



Profit Announcement

For the half year ended 31 December 2017



CommonwealthBank

Commonwealth Bank of Australia | ACN 123 123 124 | 7 February 2018

ASX Appendix 4D

Results for announcement to the market ⁽¹⁾

Report for the half year ended 31 December 2017

\$M

Revenue from ordinary activities ⁽²⁾ 21,263 up 2%

Profit/(loss) from ordinary activities after tax attributable to Equity holders 4,906 0%

Net profit/(loss) for the period attributable to Equity holders 4,906 0%

Dividends (distributions)

Interim dividend – fully franked (cents per share) 200

Record date for determining entitlements to the dividend 15 February 2018

(1) Rule 4.2A.3.

(2) Information has been presented on a continuing operations basis. Discontinued operations include the Group's life insurance businesses in Australia and New Zealand.

This half year report is provided to the ASX under Rule 4.2A. Refer to Appendix 4.3 ASX Appendix 4D 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 and the ASX Listing Rules.

Except where otherwise stated, all figures relate to the half year ended 31 December 2017. The term "prior comparative period" refers to the half year ended 31 December 2016, while the term "prior half" refers to the half year ended 30 June 2017.

Image

Mastercard is a registered trademark and the circles design is a trademark of Mastercard International Incorporated.

Important dates for shareholders

Half year results announcement	07 February 2018
Ex-dividend date	14 February 2018
Record Date	15 February 2018
Dividend reinvestment plan participation deadline	16 February 2018
Interim dividend payment date	28 March 2018
Full year results announcement	08 August 2018

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ASX announcement

ASX Announcement

CBA 1H18 Result

For the half year ended 31 December 2017
Reported 7 February 2018



Commonwealth Bank

Guide to CBA's 1H18 financial results

CBA's net profit after tax is disclosed on both a statutory and cash basis, consistent with our usual practice. The statutory basis is prepared and reviewed in accordance with the Corporations Act 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 operating results. The items excluded from cash profit such as hedging and IFRS volatility and gains or losses on disposal and acquisition of entities net of transaction costs are calculated consistently with the prior year and prior half disclosures. These are disclosed on page 5 of the Profit Announcement (www.commbank.com.au/results).

In the current reporting period, the following items have also been included "above the line" in the cash net profit after tax, but are highlighted to ensure transparency, to aid comparison and to provide a view of underlying performance:

1. AUSTRAC impact on statutory and cash net profit after tax

In August 2017, Australian Transaction Reports and Analysis Centre (AUSTRAC) commenced civil penalty proceedings in the Federal Court of Australia against CBA. The proceedings relate to alleged contraventions of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth).

The Group has provided for a civil penalty in the amount of \$375 million (not deductible for tax). The Group believes this to be a reliable estimate of the level of penalty that a Court may impose. This takes into account currently available information, including legal advice received by the Group in relation to AUSTRAC's claims. This is included in both reported statutory and cash net profit after tax.

2. Expected regulatory, compliance and remediation program costs

A \$200 million expense provision was taken for expected costs relating to currently known regulatory, compliance and remediation program costs, including the Financial Services Royal Commission. This is included in both reported statutory and cash net profit after tax.

3. Continuing operations

On 21 September 2017, the Group announced the sale of 100% of its life insurance businesses in Australia ("Commlnsure Life") and New Zealand ("Sovereign") to AIA Group Limited ("AIA") for \$3.8 billion. The transaction is subject to certain conditions and regulatory approvals and is expected to be completed in calendar year 2018. Commlnsure Life currently forms part of the Group's Wealth Management division while Sovereign forms part of the Group's New Zealand division. Both are discontinued operations within each division.

Accounting standards require the Group to disclose net profit after tax from discontinued operations separately from continuing operations. As a result, the Group's Income Statement includes a separate line item 'net profit after tax from discontinued operations' and comparatives have been restated. The Group's Key Performance Indicators have been presented for both continuing operations and discontinued operations in the Profit Announcement. Assets and liabilities of discontinued operations have also been presented separately as held for sale on the Balance Sheet as at 31 December 2017, with no comparative restatement.

For comparison purposes, a summary of key metrics is provided in the table below on the following three bases:

- 1) including discontinued operations and including the AUSTRAC penalty provision (as per Financial Statements);
- 2) continuing operations, including the AUSTRAC penalty provision (as per Financial Statements); and
- 3) continuing operations, excluding the AUSTRAC penalty provision (pro-forma).

Guide to the presentation of CBA's 1H18 financial results (continued)

Half year ended ("cash basis") ¹	Profit Announcement					
	Inclusive of discontinued operations & incl. AUSTRAC penalty provision ²		Continuing operations, incl. AUSTRAC penalty provision ²		Pro-forma continuing operations, ex. AUSTRAC penalty provision ³	
	31 Dec 17	Dec 17 v Dec 16	31 Dec 17	Dec 17 v Dec 16	31 Dec 17	Dec 17 v Dec 16
Cash net profit after tax	\$4,871m	(0.7%)	\$4,735m	(1.9%)	\$5,110m	5.8%
Cost-to-income ⁴	44.2%	90 bpts	43.9%	120 bpts	41.1%	(160) bpts
Jaws ⁵	(2.3%)	n/a	(3.0%)	n/a	3.9%	n/a
Effective tax rate	29.9%	150 bpts	30.0%	150 bpts	28.4%	(10) bpts
Profit after capital charge ⁶	\$3,126m	(4.0%)	\$3,095m	(5.7%)	\$3,470m	5.7%
Earnings per share (basic)	280.0c	(2.0%)	272.2c	(3.2%)	293.7c	4.5%
Return on equity	15.0%	(100) bpts	14.5%	(120) bpts	15.7%	-

4. Underlying performance

In order to present an underlying view of business performance, a number of adjustments have been made to show underlying operating income and underlying operating expense for continuing operations:

- 1H17 has been adjusted to exclude a \$397 million gain on sale of the Group's remaining investment in Visa Inc. and a \$393 million one-off expense for acceleration of amortisation on certain software assets;
- the impact of consolidation and equity accounted profits of AHL Holdings Pty Ltd (trading as Aussie Home Loans) has been excluded; and
- 1H18 is adjusted to exclude an expense provision which the Group believes to be a reliable estimate of the level of penalty that a Court may impose in the AUSTRAC proceedings.

Operating income (\$m)	1H17	1H18	%
Reported (continuing operations)	12,833	13,122	2.3%
<i>Visa share sale</i>	(397)	-	
<i>AHL</i>	(22)	(94)	
Underlying operating income	12,414	13,028	4.9%

Operating expense (\$m)	1H17	1H18	%
Reported (continuing operations)	5,474	5,764	5.3%
<i>Accelerated amortisation</i>	(393)	-	
<i>AHL</i>	-	(71)	
<i>AUSTRAC</i>	-	(375)	
Underlying operating expense	5,081	5,318	4.7%

On this basis, the underlying cost-to-income ratio is 40.8% compared to the reported cash NPAT (continuing operations, including AUSTRAC penalty provision) cost-to-income ratio of 43.9%.

ASX Announcement

CBA 1H18 Result

For the half year ended 31 December 2017 ^{7,8}
Reported 7 February 2018



Result overview

“During this period, we have focused a great deal of effort on fixing our mistakes, and becoming a better bank. The pride and dedication of our people have also enabled continuing business momentum across CBA. This result underlines the continued impact of our strategy of investing in our people and technology. Customer satisfaction has remained high, and customers are doing more with us, with transaction account volumes a stand-out. Combined with disciplined margin management, on-going productivity and stable credit quality, this has again produced industry-leading underlying performance.

We have taken a significant provision for regulatory and compliance costs, consistent with accounting standards. We have also taken a \$375 million expense provision which we believe to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC proceedings. We recognise, and regret, that these costs arise from our failure to meet some standards that we should have. We will continue to work hard to do better.

At the same time, we have been able to increase our dividend, even whilst providing for these costs, and strengthening all aspects of our balance sheet so that we can support customers and deliver returns for our shareholders into the future.”

Chief Executive Officer, Ian Narev

Financial summary

Performance (continuing operations) ⁸	1H18	1H18 v 1H17
Statutory NPAT ⁹	\$4,895m	1.2%
Cash NPAT	\$4,735m	(1.9%)
Operating performance	\$7,358m	flat
Loan impairment expense	\$596m	(0.5%)
Net interest margin	2.16%	6 bpts
Cost-to-income	43.9%	120 bpts

Returns and strength (continuing operations) ⁸	1H18	1H18 v 1H17
Dividend per share	\$2.00	+1 cent
Earnings per share (cash)	\$2.72	(3.2%)
Return on equity (cash)	14.5%	(120) bpts
CET 1 capital ratio - APRA ¹⁰	10.4%	50 bpts
CET 1 capital ratio - International ¹⁰	16.3%	90 bpts
Customer deposits as % funding	68%	200 bpts

Earnings

Cash NPAT
\$m

5.8%

(1.9%)

4,828

4,735

375

5,110

1H17
Cash NPAT
(continuing
operations)

1H18
Cash NPAT
(continuing
operations)

Provision for
estimated
AUSTRAC
penalty¹¹

1H18 Cash
NPAT (ex.
AUSTRAC
penalty prov.)¹¹

Dividends, Return on Equity

Interim dividend
Cents per share

Cash ROE
%

199

200

15.7%

15.7%

Ex.
AUSTRAC
penalty
provision¹¹

14.5% Reported

1H17

1H18

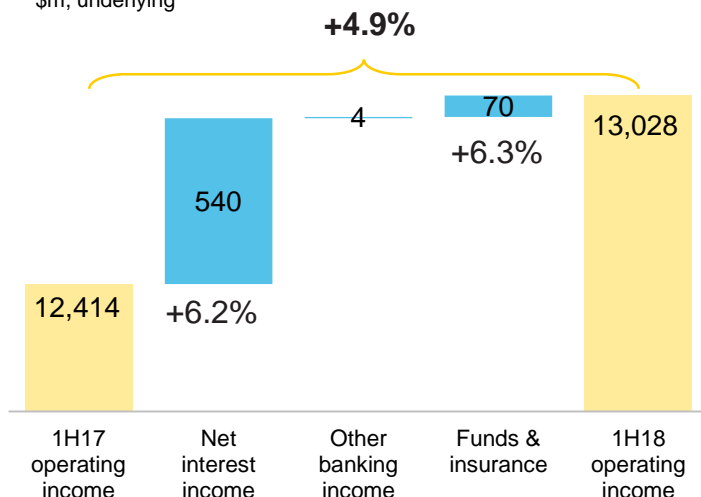
1H17
(continuing
operations)

1H18
(continuing
operations)

Underlying operating momentum¹²

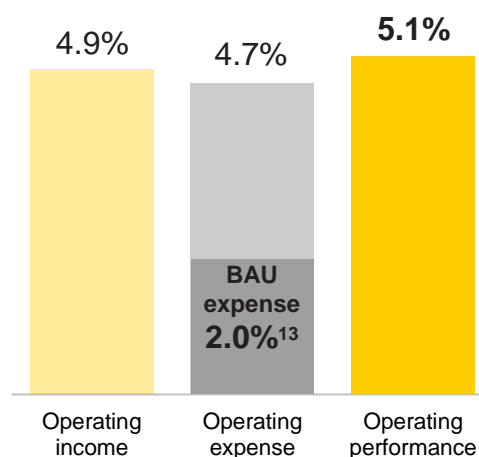
Operating income

\$m, underlying



Operating performance

1H18 v 1H17, underlying



- Underlying operating income increased 4.9%, due mainly to higher net interest income which was up 6.2%. This reflected continuing volume and margin management, with lending volumes up 3.5% and the Group's net interest margin up 6 basis points to 2.16%.
- Other banking income was flat. Higher structured asset finance income and lending fees were offset by lower trading income in the institutional business reflecting reduced market volatility and by lower interchange rates and ATM fees in the retail bank.
- Strong investment markets drove funds management income. This was partly offset by lower general

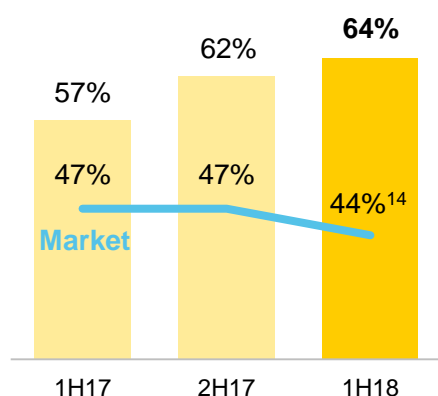
insurance income which was impacted by higher claims due to weather events.

