis point decrease in net interest margin.

Average Interest Earning Assets

Average interest earning assets increased $44 billion on the prior year to $835 billion, driven by:

- Home loan average balances increased $26 billion or 6% on the prior year to $435 billion. The growth in home loan balances was largely driven by domestic banking growth;
- Average balances for business and corporate loans increased $10 billion or 5% on the prior year to $221 billion, driven by growth in business banking lending balances; and
- Average non-lending interest earning assets increased $8 billion or 6% on the prior year to $155 billion due to higher liquid assets as a result of a reduction in the Committed Liquidity Facility (CLF).

Net Interest Margin

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

Asset pricing: Increased margin of five basis points with the benefit from home loan repricing, partly offset by the impact of competition on home and business lending.

Funding costs: Decreased margin of four basis points reflecting an increase in wholesale funding costs due to lengthening the mix and tenor of wholesale funding to assist the Group in preparing for the Net Stable Funding Ratio which applies from 1 January 2018. Deposit costs were flat with the negative impact from the lower cash rate, offset by repricing.

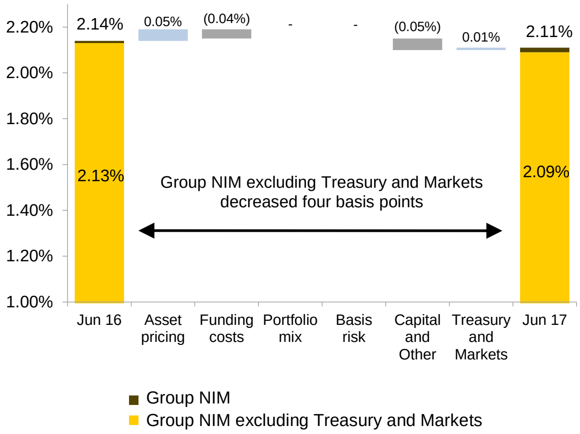
Portfolio mix: Flat with favourable change in funding mix from proportionally higher levels of transaction deposits, offset by unfavourable change in lending mix.

Basis risk: Basis risk arises from funding assets which are priced relative to the cash rate with liabilities priced relative to the bank bill swap rate. The impact on margin was flat as a result of minimal change in the spread between the cash rate and the bank bill swap rate during the year.

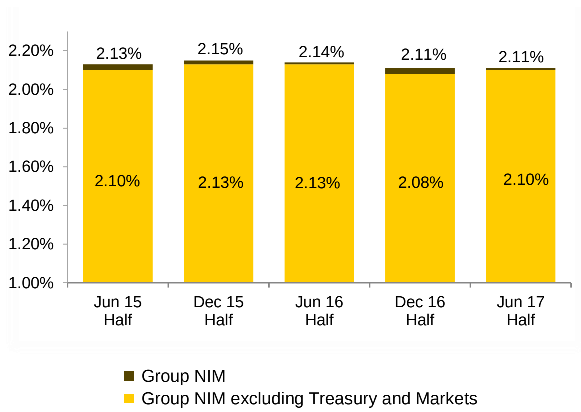
Capital and Other: Decreased margin of five basis points driven by the impact of the falling cash rate environment on free equity funding and a two basis point reduction in the contribution from New Zealand, partly offset by the positive impact from higher capital.

Treasury and Markets: Increased margin of one basis point driven by a higher contribution from Treasury and Markets, partly offset by increased holdings of liquid assets.

NIM movement since June 2016 (1)



Group NIM (Half Year Ended) (1)



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

Net Interest Income (continued)

Half Year Ended June 2017 versus December 2016

Net interest income increased 1% on the prior half, with growth in average interest earning assets of 3%, partly offset by three fewer calendar days than the prior half. Net interest margin remained flat at 2.11%.

Average Interest Earning Assets

Average interest earning assets increased $24 billion on the prior half to $847 billion, driven by:

- Home loan average balances increased $10 billion or 2% on the prior half to $441 billion, primarily driven by growth in the domestic banking business;
- Average balances for business and corporate loans increased $2 billion or 1% on the prior half to $222 billion; and
- Average non-lending interest earning assets increased $12 billion or 8% on the prior half, primarily due to higher cash and liquid assets.

Net Interest Margin

The Group's net interest margin was flat on the prior half at 2.11%. The key drivers were:

Asset pricing: Decreased margin of one basis point, reflecting the impact of competition on business lending.

Funding costs: Increased margin of three basis points, reflecting the benefit from deposit repricing.

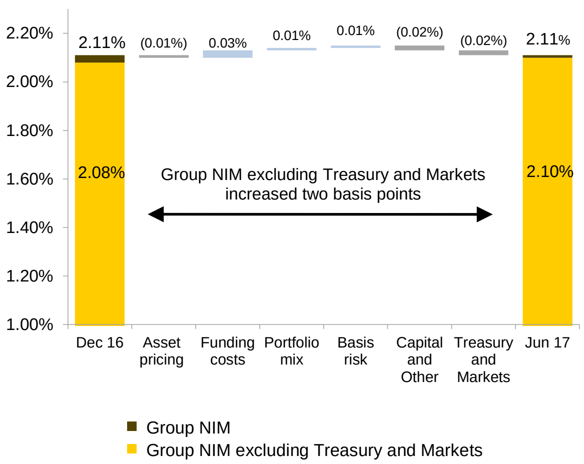
Portfolio mix: Increased margin of one basis point reflecting a favourable change in funding mix from proportionally higher levels of transaction deposits.

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 increased one basis point as a result of a decrease in the spread between the cash rate and the bank bill swap rate during the half.

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 one basis point reduction in the contribution from New Zealand.

Treasury and Markets: Decreased margin of two basis points driven by increased holdings of liquid assets, partly offset by a higher contribution from Treasury and Markets.

NIM movement since December 2016



Other Banking Income

	Full Year Ended			Half Year Ended		
	30 Jun 17 $M	**30 Jun 16 $M**	**Jun 17 vs Jun 16 %**	**30 Jun 17 $M**	**31 Dec 16 $M**	**Jun 17 vs Dec 16 %**
Commissions	**2,482**	2,215	12	**1,228**	1,254	(2)
Lending fees	**1,078**	1,010	7	**545**	533	2
Trading income	**1,149**	1,087	6	**549**	600	(9)
Other income (1)	**811**	548	48	**212**	599	(65)
Other banking income - "cash basis" (1)	**5,520**	4,860	14	**2,534**	2,986	(15)

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

Year Ended June 2017 versus June 2016

Other banking income increased 14% on the prior year to $5,520 million. Excluding the one-off impact of a gain on sale of the Group's remaining investment in Visa Inc. in the prior half, other banking income increased 5%. The key drivers were:

Commissions increased 12% on the prior year to $2,482 million due to higher consumer finance income driven by higher purchases and lower loyalty costs, and volume driven deposit fee income;

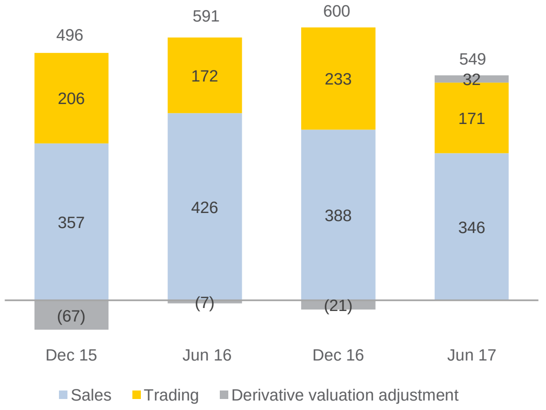
Lending fees increased 7% on the prior year to $1,078 million with volume driven growth, partly offset by lower Institutional fees due to competitive pressures;

Trading income increased 6% on the prior year to $1,149 million driven by favourable derivative valuation adjustments, partly offset by lower Markets sales; and

Other income increased 48% on the prior year to $811 million, driven by a gain on sale of the Group's remaining investment in Visa Inc., partly offset by a higher realised loss on the hedge of New Zealand earnings.

Other Banking Income (continued)

Net Trading Income ($M)



Half Year Ended June 2017 versus December 2016

Other banking income decreased 15% on the prior half. Excluding the one-off impact of a gain on sale of the Group's remaining investment in Visa Inc. in the prior half, other banking income decreased 2%. The key drivers were:

Commissions decreased 2% on the prior half driven by lower consumer finance income reflecting seasonally lower purchases, higher loyalty costs and lower foreign exchange income;

Lending fees increased 2% on the prior half with volume driven growth in business lending, partly offset by lower Institutional fees due to competitive pressures;

Trading income decreased 9% on the prior half due to lower Markets sales and trading performance from lower volatility, partly offset by favourable derivative valuation adjustments; and

Other income decreased 65% on the prior half mainly driven by a gain on sale of the Group's remaining investment in Visa Inc.

Funds Management Income

	Full Year Ended			Half Year Ended		
	30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %	30 Jun 17 $M	31 Dec 16 $M	Jun 17 vs Dec 16 %
Colonial First State (CFS) (1)	**928**	929	-	**481**	447	8
CFS Global Asset Management (CFSGAM)	**837**	842	(1)	**412**	425	(3)
CommInsure	**121**	120	1	**60**	61	(2)
New Zealand	**92**	80	15	**47**	45	4
Other	**56**	45	24	**30**	26	15
Funds management income - "cash basis"	**2,034**	2,016	1	**1,030**	1,004	3

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

Year Ended June 2017 versus June 2016

Funds management income increased 1% on the prior year to $2,034 million, driven by:

- A 6% increase in average FUA reflecting strong investment markets across the Australian and New Zealand businesses and positive net flows in Australia; and
- A 4% increase in average AUM as a result of positive net flows and strong investment markets in the Australian and New Zealand businesses; partly offset by
- A 3% unfavourable impact from the higher Australian dollar;
- A decline in FUA margins as a result of increased customer remediation costs in CFS Advice; and
- A decline in AUM margins as a result of a change in investment mix in the Australian business.

Half Year Ended June 2017 versus December 2016

Funds management income increased 3% on the prior half, driven by:

- A 4% increase in average FUA reflecting positive net flows and strong investment markets in CFS;
- A 4% increase in average AUM reflecting strong investment markets and positive net flows in the Australian business; and
- An improvement in FUA margins due to a decrease in customer remediation costs in CFS Advice.

Insurance Income

	Full Year Ended			Half Year Ended		
	30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %	30 Jun 17 $M	31 Dec 16 $M	Jun 17 vs Dec 16 %
CommInsure	**438**	502	(13)	**218**	220	(1)
New Zealand	**278**	242	15	**139**	139	-
IFS	**50**	46	9	**24**	26	(8)
Other	**20**	5	large	**12**	8	50
Insurance income - "cash basis"	**786**	795	(1)	**393**	393	-

Year Ended June 2017 versus June 2016

Insurance income decreased 1% on the prior year to $786 million, driven by:

- CommInsure Retail life income declined due to higher claims resulting in loss recognition of $143 million in income protection during the year, an increase of $78 million on the prior year; partly offset by
- Higher premiums in New Zealand and IFS;
- Lower claims in IFS and CommInsure Wholesale life; and
- A 1% increase in average inforce premiums.

Half Year Ended June 2017 versus December 2016

Insurance income was flat on the prior half, driven by:

- Improved CommInsure Wholesale life results due to lower claims;
- Improved CommInsure Retail life income as the loss recognition of $53 million was $37 million lower than the prior half; offset by
- Lower General Insurance income due to higher weather related event claims in the current half; and
- A 2% decrease in average inforce premiums.

Operating Expenses

	Full Year Ended			Half Year Ended		
	30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %	30 Jun 17 $M	31 Dec 16 $M	Jun 17 vs Dec 16 %
Staff expenses (1)	**6,268**	6,169	2	**3,160**	3,108	2
Occupancy and equipment expenses	**1,139**	1,134	-	**571**	568	1
Information technology services expenses (2)	**1,941**	1,485	31	**786**	1,155	(32)
Other expenses	**1,730**	1,646	5	**884**	846	4
Operating expenses - "cash basis" (2)	**11,078**	10,434	6	**5,401**	5,677	(5)
Operating expenses to total operating income (%) (1) (3)	**42. 7**	42. 4	30 bpts	**42. 1**	43. 3	(120)bpts
Banking expenses to total banking income (%) (3)	**39. 4**	38. 2	120 bpts	**39. 4**	39. 4	-

(1) Comparative information has been restated to conform to presentation in the current period.
(2) The half year ended 31 December 2016 includes a $393 million one-off expense for acceleration of amortisation on certain software assets.
(3) The Group result includes a $397 million gain on sale of the Group's remaining investment in Visa Inc. and a $393 million one-off expense for acceleration of amortisation on certain software assets. On an underlying basis the Operating expenses to total operating income is 41.8% for the full year ended 30 June 2017 and 41.5% for the half year ended 31 December 2016, Banking expenses to total banking income is 38.4% for the full year ended 30 June 2017 and 37.4% for the half year ended 31 December 2016.

Year Ended June 2017 versus June 2016

Operating expenses increased 6% on the prior year to $11,078 million. Excluding the one-off impact of accelerated software amortisation, operating expenses increased 2%. The key drivers were:

Staff expenses increased 2% to $6,268 million driven by salary increases and employee entitlements, partly offset by productivity initiatives;

Occupancy and equipment expenses were flat at $1,139 million, due to increased rental reviews and depreciation, offset by lower relocation feasibility costs;

Information technology services expenses increased 31% to $1,941 million, primarily driven by a $393 million one-off expense for acceleration of amortisation on certain software assets. Underlying expenses increased 4% due to higher licensing expenses, lease costs and investment spend;

Other expenses increased 5% to $1,730 million, due to higher professional fees, partly offset by reduced marketing costs;

Group expense to income ratio increased 30 basis points on the prior year to 42.7%, primarily driven by a gain on sale of the Group's remaining investment in Visa Inc. and the one-off expense for acceleration of amortisation on certain software assets. The underlying ratio was 41.8%, a reduction of 60 basis points.

Half Year Ended June 2017 versus December 2016

Operating expenses decreased 5% on the prior half. Excluding the one-off impact of accelerated amortisation in the prior half, operating expenses increased 2%. The key drivers were:

Staff expenses increased 2%, driven by employee entitlements, partly offset by productivity initiatives;

Occupancy and equipment expenses increased 1%, primarily due to depreciation;

Information technology services expenses decreased 32%, driven by the one-off expense for acceleration of amortisation on certain software assets. Underlying expenses increased 3% due to an increase in investment spend;

Other expenses increased 4%, due to marketing and investment spend, partly offset by lower transaction processing and market data costs;

Group expense to income ratio improved 120 basis points on the prior half to 42.1%, primarily driven by a gain on sale of the Group's remaining investment in Visa Inc. and the one-off expense for acceleration of amortisation on certain software assets. The underlying ratio was also 42.1%, an increase of 60 basis points.

Operating Expenses (continued)

Investment Spend

	Full Year Ended			Half Year Ended		
	30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %	30 Jun 17 $M	31 Dec 16 $M	Jun 17 vs Dec 16 %
Expensed investment spend (1)	650	604	8	373	277	35
Capitalised investment spend	629	769	(18)	306	323	(5)
Investment spend	1,279	1,373	(7)	679	600	13
Comprising:						
Productivity and growth	681	701	(3)	365	316	16
Risk and compliance	470	505	(7)	251	219	15
Branch refurbishment and other	128	167	(23)	63	65	(3)
Investment spend	1,279	1,373	(7)	679	600	13

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

Year Ended June 2017 versus June 2016

The Group continued to invest to deliver on the strategic priorities of the business with $1,279 million incurred in the full year to 30 June 2017, a decrease of 7% on the prior year.

The decrease is due to timing, and the completion of key phases of risk and compliance projects in the prior year (including Future of Financial Advice (FOFA)), significant progress made with branch transformation, the roll-out of refreshed ATMs in the prior year, and the timing of spend on productivity and growth initiatives.

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

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

Loan Impairment Expense

	Full Year Ended (1)			Half Year Ended		
	30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %	30 Jun 17 $M	31 Dec 16 $M	Jun 17 vs Dec 16 %
Retail Banking Services	699	663	5	349	350	-
Business and Private Banking	74	176	(58)	10	64	(84)
Institutional Banking and Markets	64	252	(75)	20	44	(55)
New Zealand	65	120	(46)	18	47	(62)
Bankwest	89	(10)	large	46	43	7
IFS and Other	104	55	89	53	51	4
Loan impairment expense - "cash basis"	1,095	1,256	(13)	496	599	(17)

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

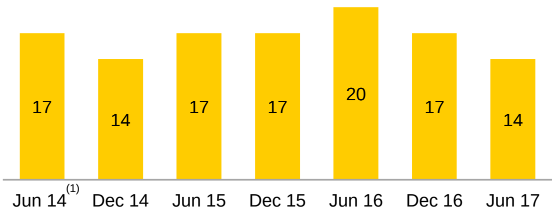
Year Ended June 2017 versus June 2016

Loan impairment expense decreased 13% on the prior year to $1,095 million. Loan impairment expense annualised as a percentage of Gross Loans and Acceptances (GLAAs) decreased 4 basis points to 15 basis points. The decrease was driven by:

- Reduced individual provisions and lower collective provisions in Business and Private Banking;
- Lower collective provisions and fewer large individual provisions in Institutional Banking and Markets; and
- Lower collective provisioning in the New Zealand dairy sector; partly offset by
- An increase in Retail Banking Services as a result of higher arrears and losses for home loans and consumer finance, predominantly in Western Australia and Queensland; and
- An increase in Bankwest due to slower run-off of the business troublesome book and higher home loan losses, predominantly in Western Australia.

Loan Impairment Expense (continued)

Half Year Loan Impairment Expense (Annualised) as a % of Average GLAAs (bpts)



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

Half Year Ended June 2017 versus December 2016

Loan impairment expense decreased 17% on the prior half mainly driven by:

- Seasonally higher consumer finance arrears offset by lower home loan losses in Retail Banking Services;
- Lower collective provisions in Business and Private Banking;
- Reduced individual provisions in Institutional Banking and Markets;
- Lower provisioning primarily in the New Zealand dairy sector; partly offset by
- A small increase in business lending losses in Bankwest, partly offset by lower home loan losses.

Taxation Expense

	Full Year Ended			Half Year Ended		
	30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %	30 Jun 17 $M	31 Dec 16 $M	Jun 17 vs Dec 16 %
Corporate tax expense ($M)	**3,927**	3,592	9	**1,977**	1,950	1
Effective tax rate - "cash basis" (%)	**28. 4**	27. 5	90 bpts	**28. 4**	28. 4	-

Year Ended June 2017 versus June 2016

Corporate tax expense for the year ended 30 June 2017 increased 9% on the prior year representing a 28.4% effective tax rate. This increase is primarily as a result of a change in business mix, including the run-off of specialised financing transactions.

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

Half Year Ended June 2017 versus December 2016

Corporate tax expense for the half year ended 30 June 2017 was flat on the prior half representing a 28.4% effective tax rate.

Non-Cash Items Included in Statutory Profit

	Full Year Ended [1]			Half Year Ended		
	30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %	30 Jun 17 $M	31 Dec 16 $M	Jun 17 vs Dec 16 %
Hedging and IFRS volatility	**73**	(199)	large	**65**	8	large
Bankwest non-cash items	**(3)**	(27)	(89)	**(2)**	(1)	large
Treasury shares valuation adjustment	**(23)**	4	large	**(4)**	(19)	(79)
Other non-cash items	**(26)**	(23)	13	**(6)**	(20)	(70)
Total non-cash items (after tax)	**47**	(222)	large	**59**	(12)	large

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

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 19 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 $73 million after tax gain was recognised in statutory profit for the year ended 30 June 2017 (30 June 2016: $199 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, customer lists and brand name totalling $463 million. The core deposits and customer lists have been amortising over their useful life, resulting in amortisation charges of $3 million after tax in the year ended 30 June 2017 (30 June 2016: $27 million). As at 31 December 2015 the core deposits have been fully amortised.

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 were 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 $23 million after tax loss was included in statutory profit in the year ended 30 June 2017 (30 June 2016: $4 million after tax gain).

Policyholder tax

Policyholder tax is included in the Wealth Management and New Zealand business results for statutory reporting purposes. In the year ended 30 June 2017, tax expense of $32 million (30 June 2016: $101 million), funds management income of $30 million (30 June 2016: $8 million loss) and insurance income of $2 million (30 June 2016: $109 million) were recognised. The gross up of these items is 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 annuity portfolio held by the Group's Wealth Management division. This item is classified separately within cash profit.

Review of Group Assets and Liabilities

Total Group Assets and Liabilities	30 Jun 17 $M	31 Dec 16 $M	30 Jun 16 $M	Jun 17 vs Dec 16 %	Jun 17 vs Jun 16 %
	As at				
Interest earning assets					
Home loans [1]	**485,857**	472,532	456,074	3	7
Consumer finance	**23,577**	23,895	23,862	(1)	(1)
Business and corporate loans	**226,484**	221,707	220,611	2	3
Loans, bills discounted and other receivables [2]	**735,918**	718,134	700,547	2	5
Non-lending interest earning assets	**163,665**	159,767	137,838	2	19
Total interest earning assets	**899,583**	877,901	838,385	2	7
Other assets [2] [3]	**76,791**	93,818	94,616	(18)	(19)
Total assets	**976,374**	971,719	933,001	-	5
Interest bearing liabilities					
Transaction deposits [4]	**98,884**	93,641	89,780	6	10
Savings deposits [4]	**191,245**	191,406	191,313	-	-
Investment deposits	**220,530**	211,711	197,085	4	12
Other demand deposits	**70,313**	67,652	71,293	4	(1)
Total interest bearing deposits	**580,972**	564,410	549,471	3	6
Debt issues	**168,034**	177,023	162,716	(5)	3
Other interest bearing liabilities	**57,531**	58,888	54,101	(2)	6
Total interest bearing liabilities	**806,537**	800,321	766,288	1	5
Non-interest bearing transaction deposits	**44,032**	39,786	37,000	11	19
Other non-interest bearing liabilities [3]	**62,089**	69,800	69,149	(11)	(10)
Total liabilities	**912,658**	909,907	872,437	-	5

(1) Gross of mortgage offset balances.
(2) Loans, bills discounted and other receivables exclude provisions for impairment which are included in Other assets.
(3) Comparative information has been restated to conform to presentation in the current period.
(4) Includes mortgage offset balances.

Year Ended June 2017 versus June 2016

Asset growth of $43 billion or 5% on the prior year was driven by increased home lending, business and corporate lending, and higher liquid asset balances.

The Group continued to satisfy a significant portion of lending growth from customer deposits. Customer deposits represent 67% of total funding (30 June 2016: 66%).

Home loans

Home loan balances increased $30 billion to $486 billion, reflecting a 7% increase on the prior year, driven by strong growth in Retail Banking Services, New Zealand and Bankwest.

Consumer finance

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

Business and corporate loans

Business and corporate loans increased $6 billion to $226 billion, a 3% increase on the prior year. This was driven by strong growth in business lending in Business and Private Banking and New Zealand, partly offset by institutional lending due to active portfolio management.

Non-lending interest earning assets

Non-lending interest earning assets increased $26 billion to $164 billion, reflecting a 19% increase on the prior year. The increase was driven by higher liquid asset balances held as a result of Balance Sheet growth and a reduction in Committed Liquidity Facility (CLF) effective 1 January 2017.

Other assets

Other assets, including derivative assets, insurance assets and intangibles, decreased $18 billion to $77 billion, a 19% decrease on the prior year, reflecting lower derivative asset balances impacted by the higher Australian dollar.

Interest bearing deposits

Interest bearing deposits increased $32 billion to $581 billion, a 6% increase on the prior year. This was driven by strong growth of $23 billion in investment deposits and a $9 billion increase in transaction deposits.

Debt issues

Debt issues increased $5 billion to $168 billion, a 3% increase on the prior year. 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 year ended 30 June 2017.

Other interest bearing liabilities

Other interest bearing liabilities, including loan capital, liabilities at fair value through income statement and amounts due to other financial institutions, increased $3 billion to $58 billion, a 6% increase on the prior year.

Non-interest bearing transaction deposits

Non-interest bearing transaction deposits, including business and personal transaction accounts, increased $7 billion to $44 billion, driven by strong growth in Retail Banking Services.

Other non-interest bearing liabilities

Other non-interest bearing liabilities, including derivative liabilities and insurance policy liabilities, decreased $7 billion to $62 billion, a 10% decrease on the prior year, reflecting lower derivative liability balances impacted by the higher Australian dollar.

Review of Group Assets and Liabilities (continued)

Half Year Ended June 2017 versus December 2016

Asset growth was flat on the prior half, with increases in home lending and business and corporate lending offset by a decrease in other assets, reflecting lower derivative asset balances.

Continued deposit growth allowed the Group to continue to satisfy a significant portion of its funding requirements through customer deposits. Customer deposits made up 67% of total funding (31 December 2016: 66%).

Home loans

Home loan balances increased $13 billion, a 3% increase on the prior half, reflecting solid growth in Retail Banking Services, Bankwest and Business and Private Banking.

Consumer finance

Consumer finance, which includes personal loans, credit cards and margin lending, decreased 1% on the prior half, broadly in line with system.

Business and corporate loans

Business and corporate loans increased $5 billion, a 2% increase on the prior half, driven by growth in business and institutional lending balances. This includes a 1% decrease due to the higher Australian dollar.

Non-lending interest earning assets

Non-lending interest earning assets increased $4 billion, a 2% increase on the prior half, driven by higher liquid asset balances.

Other assets

Other assets, including derivative assets, insurance assets and intangibles, decreased $17 billion, an 18% decrease on the prior half, reflecting lower derivative asset balances impacted by the higher Australian dollar.

Interest bearing deposits

Interest bearing deposits increased $17 billion, a 3% increase on the prior half, reflecting growth in investment and transaction deposits.

Debt issues

Debt issues decreased $9 billion, a 5% decrease on the prior half.

Refer to page 26 for further information on debt programs and issuance for the half year ended 30 June 2017.

Other interest bearing liabilities

Other interest bearing liabilities, including loan capital, liabilities at fair value through income statement and amounts due to other financial institutions, decreased $1 billion, a 2% decrease on the prior half.

Non-interest bearing transaction deposits

Non-interest bearing transaction deposits, including business and personal transaction accounts, increased $4 billion, an 11% increase on the prior half, driven by strong growth in Retail Banking Services.

Other non-interest bearing liabilities

Other non-interest bearing liabilities, including derivative liabilities and insurance policy liabilities, decreased $8 billion, an 11% decrease on the prior half, reflecting lower derivative liability balances impacted by the higher Australian dollar.

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Loan Impairment Provisions and Credit Quality

Provisions for Impairment

	As at				
	30 Jun 17 $M	31 Dec 16 $M	30 Jun 16 $M	Jun 17 vs Dec 16 %	Jun 17 vs Jun 16 %
Provisions for impairment losses					
Collective provision	**2,747**	2,807	2,818	(2)	(3)
Individually assessed provisions	**980**	1,017	944	(4)	4
Total provisions for impairment losses	**3,727**	3,824	3,762	(3)	(1)
Less: Provision for Off Balance Sheet exposures	**(34)**	(35)	(44)	(3)	(23)
Total provisions for loan impairment	**3,693**	3,789	3,718	(3)	(1)

Year Ended June 2017 versus June 2016

Total provisions for impairment losses decreased 1% on the prior year to $3,727 million. The movement in the level of provisioning reflects:

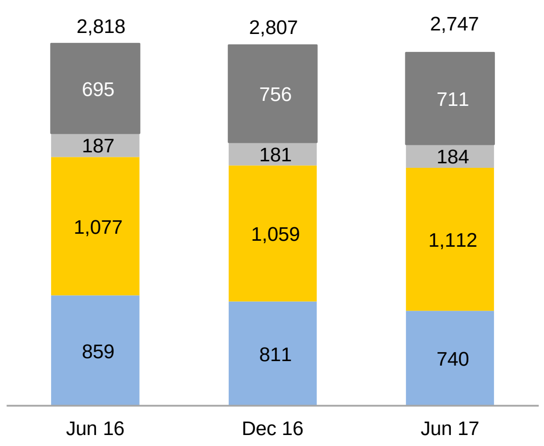
- Lower commercial collective provisions, mainly in Institutional Banking and Markets; and
- A reduction in Bankwest individually assessed provisions; partly offset by
- An increase in consumer collective provisions in home loans and credit cards in Retail Banking Services;
- Higher consumer individually assessed provisions predominantly due to home loan impairments in Western Australia; and
- Economic overlays remain unchanged on the prior year.

Half Year Ended June 2017 versus December 2016

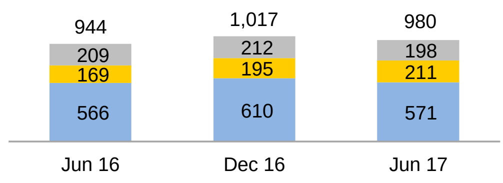
Total provisions for impairment losses decreased 3% on the prior half. The movement in the level of provisioning reflects:

- Reduction in management overlays, mainly due to model factor updates. Economic overlays remain unchanged;
- Lower commercial collective provisions, predominantly due to model factor updates and improving dairy sector in New Zealand; and
- A reduction in commercial individually assessed provisions in Institutional Banking and Markets; partly offset by
- An increase in consumer collective provisioning in Retail Banking Services, predominantly due to higher home loan provisions and seasonally higher consumer finance arrears; and
- Higher consumer individually assessed provisions primarily due to home loan impairments in Western Australia.

