Profit Announcement

For the full year ended 30 June 2018

Becoming a simpler, better bank

CommonwealthBank

ASX Appendix 4E		
Results for announcement to the market [1]		
Report for the year ended 30 June 2018	**$M**	
Revenue from ordinary activities [2] [3]	**26,132**	**Up 3%**
Profit/(loss) from ordinary activities after tax attributable to Equity holders	**9,329**	**Down 6%**
Net profit/(loss) for the period attributable to Equity holders	**9,329**	**Down 6%**
Dividends (distributions)		
Final dividend - fully franked (cents per share)		**231**
Interim dividend - fully franked (cents per share)		**200**
Record date for determining entitlements to the dividend		**16 August 2018**

(1) Rule 4.3A.
(2) Information has been presented on a continuing operations basis including prior period restatements.
(3) Represents total net operating income for the Group.

Commonwealth Bank of Australia | ACN 123 123 124 | 8 August 2018

This preliminary final report is provided to the ASX under Rule 4.3A. Refer to Appendix 6.3 ASX Appendix 4E on page 141 for disclosures under ASX Listing Rules.

This report should be read in conjunction with the 30 June 2018 Annual Financial Report of the Commonwealth Bank of Australia and any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

Except where otherwise stated, all figures relate to the full year ended 30 June 2018. The term “prior comparative period” refers to the full year ended 30 June 2017, while the term “prior half” refers to the half year ended 31 December 2017.

Important dates for shareholders

Full year results announcement	**8 August 2018**
Ex-dividend date	**15 August 2018**
Record date	**16 August 2018**
Last date to change participation in DRP	**17 August 2018**
Final dividend payment date	**28 September 2018**
2019 interim results date	**6 February 2019**

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CBA FY18 Result

For the full year ended 30 June 2018

Reported 8 August 2018

Commonwealth Bank

Guide to CBA's FY18 financial results

CBA's net profit after tax is disclosed on both a statutory and cash basis. The statutory basis is prepared in accordance with the Corporations Act 2001 and 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 losses or gains on acquisition, disposal, closure and demerger of businesses are calculated consistently with the prior year and prior half disclosures and do not discriminate between positive and negative adjustments. These are disclosed on page 4 of the Profit Announcement (www.commbank.com.au/results).

In the current reporting period, the following items have been included in cash net profit after tax, but are highlighted to ensure transparency and to aid comparison.

1. AUSTRAC civil penalty

On 4 June 2018, the Group announced it had entered into an agreement with the Australian Transaction Reports and Analysis Centre (AUSTRAC) to resolve the civil penalty proceedings that AUSTRAC had commenced against CBA in the Federal Court of Australia in August 2017. The proceedings related to alleged contraventions of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth). The agreement has now been approved by the Federal Court.

The Group has recognised a $700 million non-tax deductible expense for the civil penalty payable under the agreement, with $375 million of this amount recognised in the first half of the financial year.

2. Risk, compliance and regulatory costs

A combined total of $389m in additional provisions was recognised for the year ended 30 June 2018. This comprises new risk and compliance provisions of $234 million (a $199 million increase on FY17) and one-off regulatory costs of $155 million. These provisions relate to financial crimes compliance, the ASIC investigation, the shareholder class actions, the AUSTRAC proceedings, the Royal Commission and the APRA Prudential Inquiry.

3. Continuing and discontinued operations

Australian 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 for the Group including discontinued operations, in the Profit Announcement.

On 25 June 2018, the Group announced its intention to demerge its wealth management and mortgage broking businesses. This will involve the creation of a new wealth management and mortgage broking company ("NewCo"). These businesses are classified as continuing operations because the demerger is not expected to be completed until 2019. Indicative pro-forma NewCo financials are provided on page 66 of the Profit Announcement.

On 25 June 2018, the Group also announced a strategic review of its general insurance business including a potential sale. This business is included in continuing operations.