- Underlying operating expenses increased 4.7% to \$5,318m, driven by a \$200m expense provision for expected regulatory, compliance and remediation program costs.
- The underlying cost-to-income ratio reduced a further 10 basis points to 40.8%.
- 'Business as usual' expenses increased by 2.0%.¹³ The key drivers were \$48m of incremental costs in frontline and compliance staff and higher expensed investment spend which was up 19%.

Property lending – selective growth

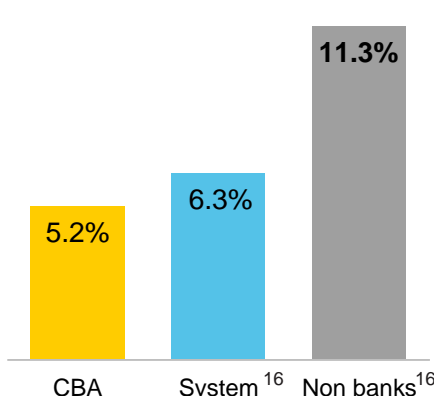
Home loans

Proprietary channel
% of total flows (\$), CBA



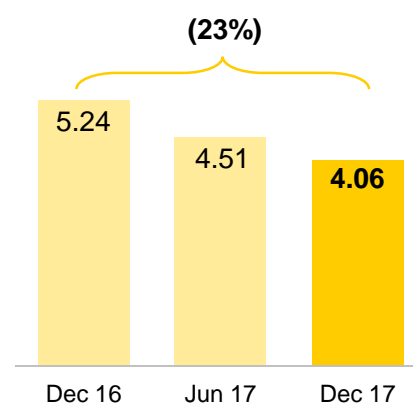
Home loan growth¹⁵

12 mths to Dec 17



Apartment development¹⁷

Total exposures (\$bn)



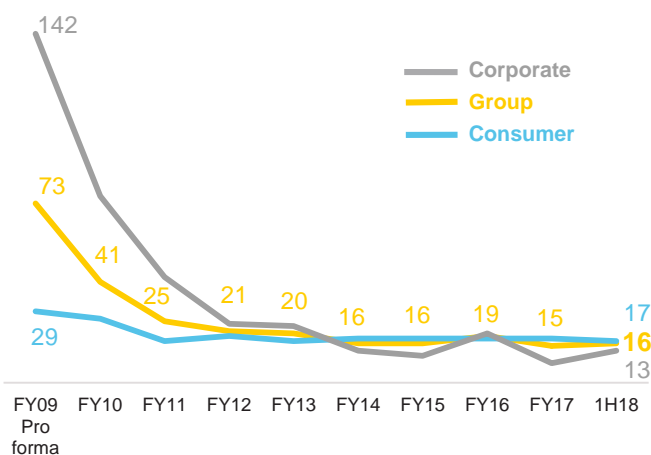
- Our strategic focus on improving the home loan experience for customers continued to drive increased lending through the retail bank's proprietary channels.
- CBA's commitment to balancing regulatory requirements, returns and risk resulted in growth in the home loan portfolio moderating to 5.2% in the twelve months to December 2017.

- Growth in the home loan portfolio was driven by a 7.5% increase in owner-occupied loans and a 0.5% increase in investment home loans.
- For the December quarter, interest only lending comprised 21% of total flows, below APRA's 30% benchmark.
- Corporate exposures to apartment developments reduced further to \$4.06bn.

Credit quality

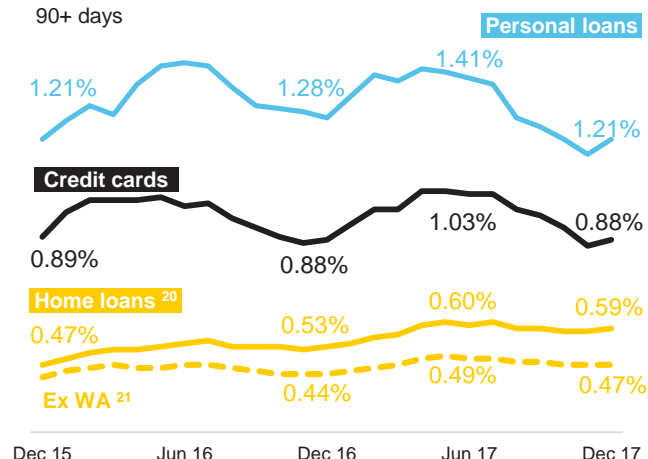
Loan impairment expense

Group, bpts ¹⁸



Consumer arrears ¹⁹

90+ days



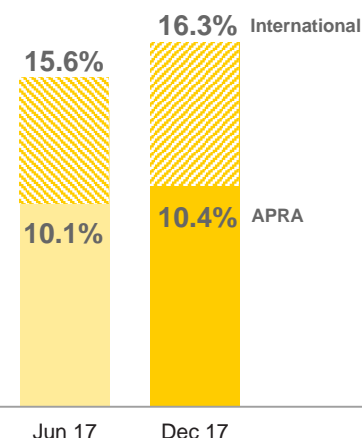
- Credit quality remained sound. Loan impairment expense (LIE) as a percentage of average gross loans and acceptances was 16 basis points.
- Consumer LIE decreased to 17 basis points from 18 basis points in the first half of 2017. Corporate LIE decreased by 1 basis point to 13 basis points.
- Personal loan, credit card and home loan arrears (excluding WA) remained low.

- For provisioning, CBA will adopt AASB 9 on 1 July 2018 which requires the use of a forward-looking methodology. The impact will be recognised in opening retained earnings. If the standard had been adopted as at 1 July 2017, the estimated pro-forma impact would have been an increase in impairment provisions of approximately \$850m, and a reduction in the CET1 ratio of circa 25 basis points.²²

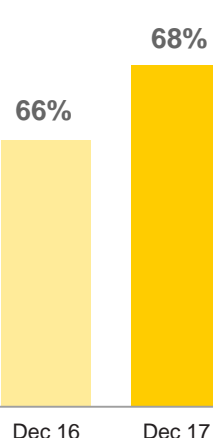
Balance sheet strength

Capital ratio

CET1

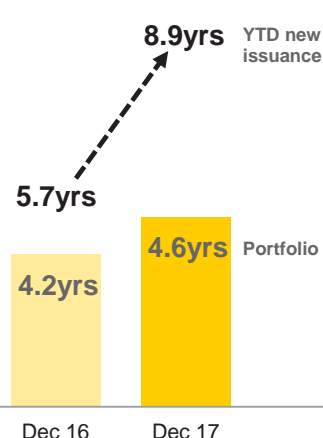


Deposit funding



Wholesale funding

Long term (>12 mths)



Liquidity



- A focus on strengthening the balance sheet in the period led to stronger capital, funding and liquidity.
- CBA's Common Equity Tier 1 capital ratio was 10.4% on an APRA basis at 31 December 2017, up 30 basis points on 30 June 2017 and up 50 basis points on 31 December 2016. This includes the impact of the provision for the estimated AUSTRAC penalty. On an internationally comparable basis it increased to 16.3%, maintaining CBA's position in the top quartile of international peer banks for CET1.
- Customer deposits contributed 68% of total funding.
- The Net Stable Funding Ratio was 110%, up from 107% in June 2017, driven by increased long term funding and extension of deposit terms.

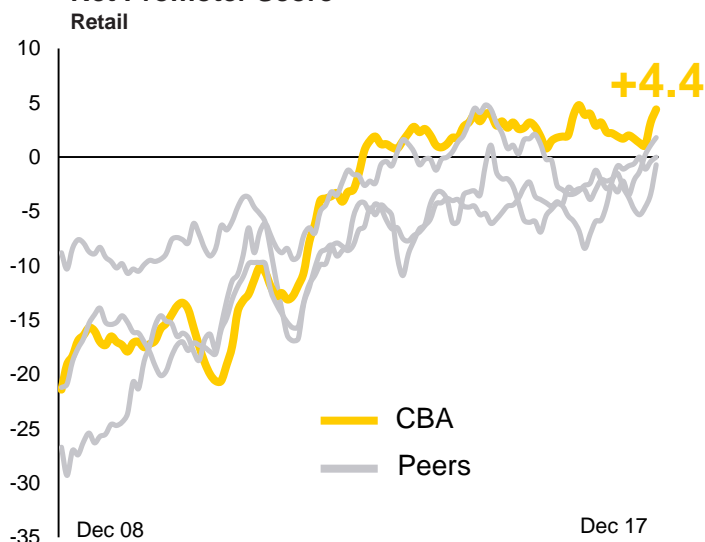
- Favourable funding conditions provided the opportunity to lengthen the tenor of wholesale funding at broadly flat costs. The weighted average maturity of the long term portfolio increased to 4.6 years, and the average tenor of year-to-date new issuance is 8.9 years.
- The proportion of long term funding in the wholesale portfolio increased from 58% to 63%.
- Liquid assets were \$138.5bn, including a committed liquidity facility of \$48.3bn, and the Liquidity Coverage Ratio was 131%, up from 129% at 30 June 2017.
- The Leverage Ratio was 5.4% on an APRA basis and 6.1% on an internationally comparable basis.

Continuing focus on customer satisfaction

Customer Satisfaction ²³

	Rank
Retail	#1
Business	= #1
Wealth	#1
Internet	#1

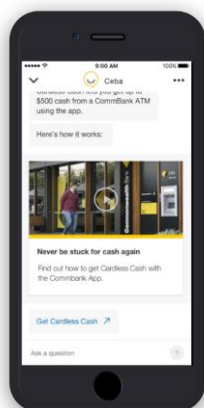
Net Promoter Score ²⁴



- Customer satisfaction ratings have remained high with Commonwealth Bank continuing to rate first or equal first in key segments.
- Net Promoter Score (NPS) is now the primary metric by which we assess customer satisfaction. Our goal is to be number one in NPS for all customer segments.

Continuing innovation

Ceba Chatbot, Tyme technology



- CBA has again maintained its commitment to investing in technology and innovation, in order to bring market-leading products and services to customers.
- CommBank's new Ceba chatbot, driven by artificial intelligence, can help customers complete more than 200 banking tasks.
- Continued innovation through Tyme has led to the development of TymeCoach, a financial wellbeing platform for customers in South Africa. Tyme technology is also being transferred to ASB in New Zealand, with the deployment of 130 digital kiosks.

Helping customers and the community

Domestic & Family Violence Emergency Assistance Package

We provide support to customers affected by domestic and family violence.



- Over 2,700 people have accessed CBA's Domestic & Family Violence Assistance Package since launch in October 2017. The package provides counselling and financial support to customers affected by domestic and family violence.
- CBA was the first Australian bank to remove ATM withdrawal fees for all CommBank and non-CommBank customers.
- A new remuneration framework has been introduced for branch tellers to ensure the focus is on customer service, rather than sales.