Collective Provisions ($M)



Individually Assessed Provisions ($M)



Overlay Bankwest Consumer Commercial

Loan Impairment Provisions and Credit Quality (continued)

Credit Quality

Credit Quality Metrics	Full Year Ended 30 Jun 17	30 Jun 16	Jun 17 vs Jun 16 %	Half Year Ended 30 Jun 17	31 Dec 16	Jun 17 vs Dec 16 %
Gross loans and acceptances (GLAA) ($M)	**737,002**	701,730	5	**737,002**	719,250	2
Risk weighted assets (RWA) ($M) - Basel III	**437,063**	394,667	11	**437,063**	436,481	-
Credit RWA ($M) - Basel III	**377,259**	344,030	10	**377,259**	373,526	1
Gross impaired assets ($M)	**3,187**	3,116	2	**3,187**	3,375	(6)
Net impaired assets ($M)	**2,038**	1,989	2	**2,038**	2,193	(7)
Provision Ratios						
Collective provision as a % of credit RWA - Basel III	**0. 73**	0. 82	(9)bpts	**0. 73**	0. 75	(2)bpts
Total provisions as a % of credit RWA - Basel III	**0. 99**	1. 09	(10)bpts	**0. 99**	1. 02	(3)bpts
Total provisions for impaired assets as a % of gross impaired assets	**36. 05**	36. 17	(12)bpts	**36. 05**	35. 02	103 bpts
Total provisions for impairment losses as a % of GLAAs	**0. 51**	0. 54	(3)bpts	**0. 51**	0. 53	(2)bpts
Asset Quality Ratios						
Gross impaired assets as a % of GLAAs	**0. 43**	0. 44	(1)bpt	**0. 43**	0. 47	(4)bpts
Loans 90+ days past due but not impaired as a % of GLAAs	**0. 36**	0. 33	3 bpts	**0. 36**	0. 33	3 bpts
Loan impairment expense ("cash basis") annualised as a % of average GLAAs	**0. 15**	0. 19	(4)bpts	**0. 14**	0. 17	(3)bpts

Provision Ratios

Provision coverage ratios remain prudent. The impaired asset portfolio remains well provisioned with provision coverage of 36.05%.

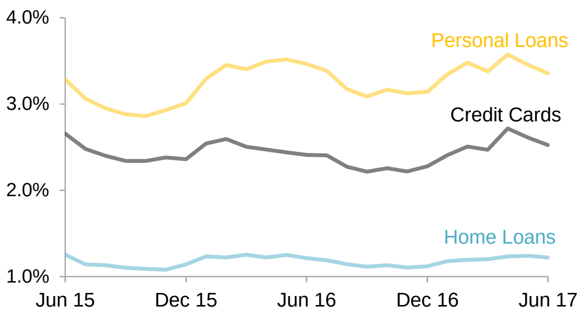
Asset Quality

The asset quality ratios show improvement in the quality of the book with the level of commercial troublesome and impaired assets reducing over the half. The arrears for the home loan and credit card portfolios remain relatively low, however personal loan arrears continues to be elevated, primarily in Western Australia.

Retail Portfolios – Arrears Rates

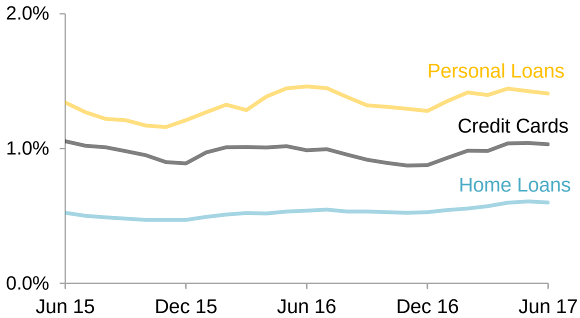
Home loan arrears increased over the year, with 30+ day arrears increasing from 1.21% to 1.22%, and 90+ day arrears increasing from 0.54% to 0.60%. Personal loan arrears improved over the year with 30+ day arrears falling from 3.46% to 3.35%, and 90+ day arrears reducing from 1.46% to 1.41%. Credit card arrears deteriorated with 30+ day arrears increasing from 2.41% to 2.52%, and 90+ day arrears increasing from 0.99% to 1.03%.

30+ Days Arrears Ratios (%) (1)



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

90+ Days Arrears Ratios (%) (1)

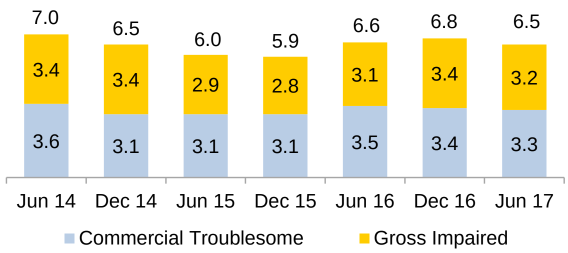


Troublesome and Impaired Assets

Commercial troublesome assets decreased 5% during the year to $3,313 million.

Gross impaired assets increased 2% on the prior year to $3,187 million. Gross impaired assets as a proportion of GLAAs of 0.43% decreased one basis point on the prior year.

Troublesome and Impaired Assets ($B)



Capital

Regulatory Capital Framework

Background

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

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

The APRA prudential standards require a minimum CET1 ratio of 4.5% effective from 1 January 2013. An additional CET1 capital conservation buffer of 3.5%, inclusive of a Domestic Systemically Important Bank (DSIB) requirement of 1% and a countercyclical capital buffer (CCyB)[(1)] of 0%, (effective from 1 January 2016), bringing the CET1 requirement to at least 8%.

Unquestionably Strong Capital Ratios

In December 2014, the Government released the Financial Systems Inquiry's final report. In response to the final report, APRA undertook the following actions:

- Increased the capital requirements under the Advanced Internal Ratings Based (AIRB) approach for Australian residential mortgages to an average of at least 25% risk-weighting (effective from 1 July 2016) with the change aimed at increasing mortgage competition between the major banks and non-major banks; and
- Released an information paper in July 2017 in relation to establishing the quantum of additional capital required for the Australian banking sector to have capital ratios that are unquestionably strong.

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

APRA expects to release a discussion paper in 2017 covering:

- Proposed revisions to the regulatory capital framework required to support unquestionably strong capital ratios;
- Domestic application of the various BCBS reforms;
- Additional measures to address structural concentration of Australian residential mortgages; and
- Improving transparency and international comparability of capital ratios.

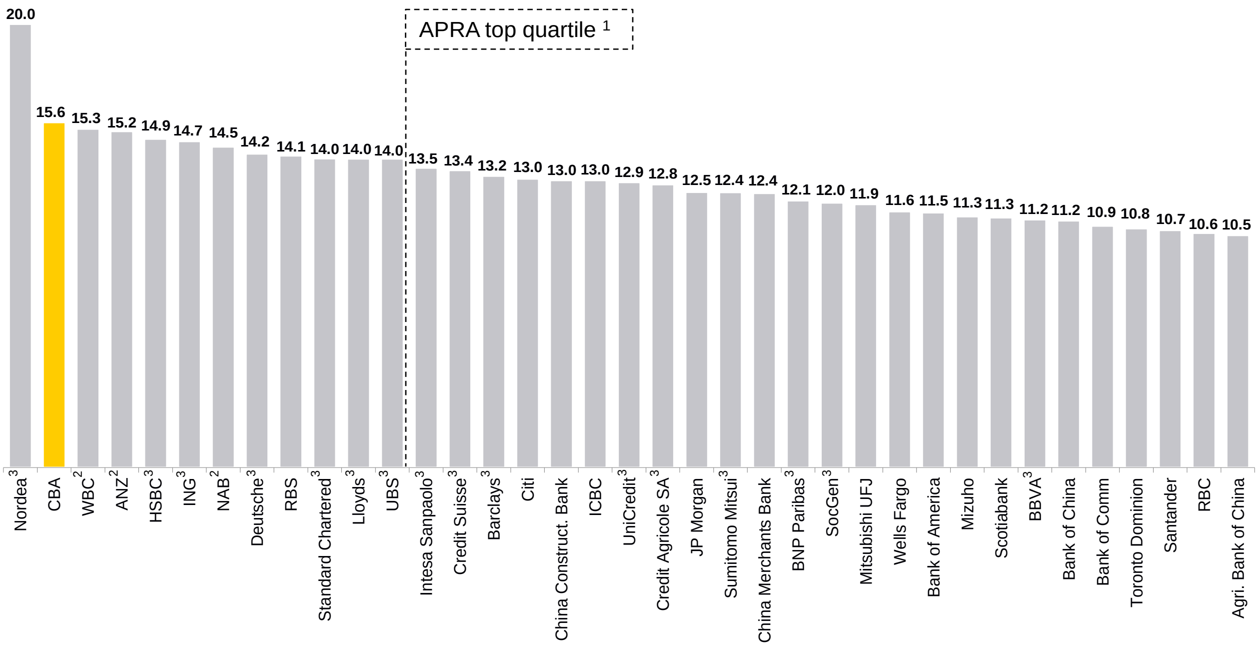
Following the discussion paper, APRA expects to release revised draft prudential standards in late 2018, with the release of the final standards in 2019 and implementation by 1 January 2021.

Internationally Comparable Capital Position

The Group's CET1 as measured on an internationally comparable basis was 15.6% as at 30 June 2017, placing it amongst the top quartile of international peer banks.

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

International Peer Basel III CET1



Source: Morgan Stanley and CBA. Based on last reported CET1 ratios up to 3 August 2017 assuming Basel III capital reforms fully implemented.

Peer group comprises listed commercial banks with total assets in excess of $750 billion and which have disclosed fully implemented Basel III ratios or provided sufficient disclosure for a Morgan Stanley estimate**.**

(1) APRA has estimated that the 75% percentile is likely to be in the order of 14 per cent as at end December 2016. APRA Information Paper "Strengthening banking system resilience – establishing unquestionably strong capital ratios" (19 July 2017).

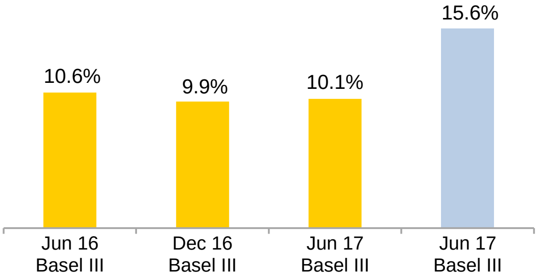
(2) Domestic peer figures as at 31 March 2017.

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

Capital (continued)

Capital Position

The Group's CET1 ratio as measured on an APRA basis was 10.1% at 30 June 2017, compared with 9.9% at 31 December 2016 and 10.6% at 30 June 2016. The capital ratios were maintained well in excess of regulatory minimum requirements at all times throughout the year.



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

The Group's CET1 (APRA) ratio increased 20 basis points for the half year ended 30 June 2017. After allowing for further increases in capital requirements with respect to Australian residential mortgages, the underlying increase was 54 basis points on the prior half. This primarily reflected the impact of capital generated from earnings and prudent balance sheet management leading to lower risk weighted assets, partly offset by the December 2016 interim dividend (net of issuance of shares through the Dividend Reinvestment Plan (DRP)) and the maturity of a further $1 billion of Colonial debt.

The decrease in the Group's CET1 ratio across the June 2017 full year was driven by the APRA requirement to hold additional capital with respect to Australian residential mortgages, partly offset by continued sustained organic capital generation.

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

Capital Initiatives

The following significant CET1 capital initiatives were undertaken during the year:

- The DRP in respect of the 2016 final dividend was satisfied by the issuance of $586 million of ordinary shares, representing a participation rate of 15.4%; and
- The DRP in respect of the 2017 interim dividend was satisfied by the issuance of $558 million of ordinary shares, representing a participation rate of 16.3%.

Further details on the Group's current regulatory capital position are included in Appendix 16.

Pillar 3 Disclosures

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

www.commbank.com.au/about-us/investors/shareholders.

Other Regulatory Changes

Basel Committee on Banking Supervision

The BCBS has issued a number of consultation documents on:

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

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

In March 2017, APRA advised that finalisation of the trading book requirements for Australian regulatory purposes is not expected until early 2020, with implementation 12 months after the regulations have been finalised.

Following finalisation by the BCBS, APRA is expected to incorporate these issues with the implementation of the revised regulatory capital framework by 2021.

Composition of Level 2 ADI Groups

In May 2014, APRA provided more clarity on the definition of the Level 2 Banking Group. Subsidiary intermediate holding companies are considered part of the Level 2 Group, regardless of the nature of any activity undertaken by their operating subsidiaries. As a result, capital benefits arising from the debt issued by the Colonial Group are being phased out. As at 30 June 2017 there is $665 million in debt still subject to transitional relief, all of which matures in the next 12 months.

A number of intermediate holding companies within the Colonial Group were consolidated into the Level 2 Banking Group from 31 December 2016. This change had minimal impact on the Group's capital.

Conglomerate Groups

APRA is extending its prudential supervision framework to Conglomerate Groups that have material operations in more than one APRA regulated industry and/or have one or more material unregulated entities. In March 2016, APRA advised that it was deferring finalisation of the capital requirements with respect to conglomerates until after the completion of other domestic and international policy initiatives. Non-capital related requirements, which include such items as governance, risk exposures and intra group exposures, are effective from 1 July 2017 and have no impact on the Group's capital.

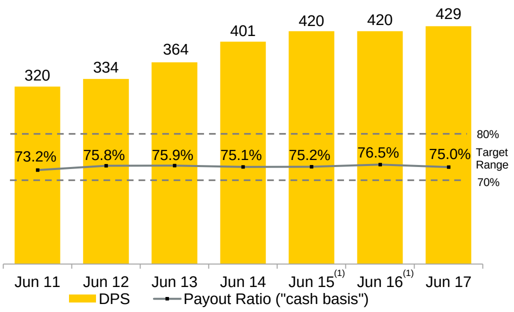
Dividends

Final Dividend for the Year Ended 30 June 2017

The final dividend declared was $2.30 per share, bringing the total dividend for the year ended 30 June 2017 to $4.29 per share, an increase of 9 cents or 2% on the prior year. This represents a dividend payout ratio ("cash basis") of 75%.

The final dividend will be fully franked and will be paid on 29 September 2017 to owners of ordinary shares at the close of business on 17 August 2017 (record date). Shares will be quoted ex-dividend on 16 August 2017.

Full Year Dividend History (cents per share)



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

Dividend Reinvestment Plan (DRP)

The DRP will continue to be offered to shareholders and this period a 1.5% discount will be applied to shares allocated under the plan for the final dividend. Eligibility requirements for participation in the DRP are detailed on page 92.

Dividend Policy

The Group will seek to:

- Pay cash dividends at strong and sustainable levels;
- Target a full year payout ratio of 70% to 80%; and
- Maximise the use of its franking account by paying fully franked dividends.

Leverage Ratio

Summary Group Leverage Ratio	30 Jun 17 (As at)	31 Dec 16 (As at)	30 Jun 16 (As at)	Jun 17 vs Dec 16 %	Jun 17 vs Jun 16 %
Tier 1 Capital ($M)	52,684	50,218	48,553	5	9
Total Exposures ($M) (1)	1,027,958	1,018,931	980,846	1	5
Leverage Ratio (APRA) (%)	5.1	4.9	5.0	20 bpts	10 bpts
Leverage Ratio (Internationally Comparable) (%) (2)	5.8	5.5	5.6	30 bpts	20 bpts

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

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

The Group's leverage ratio, defined as Tier 1 Capital as a percentage of total exposures, was 5.1% at 30 June 2017 on an APRA basis and 5.8% on an internationally comparable basis.

The ratio increased across both the June 2017 half and full year, reflecting an increase in capital levels, partly offset by growth in exposures.

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

Liquidity

Level 2	30 Jun 17 $M	31 Dec 16 $M	30 Jun 16 $M	Jun 17 vs Dec 16 %	Jun 17 vs Jun 16 %
	As at				
Liquidity Coverage Ratio (LCR) Liquid Assets					
High Quality Liquid Assets (HQLA) (1)	**93,402**	96,244	75,147	(3)	24
Committed Liquidity Facility (CLF)	**48,300**	58,500	58,500	(17)	(17)
Total LCR liquid assets	**141,702**	154,744	133,647	(8)	6
Net Cash Outflows (NCO)					
Customer deposits	**77,298**	71,418	70,139	8	10
Wholesale funding (2)	**17,579**	24,705	19,406	(29)	(9)
Other net cash outflows (3)	**15,271**	18,693	21,854	(18)	(30)
Total NCO	**110,148**	114,816	111,399	(4)	(1)
Liquidity Coverage Ratio (%)	**129**	135	120	large	large
LCR surplus	**31,554**	39,928	22,248	(21)	42

(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.

June 2017 versus June 2016

The Group holds high quality, well diversified liquid assets to meet Balance Sheet liquidity needs and internal and external regulatory requirements, such as APRA's Liquidity Coverage Ratio (LCR). At 30 June 2017, the Group's LCR was 129%, up from 120% as at 30 June 2016.

High Quality Liquid Assets (HQLA) in the form of cash, deposits with central banks, Australian Commonwealth Government and Semi-Government securities increased $18 billion to $93 billion, as the group managed its liquidity position ahead of a reduction in the RBA's Committed Liquidity Facility (CLF) effective 1 January 2017.

Liquid assets surplus to regulatory requirements increased to $32 billion, with total liquid assets as at 30 June 2017 of $142 billion, including the CLF.

Total modelled Net Cash Outflows (NCOs) decreased slightly on the prior year. Modelled customer deposit NCOs increased $7 billion to $77 billion. Modelled wholesale funding NCOs decreased $2 billion to $18 billion as a result of lower debt maturities in the next 30 days. Other modelled NCOs decreased $7 billion to $15 billion due to lower liquidity needs related to derivative exposures and other collateral requirements.

June 2017 versus December 2016

At 30 June 2017, the Group's LCR was 129%, down from 135% on the prior half. LCR liquid assets of $142 billion decreased $13 billion on the prior half, primarily due to a decrease in the CLF.

Total modelled NCOs decreased $5 billion in the current half, driven by a reduction in wholesale funding. Covered bond maturities were elevated in the prior half due to the five year anniversary of the program establishment. An increase in modelled customer deposit NCOs of $6 billion was partly offset by lower other modelled NCOs primarily due to higher cash inflows.

For further information on the Group's liquidity management please see Note 34 of the Annual Report.

Funding

Group Funding (1)	30 Jun 17 $M	31 Dec 16 $M	30 Jun 16 $M	Jun 17 vs Dec 16 %	Jun 17 vs Jun 16 %
	As at				
Customer deposits	**560,918**	541,351	517,974	4	8
Short-term wholesale funding (2)	**106,815**	116,186	110,714	(8)	(4)
Long-term wholesale funding - less than or equal to one year residual maturity	**25,330**	29,780	29,297	(15)	(14)
Long-term wholesale funding - more than one year residual maturity (3)	**131,950**	126,062	118,121	5	12
IFRS MTM and derivative FX revaluations	**1,150**	1,489	4,149	(23)	(72)
Total wholesale funding	**265,245**	273,517	262,281	(3)	1
Short-term collateral deposits (4)	**6,135**	9,813	8,323	(37)	(26)
Total funding	**832,298**	824,681	788,578	1	6

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

June 2017 versus June 2016

Customer Deposits

Customer deposits accounted for 67% of total funding at 30 June 2017, compared to 66% in the prior year. Strong deposit growth has seen the Group satisfy a significant proportion of its funding requirements from retail, business and institutional customer deposits.

Short-Term Wholesale Funding

Short-term wholesale funding accounted for 40% of total wholesale funding at 30 June 2017, compared to 42% in the prior year. Short-term wholesale funding decreased 4% given strong customer funding growth and long term wholesale funding.

Long-Term Wholesale Funding

Long-term wholesale funding (including an adjustment for IFRS MTM and derivative FX revaluations) accounted for 60% of total wholesale funding at 30 June 2017, compared to 58% in the prior year.

During the period, the Group raised $43 billion of long-term wholesale funding in multiple currencies including AUD, USD, EUR and GBP. The cost of new long-term wholesale funding decreased compared to the prior year given favourable global credit market conditions.

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

The Weighted Average Maturity (WAM) of new long-term wholesale debt issued in the year to June 2017 was 5.2 years. The WAM of outstanding long-term wholesale debt with a residual maturity greater than 12 months was 4.1 years at 30 June 2017.

Improvement in the mix and tenor of funding has assisted the Group in preparing for the Net Stable Funding Ratio which applies from 1 January 2018.

Short-Term Collateral Deposits

Net collateral received decreased $2 billion largely due to the impact of the stronger Australian dollar.

June 2017 versus December 2016

Customer Deposits

Customer deposits accounted for 67% of total funding at 30 June 2017, in line with the prior half. Strong deposit growth has seen the Group satisfy a significant proportion of its funding requirements from retail, business and institutional customer deposits.

Short-Term Wholesale Funding

Short-term wholesale funding accounted for 40% of total wholesale funding at 30 June 2017, compared to 42% in the prior half. Short-term wholesale funding decreased 8% given strong customer funding growth and long term wholesale funding.

Long-Term Wholesale Funding

Long-term wholesale funding (including an adjustment for IFRS MTM and derivative FX revaluations) accounted for 60% of total wholesale funding at 30 June 2017, compared to 58% in the prior half.

During the half, the Group raised $22 billion of long-term wholesale funding. The cost of new long-term funding improved marginally on the prior half as markets shrugged off any potential negative sentiment associated with geopolitical developments, unwinding of monetary stimulus and higher global bond yields.

The WAM of new long-term wholesale debt issued in the six months to June 2017 was 4.5 years.

Improvement in the mix and tenor of funding has assisted the Group in preparing for the Net Stable Funding Ratio which applies from 1 January 2018.

Short-Term Collateral Deposits

Net collateral received decreased $4 billion, largely due to the impact of the stronger Australian dollar.

For further information on Funding risk, please refer to Appendix 14.

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Retail Banking Services

	Full Year Ended [1]			Half Year Ended		
	30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %	30 Jun 17 $M	31 Dec 16 $M	Jun 17 vs Dec 16 %
Net interest income	**9,225**	8,717	6	**4,641**	4,584	1
Other banking income	**2,000**	1,794	11	**994**	1,006	(1)
Total banking income	**11,225**	10,511	7	**5,635**	5,590	1
Operating expenses	**(3,452)**	(3,373)	2	**(1,730)**	(1,722)	-
Loan impairment expense	**(699)**	(663)	5	**(349)**	(350)	-
Net profit before tax	**7,074**	6,475	9	**3,556**	3,518	1
Corporate tax expense	**(2,110)**	(1,935)	9	**(1,058)**	(1,052)	1
Cash net profit after tax	**4,964**	4,540	9	**2,498**	2,466	1
Income analysis						
Net interest income						
Home loans	**4,298**	3,949	9	**2,151**	2,147	-
Consumer finance [2]	**1,996**	2,031	(2)	**992**	1,004	(1)
Retail deposits	**2,863**	2,659	8	**1,464**	1,399	5
Other [3]	**68**	78	(13)	**34**	34	-
Total net interest income	**9,225**	8,717	6	**4,641**	4,584	1
Other banking income						
Home loans	**218**	221	(1)	**108**	110	(2)
Consumer finance [2]	**612**	507	21	**302**	310	(3)
Retail deposits	**586**	511	15	**299**	287	4
Distribution [4]	**442**	422	5	**215**	227	(5)
Other [3]	**142**	133	7	**70**	72	(3)
Total other banking income	**2,000**	1,794	11	**994**	1,006	(1)
Total banking income	**11,225**	10,511	7	**5,635**	5,590	1

	As at [1]				
Balance Sheet	30 Jun 17 $M	31 Dec 16 $M	30 Jun 16 $M	Jun 17 vs Dec 16 %	Jun 17 vs Jun 16 %
Home loans [5]	**335,222**	325,794	313,682	3	7
Consumer finance [2]	**17,141**	17,229	17,228	(1)	(1)
Other interest earning assets	**3,173**	3,042	2,870	4	11
Total interest earning assets	**355,536**	346,065	333,780	3	7
Other assets	**967**	1,406	852	(31)	13
Total assets	**356,503**	347,471	334,632	3	7
Transaction deposits [6]	**24,364**	23,013	18,084	6	35
Savings deposits [6]	**116,706**	120,073	118,913	(3)	(2)
Investment deposits and other	**77,063**	76,676	73,111	1	5
Total interest bearing deposits	**218,133**	219,762	210,108	(1)	4
Non-interest bearing transaction deposits	**30,782**	27,241	25,338	13	21
Other non-interest bearing liabilities	**3,858**	2,685	3,078	44	25
Total liabilities	**252,773**	249,688	238,524	1	6

	Full Year Ended [1]			Half Year Ended		
Key Financial Metrics	30 Jun 17	30 Jun 16	Jun 17 vs Jun 16 %	30 Jun 17	31 Dec 16	Jun 17 vs Dec 16 %
Performance indicators						
Return on assets (%)	**1. 4**	1. 4	-	**1. 4**	1. 4	-
Impairment expense annualised as a % of average GLAAs (%)	**0. 20**	0. 21	(1)bpt	**0. 20**	0. 20	-
Operating expenses to total banking income (%)	**30. 8**	32. 1	(130)bpts	**30. 7**	30. 8	(10)bpts
Other asset/liability information						
Average interest earning assets ($M) [7]	**317,778**	300,815	6	**321,946**	313,679	3
Average interest bearing liabilities ($M) [7] [8]	**189,714**	196,770	(4)	**190,437**	189,004	1

(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) Gross of mortgage offset balances.
(6) Includes mortgage offset balances.
(7) Net of average mortgage offset balances.
(8) In the prior year, following a change in terms, Interest bearing transaction deposits of $17,353 million became Non-interest bearing and have been disclosed accordingly.

Financial Performance and Business Review

Year Ended June 2017 versus June 2016

Retail Banking Services cash net profit after tax for the full year ended 30 June 2017 was $4,964 million, an increase of 9% on the prior year. The result was driven by strong growth in total banking income, partly offset by higher expenses and increased loan impairment expense. As at June 2017, the Retail bank ranked number one in customer satisfaction amongst its peers[(1)].

Net Interest Income

Net interest income was $9,225 million, an increase of 6% on the prior year. This reflected strong balance growth in home lending and deposits, and stable net interest margin.

Balance Sheet growth included:

- Home loan growth of 7%; and
- Total deposit balance growth of 6%, resulting from strong growth in transaction and investment accounts; partly offset by
- Consumer finance balance decrease of 1%, broadly in line with system.

Net interest margin was stable, reflecting:

- Strong competition in home loans and investment deposits;
- Higher funding costs; and
- Unfavourable portfolio mix; offset by
- Pricing changes in home loans and deposits.

Other Banking Income

Other banking income was $2,000 million, an increase of 11% on the prior year, reflecting:

- Higher consumer finance income, driven by higher purchases, lower loyalty costs, and increased foreign exchange income;
- An increase in deposit fee income from higher transaction volumes; and
- Higher distribution income resulting from increased foreign exchange transactions.

Operating Expenses

Operating expenses were $3,452 million, an increase of 2% on the prior year. The key drivers were higher staff costs, increased volume-related expenses and ongoing investment in technology and digital capabilities, partly offset by the benefit of productivity savings.

The operating expense to total banking income ratio was 30.8%, a decrease of 130 basis points on the prior year.

Loan Impairment Expense

Loan impairment expense was $699 million, an increase of 5% on the prior year. The increase was driven by higher arrears and losses for home loans and consumer finance, predominantly in Western Australia and Queensland.

Half Year Ended June 2017 versus December 2016

Cash net profit after tax for the half year ended 30 June 2017 was $2,498 million, an increase of 1% on the prior half. The result was driven by higher total banking income, and flat operating and loan impairment expenses.

Net Interest Income

Net interest income increased 1% on the prior half, reflecting solid balance growth in home lending and deposits, and higher net interest margin, partly offset by three fewer calendar days than the prior half.

Balance Sheet growth included:

- Home loan growth of 3%; and
- Total deposit balance growth of 1%, with strong growth in transaction accounts; partly offset by
- Consumer finance balance decrease of 1%, broadly in line with system.

Net interest margin improved, reflecting higher deposit margin and stable lending margin, partly offset by unfavourable portfolio mix.

Other Banking Income

Other banking income decreased 1% on the prior half, reflecting:

- Lower consumer finance income, driven by seasonally lower purchases and higher loyalty costs; and
- Lower distribution income, driven by decreased foreign exchange transactions; partly offset by
- Higher deposit fee income from higher transaction volumes.

Operating Expenses

Operating expenses were flat on the prior half, with lower amortisation, seasonally lower volume-related expenses, and benefits from productivity initiatives, offset by continued investment in technology and digital capabilities.

The operating expense to total banking income ratio was 30.7%, a decrease of 10 basis points on the prior half.

Loan Impairment Expense

Loan impairment expense was flat on the prior half, with higher consumer finance arrears due to expected seasonal trends, offset by lower home loan losses.

(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 June 2017. Rank based on the major four Australian banks.

Business and Private Banking

	Full Year Ended (1)			Half Year Ended		
	30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %	30 Jun 17 $M	31 Dec 16 $M	Jun 17 vs Dec 16 %
Net interest income	3,044	3,001	1	1,531	1,513	1
Other banking income	925	839	10	467	458	2
Total banking income	3,969	3,840	3	1,998	1,971	1
Operating expenses	(1,551)	(1,488)	4	(776)	(775)	-
Loan impairment expense	(74)	(176)	(58)	(10)	(64)	(84)
Net profit before tax	2,344	2,176	8	1,212	1,132	7
Corporate tax expense	(705)	(654)	8	(364)	(341)	7
Cash net profit after tax	1,639	1,522	8	848	791	7
Income analysis						
Net interest income						
Corporate Financial Services	1,093	1,107	(1)	545	548	(1)
Business Banking SME	912	899	1	459	453	1
Regional and Agribusiness	562	544	3	281	281	-
Private Bank	317	303	5	164	153	7
CommSec	160	148	8	82	78	5
Total net interest income	3,044	3,001	1	1,531	1,513	1
Other banking income						
Corporate Financial Services	368	305	21	187	181	3
Business Banking SME	182	172	6	91	91	-
Regional and Agribusiness	100	91	10	51	49	4
Private Bank	67	61	10	34	33	3
CommSec	208	210	(1)	104	104	-
Total other banking income	925	839	10	467	458	2
Total banking income	3,969	3,840	3	1,998	1,971	1
Income by product						
Business products	2,329	2,243	4	1,171	1,158	1
Retail products	1,143	1,061	8	587	556	6
Equities and Margin Lending	308	329	(6)	153	155	(1)
Markets	131	138	(5)	62	69	(10)
Other	58	69	(16)	25	33	(24)
Total banking income	3,969	3,840	3	1,998	1,971	1

	As at (1)				
Balance Sheet	30 Jun 17 $M	31 Dec 16 $M	30 Jun 16 $M	Jun 17 vs Dec 16 %	Jun 17 vs Jun 16 %
Home loans (2)	33,686	32,661	31,987	3	5
Consumer finance	603	643	630	(6)	(4)
Business loans (3)	69,356	68,249	65,446	2	6
Margin loans	2,556	2,575	2,697	(1)	(5)
Total interest earning assets	106,201	104,128	100,760	2	5
Non-lending interest earning assets	286	290	238	(1)	20
Other assets (4)	485	136	454	large	7
Total assets	106,972	104,554	101,452	2	5
Transaction deposits (3) (5)	14,535	12,714	12,024	14	21
Savings deposits (5)	33,504	32,409	30,812	3	9
Investment deposits and other	27,000	27,397	25,773	(1)	5
Total interest bearing deposits	75,039	72,520	68,609	3	9
Non-interest bearing transaction deposits	7,592	7,300	6,738	4	13
Other non-interest bearing liabilities	868	552	834	57	4
Total liabilities	83,499	80,372	76,181	4	10

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Gross of mortgage offset balances.
(3) Business loans include $301 million of Cash Management Pooling Facilities (CMPF) (31 December 2016: $248 million; 30 June 2016: $281 million). Transaction Deposits include $916 million of CMPF liabilities (31 December 2016: $808 million; 30 June 2016: $778 million). These balances are required to be grossed up under accounting standards, but are netted for the calculation of customer interest and risk weighted assets.
(4) Other assets include Intangible assets.
(5) Includes mortgage offset balances.