The following are classified as 'discontinued operations':

1) **CommInsure Life and Sovereign**

On 21 September 2017, the Group announced the sale of 100% of its life insurance businesses in Australia ("CommInsure Life") and New Zealand ("Sovereign") to AIA Group Limited ("AIA") for $3.8 billion. On 2 July 2018, the Group announced the completion of the first part of the transaction, the sale of Sovereign. The proceeds were $1.275 billion. The remainder of the transaction, the sale of CommInsure Life, remains subject to certain conditions and regulatory approvals and is expected to be completed before the end of calendar year 2018. CommInsure Life currently forms part of the Group's Wealth Management division while Sovereign forms part of the Group's New Zealand division. Both are treated as discontinued operations within each division, as detailed on pages 65 and 73 of the Profit Announcement, respectively.

2) **BoComm Life**

On 23 May 2018, the Group announced the sale of its 37.5% equity interest in BoComm Life Insurance Company Limited ("BoComm Life") to Mitsui Sumitomo Insurance Co., Ltd ("MSI") for RMB 3.2 billion ($668 million). The transaction is expected to result in an indicative after tax gain on sale of approximately $450 million (this will not be included in cash profit), and to be completed in calendar year 2018, subject to regulatory approval. BoComm Life forms part of the Group's International Financial Services (IFS) division and is treated as a discontinued operation within this division, as included on page 82 of the Profit Announcement.

3) **TymeDigital in South Africa**

The CBA Board has approved the sale of Commonwealth Bank of South Africa (Holding Company) Limited ("TymeDigital") to the minority shareholder, African Rainbow Capital. The sale is subject to regulatory approval and potential sale price adjustments. As a result, the financial effect of the sale cannot currently be reliably estimated, however it is not expected to have a material impact on the Group's results. TymeDigital forms part of the Group's International Financial Services (IFS) division and is treated as a discontinued operation within this division. TymeDigital reported a net loss after tax of $78 million for FY18. This is included in IFS discontinued operations on page 82 of the Profit Announcement. TymeDigital's non current assets have been impaired by $91 million and recognised as a non-cash item included in Statutory Profit, as detailed on page 4 of the Profit Announcement.

4. Operating performance excluding one-off items

For the purposes of comparability, a number of adjustments have been made to exclude one-off items from operating income and operating expenses for continuing operations:

1) FY18 is adjusted to exclude: a $700 million expense for the AUSTRAC civil penalty; an increase of $226 million in income and $190 million in expense from the consolidation of AHL Holdings Pty Ltd (trading as Aussie Home Loans) ("AHL") as the Group acquired the remaining 20% share on 25 August 2017; $7 million of equity accounted profits relating to AHL; an increase of $4 million in income and $7 million in expense from the acquisition of eChoice; and one-off regulatory costs of $155 million associated with the Royal Commission, the AUSTRAC civil proceedings and the APRA Prudential Inquiry into CBA.

2) FY17 is adjusted to exclude: a $397 million gain on sale of the Group's remaining investment in Visa Inc.; a $393 million one-off expense for acceleration of amortisation on certain software assets; and $41 million of equity accounted profits from AHL.

Operating income ($m)	FY17	FY18	%	1H18	2H18	%
Reported (continuing operations)	25,257	25,907	2.6%	13,117	12,790	(2.5%)
Sale of Visa shares	*(397)*	-		-	-	
AHL and eChoice	*(41)*	*(237)*		*(94)*	*(143)*	
Operating income ex. one-offs	**24,819**	**25,670**	**3.4%**	**13,023**	**12,647**	**(2.9%)**
Operating expenses ($m)						
Reported (continuing operations)	10,622	11,599	9.2%	5,736	5,863	2.2%
Accelerated amortisation	*(393)*	-		-	-	
AHL and eChoice	-	*(197)*		*(71)*	*(126)*	
AUSTRAC civil penalty	-	*(700)*		*(375)*	*(325)*	
One-off regulatory costs	-	*(155)*		*(110)*	*(45)*	
Operating expenses ex. one-offs	**10,229**	**10,547**	**3.1%**	**5,180**	**5,367**	**3.6%**
Cash NPAT						
Reported (continuing operations)	**9,696**	**9,233**	**(4.8%)**	**4,759**	**4,474**	**(6.0%)**
One-off items (after tax)	*(44)*	*778*		*434*	*344*	
Cash NPAT ex. one-offs	**9,652**	**10,011**	**3.7%**	**5,193**	**4,818**	**(7.2%)**