Outlook

Chief Executive Officer, Ian Narev

“Global growth trends are positive overall. Demand for Australia’s raw materials, and other goods and services, should remain strong. And employment-intensive sectors such as infrastructure, tourism and education should continue to grow and underpin GDP and employment growth.

However, market volatility remains a risk given ongoing global uncertainty as to the pace and extent of rate rises. Market movements over recent days highlight this risk. Volatility can undermine the confidence that is critical to continuing growth.

Low wage growth also impacts confidence. Economic growth improves families’ feelings of wellbeing when household income grows. Despite the positive trends in job creation, trends in wage growth and underemployment may cause households to remain cautious, which in turn weighs on consumption and business investment.

CBA will remain positive about Australia’s prospects, while being wary of these risks. And we will continue to focus on the long term so we can serve and innovate for our customers, provide stable returns for our shareholders, support our community, and remain strong into the future.”



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Shareholders

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Footnotes

- ¹ Presented on a cash basis unless otherwise stated.
- ² 1H18 includes an expense provision of \$375 million which the Group believes to be a reliable estimate of the level of penalty that a Court may impose, taking into account currently available information, including legal advice received by the Group in relation to AUSTRAC's claim.
- ³ 1H18 excludes the expense provision of \$375 million which the Group believes to be a reliable estimate of the level of penalty that a Court may impose, taking into account currently available information, including legal advice received by the Group in relation to AUSTRAC's claim.
- ⁴ Operating expenses to total operating income.
- ⁵ The Group uses Jaws as a key measure of financial performance. It is calculated as the difference between Total operating income growth and Operating expenses growth, compared to the prior comparative period.
- 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 Unless otherwise stated, all figures relate to the half year ended 31 December 2017. All comparisons are to the half year ended 31 December 2016.
- ⁸ Unless otherwise stated, the financial results are presented on a 'continuing operations' basis, excluding the life insurance businesses in Australia and New Zealand ('discontinued operations') being sold to AIA Group Limited.
- ⁹ For an explanation of and reconciliation between statutory and cash NPAT, refer to page 5 of the Profit Announcement.
- ¹⁰ Includes discontinued operations.
- ¹¹ The Group has provided for a civil penalty in the amount of \$375 million. The Group believes this to be a reliable estimate of the level of penalty that a Court may impose in the AUSTRAC proceedings. This takes into account currently available information, including legal advice received by the Group in relation to AUSTRAC's claims.
- ¹² In order to present an underlying view of the result: 1H17 has been adjusted to exclude a \$397 million gain on sale of the Group's remaining investment in Visa Inc. and a \$393 million one-off expense for acceleration of amortisation on certain software assets; the impact of consolidation and equity accounted profits of AHL Holdings Pty Ltd (trading as Aussie Home Loans) has been excluded; and 1H18 is adjusted to exclude a \$375 million expense provision which the Group believes to be a reliable estimate of the level of penalty that a Court may impose in the AUSTRAC proceedings.
- ¹³ 'Business as usual' expenses excludes the expense items noted in footnote 12, and also excludes the \$200 million expense provision taken for expected regulatory, compliance and remediation program costs and the \$64 million benefit from the one-off acceleration of software amortisation in 1H17.
- ¹⁴ Market as at September 2017 quarter. Source: MFAA.
- ¹⁵ System source RBA. CBA includes BWA and subsidiaries.
- ¹⁶ Adjusted for new market entrants/reporting changes. 'Non banks' refers to Non bank financial institutions.
- ¹⁷ Apartment developments >\$20m.
- ¹⁸ FY09 includes Bankwest on a pro-forma basis and is based on LIE for the year.
- ¹⁹ Includes retail portfolios of Retail Banking Services, Business and Private Banking, Bankwest and New Zealand.
- ²⁰ Excludes Reverse Mortgage, Commonwealth Portfolio Loan (CBA only) and Residential Mortgage Group (CBA only) loans.
- ²¹ Excludes Line of Credit (Viridian LOC/Equity Line).
- ²² The AASB 9 Accounting Standard is applicable from 1 July 2018. AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement'. The AASB 9 expected credit loss model is forward looking and replaces the existing incurred loss approach. The increase in impairment provisions on transition to AASB 9 is not reflective of a change in underlying portfolio credit quality.
- ²³ Roy Morgan Research Retail Main Financial Institution (MFI) Customer Satisfaction; DBM Business Financial Services Monitor; Wealth Insights Platform Service Level Survey; Roy Morgan Research.
- ²⁴ Roy Morgan Research, Retail Net Promoter Score. Advocacy is measured on a scale of 1 to 10, with 1 being 'Very Unlikely' and 10 being 'Very Likely' to recommend. Promoters is defined as score of 9-10. Total Detractors is a score of 1-6.

Key financial information

	Half year ended ("cash basis") ¹				
Group performance summary (continuing operations)	31 Dec 17 \$m	30 Jun 17 \$m	31 Dec 16 \$m	Dec 17 v Jun 17 %	Dec 17 v Dec 16 %
Net interest income	9,253	8,824	8,710	5	6
Other banking income ²	2,694	2,577	3,018	5	(11)
Total banking income	11,947	11,401	11,728	5	2
Funds management income	1,039	970	943	7	10
Insurance income	136	61	162	large	(16)
Total operating income	13,122	12,432	12,833	6	2
Investment experience	13	21	2	(38)	large
Total income	13,135	12,453	12,835	5	2
Operating expenses ³	(5,764)	(5,195)	(5,474)	11	5
Loan impairment expense	(596)	(496)	(599)	20	(1)
Net profit before tax	6,775	6,762	6,762	-	-
NPAT from continuing operations ("cash basis")	4,735	4,827	4,828	(2)	(2)
NPAT incl. discount'd operations ("cash basis")	4,871	4,974	4,907	(2)	(1)
NPAT incl. discount'd operations ("statutory basis")	4,906	5,033	4,895	(3)	-
Cash net profit after tax, by division (continuing operations)	31 Dec 17 \$m	30 Jun 17 \$m	31 Dec 16 \$m	Dec 17 v Jun 17 %	Dec 17 v Dec 16 %
Retail Banking Services	2,653	2,480	2,453	7	8
Business and Private Banking	960	930	878	3	9
Institutional Banking and Markets	591	630	681	(6)	(13)
Wealth Management	281	211	211	33	33
New Zealand	483	446	423	8	14
Bankwest	339	286	290	19	17
IFS and Other	(572)	(156)	(108)	large	large
Shareholder ratios & performance indicators (continuing operations)	31 Dec 17	30 Jun 17	31 Dec 16	Dec 17 v Jun 17 %	Dec 17 v Dec 16 %
Earnings Per Share - "cash basis" - basic (cents)	272.2	279.9	281.1	(3)	(3)
Return on equity - "cash basis" (%)	14.5	15.6	15.7	(110) bpts	(120) bpts
Dividends per share - fully franked (cents)	200	230	199	(13)	1
Dividend payout ratio - "cash basis" (%)	72.0	80.0	69.9	large	210 bpts
Average interest earning assets (\$M) ⁴	851,522	846,619	823,058	1	3
Funds Under Administration - average (\$M)	151,008	144,256	138,024	5	9
Assets Under Management - average (\$M)	224,560	213,838	206,336	5	9
Net interest margin (%)	2.16	2.10	2.10	6 bpts	6 bpts
Operating expenses to total operating income (%) ⁵	43.9	41.8	42.7	210 bpts	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 inclusion of discontinued operations adjustment.

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

³ The half year ended 31 December 2017 includes a \$375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC proceedings. The half year ended 31 December 2016 included a \$393 million one-off expense for acceleration of amortisation on certain software assets.

⁴ Net of average mortgage offset balances.

⁵ The half year ended 31 December 2016 included a \$397 million gain on sale of the Group's remaining investment in Visa Inc. and a \$393 million one-off expense for acceleration of amortisation on certain software assets. Excluding these items, the Operating expenses to total operating income is 40.9% from continuing operations and 41.5% including discontinued operations. The half year ended 31 December 2017 includes a \$375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC proceedings and an increase of \$94 million in income and \$71 million in expenses from AHL Holdings Pty Ltd (trading as Aussie Home Loans) as the Group acquired the remaining 20% share on 25 August 2017. Excluding these items, Operating expense to total operating income is 40.8% from continuing operations and 41.2% including discontinued operations for the half year ended 31 December 2017.



Highlights

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1H18 Headline Results Snapshot

(Continuing operations basis⁽¹⁾)

			Pro-forma: Excl AUSTRAC Penalty Provision ⁽²⁾
	Cash earnings (\$M)		
	1H18	4,735	↓ 1.9%
	1H17	4,828	
	Statutory earnings (\$M)		
	1H18	4,895	↑ 1.2%
	1H17	4,835	
	Total operating income (\$M)		
	1H18	13,122	↑ 2.3%
	1H17	12,833	
	Total operating expenses (\$M)		
	1H18	5,764	↑ 5.3%
	1H17	5,474	↓ 1.6% (\$5,389m)
	Loan impairment expense (\$M)		
	1H18	596	↓ 0.5%
	1H17	599	
	Cost to income (efficiency ratio)		
	1H18	43.9%	↑ 120 bpts
	1H17	42.7%	↓ 160 bpts (41.1%)
	Capital ratio CET1 (APRA)⁽³⁾		
	1H18	10.4%	↑ 50 bpts
	1H17	9.9%	↑ 60 bpts (10.5%)
	Weighted average maturity of long-term debt (years)⁽³⁾		
	1H18	4.6	↑ 0.4 years
	1H17	4.2	
	Net Stable Funding Ratio (%)		
	1H18	110%	↑ 4%
	1H17	106%	
	Customer deposit funding ratio (%)		
	1H18	68%	↑ 2%
	1H17	66%	
	Cash basic earnings per share (cents)⁽⁴⁾		
	1H18	272.2	↓ 3.2%
	1H17	281.1	↑ 4.5% (293.7 cents)
	Dividends per share (cents)⁽³⁾		
	1H18	200	↑ 1 cent
	1H17	199	

(1) On 21 September 2017 CBA announced the sale of 100% of its life insurance businesses in Australia and New Zealand (discontinued operations) to AIA Group Limited. The financial results have been restated and presented on a continuing operations basis.

(2) 1H18 is adjusted to exclude a \$375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC proceedings. See Note 7.2 to the Financial Statements for further information.

(3) Numbers are presented including discontinued operations.

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

1H18 in review – CEO report

Group Strategic Review

In the six months to 31 December 2017, our people maintained their focus on our vision, and our strategy. Their efforts enabled us to continue our strong operating momentum. Underlying operating performance was up 5.1% relative to the same period in 2017⁽¹⁾. Expense provisions for expected regulatory, compliance and remediation program costs and for the estimated civil penalty a Court may impose in the AUSTRAC proceedings⁽²⁾, resulted in a slight reduction in cash net profit after tax.

Our operating momentum is due to consistent execution of our customer focused strategy, and ongoing investment in our people and technology. Over time this strategy has enabled CBA to strengthen our long-term sources of competitive advantage – including a market-leading franchise with the most extensive physical distribution assets and the most popular digital banking platforms. Around one third of Australians call us their main financial institution. That proportion is higher for young Australians and migrants.

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

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

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

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

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

This combination of industry-leading underlying performance and a robust balance sheet, has again supported returns for shareholders. Despite the significant regulatory provisions, we were able to increase our interim dividend slightly to

\$2.00 per share, up from \$1.99 in the prior comparative period.

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

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

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

Strategic Outlook

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

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

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

(1) In order to present an underlying view of the result, the impact of consolidation and equity accounted profits of AHL Holdings Pty Ltd (trading as Aussie Home Loans) has been excluded, 1H17 has been adjusted to exclude a \$397 million gain on sale of the Group's remaining investment in Visa Inc. and a \$393 million one-off expense for acceleration of amortisation on certain software assets, and 1H18 is adjusted to exclude a \$375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC proceedings.