Key Financial Metrics	Full Year Ended (1) 30 Jun 17	30 Jun 16	Jun 17 vs Jun 16 %	Half Year Ended 30 Jun 17	31 Dec 16	Jun 17 vs Dec 16 %
Performance indicators						
Return on assets (%)	**1.5**	1.5	-	**1.6**	1.5	10 bpts
Impairment expense annualised as a % of average GLAAs (%)	**0.07**	0.18	(11)bpts	**0.02**	0.12	(10)bpts
Operating expenses to total banking income (%)	**39.1**	38.8	30 bpts	**38.8**	39.3	(50)bpts
Other asset/liability information						
Average interest earning assets ($M) (2)	**100,008**	94,187	6	**100,746**	99,282	1
Average interest bearing liabilities ($M) (2) (3)	**69,854**	64,270	9	**71,283**	68,450	4

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Net of average mortgage offset balances.
(3) In the prior year, following a change in terms, Interest bearing transaction deposits of $961 million became Non-interest bearing and have been disclosed accordingly.

Financial Performance and Business Review

Year Ended June 2017 versus June 2016

Business and Private Banking cash net profit after tax for the full year ended 30 June 2017 was $1,639 million, an increase of 8% on the prior year. The result was driven by growth in total banking income and lower loan impairment expense, partly offset by higher expenses.

Net Interest Income

Net interest income was $3,044 million, an increase of 1% on the prior year. This was driven by strong balance growth, partly offset by lower net interest margins.

Balance Sheet growth included:

- Deposit growth of 10%, reflecting strong demand for transaction and saving deposits;
- Business lending growth of 6%, with growth diversified across target industries; and
- Home loan growth of 5%, driven by growth in owner occupied loans.

Net interest margin decreased, reflecting lower business lending margins due to competitive pricing pressure and a mix shift towards products with a higher relative proportion of fee income.

Other Banking Income

Other banking income was $925 million, an increase of 10% on the prior year, reflecting:

- Higher business lending fee income; partly offset by
- Lower income from the sale of foreign exchange risk management products.

Operating Expenses

Operating expenses were $1,551 million, an increase of 4% on the prior year, reflecting investment in frontline staff and product development initiatives.

Loan Impairment Expense

Loan impairment expense was $74 million, a decrease of $102 million on the prior year. The decrease was driven by lower individual and collective provisions, partly offset by a lower level of write-backs.

Loan impairment expense as a percentage of average gross loans and acceptances decreased by 11 basis points to 7 basis points.

Half Year Ended June 2017 versus December 2016

Cash net profit after tax for the half year ended 30 June 2017 was $848 million, an increase of 7% on the prior half. The result was driven by growth in total banking income and a lower loan impairment expense.

Net Interest Income

Net interest income increased 1% on the prior half, reflecting higher margins and subdued balance growth, partly offset by three fewer calendar days than the prior half.

Balance Sheet growth included:

- Deposit growth of 4%, reflecting demand for transaction and saving deposits;
- Home loan growth of 3%; and
- Business lending growth of 2%.

Net interest margin increased due to higher margins on deposits and home lending, partly offset by continued decrease in business lending margins due to diversification, competitive pricing pressure and a mix shift towards fee-based products.

Other Banking Income

Other banking income increased 2% on the prior half reflecting:

- Higher business lending fee income; partly offset by
- Lower income from the sale of interest rate risk management products.

Operating Expenses

Operating expenses remained flat on the prior half, driven by investment in frontline staff and product development initiatives, offset by lower amortisation.

Loan Impairment Expense

Loan impairment expense was $10 million, a reduction of $54 million on the prior half reflecting lower collective provisions.

Institutional Banking and Markets

	Full Year Ended [1] 30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %	Half Year Ended 30 Jun 17 $M	31 Dec 16 $M	Jun 17 vs Dec 16 %
Net interest income	**1,507**	1,617	(7)	**746**	761	(2)
Other banking income	**1,347**	1,276	6	**623**	724	(14)
Total banking income	**2,854**	2,893	(1)	**1,369**	1,485	(8)
Operating expenses	**(1,072)**	(1,082)	(1)	**(527)**	(545)	(3)
Loan impairment expense	**(64)**	(252)	(75)	**(20)**	(44)	(55)
Net profit before tax	**1,718**	1,559	10	**822**	896	(8)
Corporate tax expense	**(412)**	(369)	12	**(199)**	(213)	(7)
Cash net profit after tax	**1,306**	1,190	10	**623**	683	(9)
Income analysis						
Net interest income						
Institutional Banking	**1,384**	1,441	(4)	**692**	692	-
Markets	**123**	176	(30)	**54**	69	(22)
Total net interest income	**1,507**	1,617	(7)	**746**	761	(2)
Other banking income						
Institutional Banking	**745**	747	-	**345**	400	(14)
Markets	**602**	529	14	**278**	324	(14)
Total other banking income	**1,347**	1,276	6	**623**	724	(14)
Total banking income	**2,854**	2,893	(1)	**1,369**	1,485	(8)
Income by product						
Institutional products	**1,770**	1,836	(4)	**879**	891	(1)
Asset leasing	**284**	287	(1)	**126**	158	(20)
Markets	**720**	776	(7)	**301**	419	(28)
Other	**75**	65	15	**32**	43	(26)
Total banking income excluding derivative valuation adjustments	**2,849**	2,964	(4)	**1,338**	1,511	(11)
Derivative valuation adjustments	**5**	(71)	large	**31**	(26)	large
Total banking income	**2,854**	2,893	(1)	**1,369**	1,485	(8)

Balance Sheet	As at [1] 30 Jun 17 $M	31 Dec 16 $M	30 Jun 16 $M	Jun 17 vs Dec 16 %	Jun 17 vs Jun 16 %
Interest earning lending assets [2]	**111,809**	109,755	112,432	2	(1)
Non-lending interest earning assets	**31,349**	29,152	27,594	8	14
Other assets [3]	**30,076**	38,718	41,226	(22)	(27)
Total assets	**173,234**	177,625	181,252	(2)	(4)
Transaction deposits [2]	**42,293**	40,136	41,382	5	2
Savings deposits	**7,371**	4,115	6,350	79	16
Investment deposits	**49,639**	45,457	39,371	9	26
Certificates of deposit and other	**15,070**	14,290	14,435	5	4
Total interest bearing deposits	**114,373**	103,998	101,538	10	13
Due to other financial institutions	**16,669**	15,477	15,610	8	7
Debt issues and other [4]	**9,358**	8,458	9,064	11	3
Non-interest bearing liabilities [3]	**21,407**	27,120	28,307	(21)	(24)
Total liabilities	**161,807**	155,053	154,519	4	5

Key Financial Metrics	Full Year Ended [1] 30 Jun 17	30 Jun 16	Jun 17 vs Jun 16 %	Half Year Ended 30 Jun 17	31 Dec 16	Jun 17 vs Dec 16 %
Performance indicators						
Return on assets (%)	**0. 7**	0. 7	-	**0. 7**	0. 8	(10)bpts
Impairment expense annualised as a % of average GLAAs (%)	**0. 06**	0. 23	(17)bpts	**0. 04**	0. 08	(4)bpts
Operating expenses to total banking income (%)	**37. 6**	37. 4	20 bpts	**38. 5**	36. 7	180 bpts
Other asset/liability information						
Average interest earning assets ($M)	**138,788**	136,845	1	**139,183**	138,398	1
Average interest bearing liabilities ($M)	**129,443**	120,209	8	**134,593**	124,377	8

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Interest earning lending assets include $21,260 million of Cash Management Pooling Facilities (CMPF) (31 Dec 2016: $20,036 million; 30 June 2016: $23,743 million). Transaction Deposits include $26,818 million of CMPF liabilities (31 Dec 2016: $25,744 million; 30 June 2016: $29,319 million). These balances are required to be grossed up under accounting standards, but are netted for the calculation of customer interest and risk weighted assets.
(3) Other assets include Intangible assets and Derivative assets. Non-interest bearing liabilities include Derivative liabilities.
(4) Debt issues and other includes Bank acceptances and Liabilities at fair value.

Financial Performance and Business Review

Year Ended June 2017 versus June 2016

Institutional Banking and Markets cash net profit after tax for the full year ended 30 June 2017 was $1,306 million, an increase of 10% on the prior year. The result was driven by strong growth in deposit volumes, active management of the lending portfolio, lower losses from derivative valuation adjustments, and lower loan impairment expense.

Net Interest Income

Net interest income was $1,507 million, a decrease of 7% on the prior year. This was driven by lower lending margins, partly offset by strong growth in average deposit volumes.

Average balance growth included:

- Flat average lending balances; and
- 22% growth in average transaction deposit volumes excluding pooling facilities, and 22% growth in average investment deposit volumes.

Net interest margin decreased, reflecting:

- Lower lending margins driven by competition; partly offset by
- Favourable portfolio mix from higher deposit balances.

Other Banking Income

Other banking income was $1,347 million, an increase of 6% on the prior year, reflecting:

- Favourable derivative valuation adjustments of $5 million, compared to a $71 million unfavourable adjustment in the prior year; partly offset by
- Lower lending fee income due to competitive pressures;
- Weaker Markets sales performance due to lower volatility in the second half; and
- Timing of realised gains and losses on sale of assets.

Operating Expenses

Operating expenses were $1,072 million, a decrease of 1% on the prior year, driven by ongoing realisation of productivity benefits, partly offset by higher risk and compliance costs.

Loan Impairment Expense

Loan impairment expense was $64 million, a decrease of $188 million on the prior year. The decrease was driven by lower collective provisions and fewer large individual provisions.

Loan impairment expense as a percentage of average gross loans and acceptances decreased by 17 basis points to 6 basis points.

Corporate Tax Expense

The corporate tax expense was $412 million. The effective tax rate of 24.0% was largely in line with the prior year.

Half Year Ended June 2017 versus December 2016

Cash net profit after tax for the half year ended 30 June 2017 was $623 million, a decrease of 9% on the prior half. The result was driven by lower Institutional Banking fee revenue and lower Markets revenue, partly offset by lower operating expenses and lower loan impairment expense.

Net Interest Income

Net interest income decreased 2% on the prior half, reflecting lower margins, partly offset by higher average lending and deposit balances.

Average balance growth included:

- 2% growth in average lending balances; and
- Higher average deposit balances, particularly in transaction and investment deposits.

Net interest margin decreased, reflecting:

- Lower leasing margins and Markets performance; partly offset by
- Active management of lending portfolio.

Other Banking Income

Other banking income decreased 14% on the prior half, reflecting:

- Weaker Markets sales and trading performance, particularly in Fixed Income & Rates; and
- Lower lending fees in Institutional Banking; partly offset by
- Favourable derivative valuation adjustments of $31 million, compared to unfavourable adjustments of $26 million in the prior half.

Operating Expenses

Operating expenses decreased 3% on the prior half. The decrease was driven by the ongoing realisation of productivity benefits, and lower amortisation.

Loan Impairment Expense

Loan impairment expense was $20 million, a decrease of $24 million on the prior half reflecting lower individual provisions.

Corporate Tax Expense

The corporate tax expense was $199 million. The effective tax rate of 24.2% was largely in line with the prior half.

Wealth Management

	Full Year Ended (1)			Half Year Ended		
	30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %	30 Jun 17 $M	31 Dec 16 $M	Jun 17 vs Dec 16 %
Funds management income	**1,894**	1,891	-	**961**	933	3
Insurance income	**438**	502	(13)	**218**	220	(1)
Total operating income	**2,332**	2,393	(3)	**1,179**	1,153	2
Operating expenses	**(1,653)**	(1,681)	(2)	**(806)**	(847)	(5)
Net profit before tax	**679**	712	(5)	**373**	306	22
Corporate tax expense	**(176)**	(183)	(4)	**(96)**	(80)	20
Underlying profit after tax	**503**	529	(5)	**277**	226	23
Investment experience after tax	**54**	83	(35)	**31**	23	35
Non-controlling interests (2)	**(4)**	-	large	**(4)**	-	large
Cash net profit after tax	**553**	612	(10)	**304**	249	22
Represented by:						
CFS Global Asset Management	**229**	224	2	**104**	125	(17)
Colonial First State (3)	**191**	230	(17)	**99**	92	8
CommInsure	**202**	274	(26)	**96**	106	(9)
Other	**(69)**	(116)	(41)	**5**	(74)	large
Cash net profit after tax	**553**	612	(10)	**304**	249	22

	Full Year Ended (1)			Half Year Ended		
Key Financial Metrics	30 Jun 17	30 Jun 16	Jun 17 vs Jun 16 %	30 Jun 17	31 Dec 16	Jun 17 vs Dec 16 %
Performance indicators						
Operating expenses to total operating income (%)	**70. 9**	70. 2	70 bpts	**68. 4**	73. 5	large
FUA - average ($M)	**141,005**	134,233	5	**143,838**	138,146	4
FUA - spot ($M)	**146,778**	135,801	8	**146,778**	140,820	4
AUM - average ($M) (4)	**205,910**	197,569	4	**209,469**	201,967	4
AUM - spot ($M) (4)	**219,427**	199,735	10	**219,427**	203,223	8
Annual Inforce Premiums - average ($M)	**2,465**	2,474	-	**2,432**	2,505	(3)
Annual Inforce Premiums - spot ($M)	**2,352**	2,508	(6)	**2,352**	2,520	(7)

	Full Year Ended (1)											
	CFS Global Asset Management			Colonial First State (3)			CommInsure			Other		
	Jun 17 $M	Jun 16 $M	Jun 17 vs Jun 16 %	Jun 17 $M	Jun 16 $M	Jun 17 vs Jun 16 %	Jun 17 $M	Jun 16 $M	Jun 17 vs Jun 16 %	Jun 17 $M	Jun 16 $M	Jun 17 vs Jun 16 %
Funds management income	**837**	842	(1)	**928**	929	-	**121**	120	1	**8**	-	large
Insurance income	**-**	-	-	**-**	-	-	**438**	502	(13)	**-**	-	-
Total operating income	**837**	842	(1)	**928**	929	-	**559**	622	(10)	**8**	-	large
Operating expenses	**(521)**	(572)	(9)	**(668)**	(609)	10	**(323)**	(339)	(5)	**(141)**	(161)	(12)
Net profit before tax	**316**	270	17	**260**	320	(19)	**236**	283	(17)	**(133)**	(161)	(17)
Corporate tax (expense)/benefit	**(81)**	(49)	65	**(78)**	(99)	(21)	**(71)**	(80)	(11)	**54**	45	20
Underlying profit after tax	**235**	221	6	**182**	221	(18)	**165**	203	(19)	**(79)**	(116)	(32)
Investment experience after tax	**(6)**	3	large	**9**	9	-	**41**	71	(42)	**10**	-	large
Non-controlling interests (2)	**-**	-	-	**-**	-	-	**(4)**	-	large	**-**	-	-
Cash net profit/(loss) after tax	**229**	224	2	**191**	230	(17)	**202**	274	(26)	**(69)**	(116)	(41)

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Relates to net profit attributable to non-controlling interests in a partly held infrastructure business.
(3) Colonial First State incorporates the results of all Wealth Management financial planning businesses.
(4) AUM excludes the Group's interest in the First State Cinda Fund Management Company Limited.

Financial Performance and Business Review

Year Ended June 2017 versus June 2016

Wealth Management cash net profit after tax for the full year ended 30 June 2017 was $553 million, a decrease of 10% on the prior year. The result was driven by lower insurance income and lower investment experience, partly offset by lower operating expenses. Insurance income declined 13%, with growth in general insurance offset by a lower income protection result in life insurance.

Funds Management Income

Funds management income was $1,894 million, flat on the prior year.

Average Assets Under Management (AUM) increased 4% to $206 billion reflecting strong investment markets, partly offset by the impact of the higher Australian dollar. Investment performance remained strong with 78% of CFS GAM assets outperforming their three year benchmark. Emerging market equities were impacted by higher net outflows with offsetting strong inflows into fixed income investments. The infrastructure business continued to grow, driven by the acquisition of new investments. AUM margins declined over the year due to continued investment mix shift to lower margin products.

Average Funds Under Administration (FUA) increased 5% to $141 billion. The FirstChoice and CFSWrap platforms experienced continued growth in average FUA of 6% and 14% respectively, reflecting positive net flows and solid investment markets. CFSWrap experienced positive net flows as a result of new clients and superannuation legislation changes. FUA margins declined as a result of increased provisioning for Advice customer remediation costs, while platform margins declined with a trend towards lower margin products.

Insurance Income

Insurance income was $438 million, a 13% decrease on the prior year. Wholesale life insurance income increased reflecting lower claims and the benefit from member growth, partly offset by the loss of some schemes resulting in a decrease in inforce premiums.

Retail life income decreased significantly due to higher claims resulting in loss recognition of $143 million in income protection during the year, an increase of $78 million on the prior year. Lower sales further contributed to the result.

General insurance income increased 9% on the prior year due to growth in inforce premiums reflecting higher renewals, partly offset by higher weather event claims.

Operating Expenses

Operating expenses were $1,653 million, a decrease of 2% on the prior year. This was driven by ongoing productivity initiatives, one-off provision releases and the favourable impact of the higher Australian dollar, partly offset by investment in technology and remediation program costs.

Investment Experience

Investment experience after tax decreased 35%, driven by a favourable impact in the prior year from annual economic assumption changes relating to the insurance business.

Half Year Ended June 2017 versus December 2016

Cash net profit after tax for the half year ended 30 June 2017 was $304 million, an increase of 22% on the prior half. The result was driven by growth in funds management income, lower operating expenses and higher investment experience, partly offset by a 1% decline in insurance income.

Funds Management Income

Funds management income increased 3% on the prior half.

Average AUM increased 4%, reflecting strong investment markets, positive net flows mainly in the infrastructure business and fixed income investments, partly offset by the impact of the higher Australian dollar. AUM margins continued to decline due to investment mix shift to lower margin products.

Average FUA increased 4% on the prior half driven by continued positive net flows in FirstChoice and CFSWrap platforms supported by strong investment markets. FUA margins improved on the prior half due to lower Advice customer remediation costs, partly offset by a decline in platform margins.

Insurance Income

Insurance income decreased 1% on the prior half due to significantly lower general insurance income, partly offset by a stronger life insurance result.

Wholesale life results improved on the prior half due to claims experience.

Retail life income improved as the loss recognition on income protection of $53 million was $37 million lower than the prior half. Lapse rates have remained flat through the half.

General insurance income declined significantly as a result of higher weather event claims in the half. Inforce premiums grew 2% on the prior half.

Operating Expenses

Operating expenses decreased 5% reflecting continued focus on productivity, one-off provision releases and the higher Australian dollar, partly offset by higher remediation program costs.

Investment Experience

Investment experience after tax increased 35% on the prior half due to higher returns on shareholder investments, partly offset by changes to annual economic assumptions relating to the insurance business.

Wealth Management

Assets Under Management (AUM) [1]	30 Jun 16 $M	Inflows $M	Outflows $M	Net Flows $M	Other [2] $M	30 Jun 17 $M	31 Dec 16 $M	Jun 17 vs Jun 16 %	Jun 17 vs Dec 16 %
	Full Year Ended								
Australian equities	27,240	9,866	(9,911)	(45)	2,837	**30,032**	29,249	10	3
Global equities	90,900	18,277	(23,928)	(5,651)	9,339	**94,588**	90,074	4	5
Fixed income [3]	74,670	58,426	(48,498)	9,928	1,943	**86,541**	76,479	16	13
Infrastructure	6,925	2,012	(806)	1,206	135	**8,266**	7,421	19	11
Total	199,735	88,581	(83,143)	5,438	14,254	**219,427**	203,223	10	8

Funds Under Administration (FUA)	30 Jun 16 $M	Inflows $M	Outflows $M	Net Flows $M	Other [2] $M	30 Jun 17 $M	31 Dec 16 $M	Jun 17 vs Jun 16 %	Jun 17 vs Dec 16 %
	Full Year Ended [4]								
FirstChoice	75,694	16,234	(15,409)	825	5,863	**82,382**	79,104	9	4
CFSWrap [5]	22,890	8,333	(5,684)	2,649	2,208	**27,747**	25,197	21	10
CFS Non-Platform	15,054	8,752	(8,227)	525	172	**15,751**	15,171	5	4
CommInsure Investments	12,272	533	(1,944)	(1,411)	470	**11,331**	11,867	(8)	(5)
Other	9,891	1,417	(1,290)	127	(451)	**9,567**	9,481	(3)	1
Total	135,801	35,269	(32,554)	2,715	8,262	**146,778**	140,820	8	4

Insurance Inforce	30 Jun 16 $M	Sales $M	Lapses $M	Net Flows $M	Other $M	30 Jun 17 $M	31 Dec 16 $M	Jun 17 vs Jun 16 %	Jun 17 vs Dec 16 %
	Full Year Ended								
Life Insurance	1,773	226	(430)	(204)	-	**1,569**	1,752	(12)	(10)
General Insurance	735	145	(97)	48	-	**783**	768	7	2
Total	2,508	371	(527)	(156)	-	**2,352**	2,520	(6)	(7)

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

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New Zealand

	Full Year Ended (1)			Half Year Ended		
	30 Jun 17 A$M	30 Jun 16 A$M	Jun 17 vs Jun 16 %	30 Jun 17 A$M	31 Dec 16 A$M	Jun 17 vs Dec 16 %
Net interest income	**1,654**	1,581	5	**821**	833	(1)
Other banking income (2)	**290**	288	1	**150**	140	7
Total banking income	**1,944**	1,869	4	**971**	973	-
Funds management income	**92**	80	15	**47**	45	4
Insurance income	**278**	242	15	**139**	139	-
Total operating income	**2,314**	2,191	6	**1,157**	1,157	-
Operating expenses	**(909)**	(889)	2	**(456)**	(453)	1
Loan impairment expense	**(65)**	(120)	(46)	**(18)**	(47)	(62)
Net profit before tax	**1,340**	1,182	13	**683**	657	4
Corporate tax expense	**(361)**	(311)	16	**(184)**	(177)	4
Underlying profit after tax	**979**	871	12	**499**	480	4
Investment experience after tax	**(6)**	10	large	**3**	(9)	large
Cash net profit after tax	**973**	881	10	**502**	471	7

	Full Year Ended (1)			Half Year Ended		
	30 Jun 17 NZ$M	30 Jun 16 NZ$M	Jun 17 vs Jun 16 %	30 Jun 17 NZ$M	31 Dec 16 NZ$M	Jun 17 vs Dec 16 %
Net interest income	**1,750**	1,719	2	**874**	876	-
Other banking income	**362**	346	5	**181**	181	-
Total banking income	**2,112**	2,065	2	**1,055**	1,057	-
Funds management income	**97**	87	11	**50**	47	6
Insurance income	**294**	264	11	**148**	146	1
Total operating income	**2,503**	2,416	4	**1,253**	1,250	-
Operating expenses	**(960)**	(964)	-	**(485)**	(475)	2
Loan impairment expense	**(69)**	(130)	(47)	**(20)**	(49)	(59)
Net profit before tax	**1,474**	1,322	11	**748**	726	3
Corporate tax expense	**(399)**	(349)	14	**(201)**	(198)	2
Underlying profit after tax	**1,075**	973	10	**547**	528	4
Investment experience after tax	**(6)**	11	large	**3**	(9)	large
Cash net profit after tax	**1,069**	984	9	**550**	519	6
Represented by:						
ASB	**1,033**	914	13	**526**	507	4
Sovereign	**102**	105	(3)	**58**	44	32
Other (3)	**(66)**	(35)	89	**(34)**	(32)	6
Cash net profit after tax	**1,069**	984	9	**550**	519	6

	Full Year Ended (1)			Half Year Ended		
Key Financial Metrics (4)	30 Jun 17	30 Jun 16	Jun 17 vs Jun 16 %	30 Jun 17	31 Dec 16	Jun 17 vs Dec 16 %
Operating expenses to total operating income (%)	**38. 4**	39. 9	(150)bpts	**38. 7**	38. 0	70 bpts
FUA - average (NZ$M)	**12,665**	11,632	9	**12,743**	12,575	1
FUA - spot (NZ$M)	**12,826**	12,063	6	**12,826**	12,586	2
AUM - average (NZ$M) (5)	**5,300**	4,825	10	**5,279**	5,276	-
AUM - spot (NZ$M) (5)	**5,575**	5,222	7	**5,575**	4,980	12

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Other banking income disclosed in AUD includes realised gains or losses associated with the hedge of the New Zealand operations.
(3) Other includes ASB funding entities and elimination entries between New Zealand segment entities.
(4) Key financial metrics are calculated in New Zealand dollar terms.
(5) AUM excludes NZD7,212 million spot balances managed by CFS Global Asset Management (31 December 2016: NZD6,780 million: 30 June 2016: NZD5,918 million). These are included in the AUM balances reported by CFS Global Asset Management.

Financial Performance and Business Review

Year Ended June 2017 versus June 2016

New Zealand[1] cash net profit after tax[2] for the full year ended 30 June 2017 was NZD1,069 million, an increase of 9% on the prior year, driven by a strong performance from ASB, partly offset by lower profit in Sovereign.

Half Year Ended June 2017 versus December 2016

New Zealand cash net profit after tax increased 6% on the prior half. ASB's result increased 4% primarily reflecting a lower loan impairment expense, while Sovereign's profit increased 32% reflecting higher investment experience.

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

ASB	Full Year Ended [1] 30 Jun 17 NZ$M	30 Jun 16 NZ$M	Jun 17 vs Jun 16 %	Half Year Ended 30 Jun 17 NZ$M	31 Dec 16 NZ$M	Jun 17 vs Dec 16 %
Net interest income	**1,837**	1,763	4	**920**	917	-
Other banking income	**404**	383	5	**202**	202	-
Total banking income	**2,241**	2,146	4	**1,122**	1,119	-
Funds management income	**97**	85	14	**50**	47	6
Total operating income	**2,338**	2,231	5	**1,172**	1,166	1
Operating expenses	**(836)**	(829)	1	**(422)**	(414)	2
Loan impairment expense	**(69)**	(130)	(47)	**(20)**	(49)	(59)
Net profit before tax	**1,433**	1,272	13	**730**	703	4
Corporate tax expense	**(400)**	(358)	12	**(204)**	(196)	4
Cash net profit after tax	**1,033**	914	13	**526**	507	4

Balance Sheet	As at 30 Jun 17 NZ$M	31 Dec 16 NZ$M	30 Jun 16 NZ$M	Jun 17 vs Dec 16 %	Jun 17 vs Jun 16 %
Home loans	**51,128**	50,248	47,784	2	7
Business and rural lending	**25,133**	23,991	22,588	5	11
Other interest earning assets	**2,087**	2,084	1,951	-	7
Total lending interest earning assets	**78,348**	76,323	72,323	3	8
Non-lending interest earning assets	**8,662**	8,644	7,130	-	21
Other assets	**1,572**	1,974	2,106	(20)	(25)
Total assets	**88,582**	86,941	81,559	2	9
Customer deposits	**52,795**	51,018	49,811	3	6
Debt issues	**18,073**	18,380	13,431	(2)	35
Other interest bearing liabilities [2]	**2,716**	2,614	3,972	4	(32)
Total interest bearing liabilities	**73,584**	72,012	67,214	2	9
Non-interest bearing liabilities	**6,248**	6,378	6,192	(2)	1
Total liabilities	**79,832**	78,390	73,406	2	9

Key Financial Metrics [3]	Full Year Ended [1] 30 Jun 17	30 Jun 16	Jun 17 vs Jun 16 %	Half Year Ended 30 Jun 17	31 Dec 16	Jun 17 vs Dec 16 %
Performance indicators						
Return on assets (%)	**1. 2**	1. 2	-	**1. 2**	1. 2	-
Impairment expense annualised as a % of average GLAAs (%)	**0. 09**	0. 19	(10)bpts	**0. 05**	0. 13	(8)bpts
Operating expenses to total operating income (%)	**35. 8**	37. 2	(140)bpts	**36. 0**	35. 5	50 bpts
Other asset/liability information						
Average interest earning assets (NZ$M)	**84,091**	75,554	11	**85,753**	82,455	4
Average interest bearing liabilities (NZ$M)	**71,424**	64,563	11	**72,693**	70,175	4
FUA - average (NZ$M)	**12,665**	11,632	9	**12,743**	12,575	1
FUA - spot (NZ$M)	**12,826**	12,063	6	**12,826**	12,586	2
AUM - average (NZ$M) [4]	**4,631**	4,120	12	**4,635**	4,584	1
AUM - spot (NZ$M) [4]	**4,954**	4,523	10	**4,954**	4,325	15

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Other interest bearing liabilities includes NZD33 million due to Group companies (31 December 2016: NZD14 million; 30 June 2016: NZD119 million).
(3) Key financial metrics are calculated in New Zealand dollar terms.
(4) AUM excludes NZD5,776 million spot balances managed by CFS Global Asset Management (31 December 2016: NZD5,336 million: 30 June 2016: NZD4,394 million). These are included in the AUM balances reported by CFS Global Asset Management.