(2) The Group has provided for a civil penalty in the amount of \$375 million. The Group believes this to be a reliable estimate of the level of penalty that a Court may impose. This takes into account currently available information, including legal advice received by the Group in relation to AUSTRAC's claims. See Note 7.2 to the Financial Statements for further information.

Highlights

Group Performance Summary

Group Performance Summary	Half Year Ended ⁽¹⁾ ("cash basis")					Half Year Ended ⁽¹⁾ ("statutory basis")	
	31 Dec 17 \$M	30 Jun 17 \$M	31 Dec 16 \$M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %	31 Dec 17 \$M	Dec 17 vs Dec 16 %
Net interest income	9,253	8,824	8,710	5	6	9,253	6
Other banking income ⁽²⁾	2,694	2,577	3,018	5	(11)	2,896	(4)
Total banking income	11,947	11,401	11,728	5	2	12,149	4
Funds management income	1,039	970	943	7	10	1,047	11
Insurance income	136	61	162	large	(16)	141	(15)
Total operating income	13,122	12,432	12,833	6	2	13,337	4
Investment experience	13	21	2	(38)	large	n/a	n/a
Total income	13,135	12,453	12,835	5	2	13,337	4
Operating expenses ⁽³⁾	(5,764)	(5,195)	(5,474)	11	5	(5,766)	5
Loan impairment expense	(596)	(496)	(599)	20	(1)	(596)	(1)
Net profit before tax	6,775	6,762	6,762	-	-	6,975	3
Corporate tax expense	(2,031)	(1,924)	(1,925)	6	6	(2,071)	8
Non-controlling interests ⁽⁴⁾	(9)	(11)	(9)	(18)	-	(9)	-
Net profit after tax from continuing operations ("cash basis")	4,735	4,827	4,828	(2)	(2)	4,895	1
Net profit after tax from discontinued operations	136	147	79	(7)	72	11	(82)
Net profit after tax ("cash basis")	4,871	4,974	4,907	(2)	(1)	n/a	n/a
Hedging and IFRS volatility	96	65	8	48	large	n/a	n/a
Other non-cash items	(61)	(6)	(20)	large	large	n/a	n/a
Net profit after tax ("statutory basis")	4,906	5,033	4,895	(3)	-	4,906	-
Cash net profit after tax, by division ⁽¹⁾							
Retail Banking Services	2,653	2,480	2,453	7	8		
Business and Private Banking	960	930	878	3	9		
Institutional Banking and Markets	591	630	681	(6)	(13)		
Wealth Management	281	211	211	33	33		
New Zealand	483	446	423	8	14		
Bankwest	339	286	290	19	17		
IFS and Other	(572)	(156)	(108)	large	large		
Net profit after tax from continuing operations ("cash basis")	4,735	4,827	4,828	(2)	(2)		

(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 inclusion of discontinued operations adjustment.

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

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

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

Highlights

Non-Cash Items Included in Statutory Profit

The Management Discussion and Analysis discloses the net profit after tax on both a statutory and cash basis. The statutory basis is prepared and reviewed in accordance with the Corporations Act 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 operating results. It is not a measure based on cash accounting or cash flows. The items excluded from cash profit, such as hedging and IFRS volatility and gains or losses on disposal and acquisition of entities net of transaction costs are calculated consistently with the prior year and prior half disclosures and do not discriminate between positive and negative adjustments. A list of items excluded from cash profit is provided in the table below.

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

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

Highlights

Key Performance Indicators	Half Year Ended				
	31 Dec 17	30 Jun 17	31 Dec 16	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Group Performance from continuing operations					
Statutory net profit after tax (\$M)	4,895	4,890	4,835	-	1
Cash net profit after tax (\$M)	4,735	4,827	4,828	(2)	(2)
Net interest margin (%)	2. 16	2. 10	2. 10	6 bpts	6 bpts
Net interest margin excluding Treasury and Markets (%)	2. 14	2. 09	2. 07	5 bpts	7 bpts
Operating expenses to total operating income (%) ^{(1) (2)}	43. 9	41. 8	42. 7	210 bpts	120 bpts
Spot number of full-time equivalent staff (FTE)	42,959	44,024	43,660	(2)	(2)
Jaws (%) ⁽³⁾	(3. 0)	n/a	n/a	n/a	n/a
Effective corporate tax rate ("cash basis") (%)	30. 0	28. 5	28. 5	150 bpts	150 bpts
Profit after capital charge (PACC) (\$M) ⁽⁴⁾	3,095	3,221	3,282	(4)	(6)
Average interest earning assets (\$M) ⁽⁵⁾	851,522	846,619	823,058	1	3
Average interest bearing liabilities (\$M) ⁽⁵⁾	757,449	764,126	747,236	(1)	1
Funds Under Administration (FUA) - average (\$M)	151,008	144,256	138,024	5	9
Assets Under Management (AUM) - average (\$M)	224,560	213,838	206,336	5	9
Average inforce premiums (\$M)	1,043	1,031	1,002	1	4
Group Performance including discontinued operations					
Statutory net profit after tax (\$M)	4,906	5,033	4,895	(3)	-
Cash net profit after tax (\$M)	4,871	4,974	4,907	(2)	(1)
Net interest margin (%)	2. 16	2. 11	2. 11	5 bpts	5 bpts
Net interest margin excluding Treasury and Markets (%)	2. 14	2. 10	2. 08	4 bpts	6 bpts
Operating expenses to total operating income (%) ^{(1) (2)}	44. 2	42. 1	43. 3	210 bpts	90 bpts
Spot number of full-time equivalent staff (FTE)	44,458	45,614	45,271	(3)	(2)
Jaws (%) ⁽³⁾	(2. 3)	n/a	n/a	n/a	n/a
Effective corporate tax rate ("cash basis") (%)	29. 9	28. 4	28. 4	150 bpts	150 bpts
Profit after capital charge (PACC) (\$M) ⁽⁴⁾	3,126	3,270	3,255	(4)	(4)
Average interest earning assets (\$M) ⁽⁵⁾	851,606	846,619	823,058	1	3
Average interest bearing liabilities (\$M) ⁽⁵⁾	758,312	764,126	747,236	(1)	1
Funds Under Administration (FUA) - average (\$M)	162,219	155,855	150,134	4	8
Assets Under Management (AUM) - average (\$M)	225,116	214,446	206,996	5	9
Average inforce premiums (\$M)	3,308	3,402	3,475	(3)	(5)

(1) The half year ended 31 December 2016 includes a \$397 million gain on sale of the Group's remaining investment in Visa Inc. and a \$393 million one-off expense for acceleration of amortisation on certain software assets. Excluding these items, the Operating expenses to Total operating income is 40.9% from continuing operations and 41.5% including discontinued operations.

(2) The half year ended 31 December 2017 includes a \$375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTAC proceedings (see Note 7.2 to the Financial Statements for further information), and an increase of \$94 million in income and \$71 million in expenses from AHL Holdings Pty Ltd (trading as Aussie Home Loans) as the Group acquired the remaining 20% share on 25 August 2017. Excluding these items, Operating expense to total operating income is 40.8% from continuing operations and 41.2% including discontinued operations for the half year ended 31 December 2017.

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

(4) 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.

(5) Net of average mortgage offset balances.

Highlights

Key Performance Indicators	Half Year Ended				
	31 Dec 17	30 Jun 17	31 Dec 16	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Shareholder Returns from continuing operations					
Earnings Per Share (EPS) (cents) ^{(1) (2)}					
Statutory basis - basic	281.6	283.7	281.7	(1)	-
Cash basis - basic	272.2	279.9	281.1	(3)	(3)
Return on equity (ROE) (%) ⁽²⁾					
Statutory basis	15.1	15.9	15.8	(80)bpts	(70)bpts
Cash basis	14.5	15.6	15.7	(110)bpts	(120)bpts
Shareholder Returns including discontinued operations					
Earnings Per Share (EPS) (cents) ^{(1) (2)}					
Statutory basis - basic	282.2	292.0	285.2	(3)	(1)
Cash basis - basic	280.0	288.4	285.7	(3)	(2)
Return on equity (ROE) (%) ⁽²⁾					
Statutory basis	15.1	16.3	16.0	(120)bpts	(90)bpts
Cash basis	15.0	16.1	16.0	(110)bpts	(100)bpts
Dividends per share - fully franked (cents)	200	230	199	(13)	1
Dividend cover - "cash basis" (times)	1.4	1.3	1.4	8	-
Dividend payout ratio (%) ⁽²⁾					
Statutory basis	71.4	79.0	70.1	large	130 bpts
Cash basis	72.0	80.0	69.9	large	210 bpts
Capital (Basel III) including discontinued operations					
Common Equity Tier 1 (Internationally Comparable) (%) ⁽³⁾	16.3	15.6	15.4	70 bpts	90 bpts
Common Equity Tier 1 (APRA) (%)	10.4	10.1	9.9	30 bpts	50 bpts
Risk weighted assets (RWA) (\$M) - Basel III	440,836	437,063	436,481	1	1
Leverage Ratio (Basel III) including discontinued operations					
Leverage Ratio (Internationally Comparable) (%) ⁽³⁾	6.1	5.8	5.5	30 bpts	60 bpts
Leverage Ratio (APRA) (%)	5.4	5.1	4.9	30 bpts	50 bpts
Credit Quality Metrics including discontinued operations					
Loan impairment expense ("cash basis") annualised as a % of average GLAAs	0.16	0.14	0.17	2 bpts	(1)bpt
Gross impaired assets as a % of GLAAs	0.45	0.43	0.47	2 bpts	(2)bpts
Credit risk weighted assets (RWA) (\$M) - Basel III	366,985	377,259	373,526	(3)	(2)

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

(2) For definitions refer to Appendix 4.8.

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

Highlights

Key Performance Indicators	Half Year Ended ⁽¹⁾				
	31 Dec 17	30 Jun 17	31 Dec 16	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Retail Banking Services					
Cash net profit after tax (\$M)	2,653	2,480	2,453	7	8
Net interest margin (%)	3. 01	2. 91	2. 90	10 bpts	11 bpts
Average interest earning assets (AIEA) (\$M) ⁽²⁾	326,256	320,885	313,281	2	4
Operating expenses to total banking income (%) ^{(3) (4)}	30. 1	31. 0	31. 0	(90)bpts	(90)bpts
Risk weighted assets (\$M)	140,715	134,937	120,778	4	17
Business and Private Banking					
Cash net profit after tax (\$M)	960	930	878	3	9
Net interest margin (%)	3. 03	2. 98	2. 97	5 bpts	6 bpts
Average interest earning assets (AIEA) (\$M) ⁽²⁾	110,969	110,412	107,793	1	3
Operating expenses to total banking income (%) ⁽³⁾	35. 7	37. 1	37. 5	(140)bpts	(180)bpts
Risk weighted assets (\$M)	89,449	87,654	87,664	2	2
Institutional Banking and Markets					
Cash net profit after tax (\$M)	591	630	681	(6)	(13)
Net interest margin (%)	1. 03	1. 10	1. 10	(7)bpts	(7)bpts
Average interest earning assets (AIEA) (\$M)	142,416	138,789	138,439	3	3
Operating expenses to total banking income (%) ⁽³⁾	38. 3	38. 5	37. 0	(20)bpts	130 bpts
Risk weighted assets (\$M)	97,732	102,242	116,075	(4)	(16)
Wealth Management ⁽⁵⁾					
Cash net profit after tax (\$M)	281	211	211	33	33
Operating expenses to total operating income (%) ⁽³⁾	66. 1	72. 4	72. 2	large	large
FUA - average (\$M)	139,104	132,239	126,036	5	10
AUM - average (\$M)	219,558	209,469	201,967	5	9
CommInsure Inforce Premiums - average (\$M)	795	777	748	2	6
New Zealand ⁽⁵⁾					
Cash net profit after tax (\$M)	483	446	423	8	14
Risk weighted assets - APRA basis (\$M) ⁽⁶⁾	47,489	48,807	48,524	(3)	(2)
Net interest margin (ASB) (%) ⁽⁷⁾	2. 20	2. 15	2. 19	5 bpts	1 bpt
Average interest earning assets (AIEA) (ASB) (NZ\$M) ⁽⁷⁾	88,525	85,753	82,455	3	7
Operating expenses to total operating income (ASB) (%) ^{(3) (7)}	34. 1	36. 2	35. 7	(210)bpts	(160)bpts
FUA - average (ASB) (NZ\$M) ⁽⁷⁾	12,971	12,743	12,575	2	3
AUM - average (ASB) (NZ\$M) ⁽⁷⁾	4,976	4,635	4,584	7	9
Bankwest					
Cash net profit after tax (\$M)	339	286	290	19	17
Net interest margin (%)	2. 09	2. 08	2. 06	1 bpt	3 bpts
Average interest earning assets (AIEA) (\$M) ⁽²⁾	73,670	71,900	70,496	2	5
Operating expenses to total banking income (%) ⁽³⁾	41. 6	45. 9	44. 1	(430)bpts	(250)bpts
Risk weighted assets (\$M)	40,468	37,803	34,418	7	18

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

(2) Net of average mortgage offset balances.

(3) Presented on a "cash basis".

(4) Excludes the impact of consolidation of AHL Holdings Pty Ltd (trading as "Aussie Home Loans").

(5) Presented on a continuing operations basis.

(6) Risk weighted assets represent ASB only and are calculated in accordance with APRA requirements.

(7) Key financial metrics represent ASB only and are calculated in New Zealand dollar terms.

Highlights

	As at				
	31 Dec 17 %	30 Jun 17 %	31 Dec 16 %	Dec 17 vs Jun 17	Dec 17 vs Dec 16
Market Share ⁽¹⁾					
Home loans	24.6	24.8	25.0	(20)bpts	(40)bpts
Credit cards - RBA ⁽²⁾	24.4	24.4	24.4	-	-
Other household lending ⁽³⁾	27.0	26.6	26.1	40 bpts	90 bpts
Household deposits	28.5	28.8	29.0	(30)bpts	(50)bpts
Business lending - RBA	16.3	16.5	16.6	(20)bpts	(30)bpts
Business lending - APRA	18.4	18.6	18.6	(20)bpts	(20)bpts
Business deposits - APRA	20.4	20.3	19.8	10 bpts	60 bpts
Equities trading	4.0	3.9	4.0	10 bpts	-
Australian Retail - administrator view ⁽⁴⁾	15.6	15.6	15.5	-	10 bpts
FirstChoice Platform ⁽⁴⁾	10.8	10.7	10.8	10 bpts	-
Australia life insurance (total risk) ^{(4) (5)}	9.8	9.9	11.1	(10)bpts	(130)bpts
Australia life insurance (individual risk) ^{(4) (5)}	9.8	10.0	10.2	(20)bpts	(40)bpts
NZ home loans ⁽⁶⁾	21.8	21.7	21.9	10 bpts	(10)bpts
NZ customer deposits ⁽⁶⁾	17.8	17.8	17.5	-	30 bpts
NZ business lending ⁽⁶⁾	14.5	14.4	13.9	10 bpts	60 bpts
NZ retail AUM ⁽⁷⁾	13.0	12.4	12.3	60 bpts	70 bpts
NZ annual inforce premiums ^{(4) (5)}	26.8	27.9	28.0	(110)bpts	(120)bpts

(1) Comparatives have been restated in line with market updates. This does not include the impact of new market entrants in the current period.

(2) As at 30 November 2017.

(3) Other household lending market share includes personal loans, margin loans and other forms of lending to individuals.

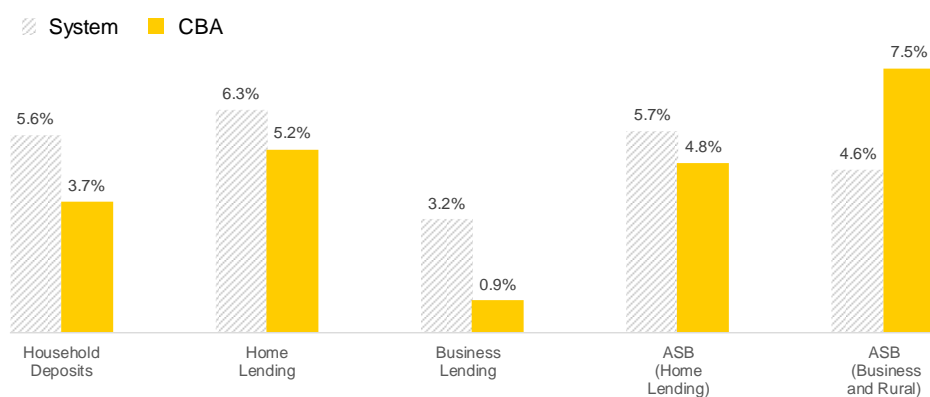
(4) As at 30 September 2017.

(5) Metrics relate to discontinued operations.

(6) RBNZ published data collection has changed based on a new collection template implemented with all NZ banks. Accordingly, the December 2016 comparatives have been restated.

(7) Presented on a continuing operations basis.

CBA growth against System ^{(1) (2)} Balance Growth – 12 months to Dec 17



(1) System has been restated in line with market updates and includes the impact of new market entrants in the current period.

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

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

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Group performance analysis



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Group Performance Analysis

Financial Performance and Business Review

Performance Overview (continuing operations basis ⁽¹⁾)

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

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

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

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

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

We are adjusting for the environment by:

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

Financial Performance Drivers

The Group's headline result (operating income up 2.3%, operating expenses up 5.3%) was impacted by a number of items. In order to present an underlying view of the business performance, the impact of consolidation and equity accounted profits of Aussie Home Loans (AHL) has been excluded, 1H17 has been adjusted to exclude a \$397 million gain on sale of the Group's remaining investment in Visa Inc. and a \$393 million one-off expense for acceleration of amortisation on certain software assets, and 1H18 is adjusted to exclude a \$375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC proceedings. Commentary on the Financial Performance Drivers refers to the Group's underlying result on a continuing operations basis compared to the prior comparative period (1H17). The impact of these adjustments is outlined below:

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

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

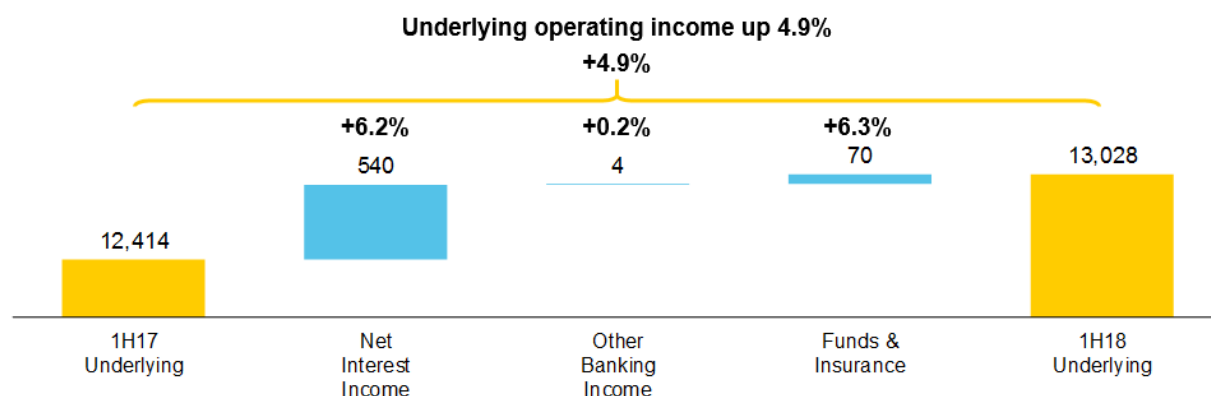
(2) The Group has provided for a civil penalty in the amount of \$375 million. The Group believes this to be a reliable estimate of the level of penalty that a Court may impose. This takes in account currently available information, including legal advice received by the Group in relation to AUSTRAC's claims. See Note 7.2 to the Financial Statements for further information.

Group Performance Analysis

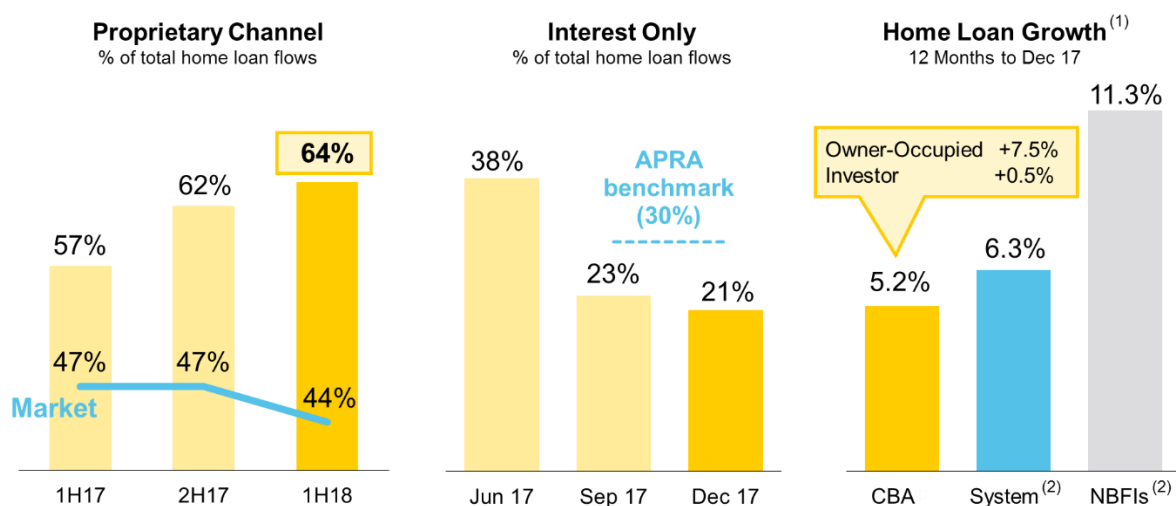
Financial Performance and Business Review (continued)

Operating Income

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



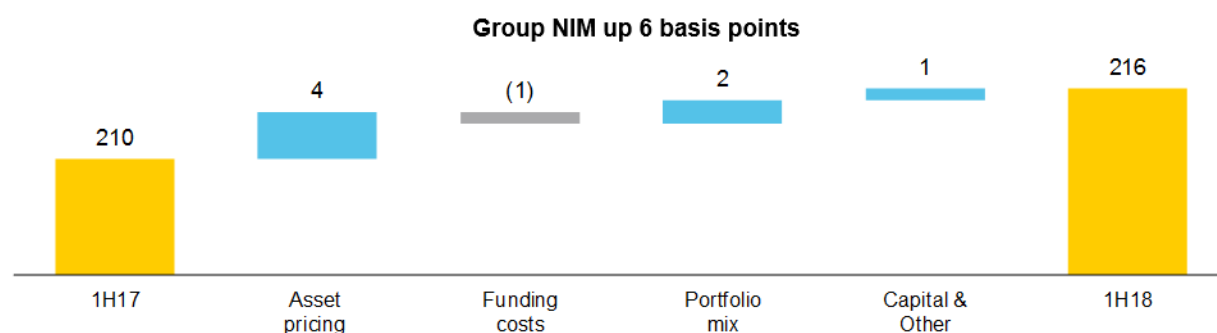
Domestic home loan volume growth of 5% was below system as the Group balanced growth and returns. Proprietary flows were strong following strategic investment to enhance the home loan experience for customers, while interest only and investor loan growth was managed within regulatory limits.