New Zealand

Financial Performance and Business Review

Year Ended June 2017 versus June 2016

ASB cash net profit after tax for the full year ended 30 June 2017 was NZD1,033 million, an increase of 13% on the prior year. The result was driven by operating income growth of 5% and a lower loan impairment expense.

Net Interest Income

Net interest income was NZD1,837 million, an increase of 4% on the prior year. Strong volume growth was partly offset by continued margin pressure.

Balance Sheet growth included:

- Home loan growth of 7%, with continued customer preference for fixed rate borrowing;
- Business and rural loan growth of 11%, which remained above system following continued investment; and
- Growth in customer deposits of 6%, with strong demand in a slowing retail deposit market.

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

Other Banking and Funds Management Income

Other banking income was NZD404 million, an increase of 5% on the prior year, primarily driven by higher card income.

Funds management income was NZD97 million, an increase of 14% on the prior year, due to strong net flows and a solid performance in investment markets.

Operating Expenses

Operating expenses were NZD836 million, an increase of 1% on the prior year. This increase was driven by higher staff costs, continued investment in frontline and technology capabilities, partly offset by benefits from productivity initiatives.

The operating expense to total operating income ratio for ASB was 35.8%, an improvement of 140 basis points, reflecting a continued focus on productivity.

Loan Impairment Expense

Loan impairment expense was NZD69 million, a decrease of 47% on the prior year, primarily due to lower collective provisions in the dairy portfolio, partly offset by higher collective provision expense in the home loan portfolio.

Half Year Ended June 2017 versus December 2016

Cash net profit after tax for the half year ended 30 June 2017 was NZD526 million, an increase of 4% on the prior half. This result was driven by a decrease in loan impairment expense.

Net Interest Income

Net interest income was flat on the prior half with improved lending portfolio margin and solid volume growth, offset by three fewer calendar days than the prior half and higher wholesale funding costs.

Balance Sheet growth included:

- Home loan growth of 2%;
- Business and rural loans growth of 5%, with growth remaining above system; and
- Customer deposit growth of 3%.

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

Other Banking and Funds Management Income

Other banking income remained flat on the prior half, with higher insurance commissions, offset by lower card income and service fees.

Funds management income increased 6%, mainly due to net inflows and performance of the ASB KiwiSaver scheme.

Operating Expenses

Operating expenses increased 2% on the prior half, with an increase in staff and marketing costs, partly offset by benefits from productivity initiatives.

The operating expense to total operating income ratio for ASB was 36.0%, an increase of 50 basis points.

Loan Impairment Expense

Loan impairment expense was NZD20 million, a decrease of 59% on the prior half, primarily due to lower collective provisions in the dairy portfolio, partly offset by higher home loan collective provision expense.

Sovereign	Full Year Ended 30 Jun 17 NZ$M	30 Jun 16 NZ$M	Jun 17 vs Jun 16 %	Half Year Ended 30 Jun 17 NZ$M	31 Dec 16 NZ$M	Jun 17 vs Dec 16 %
Insurance income	**252**	230	10	**125**	127	(2)
Operating expenses	**(124)**	(135)	(8)	**(62)**	(62)	-
Net profit before tax	**128**	95	35	**63**	65	(3)
Corporate tax (expense)/benefit	**(23)**	(5)	large	**(10)**	(13)	(23)
Underlying profit after tax	**105**	90	17	**53**	52	2
Investment experience after tax	**(3)**	15	large	**5**	(8)	large
Cash net profit after tax	**102**	105	(3)	**58**	44	32
Represented by:						
Planned profit margins	**92**	93	(1)	**45**	47	(4)
Experience variations	**13**	(3)	large	**8**	5	60
Operating margins	**105**	90	17	**53**	52	2
Investment experience after tax	**(3)**	15	large	**5**	(8)	large
Cash net profit after tax	**102**	105	(3)	**58**	44	32

Key Financial Metrics	Full Year Ended 30 Jun 17	30 Jun 16	Jun 17 vs Jun 16 %	Half Year Ended 30 Jun 17	31 Dec 16	Jun 17 vs Dec 16 %
Performance indicators						
Average inforce premiums - average (NZ$M)	**755**	732	3	**759**	750	1
Annual inforce premiums - spot (NZ$M)	**757**	744	2	**757**	758	-

Insurance Inforce	30 Jun 16 $M	Sales $M	Lapses $M	Net Flows $M	Other $M	Full Year Ended 30 Jun 17 $M	31 Dec 16 $M	Jun 17 vs Jun 16 %	Jun 17 vs Dec 16 %
Life Insurance	744	115	(102)	13	-	**757**	758	2	-
Total	744	115	(102)	13	-	**757**	758	2	-

Financial Performance and Business Review

Year Ended June 2017 versus June 2016

Sovereign cash net profit after tax for the full year ended 30 June 2017 was NZD102 million, a decrease of 3% on the prior year. The result was driven by lower investment experience, partly offset by higher insurance income and lower operating expenses.

Insurance Income

Insurance income was NZD252 million, an increase of 10% on the prior year, driven by annual inforce premium growth, partly offset by higher claims expense.

Operating Expenses

Operating expenses were NZD124 million, a decrease of 8% on the prior year, driven by lower marketing costs, professional fees, and timing of technology spend.

Corporate Tax Expense

Corporate tax expense was NZD23 million, an increase from the prior year, primarily due to timing differences in tax provisions.

Investment Experience

Investment experience after tax was a loss of NZD3 million, a decrease of NZD18 million from the prior year, driven by an increase in discount rates negatively impacting policyholder valuations.

Half Year Ended June 2017 versus December 2016

Cash net profit after tax for the half year ended 30 June 2017 was NZD58 million, an increase of 32% on the prior half. The result was driven by higher investment experience, partly offset by lower insurance income.

Insurance Income

Insurance income decreased 2% on the prior half, driven by unfavourable changes to the valuation of policyholder liabilities, partly offset by lower claims expense.

Investment Experience

Investment experience after tax was NZD5 million, an increase of NZD13 million from the prior half, driven by a decrease in discount rates positively impacting policyholder valuations.

Bankwest

	Full Year Ended [1]			Half Year Ended		
	30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %	30 Jun 17 $M	31 Dec 16 $M	Jun 17 vs Dec 16 %
Net interest income	**1,644**	1,657	(1)	**825**	819	1
Other banking income	**243**	217	12	**122**	121	1
Total banking income	**1,887**	1,874	1	**947**	940	1
Operating expenses	**(794)**	(773)	3	**(406)**	(388)	5
Loan impairment (expense)/benefit	**(89)**	10	large	**(46)**	(43)	7
Net profit before tax	**1,004**	1,111	(10)	**495**	509	(3)
Corporate tax expense	**(302)**	(333)	(9)	**(148)**	(154)	(4)
Cash net profit after tax	**702**	778	(10)	**347**	355	(2)

	As at				
Balance Sheet	30 Jun 17 $M	31 Dec 16 $M	30 Jun 16 $M	Jun 17 vs Dec 16 %	Jun 17 vs Jun 16 %
Home loans [2]	**67,913**	65,377	64,412	4	5
Other interest earning lending assets	**17,998**	17,996	18,184	-	(1)
Total interest earning assets	**85,911**	83,373	82,596	3	4
Other assets	**255**	232	284	10	(10)
Total assets	**86,166**	83,605	82,880	3	4
Transaction deposits [3]	**12,450**	12,499	12,155	-	2
Savings deposits	**9,383**	9,802	10,569	(4)	(11)
Investment deposits	**32,120**	27,122	26,152	18	23
Certificates of deposit and other	**42**	35	37	20	14
Total interest bearing deposits	**53,995**	49,458	48,913	9	10
Other interest bearing liabilities	**69**	33	66	large	5
Non-interest bearing transaction deposits	**1,939**	1,703	1,565	14	24
Other non-interest bearing liabilities	**688**	491	556	40	24
Total liabilities	**56,691**	51,685	51,100	10	11

	Full Year Ended [1]			Half Year Ended		
Key Financial Metrics	30 Jun 17	30 Jun 16	Jun 17 vs Jun 16 %	30 Jun 17	31 Dec 16	Jun 17 vs Dec 16 %
Performance indicators						
Return on assets (%)	**0. 8**	0. 9	(10)bpts	**0. 8**	0. 8	-
Impairment expense annualised as a % of average GLAAs (%)	**0. 11**	(0. 01)	12 bpts	**0. 11**	0. 10	1 bpt
Operating expenses to total banking income (%)	**42. 1**	41. 2	90 bpts	**42. 9**	41. 3	160 bpts
Other asset/liability information						
Average interest earning assets ($M) [4]	**79,384**	76,860	3	**80,121**	78,659	2
Average interest bearing liabilities ($M) [4]	**46,980**	45,380	4	**48,364**	45,619	6

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Gross of mortgage offset balances.
(3) Includes mortgage offset balances.
(4) Net of average mortgage offset balances.

Financial Performance and Business Review

Year Ended June 2017 versus June 2016

Bankwest cash net profit after tax for the full year ended 30 June 2017 was $702 million, a decrease of 10% on the prior year. The result was driven by a higher loan impairment expense and a one-off cost for the integration of Bankwest's east coast business banking operation into Business and Private Banking, partly offset by higher total banking income. Excluding the one-off integration costs, underlying cash net profit after tax decreased 7%.

Net Interest Income

Net interest income was $1,644 million, a decrease of 1% on the prior year. The result was driven by a reduction in net interest margins for business lending and investment deposit accounts due to competitive pressures, partly offset by volume growth in home lending and higher margins on home lending and savings products.

Balance Sheet growth included:

- Home loan growth of 5%, lower than system, reflecting the Western Australian economy lagging national growth rates;
- Total deposit balance growth of 11%, resulting from strong growth in transaction and investment accounts; partly offset by
- Flat growth in business lending also reflecting the weak Western Australia economy; and
- An 11% decrease in savings deposits reflecting competition and customer preferences for investment deposits.

Net interest margin decreased due to competitive pressures in business lending, partly offset by higher margins on home lending and savings products.

Other Banking Income

Other banking income was $243 million, an increase of 12% on the prior year. The result was driven by an increase in home loan package fees, business lending fees and higher credit card scheme fees.

Operating Expenses

Operating expenses were $794 million, an increase of 3% on the prior year, driven by the one-off cost for the integration of Bankwest's east coast business banking operation into Business and Private Banking. Excluding this, underlying operating expenses decreased 1%. This reflects a continued focus on productivity and disciplined expense management, partly offset by inflation.

Loan Impairment Expense

Loan impairment was an expense of $89 million compared to a $10 million benefit in the prior year. This was driven by slower run-off of the business troublesome portfolio, and higher home loan losses, predominantly in Western Australia.

Half Year Ended June 2017 versus December 2016

Bankwest cash net profit after tax for the half year ended 30 June 2017 was $347 million, a decrease of 2% on the prior half. The result was driven by a one-off cost for integrating Bankwest's east coast business banking operation into Business and Private Banking and higher loan impairment expense, partly offset by higher total banking income. Excluding the one-off integration costs, underlying cash net profit after tax increased 3%.

Net Interest Income

Net interest income increased 1%, reflecting volume growth and higher margins in home lending, partly offset by three fewer calendar days than the prior half.

Balance Sheet growth included:

- Home loan growth of 4%, slightly above system, reflecting east coast growth, partly offset by lagging growth rates in the Western Australian economy;
- Total deposit balance growth of 9%, resulting from strong growth in investment accounts; partly offset by
- A decrease of 4% in savings deposits reflecting competition and customer preferences for investment deposits.

Net interest margin remained flat with higher home lending margins offset by lower deposit margins due to competitive pressures.

Other Banking Income

Other banking income increased 1%, driven by higher home loan package fees.

Operating Expenses

Operating expenses increased 5%, driven by the one-off cost for integrating Bankwest's east coast business banking operation into Business and Private Banking. Excluding this, underlying operating expenses decreased 2% reflecting a continued focus on productivity combined with disciplined expense management.

Loan Impairment Expense

Loan impairment expense of $46 million, an increase of 7% on the prior half. This reflects an increase in business lending losses, partly offset by reduced home loan losses.

IFS and Other

	Full Year Ended [1]			Half Year Ended		
	30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %	30 Jun 17 $M	31 Dec 16 $M	Jun 17 vs Dec 16 %
IFS	93	52	79	62	31	large
Corporate Centre	(272)	(316)	(14)	(160)	(112)	43
Eliminations/Unallocated	(77)	186	large	(50)	(27)	85
Cash net profit/(loss) after tax	(256)	(78)	large	(148)	(108)	37

	Full Year Ended [1]			Half Year Ended		
IFS [2]	30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %	30 Jun 17 $M	31 Dec 16 $M	Jun 17 vs Dec 16 %
Net interest income	133	157	(15)	64	69	(7)
Other banking income	297	281	6	140	157	(11)
Total banking income	430	438	(2)	204	226	(10)
Insurance income	50	46	9	24	26	(8)
Total operating income	480	484	(1)	228	252	(10)
Operating expenses	(333)	(382)	(13)	(165)	(168)	(2)
Loan impairment expense	(64)	(66)	(3)	(12)	(52)	(77)
Net profit before tax	83	36	large	51	32	59
Corporate tax expense	(4)	(5)	(20)	-	(4)	large
Non-controlling interests	(8)	(4)	large	(5)	(3)	67
Underlying profit after tax	71	27	large	46	25	84
Investment experience after tax	22	25	(12)	16	6	large
Cash net profit after tax	93	52	79	62	31	large

(1) Comparative information has been restated to conform to presentation in the current period.
(2) International Financial Services incorporates the Asian retail and business banking operations (Indonesia, China, Vietnam, and India), associate investments in China and Vietnam, the life insurance operations in Indonesia and a financial services technology business in South Africa. It does not include the Business and Private Banking, Institutional Banking and Markets and Colonial First State Global Asset Management businesses in Asia.

Financial Performance and Business Review

Year Ended June 2017 versus June 2016

International Financial Services (IFS) cash net profit after tax for the full year ended 30 June 2017 was $93 million, an increase of 79% on the prior year, including a 35% decrease from the higher Australian dollar. The result was driven by lower operating expenses and a one-off tax benefit, partly offset by lower operating income.

The uncertain geo-political environment and challenging economic conditions across our markets continued to adversely impact business volume momentum. IFS has continued to grow its small-medium enterprises and consumer segment, while winding down the non-strategic commercial segment. The strategic segment represents 93% of the portfolio, up from 75% on the prior year.

The total number of direct customers grew 3% to over 511,000.

On 27 July 2017, the Bank entered into an agreement to transfer CBA's County Bank ownership in China to Qilu Bank, subject to regulatory approvals.

Net Interest Income

Net interest income was $133 million, a decrease of 15% on the prior year. This reflected the wind-down of the non-strategic commercial lending portfolio which is down 71% to $121 million, and funding costs associated with the South Africa expansion.

Net interest margin remained stable despite competitive pressures.

Other Banking Income

Other banking income was $297 million, an increase of 6% on the prior year, including an 8% decrease from the higher Australian dollar. This reflected strong contributions from associates in China due to above system asset growth.

Insurance Income

Insurance income in PT Commonwealth Life (PTCL) was $50 million, a 9% increase on the prior year. The result was driven by net premium growth and lower claims.

Operating Expenses

Operating expenses were $333 million, a decrease of 13% on the prior year, including a 2% benefit from the higher Australian dollar. This reflected disciplined IFS-wide cost management which created capacity to support ongoing strategic investment in the business.

Loan Impairment Expense

Loan impairment expense was $64 million, a decrease of 3% on the prior year. PT Bank Commonwealth (PTBC) continues to take management action to run-off the commercial lending portfolio.

Investment Experience

Investment experience after tax was $22 million, a decrease of 12% on the prior year, due to a stronger contribution from investments in the prior year.

Half Year Ended June 2017 versus December 2016

Cash net profit after tax for the half year ended 30 June 2017 increased $31 million on the prior half. The result was driven by lower loan impairment expense and a one-off tax benefit, partly offset by lower operating income.

Net Interest Income

Net interest income decreased 7% on the prior half, reflecting the wind-down of the non-strategic commercial lending portfolio by $75 million, and funding costs associated with the South Africa expansion.

Other Banking Income

Other banking income decreased 11% on the prior half, reflecting lower contributions from associates in China.

Insurance Income

Insurance income in PTCL decreased 8% on the prior half due to lower investment income.

Operating Expenses

Operating expenses decreased 2% on the prior half, driven by continued disciplined cost management, partly offset by targeted investment in digital banking capability.

Loan Impairment Expense

Loan impairment expense decreased 77% on the prior half, driven by lower losses in the PTBC commercial lending portfolio, which is in run-off.

Investment Experience

Investment experience after tax increased $10 million on the prior half, driven by strong contributions from investments in China.

	Full Year Ended [1]			Half Year Ended		
Corporate Centre [2]	**30 Jun 17 $M**	**30 Jun 16 $M**	**Jun 17 vs Jun 16 %**	**30 Jun 17 $M**	**31 Dec 16 $M**	**Jun 17 vs Dec 16 %**
Net interest income	**411**	209	97	**232**	179	30
Other banking income	**123**	137	(10)	**63**	60	5
Total banking income	**534**	346	54	**295**	239	23
Operating expenses	**(921)**	(766)	20	**(535)**	(386)	39
Net loss before tax	**(387)**	(420)	(8)	**(240)**	(147)	63
Corporate tax benefit	**115**	104	11	**80**	35	large
Cash net loss after tax	**(272)**	(316)	(14)	**(160)**	(112)	43

(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, Secretariat and Treasury.
Treasury is primarily focused on the management of the Group's interest rate risk, funding and liquidity requirements, and management of the Group's capital.
The Treasury function includes:

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

Year Ended June 2017 versus June 2016

Corporate Centre cash net loss after tax for the full year ended 30 June 2017 reduced $44 million on the prior year to a loss of $272 million.

Total banking income increased 54% to $534 million, reflecting higher Treasury income from management of interest rate risk and increased capital.

Operating expenses were $921 million, an increase of 20% on the prior year, driven by higher corporate technology costs, professional fees, timing of employee entitlements and investment spend. Significant corporate technology and investment spend initiatives include:

- Safeguarding information security to mitigate risks;
- Common Reporting Standard requirements; and
- Anti-Money Laundering.

Half Year Ended June 2017 versus December 2016

Cash net loss after tax for the half year ended 30 June 2017 increased $48 million on the prior half to a loss of $160 million.

Total banking income increased 23%, reflecting higher Treasury income from management of interest rate risk and increased capital.

Operating expenses increased 39%, driven by higher corporate technology costs, professional fees, timing of employee entitlements, and investment spend including Common Reporting Standard requirements.

IFS and Other

Eliminations/Unallocated [(2)]	Full Year Ended [(1)] 30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %	Half Year Ended 30 Jun 17 $M	31 Dec 16 $M	Jun 17 vs Dec 16 %
Net interest income	**(18)**	(4)	large	**(3)**	(15)	(80)
Other banking income [(3)]	**295**	28	large	**(25)**	320	large
Total banking income	**277**	24	large	**(28)**	305	large
Funds management income	**48**	45	7	**22**	26	(15)
Insurance income	**20**	5	large	**12**	8	50
Total operating income	**345**	74	large	**6**	339	(98)
Operating expenses [(4)]	**(393)**	-	large	**-**	(393)	large
Loan impairment (expense)/benefit	**(40)**	11	large	**(41)**	1	large
Net profit before tax	**(88)**	85	large	**(35)**	(53)	(34)
Corporate tax benefit	**49**	135	(64)	**6**	43	(86)
Non-controlling interests	**(12)**	(16)	(25)	**(6)**	(6)	-
Underlying profit after tax	**(51)**	204	large	**(35)**	(16)	large
Investment experience after tax	**(26)**	(18)	44	**(15)**	(11)	36
Cash net (loss)/profit after tax	**(77)**	186	large	**(50)**	(27)	85

(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.
(3) The half year ended 31 December 2016 includes a $397 million gain on sale of the Group's remaining investment in Visa Inc.
(4) The half year ended 31 December 2016 includes a $393 million one-off expense for acceleration of amortisation on certain software assets.

Year Ended June 2017 versus June 2016

Eliminations/Unallocated cash net loss after tax for the full year ended 30 June 2017 was $77 million, a decrease of $263 million on the prior year. This was primarily driven by a one-off expense for acceleration of amortisation on certain software assets, an increase in the centrally held loan impairment provisions, and the timing of recognition of unallocated revenue items and eliminations, partly offset by a gain on sale of the Group's remaining investment in Visa Inc.

Half Year Ended June 2017 versus December 2016

Cash net loss after tax was $50 million, an increase of $23 million on the prior half. This was primarily driven by an increase in the centrally held loan impairment provisions, a gain on sale of the Group's remaining investment in Visa Inc., and the timing of recognition of unallocated revenue items and eliminations, partly offset by a one-off expense for acceleration of amortisation on certain software assets.

Investment Experience

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

	Full Year Ended			Half Year Ended		
Investment Experience	**30 Jun 17 $M**	**30 Jun 16 $M**	**Jun 17 vs Jun 16 %**	**30 Jun 17 $M**	**31 Dec 16 $M**	**Jun 17 vs Dec 16 %**
Wealth Management [1]	**79**	121	(35)	**45**	34	32
New Zealand	**(7)**	16	large	**5**	(12)	large
IFS and Other [1]	**(7)**	4	large	**(1)**	(6)	(83)
Investment experience before tax	**65**	141	(54)	**49**	16	large
Tax on Investment experience	**(21)**	(41)	(49)	**(14)**	(7)	large
Investment experience after tax	**44**	100	(56)	**35**	9	large

(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.

	As at 30 June 2017			
	Australia [1]	**New Zealand**	**Asia**	**Total**
Shareholder Investment Asset Mix (%)	**%**	**%**	**%**	**%**
Equities	-	-	-	-
Fixed interest	1	58	92	19
Cash	95	42	8	78
Other	4	-	-	3
Total	100	100	100	100

	As at 30 June 2017			
	Australia [1]	**New Zealand**	**Asia**	**Total**
Shareholder Investment Asset Mix ($M)	**$M**	**$M**	**$M**	**$M**
Equities	5	3	-	8
Fixed interest	16	423	282	721
Cash	2,609	306	23	2,938
Other	121	-	-	121
Total	2,751	732	305	3,788

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

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Consolidated Income Statement

For the year ended 30 June 2017

		Full Year Ended [1]		Half Year Ended	
	Appendix	30 Jun 17 $M	30 Jun 16 $M	30 Jun 17 $M	31 Dec 16 $M
Interest income	1	**33,293**	33,817	**16,619**	16,674
Interest expense	1	**(15,693)**	(16,882)	**(7,760)**	(7,933)
Net interest income	1	**17,600**	16,935	**8,859**	8,741
Other banking income	5	**5,626**	4,576	**2,628**	2,998
Net banking operating income		**23,226**	21,511	**11,487**	11,739
Funds management income		**2,343**	2,315	**1,186**	1,157
Investment revenue		**514**	283	**246**	268
Claims, policyholder liability and commission expense		**(806)**	(537)	**(372)**	(434)
Net funds management operating income		**2,051**	2,061	**1,060**	991
Premiums from insurance contracts		**2,949**	2,921	**1,439**	1,510
Investment revenue/(expense)		**224**	467	**238**	(14)
Claims, policyholder liability and commission expense from insurance contracts		**(2,329)**	(2,382)	**(1,211)**	(1,118)
Net insurance operating income		**844**	1,006	**466**	378
Total net operating income before impairment and operating expenses		**26,121**	24,578	**13,013**	13,108
Loan impairment expense	10	**(1,095)**	(1,256)	**(496)**	(599)
Operating expenses	7	**(11,082)**	(10,473)	**(5,403)**	(5,679)
Net profit before income tax		**13,944**	12,849	**7,114**	6,830
Corporate tax expense	8	**(3,960)**	(3,505)	**(2,010)**	(1,950)
Policyholder tax (expense)/benefit	8	**(32)**	(101)	**(56)**	24
Net profit after income tax		**9,952**	9,243	**5,048**	4,904
Non-controlling interests		**(24)**	(20)	**(15)**	(9)
Net profit attributable to Equity holders of the Bank		**9,928**	9,223	**5,033**	4,895

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

	Full Year Ended [1]		Half Year Ended	
	30 Jun 17	30 Jun 16	30 Jun 17	31 Dec 16
		Cents per Share		
Earnings per share:				
Basic	**577. 6**	542. 3	**292. 2**	285. 3
Diluted	**559. 1**	529. 2	**283. 4**	276. 7

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

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2017

	Full Year Ended		Half Year Ended	
	30 Jun 17 $M	30 Jun 16 $M	30 Jun 17 $M	31 Dec 16 $M
Net profit after income tax for the period [1]	**9,952**	9,243	**5,048**	4,904
Other comprehensive income/(expense):				
Items that may be reclassified subsequently to profit/(loss):				
Foreign currency translation reserve net of tax	**(282)**	383	**(365)**	83
Gains and (losses) on cash flow hedging instruments net of tax	**(580)**	210	**(60)**	(520)
Gains and (losses) on available-for-sale investments net of tax	**(52)**	(316)	**91**	(143)
Total of items that may be reclassified	**(914)**	277	**(334)**	(580)
Items that will not be reclassified to profit/(loss):				
Actuarial gains from defined benefit superannuation plans net of tax	**175**	10	**33**	142
Losses on liabilities at fair value due to changes in own credit risk net of tax	**(3)**	(1)	**(1)**	(2)
Revaluation of properties net of tax	**23**	1	**23**	-
Total of items that will not be reclassified	**195**	10	**55**	140
Other comprehensive income/(expense) net of income tax	**(719)**	287	**(279)**	(440)
Total comprehensive income for the period	**9,233**	9,530	**4,769**	4,464
Total comprehensive income for the period is attributable to:				
Equity holders of the Bank	**9,209**	9,510	**4,754**	4,455
Non-controlling interests	**24**	20	**15**	9
Total comprehensive income net of income tax	**9,233**	9,530	**4,769**	4,464

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

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

	Full Year Ended		Half Year Ended	
	30 Jun 17	30 Jun 16	30 Jun 17	31 Dec 16
	Cents per Share			
Dividends per share attributable to shareholders of the Bank:				
Ordinary shares	**429**	420	**230**	199
Trust preferred securities	**-**	7,994	**-**	-

Consolidated Balance Sheet

As at 30 June 2017

Assets	Appendix	30 Jun 17 $M	31 Dec 16 $M	30 Jun 16 $M
Cash and liquid assets		**45,850**	44,709	23,372
Receivables due from other financial institutions		**10,037**	10,612	11,591
Assets at fair value through Income Statement:				
Trading		**32,704**	34,199	34,067
Insurance		**13,669**	13,795	13,547
Other		**1,111**	803	1,480
Derivative assets		**31,724**	45,837	46,567
Available-for-sale investments		**83,535**	81,675	80,898
Loans, bills discounted and other receivables	9	**731,762**	712,905	695,398
Bank acceptances of customers		**463**	1,440	1,431
Property, plant and equipment		**3,873**	4,094	3,940
Investment in associates and joint ventures		**2,778**	2,842	2,776
Intangible assets	11	**10,024**	10,000	10,384
Deferred tax assets (1)		**962**	782	389
Other assets (1)		**7,882**	8,026	7,161
Total assets		**976,374**	971,719	933,001
Liabilities				
Deposits and other public borrowings	12	**626,655**	606,091	588,045
Payables due to other financial institutions		**28,432**	34,031	28,771
Liabilities at fair value through Income Statement		**10,392**	8,404	10,292
Derivative liabilities		**30,330**	38,042	39,921
Bank acceptances		**463**	1,440	1,431
Current tax liabilities		**1,450**	1,012	1,022
Deferred tax liabilities		**332**	332	340
Other provisions		**1,780**	1,625	1,656
Insurance policy liabilities		**12,018**	12,388	12,636
Debt issues		**167,571**	175,583	161,284
Managed funds units on issue		**2,577**	2,362	1,606
Bills payable and other liabilities (1)		**11,932**	11,600	9,889
		893,932	892,910	856,893
Loan capital		**18,726**	16,997	15,544
Total liabilities		**912,658**	909,907	872,437
Net assets		**63,716**	61,812	60,564
Shareholders' Equity				
Ordinary share capital	17	**34,971**	34,455	33,845
Reserves	17	**1,869**	2,144	2,734
Retained profits (1)	17	**26,330**	24,662	23,435
Shareholders' Equity attributable to Equity holders of the Bank		**63,170**	61,261	60,014
Non-controlling interests	17	**546**	551	550
Total Shareholders' Equity		**63,716**	61,812	60,564

(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 appendices.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