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

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

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



Group Performance Analysis

Financial Performance and Business Review (continued)

Operating Income (continued)

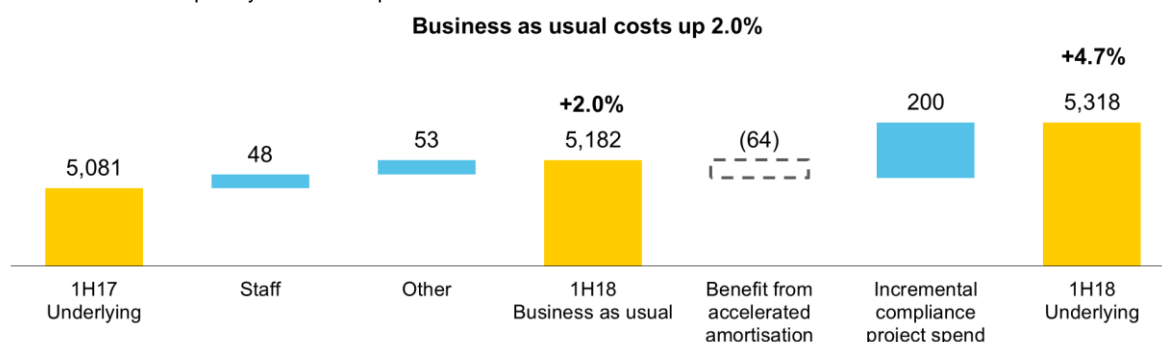
Other banking income growth was flat as a result of a weaker trading performance reflecting lower markets volatility, lower commissions from the RBA interchange rate reduction and lower ATM withdrawal fees, offset by higher business lending fees and favourable derivative valuation adjustments.

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

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

Operating Expenses

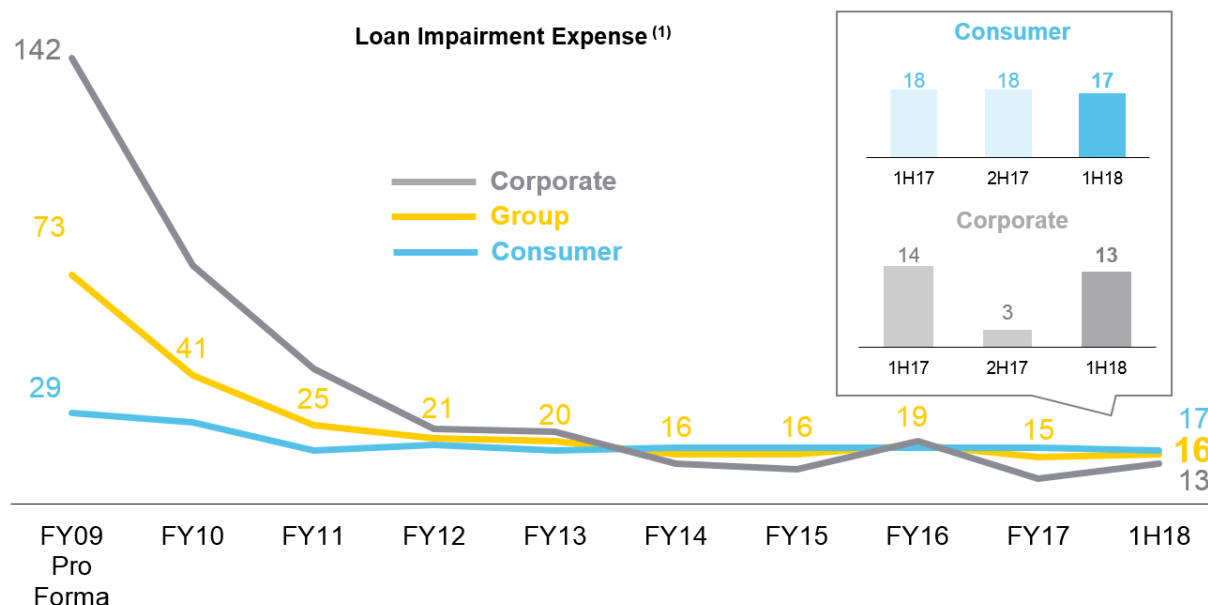
Operating expenses increased 4.7%, including an incremental \$200 million for expected regulatory, compliance and remediation related program costs as well as a \$64 million benefit from the one-off acceleration of software amortisation in 1H17. Excluding these costs, operating expenses increased 2.0%,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



Credit Quality

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

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



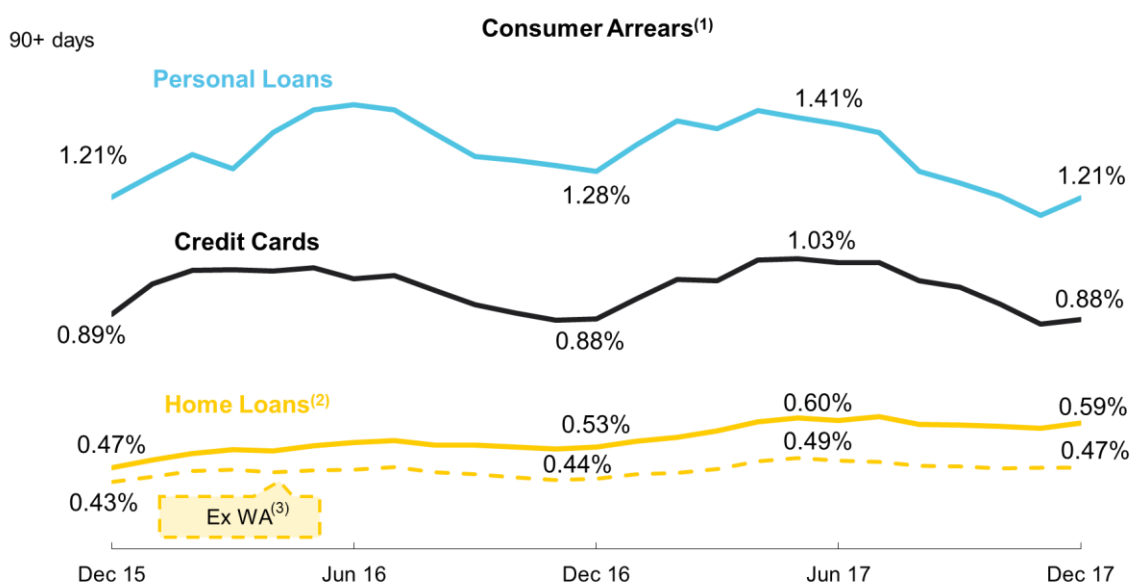
The AASB 9 Accounting Standard is applicable from 1 July 2018. The Group's current estimate of the opening balance sheet adjustment (through opening retained earnings), if applied on 1 July 2017 based on the economic conditions, forecast economic scenarios, management judgements and assumptions as at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

Group Performance Analysis

Financial Performance and Business Review (continued)

Credit Quality (continued)

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



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

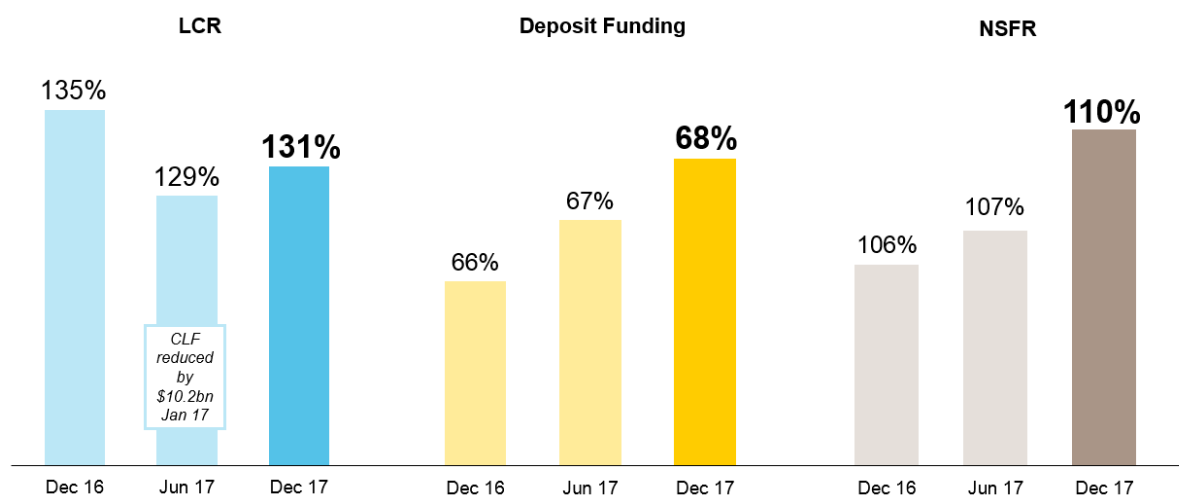
Balance Sheet Strength

Funding and Liquidity

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

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

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



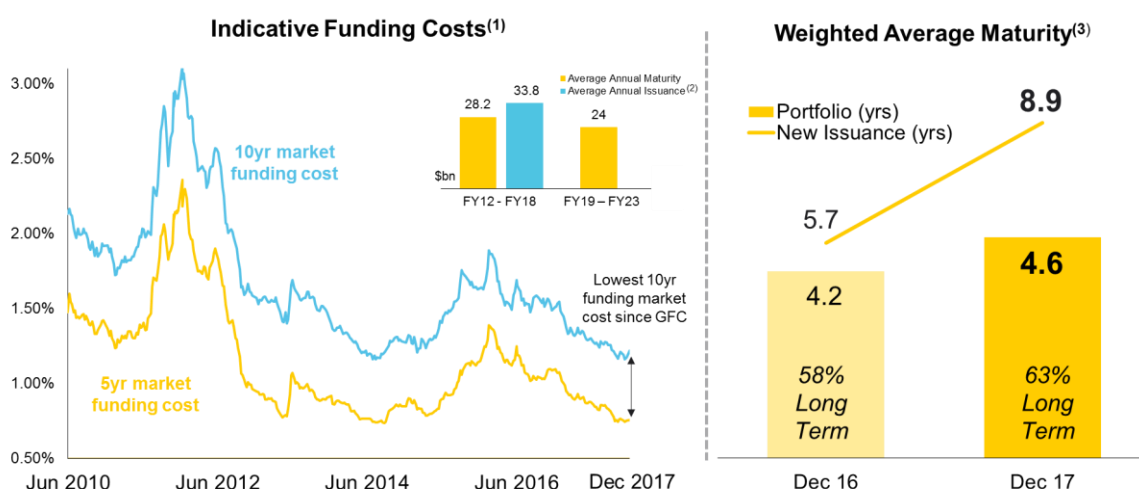
Group Performance Analysis

Financial Performance and Business Review (continued)

Funding and Liquidity (continued)

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

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



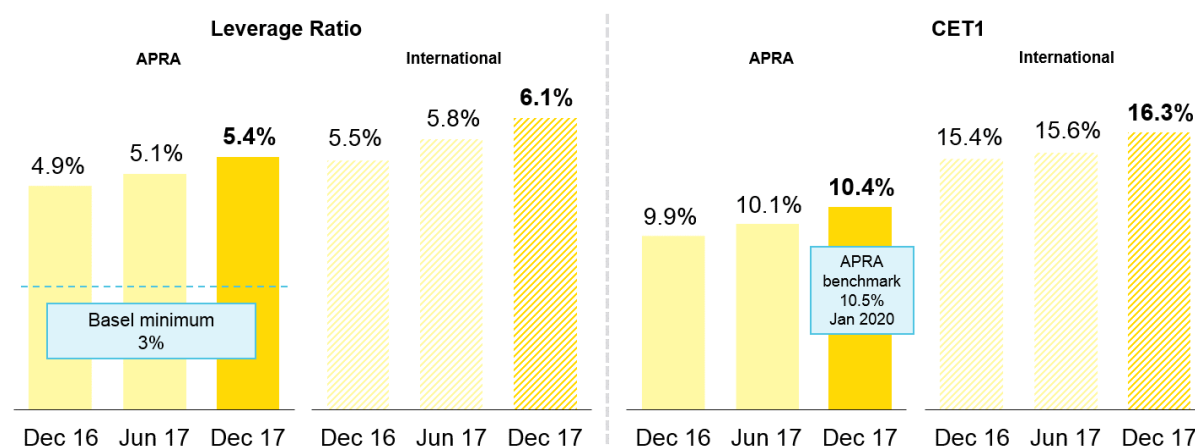
(1) Indicative funding costs across major currencies. Represents the spread in BBSW equivalent terms on a swapped basis.
(2) Average Annual Issuance includes an assumption of ~\$32bn for FY18.
(3) Long term wholesale funding (>12 months).

Leverage and Capital

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

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

The announced sale of the Group's Australian and New Zealand Life Insurance operations is expected to result in a pro-forma uplift to CET1 (APRA) of ~70 basis points.

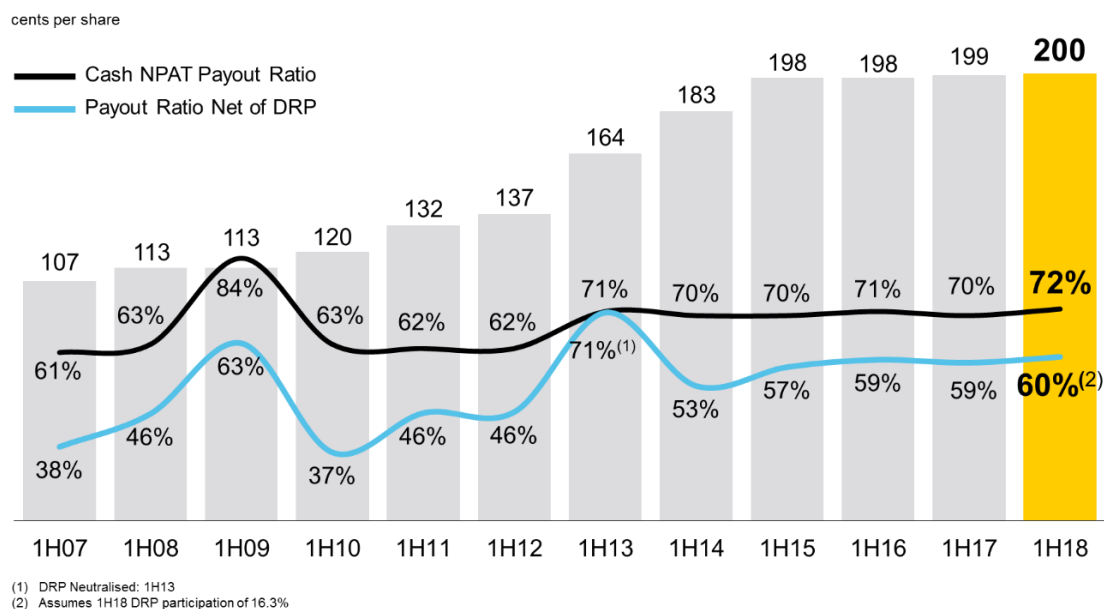


Group Performance Analysis

Financial Performance and Business Review (continued)

Dividends

The Group's performance supported the Board's aim of consistent dividends for shareholders with the interim dividend of 200c resulting in a dividend payout ratio of 72% of cash NPAT.



Group Performance Analysis

Net Interest Income (continuing operations basis)

	Half Year Ended ⁽¹⁾				
	31 Dec 17 \$M	30 Jun 17 \$M	31 Dec 16 \$M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Net interest income - "cash basis"	9,253	8,824	8,710	5	6
Average interest earning assets					
Home loans ⁽²⁾	447,814	440,572	430,408	2	4
Consumer finance	23,148	23,577	23,460	(2)	(1)
Business and corporate loans	226,596	221,868	220,519	2	3
Total average lending interest earning assets	697,558	686,017	674,387	2	3
Non-lending interest earning assets ⁽³⁾	153,964	160,602	148,671	(4)	4
Total average interest earning assets	851,522	846,619	823,058	1	3
Net interest margin (%)	2.16	2.10	2.10	6 bpts	6 bpts
Net interest margin excluding Treasury and Markets (%)	2.14	2.09	2.07	5 bpts	7 bpts

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

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

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

December 2017 versus December 2016

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

Average Interest Earning Assets

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

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

For further details on the balance sheet movements refer to the 'Review of Group Assets and Liabilities' on page 28.

Net Interest Margin

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

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

Funding costs: Decreased margin of one basis point with the negative impact from the major bank levy partly offset by the benefit from deposit repricing. Wholesale funding

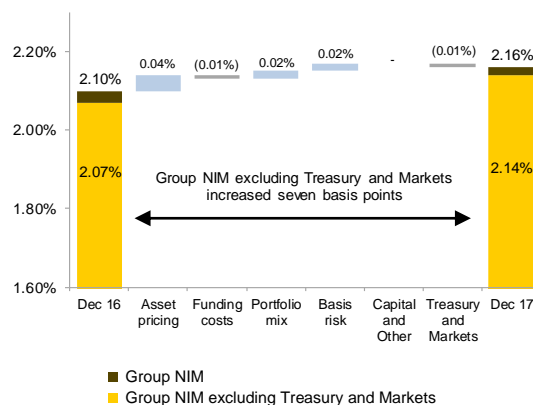
costs remained flat in the period driven by lower short-term funding costs and improvement in long-term funding conditions, offset by lengthening of the wholesale funding tenor and mix change from short-term to long-term wholesale funding.

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

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

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

NIM movement since December 2016 ⁽¹⁾



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

Group Performance Analysis

Net Interest Income (continued)

December 2017 versus June 2017

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

Average Interest Earning Assets

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

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

For further details on the balance sheet movements refer to the 'Review of Group Assets and Liabilities' on page 28.

Net Interest Margin

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

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

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

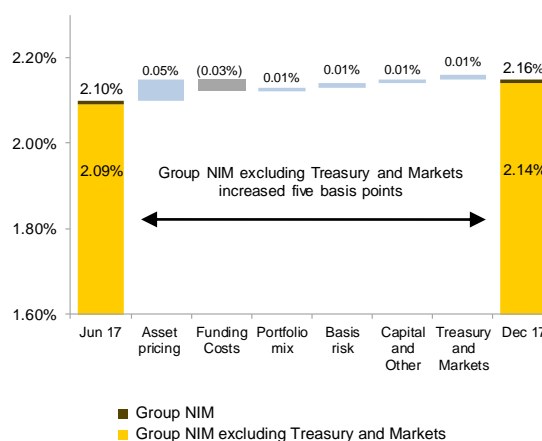
Portfolio mix: Increased margin of one basis point reflecting a favourable change in funding mix from proportionally higher levels of transaction deposits, partly offset by an unfavourable change in lending mix.

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

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

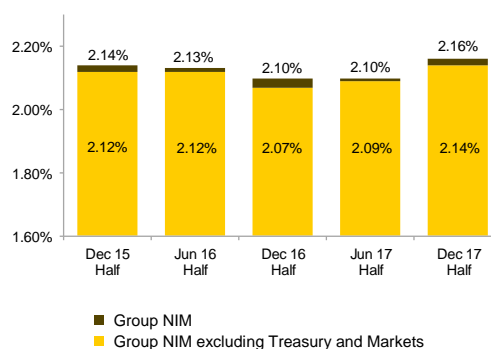
Treasury and Markets: Increased margin of one basis point due to the benefit from lower holdings of liquid assets.

NIM movement since June 2017 ⁽¹⁾



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

Group NIM (Half Year Ended) ⁽¹⁾



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

Group Performance Analysis

Other Banking Income (continuing operations basis)

	Half Year Ended ⁽¹⁾				
	31 Dec 17	30 Jun 17	31 Dec 16	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
	\$M	\$M	\$M		
Commissions (excluding AHL) ⁽²⁾	1,249	1,271	1,286	(2)	(3)
AHL Commissions ⁽²⁾	84	-	-	n/a	n/a
Lending fees	558	545	533	2	5
Trading income	556	549	600	1	(7)
Other income ⁽³⁾	247	212	599	17	(59)
Other banking income - "cash basis" ^{(2) (3)}	2,694	2,577	3,018	5	(11)

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

(2) The half year ended 31 December 2017 includes an increase of \$84 million in Commissions from the consolidation of AHL Holdings Pty Ltd (trading as Aussie Home Loans) as the Group acquired the remaining 20% share on 25 August 2017.

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

December 2017 versus December 2016

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

Other banking income decreased 11% on the prior comparative period to \$2,694 million. Excluding the one-off impact of a gain on sale of the Group's remaining investment in Visa Inc. in the prior comparative period and the increase in commissions from AHL consolidation in the current period, other banking income was flat. The key drivers were:

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

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

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

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

December 2017 versus June 2017

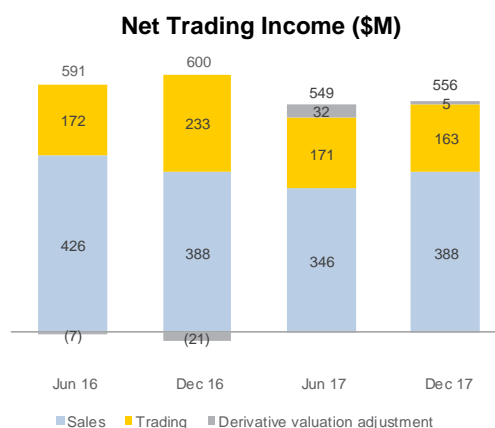
Other banking income increased 5% on the prior half. Excluding the increase in commissions from the consolidation of AHL in the current period, other banking income increased 1%. The key drivers were:

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

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

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

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



Group Performance Analysis

Funds Management Income (continuing operations basis)

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

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

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

December 2017 versus December 2016

Funds management income increased 10% on the prior comparative period to \$1,039 million, driven by:

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

December 2017 versus June 2017

Funds management income increased 7% on the prior half, driven by:

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

Insurance Income (continuing operations basis)

	Half Year Ended ⁽¹⁾				
	31 Dec 17 \$M	30 Jun 17 \$M	31 Dec 16 \$M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
CommInsure ⁽²⁾	82	13	108	large	(24)
IFS	24	24	26	-	(8)
Other	30	24	28	25	7
Insurance income - "cash basis"	136	61	162	large	(16)

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

(2) CommInsure represents the General Insurance business.