	Ordinary share capital $M	Other equity instruments $M	Reserves $M	Retained profits $M	Shareholders' Equity attributable to Equity holders of the Bank $M	Non-controlling interests $M	Total Shareholders' Equity $M
As at 31 December 2015 [(1)]	33,252	939	2,554	22,365	**59,110**	554	**59,664**
Net profit after income tax [(1)]	-	-	-	4,600	**4,600**	9	**4,609**
Net other comprehensive income	-	-	119	(120)	**(1)**	-	**(1)**
Total comprehensive income for the period	-	-	119	4,480	**4,599**	9	**4,608**
Transactions with Equity holders in their capacity as Equity holders:							
Dividends paid on ordinary shares	-	-	-	(3,381)	**(3,381)**	-	**(3,381)**
Dividends paid on other equity instruments	-	-	-	(18)	**(18)**	-	**(18)**
Dividend reinvestment plan (net of issue costs)	552	-	-	-	**552**	-	**552**
Issue of shares (net of issue costs)	-	-	-	-	**-**	-	**-**
Share-based payments	-	-	47	-	**47**	-	**47**
Purchase of treasury shares	(9)	-	-	-	**(9)**	-	**(9)**
Sale and vesting of treasury shares	50	-	-	-	**50**	-	**50**
Redemptions	-	(939)	-	-	**(939)**	-	**(939)**
Other changes	-	-	14	(11)	**3**	(13)	**(10)**
As at 30 June 2016	33,845	-	2,734	23,435	**60,014**	550	**60,564**
Net profit after income tax	-	-	-	4,895	**4,895**	9	**4,904**
Net other comprehensive income	-	-	(580)	140	**(440)**	-	**(440)**
Total comprehensive income for the period	-	-	(580)	5,035	**4,455**	9	**4,464**
Transactions with Equity holders in their capacity as Equity holders:							
Dividends paid on ordinary shares	-	-	-	(3,808)	**(3,808)**	-	**(3,808)**
Dividends paid on other equity instruments	-	-	-	-	**-**	-	**-**
Dividend reinvestment plan (net of issue costs)	586	-	-	-	**586**	-	**586**
Issue of shares (net of issue costs)	(6)	-	-	-	**(6)**	-	**(6)**
Share-based payments	-	-	(25)	-	**(25)**	-	**(25)**
Purchase of treasury shares	(27)	-	-	-	**(27)**	-	**(27)**
Sale and vesting of treasury shares	57	-	-	-	**57**	-	**57**
Redemptions	-	-	-	-	**-**	-	**-**
Other changes	-	-	15	-	**15**	(8)	**7**
As at 31 December 2016	34,455	-	2,144	24,662	**61,261**	551	**61,812**
Net profit after income tax	-	-	-	5,033	**5,033**	15	**5,048**
Net other comprehensive income	-	-	(311)	32	**(279)**	-	**(279)**
Total comprehensive income for the period	-	-	(311)	5,065	**4,754**	15	**4,769**
Transactions with Equity holders in their capacity as Equity holders:							
Dividends paid on ordinary shares	-	-	-	(3,429)	**(3,429)**	-	**(3,429)**
Dividends paid on other equity instruments	-	-	-	-	**-**	-	**-**
Dividend reinvestment plan (net of issue costs)	557	-	-	-	**557**	-	**557**
Issue of shares (net of issue costs)	-	-	-	-	**-**	-	**-**
Share-based payments	-	-	57	-	**57**	-	**57**
Purchase of treasury shares	(65)	-	-	-	**(65)**	-	**(65)**
Sale and vesting of treasury shares	24	-	-	-	**24**	-	**24**
Redemptions	-	-	-	-	**-**	-	**-**
Other changes	-	-	(21)	32	**11**	(20)	**(9)**
As at 30 June 2017	34,971	-	1,869	26,330	**63,170**	546	**63,716**

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

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

Consolidated Statement of Cash Flows [1]

For the year ended 30 June 2017

		Full Year Ended	
	Appendix	30 Jun 17 $M	30 Jun 16 $M
Cash flows from operating activities			
Interest received		**33,536**	34,047
Interest paid		**(15,006)**	(16,285)
Other operating income received		**5,556**	5,688
Expenses paid		**(9,763)**	(9,981)
Income taxes paid		**(3,976)**	(3,071)
Net inflows/(outflows) from assets at fair value through Income Statement (excluding life insurance)		**4,220**	(2,642)
Net inflows/(outflows) from liabilities at fair value through Income Statement:			
Insurance:			
Investment income		**186**	(362)
Premiums received [2]		**3,366**	3,114
Policy payments and commission expense [2]		**(3,854)**	(3,301)
Other liabilities at fair value through Income Statement		**156**	1,872
Cash flows from operating activities before changes in operating assets and liabilities		**14,421**	9,079
Changes in operating assets and liabilities arising from cash flow movements			
Movement in available-for-sale investments:			
Purchases		**(54,608)**	(50,233)
Proceeds		**49,392**	46,150
Net increase in loans, bills discounted and other receivables		**(38,744)**	(52,825)
Net decrease/(increase) in receivables due from other financial institutions and regulatory authorities		**1,100**	803
Net (increase)/decrease in securities purchased under agreements to resell		**(13,993)**	4,574
Insurance business:			
Purchase of insurance assets at fair value through Income Statement		**(1,789)**	(2,020)
Proceeds from sale/maturity of insurance assets at fair value through Income Statement		**3,152**	4,276
Net increase in other assets		**(174)**	(108)
Net increase in deposits and other public borrowings		**39,821**	37,783
Net increase/(decrease) in payables due to other financial institutions		**666**	(6,323)
Net (increase)/decrease in securities sold under agreements to repurchase		**(853)**	4,148
Net increase in other liabilities		**802**	135
Changes in operating assets and liabilities arising from cash flow movements		**(15,228)**	(13,640)
Net cash used in operating activities	20 (a)	**(807)**	(4,561)
Cash flows from investing activities			
Payments for acquisition of controlled entities	20 (d)	**(31)**	(857)
Net proceeds from disposal of entities and businesses (net of cash disposals)		**1**	110
Dividends received		**94**	78
Proceeds from sale of property, plant and equipment		**381**	405
Purchases of property, plant and equipment		**(602)**	(1,259)
Payments for acquisitions of investments in associates/joint ventures		**(25)**	-
Net purchase of intangible assets		**(495)**	(509)
Net cash used in investing activities		**(677)**	(2,032)

(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) Represents gross premiums and policy payments before splitting between policyholders and shareholders.

Consolidated Statement of Cash Flows [1] (continued)

For the year ended 30 June 2017

	Appendix	Full Year Ended 30 Jun 17 $M	30 Jun 16 $M
Cash flows from financing activities			
Dividends paid (excluding Dividend Reinvestment Plan)		**(6,084)**	(5,827)
Redemption of other equity instruments (net of costs)		**-**	(939)
Proceeds from issuance of debt securities		**94,560**	98,958
Redemption of issued debt securities		**(81,758)**	(97,740)
Purchase of treasury shares		**(92)**	(108)
Sale of treasury shares		**34**	50
Issue of loan capital		**3,757**	3,949
Redemption of loan capital		**-**	(1,678)
Proceeds from issuance of shares (net of issue costs)		**(6)**	5,022
Other		**61**	(67)
Net cash provided by financing activities		**10,472**	1,620
Net increase/(decrease) in cash and cash equivalents		**8,988**	(4,973)
Effect of foreign exchange rates on cash and cash equivalents		**(318)**	150
Cash and cash equivalents at beginning of year		**14,447**	19,270
Cash and cash equivalents at end of year	20 (b)	**23,117**	14,447

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

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

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Appendices

1. Net Interest Income

	Full Year Ended (1)			Half Year Ended		
	30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %	30 Jun 17 $M	31 Dec 16 $M	Jun 17 vs Dec 16 %
Interest Income						
Loans and bills discounted	**30,723**	30,966	(1)	**15,277**	15,446	(1)
Other financial institutions	**152**	137	11	**93**	59	58
Cash and liquid assets	**321**	291	10	**203**	118	72
Assets at fair value through Income Statement	**490**	576	(15)	**260**	230	13
Available-for-sale investments	**1,607**	1,847	(13)	**786**	821	(4)
Total interest income - "statutory basis"	**33,293**	33,817	(2)	**16,619**	16,674	-
Interest Expense						
Deposits	**10,453**	11,685	(11)	**5,179**	5,274	(2)
Other financial institutions	**300**	277	8	**174**	126	38
Liabilities at fair value through Income Statement	**102**	211	(52)	**35**	67	(48)
Debt issues	**4,159**	4,125	1	**2,014**	2,145	(6)
Loan capital	**679**	584	16	**358**	321	12
Total interest expense - "statutory basis"	**15,693**	16,882	(7)	**7,760**	7,933	(2)
Net interest income - "statutory basis"	**17,600**	16,935	4	**8,859**	8,741	1

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

Net Interest Income – Reconciliation of Cash to Statutory Basis

The table below sets out the accounting impacts arising from the application of Australian Accounting Standard 139 “Financial Instruments: Recognition and Measurement” to the Group’s derivative hedging activities and other non-cash items.

	Full Year Ended (1)			Half Year Ended		
	30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %	30 Jun 17 $M	31 Dec 16 $M	Jun 17 vs Dec 16 %
Total interest income - "cash basis"	**33,293**	33,817	(2)	**16,617**	16,676	-
Hedging and IFRS volatility	**-**	-	-	**2**	(2)	large
Total interest income - "statutory basis"	**33,293**	33,817	(2)	**16,619**	16,674	-
Total interest expense - "cash basis"	**15,693**	16,882	(7)	**7,760**	7,933	(2)
Hedging and IFRS volatility	**-**	-	-	**-**	-	-
Total interest expense - "statutory basis"	**15,693**	16,882	(7)	**7,760**	7,933	(2)

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

2. Net Interest Margin

	Full Year Ended (1)		Half Year Ended	
	30 Jun 17	30 Jun 16	30 Jun 17	31 Dec 16
	%	%	%	%
Australia				
Interest spread (2)	**2.00**	2.08	**2.04**	2.01
Benefit of interest-free liabilities, provisions and equity (3)	**0.21**	0.15	**0.21**	0.21
Net interest margin (4)	**2.21**	2.23	**2.25**	2.22
New Zealand				
Interest spread (2)	**1.64**	1.81	**1.63**	1.66
Benefit of interest-free liabilities, provisions and equity (3)	**0.33**	0.36	**0.32**	0.34
Net interest margin (4)	**1.97**	2.17	**1.95**	2.00
Other Overseas				
Interest spread (2)	**0.58**	0.70	**0.60**	0.57
Benefit of interest-free liabilities, provisions and equity (3)	**0.04**	0.03	**0.04**	0.03
Net interest margin (4)	**0.62**	0.73	**0.64**	0.60
Total Group				
Interest spread (2)	**1.91**	1.98	**1.91**	1.91
Benefit of interest-free liabilities, provisions and equity (3)	**0.20**	0.16	**0.20**	0.20
Net interest margin (4)	**2.11**	2.14	**2.11**	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 year or the half year annualised.

3. Average Balances and Related Interest

The following tables list the major categories of interest earning assets and interest bearing liabilities of the Group together with the respective interest earned or paid and the average interest rate for the years ended 30 June 2017 and 30 June 2016, as well as half years ended 30 June 2017, 31 December 2016 and 30 June 2016. Averages used were predominantly daily averages. Interest is accounted for based on product yield.

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

The New Zealand and Other Overseas components comprise overseas branches of the Bank and overseas domiciled controlled entities.

Non-accrual loans are included in interest earning assets under Loans, bills discounted and other receivables.

The official cash rate in Australia decreased 25 basis points, while rates in New Zealand decreased 50 basis points during the year.

	Full Year Ended 30 Jun 17			Full Year Ended 30 Jun 16 [1]		
Interest Earning Assets	**Avg Bal $M**	**Interest $M**	**Yield %**	**Avg Bal $M**	**Interest $M**	**Yield %**
Home loans [2]	**435,448**	**19,000**	**4. 36**	409,669	19,283	4. 71
Consumer Finance [3]	**23,518**	**2,857**	**12. 15**	23,722	2,922	12. 32
Business and corporate loans	**221,188**	**8,866**	**4. 01**	211,356	8,761	4. 15
Loans, bills discounted and other receivables	**680,154**	**30,723**	**4. 52**	644,747	30,966	4. 80
Cash and other liquid assets	**48,476**	**473**	**0. 98**	44,092	428	0. 97
Assets at fair value through Income Statement (excluding life insurance)	**25,626**	**490**	**1. 91**	22,444	576	2. 57
Available-for-sale investments	**80,485**	**1,607**	**2. 00**	79,313	1,847	2. 33
Non-lending interest earning assets	**154,587**	**2,570**	**1. 66**	145,849	2,851	1. 95
Total interest earning assets [4]	**834,741**	**33,293**	**3. 99**	790,596	33,817	4. 28
Non-interest earning assets [2]	**137,648**			125,724		
Total average assets	**972,389**			916,320		

	Full Year Ended 30 Jun 17			Full Year Ended 30 Jun 16 [1]		
Interest Bearing Liabilities	**Avg Bal $M**	**Interest $M**	**Yield %**	**Avg Bal $M**	**Interest $M**	**Yield %**
Transaction deposits [5] [6]	**69,831**	**547**	**0. 78**	74,258	606	0. 82
Savings deposits [5]	**180,192**	**2,415**	**1. 34**	177,200	3,394	1. 92
Investment deposits	**212,143**	**5,302**	**2. 50**	196,024	5,421	2. 77
Certificates of deposit and other	**68,984**	**2,189**	**3. 17**	66,470	2,264	3. 41
Total interest bearing deposits	**531,150**	**10,453**	**1. 97**	513,952	11,685	2. 27
Payables due to other financial institutions	**30,333**	**300**	**0. 99**	37,031	277	0. 75
Liabilities at fair value through Income Statement	**8,516**	**102**	**1. 20**	6,865	211	3. 07
Debt issues	**168,921**	**4,159**	**2. 46**	162,017	4,125	2. 55
Loan capital	**16,692**	**679**	**4. 07**	13,889	584	4. 20
Total interest bearing liabilities	**755,612**	**15,693**	**2. 08**	733,754	16,882	2. 30
Non-interest bearing liabilities [5] [6]	**154,746**			124,887		
Total average liabilities	**910,358**			858,641		

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Net of average mortgage offset balances that were reclassified as Non-interest earning assets. Gross average home loans balance, excluding mortgage offset accounts is $470,773 million (30 June 2016: $436,530 million).
(3) Consumer finance includes personal loans, credit cards and margin loans.
(4) Used for calculating Net interest margin.
(5) Deposits exclude average mortgage offset balances that were reclassified as Non-interest bearing liabilities.
(6) In the prior year, following a change in terms, Interest bearing transaction deposits of $18,314 million became Non-interest bearing and have been disclosed accordingly.

3. Average Balances and Related Interest (continued)

Net Interest Margin	Full Year Ended 30 Jun 17 Avg Bal $M	Interest $M	Yield %	Full Year Ended 30 Jun 16 [(1)] Avg Bal $M	Interest $M	Yield %
Total interest earning assets	**834,741**	**33,293**	**3. 99**	790,596	33,817	4. 28
Total interest bearing liabilities	**755,612**	**15,693**	**2. 08**	733,754	16,882	2. 30
Net interest income and interest spread		**17,600**	**1. 91**		16,935	1. 98
Benefit of free funds			**0. 20**			0. 16
Net interest margin			**2. 11**			2. 14

Geographical Analysis of Key Categories	Full Year Ended 30 Jun 17 Avg Bal $M	Interest $M	Yield %	Full Year Ended 30 Jun 16 [(1)] Avg Bal $M	Interest $M	Yield %
Loans, Bills Discounted and Other Receivables						
Australia	**581,093**	**26,267**	**4. 52**	554,206	26,620	4. 80
New Zealand [(2)]	**74,802**	**3,747**	**5. 01**	66,417	3,661	5. 51
Other Overseas [(2)]	**24,259**	**709**	**2. 92**	24,124	685	2. 84
Total	**680,154**	**30,723**	**4. 52**	644,747	30,966	4. 80
Non-Lending Interest Earning Assets						
Australia	**108,346**	**2,171**	**2. 00**	100,820	2,374	2. 35
New Zealand [(2)]	**7,676**	**162**	**2. 11**	6,723	191	2. 84
Other Overseas [(2)]	**38,565**	**237**	**0. 61**	38,306	286	0. 75
Total	**154,587**	**2,570**	**1. 66**	145,849	2,851	1. 95
Total Interest Bearing Deposits						
Australia	**458,399**	**8,626**	**1. 88**	448,435	9,847	2. 20
New Zealand [(2)]	**49,777**	**1,451**	**2. 92**	46,374	1,548	3. 34
Other Overseas [(2)]	**22,974**	**376**	**1. 64**	19,143	290	1. 51
Total	**531,150**	**10,453**	**1. 97**	513,952	11,685	2. 27
Other Interest Bearing Liabilities						
Australia	**165,999**	**3,991**	**2. 40**	164,778	4,105	2. 49
New Zealand [(2)]	**23,080**	**802**	**3. 47**	16,288	658	4. 04
Other Overseas [(2)]	**35,383**	**447**	**1. 26**	38,736	434	1. 12
Total	**224,462**	**5,240**	**2. 33**	219,802	5,197	2. 36

(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. Average Balances and Related Interest (continued)

Interest Earning Assets	Half Year Ended 30 Jun 17			Half Year Ended 31 Dec 16			Half Year Ended 30 Jun 16 (1)		
	Avg Bal $M	Interest $M	Yield %	Avg Bal $M	Interest $M	Yield %	Avg Bal $M	Interest $M	Yield %
Home loans (2)	**440,572**	**9,459**	**4. 33**	430,408	9,541	4. 40	414,749	9,637	4. 67
Consumer Finance (3)	**23,577**	**1,424**	**12. 18**	23,460	1,433	12. 12	23,838	1,464	12. 35
Business and corporate loans	**221,868**	**4,394**	**3. 99**	220,519	4,472	4. 02	215,027	4,406	4. 12
Loans, bills discounted and other receivables	**686,017**	**15,277**	**4. 49**	674,387	15,446	4. 54	653,614	15,507	4. 77
Cash and other liquid assets	**54,246**	**296**	**1. 10**	42,801	177	0. 82	42,328	253	1. 20
Assets at fair value through Income Statement (excluding life insurance)	**26,006**	**260**	**2. 02**	25,252	230	1. 81	24,246	279	2. 31
Available-for-sale investments	**80,350**	**784**	**1. 97**	80,618	823	2. 03	80,191	936	2. 35
Non-lending interest earning assets	**160,602**	**1,340**	**1. 68**	148,671	1,230	1. 64	146,765	1,468	2. 01
Total interest earning assets (4)	**846,619**	**16,617**	**3. 96**	823,058	16,676	4. 02	800,379	16,975	4. 27
Non-interest earning assets (2)	**141,233**			134,122			123,061		
Total average assets	**987,852**			957,180			923,440		

Interest Bearing Liabilities	Half Year Ended 30 Jun 17			Half Year Ended 31 Dec 16			Half Year Ended 30 Jun 16 (1)		
	Avg Bal $M	Interest $M	Yield %	Avg Bal $M	Interest $M	Yield %	Avg Bal $M	Interest $M	Yield %
Transaction deposits (5) (6)	**71,061**	**281**	**0. 80**	68,620	266	0. 77	68,664	303	0. 89
Savings deposits (5)	**180,279**	**1,113**	**1. 24**	180,106	1,302	1. 43	180,815	1,578	1. 76
Investment deposits	**217,852**	**2,683**	**2. 48**	206,527	2,619	2. 52	195,980	2,674	2. 74
Certificates of deposit and other	**69,256**	**1,102**	**3. 21**	68,717	1,087	3. 14	68,315	1,127	3. 32
Total interest bearing deposits	**538,448**	**5,179**	**1. 94**	523,970	5,274	2. 00	513,774	5,682	2. 22
Payables due to other financial institutions	**30,487**	**174**	**1. 15**	30,182	126	0. 83	32,390	146	0. 91
Liabilities at fair value through Income Statement	**8,934**	**35**	**0. 79**	8,105	67	1. 64	7,583	107	2. 84
Debt issues	**168,446**	**2,014**	**2. 41**	169,388	2,145	2. 51	161,879	2,230	2. 77
Loan capital	**17,811**	**358**	**4. 05**	15,591	321	4. 08	14,620	302	4. 15
Total interest bearing liabilities	**764,126**	**7,760**	**2. 05**	747,236	7,933	2. 11	730,246	8,467	2. 33
Non-interest bearing liabilities (5) (6)	**160,838**			148,756			134,057		
Total average liabilities	**924,964**			895,992			864,303		

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Net of average mortgage offset balances that were reclassified as Non-interest earning assets. Gross average home loans balance, excluding mortgage offset accounts is $477,851 million (31 December 2016: $463,811 million, 30 June 2016: $443,497 million).
(3) Consumer finance includes personal loans, credit cards and margin loans.
(4) Used for calculating Net interest margin.
(5) Deposits exclude average mortgage offset balances that were reclassified as Non-interest bearing liabilities.
(6) In the prior year, following a change in terms, Interest bearing transaction deposits of $18,314 million became Non-interest bearing and have been disclosed accordingly.

3. Average Balances and Related Interest (continued)

Net Interest Margin	Half Year Ended 30 Jun 17 Avg Bal $M	Half Year Ended 30 Jun 17 Interest $M	Half Year Ended 30 Jun 17 Yield %	Half Year Ended 31 Dec 16 Avg Bal $M	Half Year Ended 31 Dec 16 Interest $M	Half Year Ended 31 Dec 16 Yield %	Half Year Ended 30 Jun 16 [1] Avg Bal $M	Half Year Ended 30 Jun 16 [1] Interest $M	Half Year Ended 30 Jun 16 [1] Yield %
Total interest earning assets	**846,619**	**16,617**	**3. 96**	823,058	16,676	4. 02	800,379	16,975	4. 27
Total interest bearing liabilities	**764,126**	**7,760**	**2. 05**	747,236	7,933	2. 11	730,246	8,467	2. 33
Net interest income and interest spread		**8,857**	**1. 91**		8,743	1. 91		8,508	1. 94
Benefit of free funds			**0. 20**			0. 20			0. 20
Net interest margin			**2. 11**			2. 11			2. 14

Geographical Analysis of Key Categories	Half Year Ended 30 Jun 17 Avg Bal $M	Half Year Ended 30 Jun 17 Interest $M	Half Year Ended 30 Jun 17 Yield %	Half Year Ended 31 Dec 16 Avg Bal $M	Half Year Ended 31 Dec 16 Interest $M	Half Year Ended 31 Dec 16 Yield %	Half Year Ended 30 Jun 16 [1] Avg Bal $M	Half Year Ended 30 Jun 16 [1] Interest $M	Half Year Ended 30 Jun 16 [1] Yield %
Loans, Bills Discounted and Other Receivables									
Australia	**586,145**	**13,049**	**4. 49**	576,123	13,218	4. 55	560,995	13,369	4. 79
New Zealand [2]	**75,488**	**1,858**	**4. 96**	74,127	1,889	5. 06	68,358	1,787	5. 26
Other Overseas [2]	**24,384**	**370**	**3. 06**	24,137	339	2. 79	24,261	351	2. 91
Total	**686,017**	**15,277**	**4. 49**	674,387	15,446	4. 54	653,614	15,507	4. 77
Non-Lending Interest Earning Assets									
Australia	**112,226**	**1,126**	**2. 02**	104,530	1,045	1. 98	102,338	1,197	2. 35
New Zealand [2]	**7,693**	**77**	**2. 02**	7,659	85	2. 20	7,058	90	2. 56
Other Overseas [2]	**40,683**	**137**	**0. 68**	36,482	100	0. 54	37,369	181	0. 97
Total	**160,602**	**1,340**	**1. 68**	148,671	1,230	1. 64	146,765	1,468	2. 01
Total Interest Bearing Deposits									
Australia	**464,944**	**4,241**	**1. 84**	451,960	4,385	1. 92	446,216	4,829	2. 18
New Zealand [2]	**50,375**	**735**	**2. 94**	49,188	716	2. 89	46,935	720	3. 08
Other Overseas [2]	**23,129**	**203**	**1. 77**	22,822	173	1. 50	20,623	133	1. 30
Total	**538,448**	**5,179**	**1. 94**	523,970	5,274	2. 00	513,774	5,682	2. 22
Other Interest Bearing Liabilities									
Australia	**167,478**	**1,984**	**2. 39**	164,546	2,007	2. 42	161,790	2,200	2. 73
New Zealand [2]	**23,750**	**386**	**3. 28**	22,420	416	3. 68	17,828	347	3. 91
Other Overseas [2]	**34,450**	**211**	**1. 24**	36,300	236	1. 29	36,854	238	1. 30
Total	**225,678**	**2,581**	**2. 31**	223,266	2,659	2. 36	216,472	2,785	2. 59

(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.

4. Interest Rate and Volume Analysis

The following tables show the movement in interest income and expense due to changes in volume and interest rates. Volume variances reflect the change in interest from the prior year due to movement in the average balance. Rate variance reflects the change in interest from the prior year due to changes in interest rates.

	Full Year Ended Jun 17 vs Jun 16 [(1)]			Full Year Ended Jun 16 vs Jun 15 [(1)]		
	Volume	Rate	Total	Volume	Rate	Total
Interest Earning Assets [(2)]	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Home loans	1,169	(1,452)	(283)	926	(1,206)	(280)
Consumer Finance	(25)	(40)	(65)	30	5	35
Business and corporate loans	401	(296)	105	925	(1,191)	(266)
Loans, bills discounted and other receivables	1,650	(1,893)	(243)	2,008	(2,519)	(511)
Cash and other liquid assets	43	2	45	27	60	87
Assets at fair value through Income Statement (excluding life insurance)	71	(157)	(86)	11	47	58
Available-for-sale investments	25	(265)	(240)	271	(237)	34
Non-lending interest earning assets	158	(439)	(281)	285	(106)	179
Total interest earning assets	1,824	(2,348)	(524)	2,427	(2,759)	(332)

	Full Year Ended Jun 17 vs Jun 16 [(1)]			Full Year Ended Jun 16 vs Jun 15 [(1)]		
	Volume	Rate	Total	Volume	Rate	Total
Interest Bearing Liabilities [(2)]	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Transaction deposits	(35)	(24)	(59)	27	(30)	(3)
Savings deposits	49	(1,028)	(979)	534	(917)	(383)
Investment deposits	424	(543)	(119)	(113)	(771)	(884)
Certificates of deposit and other	83	(158)	(75)	31	(12)	19
Total interest bearing deposits	365	(1,597)	(1,232)	606	(1,857)	(1,251)
Payables due to other financial institutions	(58)	81	23	39	18	57
Liabilities at fair value through Income Statement	35	(144)	(109)	(7)	(4)	(11)
Debt issues	173	(139)	34	222	(469)	(247)
Loan capital	116	(21)	95	111	(99)	12
Total interest bearing liabilities	478	(1,667)	(1,189)	998	(2,438)	(1,440)

	Full Year Ended [(1)]	
	Jun 17 vs Jun 16 Increase/(Decrease)	Jun 16 vs Jun 15 Increase/(Decrease)
Change in Net Interest Income [(3)]	**$M**	**$M**
Due to changes in average volume of interest earning assets	938	1,168
Due to changes in interest margin	(273)	(60)
Change in net interest income	665	1,108

(1) Comparative information has been restated to conform to presentation in the current period.
(2) The volume and rate variances for Total interest earning assets and Total interest bearing liabilities have been calculated separately (rather than being the sum of the individual categories).
(3) “Volume” reflects the change in net interest income over the period due to balance growth (assuming the average of the rates across the two periods), and “Rate” reflects the change due to movements in yield (assuming the average of the volumes across the two periods).

4. Interest Rate and Volume Analysis (continued)

Geographical Analysis of Key Categories (2)	Full Year Ended Jun 17 vs Jun 16 (1) Volume $M	Rate $M	Total $M	Full Year Ended Jun 16 vs Jun 15 (1) Volume $M	Rate $M	Total $M
Loans, Bills Discounted and Other Receivables						
Australia	1,253	(1,606)	(353)	1,588	(2,086)	(498)
New Zealand	441	(355)	86	272	(342)	(70)
Other Overseas	4	20	24	108	(51)	57
Total	1,650	(1,893)	(243)	2,008	(2,519)	(511)
Non-Lending Interest Earning Assets						
Australia	164	(367)	(203)	313	(188)	125
New Zealand	24	(53)	(29)	8	(63)	(55)
Other Overseas	2	(51)	(49)	8	101	109
Total	158	(439)	(281)	285	(106)	179
Total Interest Bearing Deposits						
Australia	203	(1,424)	(1,221)	447	(1,861)	(1,414)
New Zealand	106	(203)	(97)	151	(168)	(17)
Other Overseas	60	26	86	19	161	180
Total	365	(1,597)	(1,232)	606	(1,857)	(1,251)
Other Interest Bearing Liabilities						
Australia	30	(144)	(114)	245	(511)	(266)
New Zealand	255	(111)	144	74	(153)	(79)
Other Overseas	(40)	53	13	47	109	156
Total	109	(66)	43	394	(583)	(189)

(1) Comparative information has been restated to conform to presentation in the current period.
(2) The volume and rate variances for Loans, bills discounted and other receivables, Non-lending interest earning assets, Total interest bearing deposits and Other interest bearing liabilities have been calculated separately (rather than being the sum of the individual categories).

4. Interest Rate and Volume Analysis (continued)

	Half Year Ended Jun 17 vs Dec 16			Half Year Ended Jun 17 vs Jun 16 (1)		
	Volume	Rate	Total	Volume	Rate	Total
Interest Earning Assets (2)	$M	$M	$M	$M	$M	$M
Home loans	222	(304)	(82)	577	(755)	(178)
Consumer Finance	7	(16)	(9)	(16)	(24)	(40)
Business and corporate loans	27	(105)	(78)	138	(150)	(12)
Loans, bills discounted and other receivables	263	(432)	(169)	745	(975)	(230)
Cash and other liquid assets	55	64	119	68	(25)	43
Assets at fair value through Income Statement (excluding life insurance)	7	23	30	19	(38)	(19)
Available-for-sale investments	(3)	(36)	(39)	2	(154)	(152)
Non-lending interest earning assets	99	11	110	127	(255)	(128)
Total interest earning assets	470	(529)	(59)	944	(1,302)	(358)

	Half Year Ended Jun 17 vs Dec 16			Half Year Ended Jun 17 vs Jun 16 (1)		
	Volume	Rate	Total	Volume	Rate	Total
Interest Bearing Liabilities (2)	$M	$M	$M	$M	$M	$M
Transaction deposits	10	5	15	10	(32)	(22)
Savings deposits	1	(190)	(189)	(4)	(461)	(465)
Investment deposits	142	(78)	64	284	(275)	9
Certificates of deposit and other	9	6	15	15	(40)	(25)
Total interest bearing deposits	142	(237)	(95)	255	(758)	(503)
Payables due to other financial institutions	2	46	48	(10)	38	28
Liabilities at fair value through Income Statement	5	(37)	(32)	12	(84)	(72)
Debt issues	(12)	(119)	(131)	84	(300)	(216)
Loan capital	45	(8)	37	65	(9)	56
Total interest bearing liabilities	175	(348)	(173)	368	(1,075)	(707)

	Half Year Ended (1)	
	Jun 17 vs Dec 16 Increase/(Decrease)	Jun 17 vs Jun 16 Increase/(Decrease)
Change in Net Interest Income (3)	$M	$M
Due to changes in average volume of interest earning assets	246	486
Due to changes in interest margin	10	(91)
Due to variation in time periods	(142)	(46)
Change in net interest income	114	349

(1) Comparative information has been restated to conform to presentation in the current period.
(2) The volume and rate variances for Total interest earning assets and Total interest bearing liabilities have been calculated separately (rather than being the sum of the individual categories).
(3) "Volume" reflects the change in net interest income over the period due to balance growth (assuming the average of the rates across the two periods), and "Rate" reflects the change due to movements in yield (assuming the average of the volumes across the two periods).