December 2017 versus December 2016

Insurance income decreased 16% on the prior comparative period to \$136 million, driven by:

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

December 2017 versus June 2017

Insurance income increased \$75 million on the prior half, driven by:

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

Group Performance Analysis

Operating Expenses (continuing operations basis)

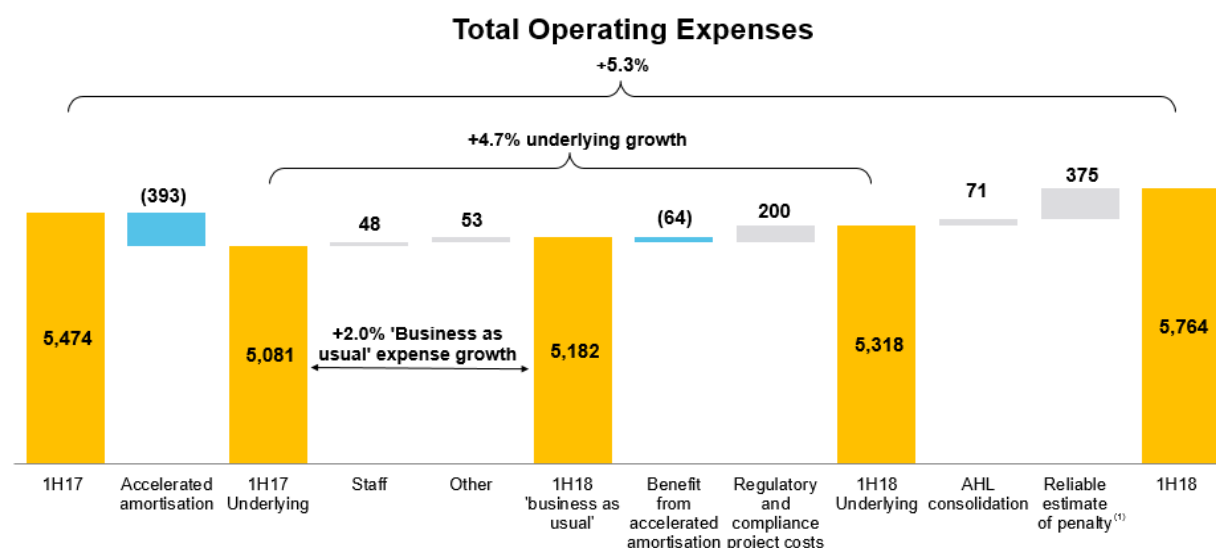
	Half Year Ended ⁽¹⁾				
	31 Dec 17 \$M	30 Jun 17 \$M	31 Dec 16 \$M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Staff expenses	3,044	3,047	2,996	-	2
Occupancy and equipment expenses	572	558	556	3	3
Information technology services expenses	752	728	1,102	3	(32)
Other expenses	1,325	862	820	54	62
AHL Consolidation	71	-	-	n/a	n/a
Operating expenses - "cash basis"	5,764	5,195	5,474	11	5
Operating expenses to total operating income (%) ^{(2) (3)}	43.9	41.8	42.7	210 bpts	120 bpts
Banking expenses to total banking income (%) ^{(2) (3)}	42.1	39.4	39.5	270 bpts	260 bpts
Spot number of full-time equivalent staff (FTE) ⁽⁴⁾	42,959	44,024	43,660	(2)	(2)
Average number of full-time equivalent staff (FTE)	43,830	43,826	43,604	-	1

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

(2) The half year ended 31 December 2016 included a \$397 million gain on sale of the Group's remaining investment in Visa Inc. and a \$393 million one-off expense for acceleration of amortisation on certain software assets. Excluding these items, Operating expenses to total operating income was 40.9%. Banking expenses to total banking income is 37.4%.

(3) The half year ended 31 December 2017 includes a \$375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTAC proceedings (see Note 7.2 to the Financial Statements for further information), an increase of \$94 million in income and \$71 million in expenses from AHL Holdings Pty Ltd (trading as Aussie Home Loans) as the Group acquired the remaining 20% share on 25 August 2017. Excluding these items, Operating expense to total operating income is 40.8%. Banking expense to total banking income is 38.6%.

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



(1) The half year ended 31 December 2017 includes a \$375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTAC proceedings (see Note 7.2 to the Financial Statements for further information).

December 2017 versus December 2016

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

Operating expenses increased 5% on the prior comparative period to \$5,764 million. Excluding the impact of a \$375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTAC proceedings, the impact of AHL consolidation and the one-off expense for acceleration of amortisation on certain software assets in the prior

comparative period, operating expenses increased 5%. The key drivers were:

Staff expenses increased 2% to \$3,044 million, driven by salary increases, partly offset by productivity initiatives and the impact of FX. Average FTE increased 1% driven by the acquisition of AHL in August 2017. Excluding AHL, underlying average FTE was flat with an increase in frontline and compliance staff offset by productivity initiatives. Spot FTE decreased 2% primarily due to the divestment of non-core businesses in IFS in December 2017 and productivity initiatives, partly offset by an increase in front line and compliance staff;

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

Group Performance Analysis

Operating Expenses (continued)

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

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

Group operating expenses to total operating income ratio increased 120 basis points to 43.9%. The underlying ratio decreased 10 basis points.

December 2017 versus June 2017

Operating expenses are up 11% on the prior half. The key drivers were:

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

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

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

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

Investment Spend (continuing operations basis)

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

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

(2) Included within the Operating Expenses disclosure on page 23.

December 2017 versus December 2016

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

Productivity and growth initiatives accounted for 52% of investment spend, a decrease of 1% from 53% in the prior comparative period, with continued focus on driving productivity and investing in technology in line with the Group's strategy. Risk and compliance costs have continued to form a large portion of investment at 35% of investment spend, a decrease of 1% from 36%, as the Group continues to invest in strengthening our regulatory and compliance

frameworks and implementing systems to satisfy regulatory obligations.

Developments across each of these investment categories during the half are outlined below.

Productivity and Growth

The Group has invested in the following:

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

Group Performance Analysis

Investment Spend (continued)

- More than 50% of transactions by value completed digitally, with digital channels accounting for a quarter of all sales;
 - Mobile logins increasing by 25% in the last 12 months;
 - Innovative digital experiences for our customers, including a new AI powered chatbot for personalised conversations, as well as real-time alerts in the CommBank app to give customers even more tools to help manage their spending and avoid fees and charges;
 - The release of Daily IQ 2.0 business insights tool, which provides customers with valuable insights into their business performance; and
 - Significant increase in customers utilising cardless cash and tap and pay facilities.
- Initiatives such as Home Buying, which is driving transformational change in the proprietary channel, improving our end to end process and significantly improving loan quality and origination efficiency. This has helped increase new lending through the proprietary channel from 57% to 64% in the last 12 months; and
 - Delivery of the business banking relationship excellence initiative to further enhance frontline banker capabilities and increase client facing time.

Risk and Compliance

Programs have been undertaken to address the following:

- Continued investment in protection against cyber risks and attacks, with a particular focus on data protection and consistent application of cyber security controls which enable the Group to identify and remediate suspicious activity;
- Continued investment in our processes and systems in relation to the Anti-Money Laundering and Counter-Terrorism Financing Act;
- Improving the resilience of the Group's IT infrastructure, including payments and data centres; and
- Implementation of systems in order to fulfil regulatory and compliance requirements, including Future of Financial Advice, Stronger Super (MySuper & SuperStream), Life and General Insurance Capital, and Common Reporting Standard requirements.

Branch Refurbishment and Other

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

Capitalised Software (continuing operations basis)

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

(1) Capitalised software for the current period excludes amounts related to the Group's life insurance businesses that have been presented as held for sale.

(2) The half year ended 31 December 2016 included a \$393 million one-off expense for acceleration of amortisation on certain software assets.

December 2017 versus December 2016

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

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

Amortisation and write-offs decreased 67% to \$202 million driven by the prior comparative period including a \$393 million one-off expense for acceleration of amortisation

on certain software assets. Underlying amortisation decreased 8% driven by lower capitalised software balances following the one-off acceleration of amortisation.

December 2017 versus June 2017

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

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

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

Group Performance Analysis

Loan Impairment Expense

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

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

December 2017 versus December 2016

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

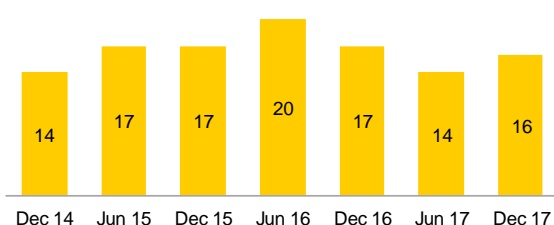
- A decrease in Business and Private Banking due to lower individual provisions, partly offset by higher collective provisions;
- Lower provisions in the New Zealand dairy sector;
- Lower home loan impairment and business loan collective provisions in Bankwest; and
- A decrease in IFS provisions as a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

December 2017 versus June 2017

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

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

**Half Year Loan impairment expense ("cash basis")
annualised as percentage of average GLAAs (bpts)**



Group Performance Analysis

Taxation Expense (continuing operations basis)

	Half Year Ended ^{(1) (2)}				
	31 Dec 17 \$M	30 Jun 17 \$M	31 Dec 16 \$M	Dec 17 vs Jun 17 %	Dec 17 vs Dec 16 %
Corporate tax expense (\$M)	2,031	1,924	1,925	6	6
Effective tax rate - "cash basis" (%)	30. 0	28. 5	28. 5	150 bpts	150 bpts

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

(2) Including discontinued operations, the effective tax rate "cash basis" is 29.9% for the half year ended 31 December 2017, and 28.4% for the half years ended 30 June 2017 and 31 December 2016.

December 2017 versus December 2016

Corporate tax expense for the half year ended 31 December 2017 increased 6% on the prior comparative period, representing a 30.0% effective tax rate.

The 150 basis points increase in the effective tax rate is due to the expense provision, which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC proceedings, being non-deductible for tax purposes. Excluding this item, the effective tax rate is 28.4%. The 28.4% is below the Australian company tax rate of 30% primarily as a result of the profit earned by the offshore banking unit and offshore jurisdictions that have lower corporate tax rates.

December 2017 versus June 2017

Corporate tax expense for the half year ended 31 December 2017 increased 6% on the prior half, representing a 30.0% effective tax rate.

The 150 basis points increase in the effective tax rate is due to the expense provision, which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC proceedings, being non-deductible for tax purposes. Excluding this item, the effective tax rate is 28.4%. The 28.4% is below the Australian company tax rate of 30% primarily as a result of the profit earned by the offshore banking unit and offshore jurisdictions that have lower corporate tax rates.

Group Performance Analysis

Review of Group Assets and Liabilities

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

(1) Gross of mortgage offset balances.

(2) Loans, bills discounted and other receivables exclude provisions for impairment which are included in Other assets.

(3) On 21 September 2017 CBA announced the sale of 100% of its life insurance businesses including CommInsure Life and Sovereign to AIA Group Limited ("AIA"). For 31 December 2017, \$84 million of Non-lending interest earning assets and \$14,803 million of Other assets have been reclassified to Assets held for sale, and \$863 million of Other demand deposits and \$13,680 million of Other non-interest bearing liabilities have been reclassified to Liabilities held for sale. Assets held for sale also includes \$8 million of assets that reside outside the Group's life insurance business as at 31 December 2017.

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

(5) Includes mortgage offset balances.

December 2017 versus December 2016

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

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

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

Home loans

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

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

Consumer finance

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

Group Performance Analysis

Review of Group Assets and Liabilities (continued)

Business and corporate loans

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

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

Non-lending interest earning assets

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

Other assets

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

Interest bearing deposits

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

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

Debt issues

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

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

Refer to page 42-43 for further information on debt programs and issuances for the half year ended 31 December 2017.

Other interest bearing liabilities

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

cash collateral received from counterparties due to initiatives to improve collateral management.

Non-interest bearing transaction deposits

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

Other non-interest bearing liabilities

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

December 2017 versus June 2017

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

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

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

Home loans

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

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

Consumer finance

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

Business and corporate loans

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

Non-lending interest earning assets

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

Group Performance Analysis

Review of Group Assets and Liabilities (continued)

Other assets

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

Interest bearing deposits

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

Debt issues

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

Refer to page 42-43 for further information on debt programs and issuances for the half year ended 31 December 2017.

Other interest bearing liabilities

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

Non-interest bearing transaction deposits

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

Other non-interest bearing liabilities

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