4. Interest Rate and Volume Analysis (continued)

Geographical analysis of key categories (2)	Half Year Ended Jun 17 vs Dec 16			Half Year Ended Jun 17 vs Jun 16 (1)		
	Volume $M	Rate $M	Total $M	Volume $M	Rate $M	Total $M
Loans, Bills Discounted and Other Receivables						
Australia	227	(396)	(169)	580	(900)	(320)
New Zealand	34	(65)	(31)	181	(110)	71
Other Overseas	4	27	31	2	17	19
Total	263	(432)	(169)	745	(975)	(230)
Non-Lending Interest Earning Assets						
Australia	77	4	81	107	(178)	(71)
New Zealand	-	(8)	(8)	7	(20)	(13)
Other Overseas	13	24	37	14	(58)	(44)
Total	99	11	110	127	(255)	(128)
Total Interest Bearing Deposits						
Australia	122	(266)	(144)	187	(775)	(588)
New Zealand	17	2	19	51	(36)	15
Other Overseas	3	27	30	19	51	70
Total	142	(237)	(95)	255	(758)	(503)
Other Interest Bearing Liabilities						
Australia	35	(58)	(23)	72	(288)	(216)
New Zealand	23	(53)	(30)	106	(67)	39
Other Overseas	(12)	(13)	(25)	(15)	(12)	(27)
Total	28	(106)	(78)	112	(316)	(204)

(1) Comparative information has been restated to conform to presentation in the current period.
(2) The volume and rate variances for Loans, bills discounted and other receivables, Non-lending interest earning assets, Total interest bearing deposits and Other interest bearing liabilities have been calculated separately (rather than being the sum of the individual categories).

5. Other Banking Income

	Full Year Ended			Half Year Ended		
	30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %	30 Jun 17 $M	31 Dec 16 $M	Jun 17 vs Dec 16 %
Lending fees	**1,078**	1,010	7	**545**	533	2
Commissions	**2,482**	2,215	12	**1,228**	1,254	(2)
Trading income	**1,149**	1,087	6	**549**	600	(9)
Net gain/(loss) on non-trading financial instruments [1] [2]	**433**	(27)	large	**59**	374	(84)
Net gain/(loss) on sale of property, plant and equipment	**6**	(21)	large	**(1)**	7	large
Net gain/(loss) from hedging ineffectiveness	**62**	(72)	large	**23**	39	(41)
Dividends	**10**	12	(17)	**5**	5	-
Share of profit of associates and joint ventures net of impairment	**292**	289	1	**138**	154	(10)
Other	**114**	83	37	**82**	32	large
Total other banking income - "statutory basis"	**5,626**	4,576	23	**2,628**	2,998	(12)

(1) Inclusive of non-trading derivatives that are held for risk management purposes.
(2) The half year ended 31 December 2016 includes a $397 million gain on sale of the Group's remaining investment in Visa Inc.

Other Banking Income – Reconciliation of Cash and Statutory Basis

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

	Full Year Ended			Half Year Ended		
	30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %	30 Jun 17 $M	31 Dec 16 $M	Jun 17 vs Dec 16 %
Other banking income - "cash basis"	**5,520**	4,860	14	**2,534**	2,986	(15)
Revenue hedge of New Zealand operations - unrealised	**35**	(197)	large	**37**	(2)	large
Hedging and IFRS volatility	**71**	(87)	large	**57**	14	large
Other banking income - "statutory basis"	**5,626**	4,576	23	**2,628**	2,998	(12)

6. CommInsure and Sovereign Sources of Profit

Wealth Management - CommInsure

Sources of Profit from CommInsure	Full Year Ended 30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %	Half Year Ended 30 Jun 17 $M	31 Dec 16 $M	Jun 17 vs Dec 16 %
Life insurance operating margins:						
Planned profit margins	**164**	192	(15)	**84**	80	5
Experience variations	**(130)**	(112)	16	**(36)**	(94)	(62)
Funds management operating margins	**75**	78	(4)	**37**	38	(3)
General insurance operating margins	**56**	45	24	**(4)**	60	large
Operating margins	**165**	203	(19)	**81**	84	(4)
Investment experience after tax	**41**	71	(42)	**19**	22	(14)
Non-controlling interests	**(4)**	-	large	**(4)**	-	large
Cash net profit after tax	**202**	274	(26)	**96**	106	(9)

New Zealand - Sovereign

Sources of Profit from Sovereign	Full Year Ended 30 Jun 17 NZ$M	30 Jun 16 NZ$M	Jun 17 vs Jun 16 %	Half Year Ended 30 Jun 17 NZ$M	31 Dec 16 NZ$M	Jun 17 vs Dec 16 %
Planned profit margins	**92**	93	(1)	**45**	47	(4)
Experience variations	**13**	(3)	large	**8**	5	60
Operating margins	**105**	90	17	**53**	52	2
Investment experience after tax	**(3)**	15	large	**5**	(8)	large
Cash net profit after tax	**102**	105	(3)	**58**	44	32

7. Operating Expenses

	Full Year Ended			Half Year Ended		
	30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %	30 Jun 17 $M	31 Dec 16 $M	Jun 17 vs Dec 16 %
Staff Expenses						
Salaries and related on-costs [(1)]	**5,652**	5,657	-	**2,826**	2,826	-
Share-based compensation	**122**	102	20	**61**	61	-
Superannuation	**494**	410	20	**273**	221	24
Total staff expenses	**6,268**	6,169	2	**3,160**	3,108	2
Occupancy and Equipment Expenses						
Operating lease rentals	**661**	650	2	**331**	330	-
Depreciation of property, plant and equipment	**288**	266	8	**145**	143	1
Other occupancy expenses	**190**	218	(13)	**95**	95	-
Total occupancy and equipment expenses	**1,139**	1,134	-	**571**	568	1
Information Technology Services						
Application maintenance and development	**512**	511	-	**290**	222	31
Data processing	**210**	197	7	**105**	105	-
Desktop	**188**	143	31	**89**	99	(10)
Communications	**193**	203	(5)	**100**	93	8
Amortisation of software assets [(2)]	**779**	379	large	**166**	613	(73)
Software write-offs	**6**	1	large	**6**	-	large
IT equipment depreciation	**53**	51	4	**30**	23	30
Total information technology services	**1,941**	1,485	31	**786**	1,155	(32)
Other Expenses						
Postage and stationery	**187**	192	(3)	**90**	97	(7)
Transaction processing and market data	**186**	179	4	**88**	98	(10)
Fees and commissions:						
Professional fees	**404**	247	64	**229**	175	31
Other	**76**	93	(18)	**33**	43	(23)
Advertising, marketing and loyalty	**437**	491	(11)	**240**	197	22
Amortisation of intangible assets (excluding software and merger related amortisation)	**11**	14	(21)	**4**	7	(43)
Non-lending losses	**125**	103	21	**71**	54	31
Other	**304**	327	(7)	**129**	175	(26)
Total other expenses	**1,730**	1,646	5	**884**	846	4
Total operating expenses - "cash basis"	**11,078**	10,434	6	**5,401**	5,677	(5)
Investment and Restructuring						
Merger related amortisation [(3)]	**4**	39	(90)	**2**	2	-
Total investment and restructuring	**4**	39	(90)	**2**	2	-
Total operating expenses - "statutory basis"	**11,082**	10,473	6	**5,403**	5,679	(5)

(1) Comparative information has been restated to reflect the changes to the recognition of Global Asset Management long-term incentives in Wealth Management.
(2) The half year ended 31 December 2016 includes a $393 million one-off expense for acceleration of amortisation on certain software assets.
(3) Merger related amortisation relates to Bankwest core deposits and customer lists.

8. Income Tax Expense

	Full Year Ended (1)		Half Year Ended	
	30 Jun 17	30 Jun 16	30 Jun 17	31 Dec 16
	$M	$M	$M	$M
Profit before Income Tax	**13,944**	12,849	**7,114**	6,830
Prima facie income tax at 30%	**4,183**	3,855	**2,134**	2,049
Effect of amounts which are non-deductible/(assessable) in calculating taxable income:				
Taxation offsets and other dividend adjustments	**(11)**	(4)	**(5)**	(6)
Tax adjustment referable to policyholder income	**22**	71	**39**	(17)
Tax losses not previously brought to account	**(56)**	(5)	**24**	(80)
Offshore tax rate differential	**(76)**	(79)	**(40)**	(36)
Offshore banking unit	**(42)**	(33)	**(21)**	(21)
Effect of changes in tax rates	**4**	1	**2**	2
Income tax (over)/under provided in previous years	**(66)**	(177)	**(73)**	7
Other	**34**	(23)	**6**	28
Total income tax expense	**3,992**	3,606	**2,066**	1,926
Corporate tax expense	**3,960**	3,505	**2,010**	1,950
Policyholder tax expense/benefit	**32**	101	**56**	(24)
Total income tax expense	**3,992**	3,606	**2,066**	1,926
Effective Tax Rate (%) (2)	**28. 5**	27. 5	**28. 5**	28. 5

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

(2) 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.

9. Loans, Bills Discounted and Other Receivables

	As at		
	30 Jun 17	31 Dec 16	30 Jun 16
	$M	$M	$M
Australia			
Overdrafts	**24,385**	22,813	26,857
Home loans	**436,184**	423,163	409,452
Credit card outstandings	**12,073**	12,280	12,122
Lease financing	**4,302**	4,305	4,412
Bills discounted	**7,486**	7,993	10,507
Term loans and other lending	**149,506**	146,526	140,784
Total Australia	**633,936**	617,080	604,134
New Zealand			
Overdrafts	**1,091**	1,027	1,119
Home loans	**48,724**	48,347	45,640
Credit card outstandings	**960**	997	912
Lease financing	**28**	30	45
Term loans and other lending	**26,912**	26,207	24,696
Total New Zealand	**77,715**	76,608	72,412
Other Overseas			
Overdrafts	**454**	473	473
Home loans	**949**	1,022	982
Lease financing	**8**	18	27
Term loans and other lending	**23,477**	22,609	22,271
Total Other Overseas	**24,888**	24,122	23,753
Gross loans, bills discounted and other receivables	**736,539**	717,810	700,299
Less:			
Provisions for Loan Impairment:			
Collective provision	**(2,722)**	(2,782)	(2,783)
Individually assessed provisions	**(971)**	(1,007)	(935)
Unearned income:			
Term loans	**(681)**	(689)	(701)
Lease financing	**(403)**	(427)	(482)
	(4,777)	(4,905)	(4,901)
Net loans, bills discounted and other receivables	**731,762**	712,905	695,398

10. Provisions for Impairment and Asset Quality

Financial assets that are neither past due nor impaired have been segmented into investment, pass and weak classifications. This segmentation of loans in retail and risk-rated portfolios is based on the mapping of a customer's internally assessed Probability of Default (PD) to Standard and Poor's ratings, reflecting a client's ability to meet their credit obligations. In particular, retail PD pools have been aligned to the Group's PD grades, which are consistent with rating agency views of credit quality segmentation. Investment grade is representative of lower assessed default probabilities with other classifications reflecting progressively higher default risk. No consideration is given to Loss Given Default (LGD), the impact of any recoveries or the potential benefit of mortgage insurance.

Segmentation of financial assets other than loans is based on external credit ratings of the counterparties and issuers of financial instruments held by the Group.

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

	As at 30 June 2016				
	Home Loans $M	Other Personal (1) $M	Asset Financing $M	Other Commercial Industrial $M	Total $M
Loans which were neither past due nor impaired (2)					
Investment Grade	290,404	4,454	307	100,510	395,675
Pass Grade	142,180	15,628	7,128	103,950	268,886
Weak	10,189	3,669	198	3,262	17,318
Total loans which were neither past due nor impaired	442,773	23,751	7,633	207,722	681,879
Loans which were past due but not impaired					
Past due 1 - 29 days	7,494	830	93	1,044	9,461
Past due 30 - 59 days	1,942	229	47	194	2,412
Past due 60 - 89 days	946	139	24	116	1,225
Past due 90 - 179 days	1,065	16	1	183	1,265
Past due 180 days or more	834	11	2	231	1,078
Total loans past due but not impaired	12,281	1,225	167	1,768	15,441

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

(2) Following enhancements to methodology in the current period, there was a change to the categorisation of credit exposures by credit grade for loans which were neither past due nor impaired. Comparative information was restated to conform to presentation in the current period.

10. Provisions for Impairment and Asset Quality (continued)

	Full Year Ended		Half Year Ended	
	30 Jun 17 $M	30 Jun 16 $M	30 Jun 17 $M	31 Dec 16 $M
Movement in gross impaired assets				
Gross impaired assets - opening balance	**3,116**	2,855	**3,375**	3,116
New and increased	**2,164**	2,370	**970**	1,194
Balances written off	**(1,225)**	(1,328)	**(641)**	(584)
Returned to performing or repaid	**(1,637)**	(1,460)	**(1,071)**	(566)
Portfolio managed - new/increased/return to performing/repaid	**769**	679	**554**	215
Gross impaired assets - closing balance (1)	**3,187**	3,116	**3,187**	3,375

(1) Includes $3,045 million of loans and advances and $142 million of other financial assets (31 December 2016: $3,165 million of loans and advances and $210 million of other financial assets; 30 June 2016: $2,979 million of loans and advances and $137 million of other financial assets).

	As at	
	30 Jun 17 $M	30 Jun 16 $M
Impaired assets by size of asset		
Less than $1 million	**1,452**	1,293
$1 million to $10 million	**926**	876
Greater than $10 million	**809**	947
Gross impaired assets	**3,187**	3,116
Less total provisions for impaired assets (1)	**(1,149)**	(1,127)
Net impaired assets	**2,038**	1,989

(1) Includes $980 million of individually assessed provisions and $169 million of collective provisions (30 June 2016: $944 million of individually assessed provisions and $183 million of collective provisions).

10. Provisions for Impairment and Asset Quality (continued)

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.

	Full Year Ended		Half Year Ended	
	30 Jun 17 $M	30 Jun 16 $M	30 Jun 17 $M	31 Dec 16 $M
Provision for impairment losses				
Collective provision				
Opening balance	**2,818**	2,762	**2,807**	2,818
Net collective provision funding	**617**	664	**293**	324
Impairment losses written off	**(894)**	(846)	**(451)**	(443)
Impairment losses recovered	**210**	225	**103**	107
Other	**(4)**	13	**(5)**	1
Closing balance	**2,747**	2,818	**2,747**	2,807
Individually assessed provisions				
Opening balance	**944**	887	**1,017**	944
Net new and increased individual provisioning	**670**	788	**300**	370
Write-back of provisions no longer required	**(192)**	(196)	**(97)**	(95)
Discount unwind to interest income	**(31)**	(27)	**(15)**	(16)
Impairment losses written off	**(454)**	(571)	**(247)**	(207)
Other	**43**	63	**22**	21
Closing balance	**980**	944	**980**	1,017
Total provisions for impairment losses	**3,727**	3,762	**3,727**	3,824
Less: Provision for Off Balance Sheet exposures	**(34)**	(44)	**(34)**	(35)
Total provisions for loan impairment	**3,693**	3,718	**3,693**	3,789

	Full Year Ended		Half Year Ended	
	30 Jun 17 %	30 Jun 16 %	30 Jun 17 %	31 Dec 16 %
Provision ratios				
Total provisions for impaired assets as a % of gross impaired assets	**36. 05**	36. 17	**36. 05**	35. 02
Total provisions for impairment losses as a % of gross loans and acceptances	**0. 51**	0. 54	**0. 51**	0. 53

	Full Year Ended		Half Year Ended	
	30 Jun 17 $M	30 Jun 16 $M	30 Jun 17 $M	31 Dec 16 $M
Loan impairment expense				
Net collective provisioning funding	**617**	664	**293**	324
Net new and increased individual provisioning	**670**	788	**300**	370
Write-back of individually assessed provisions	**(192)**	(196)	**(97)**	(95)
Total loan impairment expense	**1,095**	1,256	**496**	599

11. Intangible Assets

	As at		
	30 Jun 17	31 Dec 16	30 Jun 16
	$M	$M	$M
Goodwill			
Purchased goodwill at cost	**7,872**	7,880	7,925
Closing balance	**7,872**	7,880	7,925
Computer Software Costs			
Cost	**4,329**	4,095	3,823
Accumulated amortisation	**(2,395)**	(2,198)	(1,595)
Closing balance	**1,934**	1,897	2,228
Core Deposits (1)			
Cost	**495**	495	495
Accumulated amortisation	**(495)**	(495)	(495)
Closing balance	**-**	-	-
Brand Names (2)			
Cost	**190**	190	190
Accumulated amortisation	**(1)**	(1)	(1)
Closing balance	**189**	189	189
Other Intangibles (3)			
Cost	**154**	155	156
Accumulated amortisation	**(125)**	(121)	(114)
Closing balance	**29**	34	42
Total Intangible assets	**10,024**	10,000	10,384

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

(2) Brand names predominantly represent the value of royalty costs foregone by the Group through acquiring the Bankwest brand name. The royalty costs that would have been incurred by an entity using the Bankwest brand name are based on an annual percentage of income generated by Bankwest. The Bankwest brand name has an indefinite useful life as there is no foreseeable limit to the period over which the brand name is expected to generate cash flows. It is not subject to amortisation, but is subject to annual impairment testing. No impairment was required as a result of this test. The balance also includes Count Financial Limited brand name ($4 million) that is amortised over the estimated useful life of 20 years.

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

12. Deposits and Other Public Borrowings

	As at		
	30 Jun 17	31 Dec 16	30 Jun 16
	$M	$M	$M
Australia			
Certificates of deposit	**39,854**	41,018	43,762
Term deposits	**158,453**	151,263	138,443
On-demand and short-term deposits	**293,579**	286,407	281,648
Deposits not bearing interest	**41,787**	37,833	35,164
Securities sold under agreements to repurchase	**16,175**	13,015	17,124
Total Australia	**549,848**	529,536	516,141
New Zealand			
Certificates of deposit	**2,409**	2,521	2,779
Term deposits	**27,396**	24,560	22,060
On-demand and short-term deposits	**21,530**	23,082	23,752
Deposits not bearing interest	**3,847**	3,784	3,345
Total New Zealand	**55,182**	53,947	51,936
Other Overseas			
Certificates of deposit	**10,087**	9,343	6,319
Term deposits	**8,912**	10,694	10,009
On-demand and short-term deposits	**2,482**	2,507	3,575
Deposits not bearing interest	**49**	64	65
Securities sold under agreements to repurchase	**95**	-	-
Total Other Overseas	**21,625**	22,608	19,968
Total deposits and other public borrowings	**626,655**	606,091	588,045

13. Financial Reporting by Segments

	Full Year Ended 30 June 2017							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	IFS and Other $M	Total $M
Net interest income	9,225	3,044	1,507	-	1,654	1,644	526	**17,600**
Other banking income [1]	2,000	925	1,347	-	290	243	715	**5,520**
Total banking income	11,225	3,969	2,854	-	1,944	1,887	1,241	**23,120**
Funds management income	-	-	-	1,894	92	-	48	**2,034**
Insurance income	-	-	-	438	278	-	70	**786**
Total operating income	11,225	3,969	2,854	2,332	2,314	1,887	1,359	**25,940**
Investment experience [2]	-	-	-	79	(7)	-	(7)	**65**
Total income	11,225	3,969	2,854	2,411	2,307	1,887	1,352	**26,005**
Operating expenses [3]	(3,452)	(1,551)	(1,072)	(1,653)	(909)	(794)	(1,647)	**(11,078)**
Loan impairment expense	(699)	(74)	(64)	-	(65)	(89)	(104)	**(1,095)**
Net profit before tax	7,074	2,344	1,718	758	1,333	1,004	(399)	**13,832**
Corporate tax (expense)/benefit	(2,110)	(705)	(412)	(201)	(360)	(302)	163	**(3,927)**
Non-controlling interests	-	-	-	(4)	-	-	(20)	**(24)**
Net profit after tax - "cash basis" [4]	4,964	1,639	1,306	553	973	702	(256)	**9,881**
Hedging and IFRS volatility	-	-	-	-	27	-	46	**73**
Other non-cash items	-	-	-	(23)	-	(3)	-	**(26)**
Net profit after tax - "statutory basis"	4,964	1,639	1,306	530	1,000	699	(210)	**9,928**
Additional information								
Amortisation and depreciation	(220)	(114)	(109)	(38)	(81)	(27)	(546)	**(1,135)**
Balance Sheet								
Total assets	356,503	106,972	173,234	22,014	86,784	86,166	144,701	**976,374**
Total liabilities	252,773	83,499	161,807	27,455	80,625	56,691	249,808	**912,658**

(1) The current year includes a $397 million gain on sale of the Group's remaining investment in Visa Inc.
(2) Investment experience is presented on a pre-tax basis.
(3) The current year includes a $393 million one-off expense for acceleration of amortisation on certain software assets.
(4) This balance excludes non-cash items, including unrealised gains and losses relating to hedging and IFRS volatility ($73 million gain), Bankwest non-cash items ($3 million expense) and treasury shares valuation adjustment ($23 million expense).

13. Financial Reporting by Segments (continued)

	Full Year Ended 30 June 2016 [1]							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	IFS and Other $M	Total $M
Net interest income	8,717	3,001	1,617	-	1,581	1,657	362	**16,935**
Other banking income	1,794	839	1,276	-	288	217	446	**4,860**
Total banking income	10,511	3,840	2,893	-	1,869	1,874	808	**21,795**
Funds management income	-	-	-	1,891	80	-	45	**2,016**
Insurance income	-	-	-	502	242	-	51	**795**
Total operating income	10,511	3,840	2,893	2,393	2,191	1,874	904	**24,606**
Investment experience [2]	-	-	-	121	16	-	4	**141**
Total income	10,511	3,840	2,893	2,514	2,207	1,874	908	**24,747**
Operating expenses	(3,373)	(1,488)	(1,082)	(1,681)	(889)	(773)	(1,148)	**(10,434)**
Loan impairment expense	(663)	(176)	(252)	-	(120)	10	(55)	**(1,256)**
Net profit before tax	6,475	2,176	1,559	833	1,198	1,111	(295)	**13,057**
Corporate tax (expense)/benefit	(1,935)	(654)	(369)	(221)	(317)	(333)	237	**(3,592)**
Non-controlling interests	-	-	-	-	-	-	(20)	**(20)**
Net profit after tax - "cash basis" [3]	4,540	1,522	1,190	612	881	778	(78)	**9,445**
Hedging and IFRS volatility	-	-	-	-	(139)	-	(60)	**(199)**
Other non-cash items	-	-	-	4	-	(27)	-	**(23)**
Net profit after tax - "statutory basis"	4,540	1,522	1,190	616	742	751	(138)	**9,223**
Additional information								
Amortisation and depreciation	(214)	(112)	(87)	(39)	(77)	(60)	(160)	**(749)**
Balance Sheet								
Total assets	334,632	101,452	181,252	21,003	80,386	82,880	131,396	**933,001**
Total liabilities	238,524	76,181	154,519	26,234	73,831	51,100	252,048	**872,437**

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

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

(3) This balance excludes non-cash items, including unrealised gains and losses relating to hedging and IFRS volatility ($199 million expense), Bankwest non-cash items ($27 million expense) and treasury shares valuation adjustment ($4 million gain).

13. Financial Reporting by Segments (continued)

	Half Year Ended 30 June 2017							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	IFS and Other $M	Total $M
Net interest income	4,641	1,531	746	-	821	825	293	**8,857**
Other banking income	994	467	623	-	150	122	178	**2,534**
Total banking income	5,635	1,998	1,369	-	971	947	471	**11,391**
Funds management income	-	-	-	961	47	-	22	**1,030**
Insurance income	-	-	-	218	139	-	36	**393**
Total operating income	5,635	1,998	1,369	1,179	1,157	947	529	**12,814**
Investment experience (1)	-	-	-	45	5	-	(1)	**49**
Total income	5,635	1,998	1,369	1,224	1,162	947	528	**12,863**
Operating expenses	(1,730)	(776)	(527)	(806)	(456)	(406)	(700)	**(5,401)**
Loan impairment expense	(349)	(10)	(20)	-	(18)	(46)	(53)	**(496)**
Net profit before tax	3,556	1,212	822	418	688	495	(225)	**6,966**
Corporate tax (expense)/benefit	(1,058)	(364)	(199)	(110)	(186)	(148)	88	**(1,977)**
Non-controlling interests	-	-	-	(4)	-	-	(11)	**(15)**
Net profit after tax - "cash basis" (2)	2,498	848	623	304	502	347	(148)	**4,974**
Hedging and IFRS volatility	-	-	-	-	25	-	40	**65**
Other non-cash items	-	-	-	(4)	-	(2)	-	**(6)**
Net profit after tax - "statutory basis"	2,498	848	623	300	527	345	(108)	**5,033**
Additional information								
Amortisation and depreciation	(99)	(55)	(46)	(19)	(42)	(14)	(72)	**(347)**
Balance Sheet								
Total assets	356,503	106,972	173,234	22,014	86,784	86,166	144,701	**976,374**
Total liabilities	252,773	83,499	161,807	27,455	80,625	56,691	249,808	**912,658**

(1) Investment experience is presented on a pre-tax basis.
(2) This balance excludes non-cash items, including unrealised gains and losses relating to hedging and IFRS volatility ($65 million gain), Bankwest non-cash items ($2 million expense) and treasury shares valuation adjustment ($4 million expense).

13. Financial Reporting by Segments (continued)

Geographical Information Financial Performance and Position	Full Year Ended 30 Jun 17 $M	 30 Jun 17 %	 30 Jun 16 $M	 30 Jun 16 %
Income				
Australia	**37,304**	**83. 0**	36,721	82. 7
New Zealand	**5,099**	**11. 3**	5,015	11. 3
Other locations (1)	**2,546**	**5. 7**	2,643	6. 0
Total income	**44,949**	**100. 0**	44,379	100. 0
Non-Current Assets				
Australia	**15,301**	**91. 8**	15,687	91. 7
New Zealand	**1,045**	**6. 2**	1,087	6. 4
Other locations (1)	**329**	**2. 0**	326	1. 9
Total non-current assets (2)	**16,675**	**100. 0**	17,100	100. 0

(1) Other locations include: United Kingdom, United States, Japan, Singapore, Malta, Hong Kong, Indonesia, China, India, Vietnam and South Africa.
(2) Non-current assets include Property, plant and equipment, Investments in associates and joint ventures, and Intangibles.

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

14. Integrated Risk 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 2017 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		
	30 Jun 17	**31 Dec 16**	**30 Jun 16**
By Industry (1)	**%**	**%**	**%**
Agriculture, forestry and fishing	**2.0**	2.0	1.9
Banks	**6.1**	6.3	6.8
Business services	**1.3**	1.3	1.2
Construction	**0.8**	0.8	0.8
Consumer	**55.4**	54.8	54.9
Culture and recreational services	**0.7**	0.7	0.7
Energy	**1.1**	1.2	1.1
Finance - Other	**5.0**	5.1	5.2
Health and community service	**0.7**	0.7	0.7
Manufacturing	**1.6**	1.6	1.6
Mining	**1.4**	1.4	1.5
Property	**6.5**	6.7	6.6
Retail trade and wholesale trade	**2.2**	2.4	2.4
Sovereign	**9.7**	9.5	9.0
Transport and storage	**1.5**	1.5	1.5
Other	**4.0**	4.0	4.1
	100.0	100.0	100.0

	As at		
	30 Jun 17	**31 Dec 16**	**30 Jun 16**
By Region (1)	**%**	**%**	**%**
Australia	**76.9**	76.4	76.7
New Zealand	**9.7**	9.7	9.2
Europe	**5.5**	5.8	5.4
Americas	**4.2**	4.2	4.5
Asia	**3.5**	3.7	3.8
Other	**0.2**	0.2	0.4
	100.0	100.0	100.0

	As at		
	30 Jun 17	**31 Dec 16**	**30 Jun 16**
Commercial Portfolio Quality (1)	**%**	**%**	**%**
AAA/AA	**32.8**	32.0	31.8
A	**17.4**	17.6	17.8
BBB	**19.0**	19.1	19.1
Other	**30.8**	31.3	31.3
	100.0	100.0	100.0

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

As a measure of individually risk-rated commercial portfolio exposure (including finance and insurance), the Group has 69.2% (December 2016: 68.7%; June 2016: 68.7%) of commercial exposures at investment grade quality.

14. Integrated Risk Management (continued)

Market Risk

Market risk in the Balance Sheet is discussed within Note 33 of the 2017 Annual Report.

Value at Risk (VaR)

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

VaR is modelled at a 97.5% confidence level. A 1-day holding period is used for trading book positions. A 20-day holding period is used for Interest Rate Risk in the Banking Book, insurance business market risk and Non-traded equity risk.

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

	Average VaR			
	30 Jun 17	31 Dec 16	30 Jun 16	31 Dec 15
Traded Market Risk [1]	$M	$M	$M	$M
Risk Type				
Interest rate risk [2]	**6.0**	12.0	9.6	6.3
Foreign exchange risk	**1.3**	2.3	1.9	2.6
Equities risk	**0.4**	0.6	0.5	0.4
Commodities risk	**3.2**	2.7	2.2	2.1
Credit spread risk	**3.0**	3.6	3.1	2.9
Diversification benefit	**(7.7)**	(11.1)	(8.2)	(8.4)
Total general market risk	**6.2**	10.1	9.1	5.9
Undiversified risk	**2.2**	2.2	2.3	2.3
ASB	**0.2**	0.2	0.1	0.2
Total	**8.6**	12.5	11.5	8.4

(1) Average VaR is at 1 day 97.5% confidence, and is calculated for each six month period.
(2) For the balance as at 30 June 2017, the decrease in traded market risk VaR was mainly driven by an enhanced internal model methodology for the treatment of some longer term interest rates, particularly in currencies with negative or near zero rates, which commenced in September 2016.

	Average VaR [1]			
Non-Traded VaR in Australian Life Insurance	30 Jun 17	31 Dec 16	30 Jun 16	31 Dec 15
Business (20 day 97.5% confidence)	$M	$M	$M	$M
Shareholder funds [2]	**1.3**	1.3	2.1	5.7
Guarantees (to Policyholders) [3]	**23.1**	21.6	21.7	17.0

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

Non-Traded Equity

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

	As at			
Non-Traded Equity Risk VaR	30 Jun 17	31 Dec 16	30 Jun 16	31 Dec 15
(20 day 97.5% confidence)	$M	$M	$M	$M
VaR	**26.0**	26.9	34.0	43.5

14. 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 2017 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 is as follows:

Net Interest Earnings at Risk (1)		30 Jun 17 $M	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M
Average monthly exposure	AUD	**284. 6**	284. 9	307. 6	324. 6
	NZD	**23. 0**	27. 9	31. 0	29. 5
High month exposure	AUD	**352. 3**	309. 7	338. 5	408. 7
	NZD	**31. 9**	33. 5	38. 9	37. 7
Low month exposure	AUD	**248. 9**	260. 7	286. 5	227. 1
	NZD	**17. 4**	21. 4	16. 5	23. 9

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

(b) Economic Value

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

Non-Traded Interest Rate Risk (20 day 97.5% confidence)	Average VaR (1) 30 Jun 17 $M	31 Dec 16 $M	30 Jun 16 $M	31 Dec 15 $M
AUD Interest rate risk	**92. 9**	99. 3	79. 5	51. 8
NZD Interest rate risk (2)	**4. 4**	4. 7	3. 3	3. 8

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

14. Integrated Risk Management (continued)

Funding Sources

The following table provides the funding sources for the Group including customer deposits, short-term and long-term wholesale funding. Shareholders' Equity is excluded from this view of funding sources.

	As at				
	30 Jun 17 $M	31 Dec 16 $M	30 Jun 16 $M	Jun 17 vs Dec 16 %	Jun 17 vs Jun 16 %
Transaction deposits	**98,884**	93,641	89,780	6	10
Savings deposits	**191,245**	191,406	191,313	-	-
Investment deposits	**220,530**	211,711	197,085	4	12
Other customer deposits (1)	**50,259**	44,593	39,796	13	26
Total customer deposits	**560,918**	541,351	517,974	4	8
Wholesale funding					
Short-term					
Certificates of deposit (2)	**43,584**	44,100	43,702	(1)	-
Euro commercial paper programme	**536**	2,597	2,210	(79)	(76)
US commercial paper programme	**28,652**	32,013	28,395	(10)	1
Euro medium-term note programme	**10,320**	12,749	9,135	(19)	13
Central Bank deposits	**21,125**	20,626	17,826	2	19
Other (3)	**2,598**	4,101	9,446	(37)	(72)
Total short-term wholesale funding	**106,815**	116,186	110,714	(8)	(4)
Net collateral received	**974**	5,728	4,009	(83)	(76)
Internal RMBS sold under agreement to repurchase with RBA	**5,161**	4,085	4,314	26	20
Total short-term collateral deposits	**6,135**	9,813	8,323	(37)	(26)
Total long-term funding - less than or equal to one year residual maturity	**25,330**	29,780	29,297	(15)	(14)
Long-term - greater than one year residual maturity					
Domestic debt program	**18,666**	18,029	17,001	4	10
Euro medium-term note programme	**25,770**	26,160	25,272	(1)	2
US medium-term note programme (4)	**28,472**	28,502	24,602	-	16
Covered bond programme	**26,572**	25,589	21,777	4	22
Securitisation	**10,725**	7,890	9,431	36	14
Loan capital	**18,040**	16,747	14,945	8	21
Other	**3,705**	3,145	5,093	18	(27)
Total long-term funding - greater than one year residual maturity	**131,950**	126,062	118,121	5	12
IFRS MTM and derivative FX revaluations	**1,150**	1,489	4,149	(23)	(72)
Total funding	**832,298**	824,681	788,578	1	6
Reported as					
Deposits and other public borrowings	**626,655**	606,091	588,045	3	7
Payables due to other financial institutions	**28,432**	34,031	28,771	(16)	(1)
Liabilities at fair value through Income Statement	**10,392**	8,404	10,292	24	1
Bank acceptances	**463**	1,440	1,431	(68)	(68)
Debt issues	**167,571**	175,583	161,284	(5)	4
Loan capital	**18,726**	16,997	15,544	10	20
Loans and other receivables - collateral posted	**(968)**	(520)	(720)	86	34
Receivables due from other financial institutions - collateral posted	**(5,338)**	(6,263)	(7,144)	(15)	(25)
Securities purchased under agreements to resell	**(13,635)**	(11,082)	(8,925)	23	53
Total funding	**832,298**	824,681	788,578	1	6

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

15. Counterparty and Other Credit Risk Exposures

Securitisation Vehicles

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

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

Asset-backed Securities

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

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

Special Purpose Vehicles

The Group invests in or establishes SPVs in the ordinary course of business, primarily to provide funding and financial services for its customers. These SPVs are consolidated in the Financial Statements whenever they meet the criteria of control as outlined in Note 36 to the Financial Statements of the 2017 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 a SPV should be consolidated based on the power the Group has over relevant activities of the entity, and the significance of the Group's exposure to variable returns of the structured entity.

The lending and investment arrangements are entered into under the Group's approved lending criteria and are subject to appropriate credit approval processes. The assets arising from these financing activities are generally included in Receivables due from other financial institutions, Available-for-sale investments or Loans, bills discounted and other receivables. Exposures in the form of guarantees or undrawn credit lines are included within contingent liabilities and credit related commitments.

Control factors – The Group may manage these vehicles, hold minor amounts of capital, provide financing or transact derivatives with these entities. These entities are generally consolidated by the Group.

Other Exposures

Leveraged Finance

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

The Group's exposure is well diversified across industries and private equity sponsors. All highly leveraged debt facilities provided are senior with first ranking security over the cash flows and assets of the businesses.

Hedge Funds

There were no material movements in exposures to hedge funds since 30 June 2016 and these exposures are not considered to be material.

Collateralised Debt Obligations (CDOs) and Credit Linked Notes

The Group has no material direct or indirect exposure to CDOs or credit linked notes.

15. Counterparty and Other Credit Risk Exposures (continued)

Securitisation Vehicles

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

	Covered Bonds		Securitisation	
	30 Jun 17	30 Jun 16	30 Jun 17	30 Jun 16
	$M	$M	$M	$M
Carrying amount of transferred assets	**31,796**	36,770	**15,108**	13,863
Carrying amount of associated liabilities	**28,984**	31,802	**13,771**	12,106
Net position (1)	**2,812**	4,968	**1,337**	1,757

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

Asset-backed Securities

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

	Carrying Amount	
	30 Jun 17	30 Jun 16
Summary of Asset-backed Securities	$M	$M
Commercial mortgage-backed securities	**76**	35
Residential mortgage-backed securities	**6,830**	7,118
Other asset-backed securities	**624**	836
Total	**7,530**	7,989

Asset-backed Securities by Underlying Asset

	Trading Portfolio		AFS Portfolio (1)		Other		Total	
	30 Jun 17	30 Jun 16	30 Jun 17	30 Jun 16	30 Jun 17	30 Jun 16	30 Jun 17	30 Jun 16
	$M	$M	$M	$M	$M	$M	$M	$M
Sub-prime	**-**	-	**-**	-	**-**	-	**-**	-
Non-conforming	**-**	-	**351**	355	**-**	-	**351**	355
Prime mortgages	**10**	4	**6,469**	6,759	**-**	-	**6,479**	6,763
Consumer receivables	**-**	-	**-**	-	**-**	-	**-**	-
Other assets	**-**	-	**700**	871	**-**	-	**700**	871
Total	**10**	4	**7,520**	7,985	**-**	-	**7,530**	7,989

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

Asset-backed Securities by Credit Rating and Geography

	AAA & AA		A		BBB		BB and below including not rated		Total	
	30 Jun 17	30 Jun 16	30 Jun 17	30 Jun 16	30 Jun 17	30 Jun 16	30 Jun 17	30 Jun 16	30 Jun 17	30 Jun 16
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Australia	**7,484**	7,922	**1**	5	**3**	3	**13**	24	**7,501**	7,954
UK	**-**	-	**29**	35	**-**	-	**-**	-	**29**	35
Total	**7,484**	**7,922**	**30**	**40**	**3**	**3**	**13**	**24**	**7,530**	**7,989**

	Funded Commitments		Unfunded Commitments		Total	
	30 Jun 17	30 Jun 16	30 Jun 17	30 Jun 16	30 Jun 17	30 Jun 16
Warehousing Financing Facilities	$M	$M	$M	$M	$M	$M
Australia	**3,544**	3,664	**1,696**	1,408	**5,240**	5,072
New Zealand	**387**	362	**1,147**	121	**1,534**	483
UK	**232**	11	**71**	260	**303**	271
Total	**4,163**	4,037	**2,914**	1,789	**7,077**	5,826

16. Capital

The tables below show the APRA Basel III capital adequacy calculation at 30 June 2017 together with prior period comparatives.

Risk Weighted Capital Ratios	30 Jun 17 %	31 Dec 16 %	30 Jun 16 %
Common Equity Tier 1	**10. 1**	9. 9	10. 6
Tier 1	**12. 1**	11. 5	12. 3
Tier 2	**2. 1**	2. 2	2. 0
Total Capital	**14. 2**	13. 7	14. 3

	30 Jun 17 $M	31 Dec 16 $M	30 Jun 16 $M
Ordinary Share Capital and Treasury Shares			
Ordinary Share Capital	**34,971**	34,455	33,845
Treasury Shares [1]	**295**	254	284
Ordinary Share Capital and Treasury Shares	**35,266**	34,709	34,129
Reserves			
Reserves	**1,869**	2,144	2,734
Reserves related to non-consolidated subsidiaries [2]	**(81)**	(152)	(143)
Total Reserves	**1,788**	1,992	2,591
Retained Earnings and Current Period Profits [3]			
Retained earnings and current period profits	**26,330**	24,662	23,435
Retained earnings adjustment from non-consolidated subsidiaries [4]	**(537)**	(505)	(259)
Net Retained Earnings	**25,793**	24,157	23,176
Non-controlling interests			
Non-controlling interests [5]	**546**	551	550
Less ASB perpetual preference shares	**(505)**	(505)	(505)
Less other non-controlling interests not eligible for inclusion in regulatory capital	**(41)**	(46)	(45)
Non-controlling interests	**-**	-	-
Common Equity Tier 1 Capital before regulatory adjustments	**62,847**	60,858	59,896

(1) Represents shares held by the Group's life insurance operations ($96 million) and employee share scheme trusts ($199 million).
(2) Represents equity reserve balances associated with the insurance and funds management entities, and those entities through which securitisation of the Group's assets are conducted. These entities are classified as non-consolidated subsidiaries by APRA and are excluded from the Level 2 Regulatory Consolidated Banking Group.
(3) Comparative information has been restated to conform to presentation in the current period.
(4) Cumulative current period profit and retained earnings adjustments for subsidiaries not consolidated for regulatory purposes.
(5) Non-controlling interests predominantly comprise ASB Perpetual Preference Shares of NZD550 million issued by a New Zealand subsidiary entity. These are non-redeemable and carry limited voting rights. These are classified as Additional Tier 1 Capital.

16. Capital (continued)

	30 Jun 17 $M	31 Dec 16 $M	30 Jun 16 $M
Common Equity Tier 1 regulatory adjustments			
Goodwill [1]	**(7,620)**	(7,624)	(7,603)
Other intangibles (including software) [2]	**(2,144)**	(2,104)	(2,313)
Capitalised costs and deferred fees	**(707)**	(696)	(535)
Defined benefit superannuation plan surplus [3]	**(298)**	(299)	(183)
General reserve for credit losses [4]	**(412)**	(372)	(386)
Deferred tax asset	**(1,683)**	(1,524)	(1,443)
Cash flow hedge reserve	**107**	47	(473)
Employee compensation reserve	**(164)**	(107)	(132)
Equity investments [5]	**(2,626)**	(2,741)	(3,120)
Equity investments in non-consolidated subsidiaries [1] [6]	**(2,673)**	(1,632)	(1,458)
Shortfall of provisions to expected losses [7]	**(218)**	(220)	(314)
Gain due to changes in own credit risk on fair valued liabilities	**(128)**	(147)	(161)
Other	**(122)**	(114)	(112)
Common Equity Tier 1 regulatory adjustments	**(18,688)**	(17,533)	(18,233)
Common Equity Tier 1	**44,159**	43,325	41,663
Additional Tier 1 Capital			
Basel III complying instruments [8]	**8,090**	6,450	6,450
Basel III non-complying instruments net of transitional amortisation [9]	**635**	643	640
Holding of Additional Tier 1 Capital [10]	**(200)**	(200)	(200)
Additional Tier 1 Capital	**8,525**	6,893	6,890
Tier 1 Capital	**52,684**	50,218	48,553
Tier 2 Capital			
Basel III complying instruments [11]	**7,744**	7,639	5,834
Basel III non-complying instruments net of transitional amortisation [12]	**1,495**	1,580	1,934
Holding of Tier 2 Capital	**(29)**	(34)	(25)
Prudential general reserve for credit losses [13]	**182**	188	181
Total Tier 2 Capital	**9,392**	9,373	7,924
Total Capital	**62,076**	59,591	56,477

(1) Goodwill excludes $252 million which is included in equity investments in non-consolidated subsidiaries.
(2) Other intangibles (including capitalised software costs), net of any associated deferred tax liability.
(3) In accordance with APRA regulations, the surplus in the Group's defined benefit superannuation fund, net of any deferred tax liability, must be deducted from Common Equity Tier 1.
(4) Adjustment to ensure the Group has sufficient provisions and capital to cover credit losses estimated to arise over the full life of individual facilities, as required by APRA Prudential Standard APS 220.
(5) Represents the Group's non-controlling interests in other entities.
(6) Non-consolidated subsidiaries primarily represent the insurance and funds management companies operating within the Colonial Group. The adjustment at 30 June 2017 is net of $665 million of Colonial non-recourse debt and subordinated notes that are subject to APRA approved transitional relief for regulatory capital purposes. Effective 31 December 2016 a number of intermediate holding companies within the Colonial Group were consolidated into the Level 2 Banking Group. The Group's insurance and fund management companies held $1,322 million of capital in excess of minimum regulatory requirements at 30 June 2017.
(7) Regulatory Expected Loss (pre-tax) using stressed loss given default assumptions associated with the loan portfolio in excess of eligible credit provisions (pre-tax).
(8) As at 30 June 2017, comprises PERLS IX $1,640 million issued March 2017, PERLS VIII $1,450 million issued March 2016, PERLS VII $3,000 million issued in October 2014 and PERLS VI $2,000 million issued in October 2012.
(9) Represents APRA Basel III non-compliant Additional Tier 1 Capital Instruments that are eligible for Basel III transitional relief.
(10) Represents holdings of Additional Tier 1 capital instruments issued by the Colonial Mutual Life Assurance Society Limited.
(11) In the June 17 half year, the Group issued JPY13.3 billion and HKD608 million (December 16 half year issued: USD750 million, NZD400 million (issued through ASB, the Group's New Zealand subsidiary) and three separate JPY notes totalling JPY40 billion).
(12) Includes both perpetual and term instruments subordinated to depositors and general creditors, having an original maturity of at least five years. APRA require these to be included as if they were unhedged. Term instruments are amortised 20% of the original amount during each of the last five years to maturity. These instruments are eligible for Basel III transitional relief.
(13) Represents the collective provision and general reserve for credit losses for exposures in the Group which are measured for capital purposes under the Standardised approach to credit risk.

16. Capital (continued)

Risk Weighted Assets	30 Jun 17 $M	31 Dec 16 $M	30 Jun 16 $M
Credit Risk			
Subject to AIRB approach (1)			
Corporate (2)	**74,663**	79,392	71,682
SME corporate (2)	**33,067**	35,239	29,957
SME retail	**4,838**	4,747	4,953
SME retail secured by residential mortgage	**2,766**	2,812	2,813
Sovereign	**2,154**	6,742	6,622
Bank	**12,598**	13,481	13,098
Residential mortgage (3)	**134,969**	115,647	83,758
Qualifying revolving retail	**9,414**	9,413	9,897
Other retail	**15,101**	14,970	15,102
Total RWA subject to AIRB approach	**289,570**	282,443	237,882
Specialised lending exposures subject to slotting criteria (2)	**58,752**	60,504	56,795
Subject to Standardised approach			
Corporate (2)	**1,202**	1,128	10,982
SME corporate (2)	**510**	596	4,133
SME retail	**6,172**	6,089	6,122
Sovereign	**271**	242	268
Bank	**136**	192	224
Residential mortgage (2)	**5,017**	4,788	7,428
Other retail	**2,925**	2,776	2,750
Other assets	**5,291**	5,385	5,360
Total RWA subject to Standardised approach	**21,524**	21,196	37,267
Securitisation	**1,584**	1,572	1,511
Credit valuation adjustment	**4,958**	6,332	8,273
Central counterparties	**871**	1,479	2,302
Total RWA for Credit Risk Exposures	**377,259**	373,526	344,030
Traded market risk	**4,650**	5,707	9,439
Interest rate risk in the banking book	**21,404**	23,498	7,448
Operational risk	**33,750**	33,750	33,750
Total risk weighted assets	**437,063**	436,481	394,667

(1) Pursuant to APRA requirements, RWA amounts derived from AIRB risk weight functions have been multiplied by a scaling factor of 1.06. Comparatives have been restated to conform to presentation in the current period.
(2) APRA has re-accredited the use of the AIRB approach for the Bankwest non-retail portfolio, effective 30 September 2016.
(3) Includes APRA requirements to increase the average risk weight applied to Australian residential mortgages using the AIRB approach (30 June 2017: $15.0 billion, 31 December 2016: $32.0 billion).

Risk Weighted Assets

Total Group RWA increased $0.6 billion or 0.1% on the prior half to $437.1 billion.

Credit Risk RWA

After allowing for an increase in risk weighted assets of $15.0 billion to meet APRA requirements for Australian residential mortgages, there was a decrease of $11.3 billion on the prior half. This was primarily due to:

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

These decreases were partly offset by:

- A seasonal increase in retail arrears; and
- An increase in RWA for New Zealand residential mortgages due to changes in prudential requirements.

Traded Market Risk RWA

Traded market risk RWA decreased by $1.1 billion or 18.5%. The decrease resulted from reduced risk exposures measured under the Internal Model Approach and improved efficiency in capital management.

Interest Rate Risk in the Banking Book (IRRBB) RWA

IRRBB RWA decreased $2.1 billion or 8.9%. This is a result of interest rate risk management activity and model enhancements offset by increased structural hedging.

Operational Risk RWA

Operational Risk RWA remained unchanged over the prior half, representing the regulatory minimum threshold.

17. Shareholders' Equity

	Full Year Ended		Half Year Ended	
	30 Jun 17 $M	30 Jun 16 $M	30 Jun 17 $M	31 Dec 16 $M
Ordinary Share Capital				
Shares on issue:				
Opening balance	**34,129**	27,898	**34,709**	34,129
Issue of shares (net of issue costs)	**(6)**	5,022	**-**	(6)
Dividend reinvestment plan (net of issue costs) (1)	**1,143**	1,209	**557**	586
	35,266	34,129	**35,266**	34,709
Less treasury shares:				
Opening balance	**(284)**	(279)	**(254)**	(284)
Purchase of treasury shares (2)	**(92)**	(108)	**(65)**	(27)
Sale and vesting of treasury shares (2)	**81**	103	**24**	57
	(295)	(284)	**(295)**	(254)
Closing balance	**34,971**	33,845	**34,971**	34,455
Other Equity Instruments				
Opening balance	**-**	939	**-**	-
Redemptions (3)	**-**	(939)	**-**	-
Closing balance	**-**	-	**-**	-
Retained Profits				
Opening balance (4)	**23,435**	21,340	**24,662**	23,435
Actuarial gains from defined benefit superannuation plans	**175**	10	**33**	142
Losses on liabilities at fair value due to changes in own credit risk	**(3)**	(1)	**(1)**	(2)
Realised gains and dividend income on treasury shares	**26**	20	**11**	15
Operating profit attributable to Equity holders of the Bank (4)	**9,928**	9,223	**5,033**	4,895
Total available for appropriation	**33,561**	30,592	**29,738**	28,485
Net loss on sale/redemption of other equity (5)	**-**	(10)	**-**	-
Transfers from/(to) general reserve	**33**	(120)	**54**	(21)
Transfers from asset revaluation reserve	**(27)**	19	**(33)**	6
Transfers to employee compensation reserve	**-**	(2)	**-**	-
Interim dividend - cash component	**(2,871)**	(2,829)	**(2,871)**	-
Interim dividend - dividend reinvestment plan (1)	**(558)**	(552)	**(558)**	-
Final dividend - cash component	**(3,222)**	(2,958)	**-**	(3,222)
Final dividend - dividend reinvestment plan (1)	**(586)**	(655)	**-**	(586)
Other dividends	**-**	(50)	**-**	-
Closing balance	**26,330**	23,435	**26,330**	24,662

(1) The determined dividend includes an amount attributable to Dividend Reinvestment Plan (DRP) of $558 million (interim 2016/2017), $586 million (final 2015/2016), $552 million (interim 2015/2016) and $655 million (final 2014/2015) with $557 million, $586 million, $552 million and $657 million ordinary shares being issued under plan rules, which include the carry forward of DRP balance from previous dividends.

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

(3) Redemption of Trust Preferred Securities (TPS 2006) on 15 March 2016.

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

(5) Includes other equity instruments and non-controlling interests.

17. Shareholders' Equity (continued)

	Full Year Ended		Half Year Ended	
	30 Jun 17 $M	30 Jun 16 $M	30 Jun 17 $M	31 Dec 16 $M
Reserves				
General Reserve				
Opening balance	**939**	819	**960**	939
Appropriation (to)/from retained profits	**(33)**	120	**(54)**	21
Closing balance	**906**	939	**906**	960
Asset Revaluation Reserve				
Opening balance	**173**	191	**167**	173
Revaluation of properties	**32**	2	**32**	-
Transfer to retained profits	**27**	(19)	**33**	(6)
Tax on revaluation of properties	**(9)**	(1)	**(9)**	-
Closing balance	**223**	173	**223**	167
Foreign Currency Translation Reserve				
Opening balance	**739**	356	**822**	739
Currency translation adjustments of foreign operations	**(315)**	389	**(384)**	69
Currency translation on net investment hedge	**14**	(12)	**5**	9
Tax on translation adjustments	**19**	6	**14**	5
Closing balance	**457**	739	**457**	822
Cash Flow Hedge Reserve				
Opening balance	**473**	263	**(47)**	473
Gains and losses on cash flow hedging instruments:				
Recognised in other comprehensive income	**(1,282)**	250	**(251)**	(1,031)
Transferred to Income Statement:				
Interest income	**(1,241)**	(968)	**(563)**	(678)
Interest expense	**1,684**	1,018	**724**	960
Tax on cash flow hedging instruments	**259**	(90)	**30**	229
Closing balance	**(107)**	473	**(107)**	(47)
Employee Compensation Reserve				
Opening balance	**132**	122	**107**	132
Current period movement	**32**	10	**57**	(25)
Closing balance	**164**	132	**164**	107
Available-for-sale Investments Reserve				
Opening balance	**278**	594	**135**	278
Net gains and (losses) on revaluation of available-for-sale investments	**414**	(236)	**173**	241
Net (gains) and losses on available-for-sale investments transferred to Income Statement on disposal	**(464)**	(222)	**(27)**	(437)
Tax on available-for-sale investments	**(2)**	142	**(55)**	53
Closing balance	**226**	278	**226**	135
Total Reserves	**1,869**	2,734	**1,869**	2,144
Shareholders' Equity attributable to Equity holders of the Bank	**63,170**	60,014	**63,170**	61,261
Shareholders' Equity attributable to Non-controlling interests	**546**	550	**546**	551
Total Shareholders' Equity	**63,716**	60,564	**63,716**	61,812

17. Shareholders' Equity (continued)

Shares on Issue	Full Year Ended		Half Year Ended	
	30 Jun 17	30 Jun 16	30 Jun 17	31 Dec 16
	Number	Number	Number	Number
Opening balance (excluding Treasury Shares deduction)	**1,715,142,177**	1,627,592,713	**1,723,178,509**	1,715,142,177
Issue of shares	**-**	71,161,207	**-**	-
Dividend reinvestment plan issues:				
2014/2015 Final dividend fully paid ordinary shares $74.75	**-**	8,790,794	**-**	-
2015/2016 Interim dividend fully paid ordinary shares $72.68	**-**	7,597,463	**-**	-
2015/2016 Final dividend fully paid ordinary shares $72.95	**8,036,332**	-	**-**	8,036,332
2016/2017 Interim dividend fully paid ordinary shares $83.21	**6,689,652**	-	**6,689,652**	-
Closing balance (excluding Treasury Shares deduction)	**1,729,868,161**	1,715,142,177	**1,729,868,161**	1,723,178,509
Less: Treasury Shares [1]	**(3,854,763)**	(4,080,435)	**(3,854,763)**	(3,421,776)
Closing balance	**1,726,013,398**	1,711,061,742	**1,726,013,398**	1,719,756,733

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

Dividend Franking Account

After fully franking the final dividend to be paid for the year, the amount of credits available at the 30% tax rate as at 30 June 2017 to frank dividends for subsequent financial years, is $1,067 million (December 2016: $537 million; June 2016: $532 million). This figure is based on the franking accounts of the Bank at 30 June 2017, adjusted for franking credits that will arise from the payment of income tax payable on profits for the 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 30 June 2017.

Dividends

The Directors have declared a fully franked final dividend of 230 cents per share amounting to $3,979 million. There is no foreign conduit income attributed to the final dividend. The dividend will be payable on 29 September 2017 to shareholders on the register at 5:00pm AEST on 17 August 2017.

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

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

Dividend Reinvestment Plan

The Group has a Dividend Reinvestment Plan (DRP) that is available to shareholders in Australia and certain other jurisdictions. Shareholders can elect to participate to acquire fully paid ordinary shares instead of receiving a cash dividend payment. The DRP generally allocates shares for the equivalent dividend based on the average of the daily volume weighted average price of all shares sold during the ten trading days commencing on the second trading day following the relevant record date. Shares issued under the DRP rank equally with ordinary shares on issue. The DRP participation rate for the distributions for the half year ended 31 December 2016 was 16.3% and 15.4% for the full year ended 30 June 2016 (based on issued capital) with no discounts applied.

Record Date

The register closes for determination of dividend entitlement at 5:00pm AEST on 17 August 2017. The deadline for notifying participation in the DRP is 5:00pm AEST on 18 August 2017.

Ex-Dividend Date

The ex-dividend date is 16 August 2017.

18. ASX Appendix 4E

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Details of Associates and Joint Ventures (Rule 4.3A Item No. 11)

As at 30 June 2017	Ownership Interest Held (%)
AHL Holdings Pty Limited (1)	80%
Aegis Correctional Partnership Pty Limited	50%
Aegis Correctional Partnership Trust	50%
Aegis Securitisation Nominees Pty Limited	50%
Aegis Securitisation Trust	50%
equigroup Holdings Pty Limited	50%
First State Cinda Fund Management Co. Ltd.	46%
BoCommLife Insurance Company Limited	38%
Countplus Limited	36%
Vipro Pty Limited	33%
Cardlink Services Limited	25%
Paymark Limited (2)	25%
Qilu Bank Co., Ltd. (3)	20%
Vietnam International Commercial Joint Stock Bank	20%
Payments NZ Limited	19%
A.C.N 619 102 608 Pty Ltd. (4)	19%
Bank of Hangzhou Co., Ltd. (3)	18%
Property Exchange Australia Ltd	13%
First State European Diversified Infrastructure Fund FCP-SIF	3%
First State European Diversified Infrastructure Fund II	3%

(1) The Group's 80% interest in AHL Holdings Pty Limited (trading as Aussie Home Loans) is jointly controlled as the key financial and operating decisions require the unanimous consent of all directors.
(2) Formerly known as Electronic Transaction Services Limited.
(3) Ownership interest held refers to ordinary shares.
(4) This associate operates in quantum computing in partnership with the University of New South Wales.

18. ASX Appendix 4E (continued)

Other Significant Information (Rule 4.3A Item No. 12)

The Bank expects the DRP for the final dividend for the year ended 30 June 2017 will be satisfied by the issue of shares of approximately $1.4 billion.

AUSTRAC Civil Proceedings

On 3 August 2017, Australian Transaction Reports and Analysis Centre (AUSTRAC) commenced civil penalty proceedings against CBA. CBA takes the allegations made by AUSTRAC very seriously and will file a defence in relation to this matter, which will take significant time to prepare. The actual outcome in this matter will be determined by a Court in accordance with established legal principles.

The AUSTRAC statement of claim relates to alleged past and ongoing contraventions of four provisions of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth). To the extent that contraventions may be established, a Court will ordinarily take into account a range of factors in setting penalties. One factor is the extent to which any contraventions arise from a single course of conduct. For example, AUSTRAC alleges that approximately 53,000 threshold transaction reports were lodged late. Late lodgement carries a penalty of up to $18 million. However, these alleged contraventions could be considered to arise from a single course of conduct to the extent that they emanated from the same systems error. Ultimately, a Court will seek to ensure that, overall, any civil penalties are just and appropriate and do not exceed what is proper having regard to the totality of established contraventions. Under the Act, the only mechanism available to AUSTRAC to secure a pecuniary penalty from CBA is by taking court action.

What we can say about these proceedings is limited until they have run their course. CBA is reviewing the allegations in the 580 page statement of claim and at this time it is not possible to reliably estimate the possible financial effect on the Group. It is not appropriate to disclose any detailed information about the subject matter of the claims as court proceedings are on foot and such information would be highly likely to be prejudicial to our position.

Aussie Home Loan Acquisition

On 4 August 2017, John Symond exercised his put option, which will require the Group to acquire a 20% interest in AHL. The purchase price for the remaining 20% interest will be determined in accordance with the terms agreed in 2012. The purchase consideration will be paid in the issue of CBA shares. The Group will consolidate AHL from completion of the acquisition which is currently expected to be in late August 2017.

Strategic Corporate Actions

We are committed to securing and enhancing the financial wellbeing of people, businesses and communities, and the provision of insurance products to our customers remains core to that vision. CommInsure and Sovereign are strong businesses with scale, expertise, competitive products and access to attractive distribution channels. We are in discussions with third parties in relation to their potential interest in our life insurance businesses in Australia and New Zealand. The outcome of those discussions is uncertain. While the discussions may lead to the divestment of those businesses, we will also consider a full range of alternatives, including retaining the businesses, reinsurance arrangements or other strategic options.

Foreign Entities (Rule 4.3A Item No. 13)

Not Applicable.

Compliance Statement

This preliminary final report for the year ended 30 June 2017 is prepared in accordance with the ASX listing rules. It should be read in conjunction with any announcements to the market made by the Group during the year.

The preliminary final report has been prepared in accordance with Accounting Standards in Australia.

PricewaterhouseCoopers has audited the financial statements contained within the Commonwealth Bank of Australia Annual Report and has issued an unmodified audit report. The Annual Report is currently being finalised in publishable form and will be available, including a copy of the PricewaterhouseCoopers report, on 14 August 2017. This preliminary final report has not been subject to audit by PricewaterhouseCoopers. The preceding financial information contained in the Financial Statements section of this preliminary final report includes financial information extracted from the audited financial statements together with financial information that has not been audited.

Taryn Morton
Company Secretary
8 August 2017

19. Profit Reconciliation

Profit Reconciliation	Net profit after tax "cash basis" $M	Hedging and IFRS volatility $M	Bankwest non-cash items [1] $M	Treasury shares valuation adjustment $M	Policyholder tax $M	Investment experience $M	Net profit after tax "statutory basis" $M
	Full Year Ended 30 June 2017						
Group							
Interest income	33,293	-	-	-	-	-	33,293
Interest expense	(15,693)	-	-	-	-	-	(15,693)
Net interest income	17,600	-	-	-	-	-	17,600
Other banking income	5,520	106	-	-	-	-	5,626
Total banking income	23,120	106	-	-	-	-	23,226
Funds management income	2,034	-	-	(22)	30	9	2,051
Insurance income	786	-	-	-	2	56	844
Total operating income	25,940	106	-	(22)	32	65	26,121
Investment experience	65	-	-	-	-	(65)	-
Total income	26,005	106	-	(22)	32	-	26,121
Operating expenses	(11,078)	-	(4)	-	-	-	(11,082)
Loan impairment expense	(1,095)	-	-	-	-	-	(1,095)
Net profit before tax	13,832	106	(4)	(22)	32	-	13,944
Corporate tax (expense)/benefit	(3,927)	(33)	1	(1)	(32)	-	(3,992)
Non-controlling interests	(24)	-	-	-	-	-	(24)
Net profit after tax	9,881	73	(3)	(23)	-	-	9,928

(1) Includes merger related amortisation through operating expenses of $4 million, and an income tax benefit of $1 million.

19. Profit Reconciliation (continued)

	Full Year Ended 30 June 2016 [1]						
Profit Reconciliation	Net profit after tax "cash basis" $M	Hedging and IFRS volatility $M	Bankwest non-cash items [2] $M	Treasury shares valuation adjustment $M	Policyholder tax $M	Investment experience $M	Net profit after tax "statutory basis" $M
Group							
Interest income	33,817	-	-	-	-	-	33,817
Interest expense	(16,882)	-	-	-	-	-	(16,882)
Net interest income	16,935	-	-	-	-	-	16,935
Other banking income	4,860	(284)	-	-	-	-	4,576
Total banking income	21,795	(284)	-	-	-	-	21,511
Funds management income	2,016	-	-	14	(8)	39	2,061
Insurance income	795	-	-	-	109	102	1,006
Total operating income	24,606	(284)	-	14	101	141	24,578
Investment experience	141	-	-	-	-	(141)	-
Total income	24,747	(284)	-	14	101	-	24,578
Operating expenses	(10,434)	-	(39)	-	-	-	(10,473)
Loan impairment expense	(1,256)	-	-	-	-	-	(1,256)
Net profit before tax	13,057	(284)	(39)	14	101	-	12,849
Corporate tax (expense)/benefit	(3,592)	85	12	(10)	(101)	-	(3,606)
Non-controlling interests	(20)	-	-	-	-	-	(20)
Net profit after tax	9,445	(199)	(27)	4	-	-	9,223

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Includes merger related amortisation through operating expenses of $39 million, and an income tax benefit of $12 million.

19. Profit Reconciliation (continued)

Profit Reconciliation	Net profit after tax "cash basis" $M	Hedging and IFRS volatility $M	Bankwest non-cash items [1] $M	Treasury shares valuation adjustment $M	Policyholder tax $M	Investment experience $M	Net profit after tax "statutory basis" $M
	Half Year Ended 30 June 2017						
Group							
Interest income	**16,617**	2	-	-	-	-	**16,619**
Interest expense	**(7,760)**	-	-	-	-	-	**(7,760)**
Net interest income	**8,857**	2	-	-	-	-	**8,859**
Other banking income	**2,534**	94	-	-	-	-	**2,628**
Total banking income	**11,391**	96	-	-	-	-	**11,487**
Funds management income	**1,030**	-	-	(2)	13	19	**1,060**
Insurance income	**393**	-	-	-	43	30	**466**
Total operating income	**12,814**	96	-	(2)	56	49	**13,013**
Investment experience	**49**	-	-	-	-	(49)	**-**
Total income	**12,863**	96	-	(2)	56	-	**13,013**
Operating expenses	**(5,401)**	-	(2)	-	-	-	**(5,403)**
Loan impairment expense	**(496)**	-	-	-	-	-	**(496)**
Net profit before tax	**6,966**	96	(2)	(2)	56	-	**7,114**
Corporate tax (expense)/benefit	**(1,977)**	(31)	-	(2)	(56)	-	**(2,066)**
Non-controlling interests	**(15)**	-	-	-	-	-	**(15)**
Net profit after tax	**4,974**	65	(2)	(4)	-	-	**5,033**

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

20. Notes to the Statement of Cash Flows

(a) Reconciliation of Net Profit after Income Tax to Net Cash used in Operating Activities

	Full Year Ended	
	30 Jun 17	30 Jun 16
	$M	$M
Net profit after income tax (1)	**9,952**	9,243
Increase in interest receivable	**(14)**	(148)
Decrease in interest payable	**(26)**	(312)
Net decrease/(increase) in assets at fair value through Income Statement (excluding life insurance)	**2,788**	(8,538)
Net gain on sale of controlled entities and associates	**(2)**	-
Net movement in derivative assets/liabilities	**(492)**	5,988
Net (gain)/loss on sale of property, plant and equipment	**(6)**	21
Equity accounting profit	**(292)**	(289)
Loan impairment expense	**1,095**	1,256
Depreciation and amortisation (including asset write downs)	**1,229**	857
Increase in liabilities at fair value through Income Statement (excluding life insurance)	**121**	1,651
Increase/(decrease) in other provisions	**114**	(78)
Increase in income taxes payable	**603**	486
Decrease in deferred tax liabilities	**(14)**	(162)
(Increase)/decrease in deferred tax assets (1)	**(573)**	66
(Increase)/decrease in accrued fees/reimbursements receivable	**(238)**	137
Increase/(decrease) in accrued fees and other items payable (1)	**18**	(150)
Decrease in life insurance contract policy liabilities	**(1,240)**	(991)
Cash flow hedge ineffectiveness	**(20)**	5
Loss/(gains) on changes in fair value of hedged items	**799**	(642)
Changes in operating assets and liabilities arising from cash flow movements	**(15,228)**	(13,640)
Other (1)	**619**	679
Net cash used in operating activities	**(807)**	(4,561)

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

(b) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash and money at short call.

	As at	
	30 Jun 17	30 Jun 16
	$M	$M
Notes, coins and cash at banks	**14,635**	12,103
Other short term liquid assets	**8,482**	2,344
Cash and cash equivalents at end of year	**23,117**	14,447

(c) Non-Cash Financing and Investing Activities

	Full Year Ended	
	30 Jun 17	30 Jun 16
	$M	$M
Shares issued under the Dividend Reinvestment Plan (1)	**1,143**	1,209

(1) No part of the Dividend Reinvestment Plan paid out in the 2017 financial year was satisfied through the on-market purchase and transfer of shares to participating shareholders (June 2016: $nil million).

20. Notes to the Statement of Cash Flows (continued)

(d) Acquisition of Controlled Entities

On 2 December 2016, 100% of the contributed equity of Water Utilities Australia Limited was purchased for $32 million. On 20 April 2016, 100% of the contributed equity of Vector Gas Limited was purchased for NZD952.5 million and renamed to First Gas Limited (FGL). The acquisitions occurred via the Global Diversified Infrastructure Fund (GDIF), which is partly owned by the Group's life insurance business.

The investment in GDIF is used to back life insurance policy liabilities, the majority of which are investment-linked contracts where the returns to policyholders are linked to GDIF's overall returns. Notwithstanding this, GDIF and consequently FGL, have been consolidated due to the overall equity ownership in GDIF.

FGL is the owner and operator of gas transmission and distribution networks within New Zealand.

The Group acquired 100% of the issued share capital of the TYME Group and gained control on 26 January 2015. TYME is a South African based global leader in designing, building and operating digital banking systems. This acquisition will support the Group in growing into emerging markets, as well as provide capability to enhance innovation in our core markets.

The fair value of the identifiable assets acquired and liabilities assumed at the acquisition date are as follows:

	Full Year Ended	
	30 Jun 17 (1) $M	30 Jun 16 (2) $M
Net identifiable assets at fair value	**16**	553
Add: Goodwill	**16**	304
Purchase consideration transferred	**32**	857
Less: Cash and cash equivalents acquired	**(1)**	-
	31	857
Less: Contingent consideration	**-**	-
Net cash outflow on acquisition	**31**	857

(1) As the purchase price allocation is ongoing, the provisional fair value of net identifiable assets has been disclosed in accordance with Australian Accounting Standards.

(2) In the current financial year, upon completion of purchase price allocation, net identifiable assets at fair value for FGL has been revised to $605 million and goodwill to $252 million, from provisional amounts disclosed in the prior year.

Appendices

21. Analysis Template

	Full Year Ended [1]		Half Year Ended	
	30 Jun 17	30 Jun 16	30 Jun 17	31 Dec 16
Profit Summary - Input Schedule	$M	$M	$M	$M
Net interest income	**17,600**	16,935	**8,857**	8,743
Other banking income	**5,520**	4,860	**2,534**	2,986
Total banking income	**23,120**	21,795	**11,391**	11,729
Funds management income	**2,034**	2,016	**1,030**	1,004
Insurance income	**786**	795	**393**	393
Total operating income	**25,940**	24,606	**12,814**	13,126
Investment experience	**65**	141	**49**	16
Total income	**26,005**	24,747	**12,863**	13,142
Operating Expenses				
Retail Banking Services	**(3,452)**	(3,373)	**(1,730)**	(1,722)
Business and Private Banking	**(1,551)**	(1,488)	**(776)**	(775)
Institutional Banking and Markets	**(1,072)**	(1,082)	**(527)**	(545)
Wealth Management	**(1,653)**	(1,681)	**(806)**	(847)
New Zealand	**(909)**	(889)	**(456)**	(453)
Bankwest	**(794)**	(773)	**(406)**	(388)
IFS and Other	**(1,647)**	(1,148)	**(700)**	(947)
Total operating expenses	**(11,078)**	(10,434)	**(5,401)**	(5,677)
Profit before loan impairment expense	**14,927**	14,313	**7,462**	7,465
Loan impairment expense	**(1,095)**	(1,256)	**(496)**	(599)
Net profit before income tax	**13,832**	13,057	**6,966**	6,866
Corporate tax expense	**(3,927)**	(3,592)	**(1,977)**	(1,950)
Operating profit after tax	**9,905**	9,465	**4,989**	4,916
Non-controlling interests	**(24)**	(20)	**(15)**	(9)
Net profit after tax - "cash basis"	**9,881**	9,445	**4,974**	4,907
Treasury shares valuation adjustment (after tax)	**(23)**	4	**(4)**	(19)
Hedging and IFRS volatility (after tax)	**73**	(199)	**65**	8
Bankwest non-cash items (after tax)	**(3)**	(27)	**(2)**	(1)
Net profit after tax - "statutory basis"	**9,928**	9,223	**5,033**	4,895
Total Operating Income				
Retail Banking Services	**11,225**	10,511	**5,635**	5,590
Business and Private Banking	**3,969**	3,840	**1,998**	1,971
Institutional Banking and Markets	**2,854**	2,893	**1,369**	1,485
Wealth Management	**2,332**	2,393	**1,179**	1,153
New Zealand	**2,314**	2,191	**1,157**	1,157
Bankwest	**1,887**	1,874	**947**	940
IFS and Other	**1,359**	904	**529**	830

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

21. Analysis Template (continued)

Profit Summary - Input Schedule	Full Year Ended (1) 30 Jun 17 $M	30 Jun 16 $M	Half Year Ended 30 Jun 17 $M	31 Dec 16 $M
Other Data				
Net interest income	**17,600**	16,935	**8,857**	8,743
Average interest earning assets	**834,741**	790,596	**846,619**	823,058
Average net assets (2)	**62,031**	57,678	**62,764**	61,188
Average non-controlling interests (2)	**549**	555	**549**	551
Average other equity instruments (2)	**-**	626	**-**	-
Average treasury shares (2)	**(277)**	(296)	**(274)**	(269)
Distributions - other equity instruments	**-**	50	**-**	-
Interest expense (after tax) - PERLS III	**-**	16	**-**	-
Interest expense (after tax) - PERLS VI	**83**	89	**41**	42
Interest expense (after tax) - PERLS VII	**71**	76	**35**	36
Interest expense (after tax) - PERLS VIII	**52**	14	**26**	26
Interest expense (after tax) - PERLS IX	**12**	-	**12**	-
Weighted average number of shares - statutory basic (M)	**1,719**	1,692	**1,723**	1,715
Weighted average number of shares - statutory diluted (M)	**1,815**	1,771	**1,816**	1,806
Weighted average number of shares - cash basic (M)	**1,720**	1,693	**1,724**	1,717
Weighted average number of shares - cash diluted (M)	**1,816**	1,772	**1,817**	1,808
Weighted average number of shares - PERLS III (M)	**-**	11	**-**	-
Weighted average number of shares - PERLS VI (M)	**27**	24	**25**	27
Weighted average number of shares - PERLS VII (M)	**41**	37	**37**	41
Weighted average number of shares - PERLS VIII (M)	**20**	4	**18**	20
Weighted average number of shares - PERLS IX (M)	**5**	-	**10**	-
Weighted average number of shares - Employee share plans (M)	**3**	3	**3**	3
Dividends per share (cents) - fully franked	**429**	420	**230**	199
No. of shares at end of period excluding Treasury shares deduction (M)	**1,730**	1,715	**1,730**	1,723
Funds Under Administration (FUA) - average	**152,999**	144,913	**155,855**	150,134
Assets Under Management (AUM) - average	**210,929**	202,000	**214,446**	206,996
Average inforce premiums	**3,434**	3,401	**3,402**	3,475
Net assets	**63,716**	60,564	**63,716**	61,812
Total intangible assets	**10,024**	10,384	**10,024**	10,000
Non-controlling interests	**546**	550	**546**	551

(1) Comparative information has been restated to conform to presentation in the current period.
(2) The simple average of closing reporting period balances.

21. Analysis Template (continued)

	Full Year Ended (1) (2)		Half Year Ended (2)	
	30 Jun 17	30 Jun 16	30 Jun 17	31 Dec 16
Ratios - Output Summary	$M	$M	$M	$M
Earnings Per Share (EPS)				
Net profit after tax - "cash basis"	9,881	9,445	4,974	4,907
Less distribution - other equity instruments	-	(50)	-	-
Adjusted profit for EPS calculation	9,881	9,395	4,974	4,907
Average number of shares (M) - "cash basis"	1,720	1,693	1,724	1,717
Earnings Per Share basic - "cash basis" (cents)	574. 4	554. 8	288. 5	285. 8
Net profit after tax - "statutory basis"	9,928	9,223	5,033	4,895
Less distribution - other equity instruments	-	(50)	-	-
Adjusted profit for EPS calculation	9,928	9,173	5,033	4,895
Average number of shares (M) - "statutory basis"	1,719	1,692	1,723	1,715
Earnings Per Share basic - "statutory basis" (cents)	577. 6	542. 3	292. 2	285. 3
Interest expense (after tax) - PERLS III	-	16	-	-
Interest expense (after tax) - PERLS VI	83	89	41	42
Interest expense (after tax) - PERLS VII	71	76	35	36
Interest expense (after tax) - PERLS VIII	52	14	26	26
Interest expense (after tax) - PERLS IX	12	-	12	-
Profit impact of assumed conversions (after tax)	218	195	114	104
Weighted average number of shares - PERLS III (M)	-	11	-	-
Weighted average number of shares - PERLS VI (M)	27	24	25	27
Weighted average number of shares - PERLS VII (M)	41	37	37	41
Weighted average number of shares - PERLS VIII (M)	20	4	18	20
Weighted average number of shares - PERLS IX (M)	5	-	10	-
Weighted average number of shares - Employee share plans (M)	3	3	3	3
Weighted average number of shares - dilutive securities (M)	96	79	93	91
Adjusted cash profit for EPS calculation	9,881	9,395	4,974	4,907
Add back profit impact of assumed conversions (after tax)	218	195	114	104
Adjusted diluted profit for EPS calculation	10,099	9,590	5,088	5,011
Average number of shares (M) - "cash basis"	1,720	1,693	1,724	1,717
Add back weighted average number of shares (M)	96	79	93	91
Diluted average number of shares (M)	1,816	1,772	1,817	1,808
Earnings Per Share diluted - "cash basis" (cents)	556. 1	541. 2	279. 9	277. 2
Adjusted statutory profit for EPS calculation	9,928	9,173	5,033	4,895
Add back profit impact of assumed conversions (after tax)	218	195	114	104
Adjusted diluted profit for EPS calculation	10,146	9,368	5,147	4,999
Average number of shares (M) - "statutory basis"	1,719	1,692	1,723	1,715
Add back weighted average number of shares (M)	96	79	93	91
Diluted average number of shares (M)	1,815	1,771	1,816	1,806
Earnings Per Share diluted - "statutory basis" (cents)	559. 1	529. 2	283. 4	276. 7
Dividends Per Share (DPS)				
Dividends				
Dividends per share (cents) - fully franked	429	420	230	199
No. of shares at end of period excluding Treasury shares deduction (M)	1,730	1,715	1,730	1,723
Total dividends	7,408	7,189	3,979	3,429
Dividend payout ratio - "cash basis"				
Net profit after tax - "cash basis"	9,881	9,445	4,974	4,907
Net profit after tax - attributable to ordinary shareholders	9,881	9,395	4,974	4,907
Total dividends	7,408	7,189	3,979	3,429
Payout ratio - "cash basis" (%)	75. 0	76. 5	80. 0	69. 9
Dividend cover				
Net profit after tax - attributable to ordinary shareholders	9,881	9,395	4,974	4,907
Total dividends	7,408	7,189	3,979	3,429
Dividend cover - "cash basis" (times)	1. 3	1. 3	1. 3	1. 4

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Calculations are based on actual numbers prior to rounding to the nearest million.

21. Analysis Template (continued)

Ratios - Output Summary	Full Year Ended [1] 30 Jun 17 $M	30 Jun 16 $M	Half Year Ended 30 Jun 17 $M	31 Dec 16 $M
Return on Equity (ROE)				
Return on Equity - "cash basis"				
Average net assets	**62,031**	57,678	**62,764**	61,188
Less:				
Average non-controlling interests	**(549)**	(555)	**(549)**	(551)
Average other equity instruments	**-**	(626)	**-**	-
Average equity	**61,482**	56,497	**62,215**	60,637
Add average treasury shares	**277**	296	**274**	269
Net average equity	**61,759**	56,793	**62,489**	60,906
Net profit after tax - "cash basis"	**9,881**	9,445	**4,974**	4,907
Less distribution - other equity instruments	**-**	(50)	**-**	-
Adjusted profit for ROE calculation	**9,881**	9,395	**4,974**	4,907
ROE - "cash basis" (%)	**16. 0**	16. 5	**16. 1**	16. 0
Return on Equity - "statutory basis"				
Average net assets	**62,031**	57,678	**62,764**	61,188
Average non-controlling interests	**(549)**	(555)	**(549)**	(551)
Average other equity interests	**-**	(626)	**-**	-
Average equity	**61,482**	56,497	**62,215**	60,637
Net profit after tax - "statutory basis"	**9,928**	9,223	**5,033**	4,895
Less distribution - other equity instruments	**-**	(50)	**-**	-
Adjusted profit for ROE calculation	**9,928**	9,173	**5,033**	4,895
ROE - "statutory basis" (%)	**16. 1**	16. 2	**16. 3**	16. 0
Net Tangible Assets per share [2]				
Net assets	**63,716**	60,564	**63,716**	61,812
Less:				
Intangible assets	**(10,024)**	(10,384)	**(10,024)**	(10,000)
Non-controlling interests	**(546)**	(550)	**(546)**	(551)
Total net tangible assets	**53,146**	49,630	**53,146**	51,261
No. of shares at end of period excluding Treasury shares deduction (M)	**1,730**	1,715	**1,730**	1,723
Net Tangible Assets per share ($)	**30. 72**	28. 94	**30. 72**	29. 75

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Calculations are based on actual numbers prior to rounding to the nearest million.

22. Summary

Group		Full Year Ended (1) 30 Jun 17	30 Jun 16	Jun 17 vs Jun 16 %	Half Year Ended 30 Jun 17	31 Dec 16	Jun 17 vs Dec 16 %
Net profit after tax - "cash basis"	$M	**9,881**	9,445	5	**4,974**	4,907	1
Treasury shares valuation adjustment (after tax)	$M	**(23)**	4	large	**(4)**	(19)	(79)
Hedging and IFRS volatility (after tax)	$M	**73**	(199)	large	**65**	8	large
Bankwest non-cash items (after tax)	$M	**(3)**	(27)	(89)	**(2)**	(1)	large
Net profit after tax - "statutory basis"	$M	**9,928**	9,223	8	**5,033**	4,895	3
Earnings per share basic - "cash basis"	cents	**574. 4**	554. 8	4	**288. 5**	285. 8	1
Dividends per share (fully franked)	cents	**429**	420	2	**230**	199	16
Dividend payout ratio - "cash basis"	%	**75. 0**	76. 5	(150)bpts	**80. 0**	69. 9	large
Common Equity Tier 1 (Internationally Comparable) - Basel III (2)	%	**15. 6**	14. 4	120 bpts	**15. 6**	15. 4	20 bpts
Common Equity Tier 1 (APRA) - Basel III	%	**10. 1**	10. 6	(50)bpts	**10. 1**	9. 9	20 bpts
Leverage ratio (Internationally Comparable) (3)	%	**5. 8**	5. 6	20 bpts	**5. 8**	5. 5	30 bpts
Leverage ratio (APRA)	%	**5. 1**	5. 0	10 bpts	**5. 1**	4. 9	20 bpts
Number of full time equivalent staff	No.	**45,614**	45,129	1	**45,614**	45,271	1
Return on equity - "cash basis"	%	**16. 0**	16. 5	(50)bpts	**16. 1**	16. 0	10 bpts
Return on equity - "statutory basis"	%	**16. 1**	16. 2	(10)bpts	**16. 3**	16. 0	30 bpts
Weighted average no. of shares - "statutory basis" - basic	M	**1,719**	1,692	2	**1,723**	1,715	-
Net tangible assets per share	$	**30. 72**	28. 94	6	**30. 72**	29. 75	3
Net interest income - "cash basis"	$M	**17,600**	16,935	4	**8,857**	8,743	1
Net interest margin	%	**2. 11**	2. 14	(3)bpts	**2. 11**	2. 11	-
Net interest margin excluding Treasury and Markets	%	**2. 09**	2. 13	(4)bpts	**2. 10**	2. 08	2 bpts
Other banking income - "cash basis"	$M	**5,520**	4,860	14	**2,534**	2,986	(15)
Other banking income to total banking income - "cash basis"	%	**23. 9**	22. 3	160 bpts	**22. 2**	25. 5	(330)bpts
Operating expenses to total operating income - "cash basis"	%	**42. 7**	42. 4	30 bpts	**42. 1**	43. 3	(120)bpts
Average interest earning assets	$M	**834,741**	790,596	6	**846,619**	823,058	3
Average interest bearing liabilities	$M	**755,612**	733,754	3	**764,126**	747,236	2
Loan impairment expense - "cash basis"	$M	**1,095**	1,256	(13)	**496**	599	(17)
Loan impairment expense - "cash basis" annualised as a % of average gross loans and acceptances	%	**0. 15**	0. 19	(4)bpts	**0. 14**	0. 17	(3)bpts
Total provisions for impaired assets as a % of gross impaired assets	%	**36. 05**	36. 17	(12)bpts	**36. 05**	35. 02	103 bpts
Risk weighted assets (APRA) - Basel III	$M	**437,063**	394,667	11	**437,063**	436,481	-
Retail Banking Services							
Cash net profit after tax	$M	**4,964**	4,540	9	**2,498**	2,466	1
Operating expenses to total banking income	%	**30. 8**	32. 1	(130)bpts	**30. 7**	30. 8	(10)bpts
Effective tax rate - "cash basis"	%	**29. 8**	29. 9	(10)bpts	**29. 8**	29. 9	(10)bpts
Business and Private Banking							
Cash net profit after tax	$M	**1,639**	1,522	8	**848**	791	7
Operating expenses to total banking income	%	**39. 1**	38. 8	30 bpts	**38. 8**	39. 3	(50)bpts
Effective tax rate - "cash basis"	%	**30. 1**	30. 1	-	**30. 0**	30. 1	(10)bpts
Institutional Banking and Markets							
Cash net profit after tax	$M	**1,306**	1,190	10	**623**	683	(9)
Operating expenses to total banking income	%	**37. 6**	37. 4	20 bpts	**38. 5**	36. 7	180 bpts
Effective tax rate - "cash basis"	%	**24. 0**	23. 7	30 bpts	**24. 2**	23. 8	40 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.

22. Summary (continued)

		Full Year Ended (1)			Half Year Ended		
		30 Jun 17	30 Jun 16	Jun 17 vs Jun 16 %	30 Jun 17	31 Dec 16	Jun 17 vs Dec 16 %
Wealth Management							
Cash net profit after tax	$M	553	612	(10)	304	249	22
Underlying profit after tax	$M	503	529	(5)	277	226	23
Investment experience after tax	$M	54	83	(35)	31	23	35
FUA - average	$M	141,005	134,233	5	143,838	138,146	4
FUA - spot	$M	146,778	135,801	8	146,778	140,820	4
AUM - average	$M	205,910	197,569	4	209,469	201,967	4
AUM - spot	$M	219,427	199,735	10	219,427	203,223	8
Annual inforce premiums - average	$M	2,465	2,474	-	2,432	2,505	(3)
Annual inforce premiums - spot	$M	2,352	2,508	(6)	2,352	2,520	(7)
Operating expenses to total operating income	%	70. 9	70. 2	70 bpts	68. 4	73. 5	large
Effective tax rate - "cash basis"	%	26. 5	26. 5	-	26. 3	26. 8	(50)bpts
New Zealand							
Cash net profit after tax	$M	973	881	10	502	471	7
Underlying profit after tax	$M	979	871	12	499	480	4
FUA - average	$M	11,994	10,680	12	12,017	11,988	-
FUA - spot	$M	12,223	11,522	6	12,223	12,110	1
AUM - average	$M	5,019	4,431	13	4,977	5,029	(1)
AUM - spot	$M	5,313	4,988	7	5,313	4,792	11
Annual inforce premiums - average	$M	715	672	6	716	715	-
Annual inforce premiums - spot	$M	721	710	2	721	729	(1)
Operating expenses to total operating income (2)	%	38. 4	39. 9	(150)bpts	38. 7	38. 0	70 bpts
Effective tax rate - "cash basis" (2)	%	27. 1	26. 6	50 bpts	27. 0	27. 3	(30)bpts
Bankwest							
Cash net profit after tax	$M	702	778	(10)	347	355	(2)
Operating expenses to total banking income	%	42. 1	41. 2	90 bpts	42. 9	41. 3	160 bpts
Effective tax rate - "cash basis"	%	30. 1	30. 0	10 bpts	29. 9	30. 3	(40)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.

23. Foreign Exchange Rates

Exchange Rates Utilised (1)	Currency	As at 30 Jun 17	As at 31 Dec 16	As at 30 Jun 16
AUD 1.00 =	USD	0. 7684	0. 7236	0. 7431
	EUR	0. 6720	0. 6883	0. 6689
	GBP	0. 5903	0. 5899	0. 5534
	NZD	1. 0493	1. 0393	1. 0470
	JPY	86. 1110	84. 6897	76. 2441

(1) End of day, Sydney time.

24. 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.