5. Comparative metrics

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

1) including discontinued operations, including one-offs (as per Profit Announcement);
2) continuing operations, including one-offs (as per Profit Announcement); and
3) continuing operations, excluding one-offs (pro-forma).

The one-offs are detailed in the table above.

	Profit Announcement					
	Inclusive of discontinued operations & incl. one-offs[2]		Continuing operations, incl. one-offs[2]		Pro-forma continuing operations, ex. one-offs[3]	
Full year ("cash basis")[1]	FY18	FY18 v FY17	FY18	FY18 v FY17	FY18	FY18 v FY17
Cash net profit after tax	$9,412m	(4.7%)	$9,233m	(4.8%)	$10,011m	3.7%
Cost-to-income [4]	45.4%	270 bpts	44.8%	270 bpts	41.1%	(10)bpts
Jaws [5]	(6.4%)	n/a	(6.6%)	n/a	0.3%	n/a
Effective tax rate	30.2%	180 bpts	30.2%	180 bpts	28.6%	20 bpts
Profit after capital charge [6]	$5,783m	(11.4%)	$5,803m	(11.1%)	$6,608m	1.9%
Earnings per share (basic)	538.8c	(6.1%)	528.6c	(6.2%)	573.1c	2.2%
Return on equity	14.4%	(160)bpts	14.1%	(160)bpts	15.3%	(30)bpts

ASX Announcement

CBA FY18 Result

For the full year ended 30 June 2018 [7,8]
Reported 8 August 2018

Becoming a simpler, better bank

Summary

- Statutory net profit after tax (NPAT) from continuing operations of $9,375 million, down 4.0%.[9]
- Cash NPAT from continuing operations of $9,233 million, down 4.8%.
- Operating income of $25,907 million, up 2.6%. Net interest margin was 2.15%, up 5 basis points.
- Operating expenses of $11,599 million, up 9.2%, largely due to the AUSTRAC civil penalty of $700 million.
- Loan impairment expense of $1,079 million, down 1.5%, equivalent to 15 basis points of gross loans and acceptances.
- Effective tax rate of 30.2%, expected to reduce to approximately 29% in FY19.
- Final dividend per share of $2.31, making a full year dividend of $4.31 per share, up 2 cents on FY17.
- Earnings per share (cash) of $5.29 per share, down 6.2%.
- Return on equity (cash) of 14.1%, down 160 basis points.
- Common Equity Tier 1 (APRA) capital ratio of 10.1%, flat on the prior year.[10]

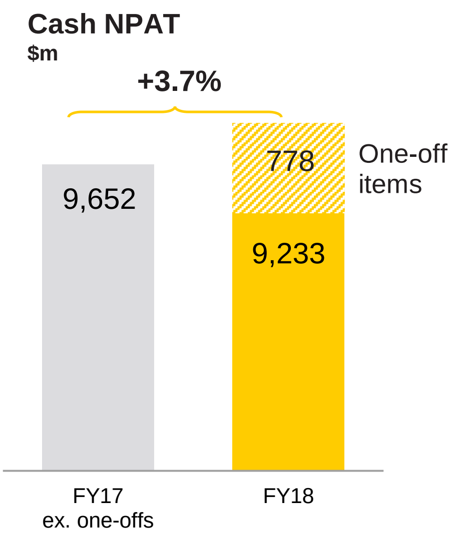
Resilient business performance

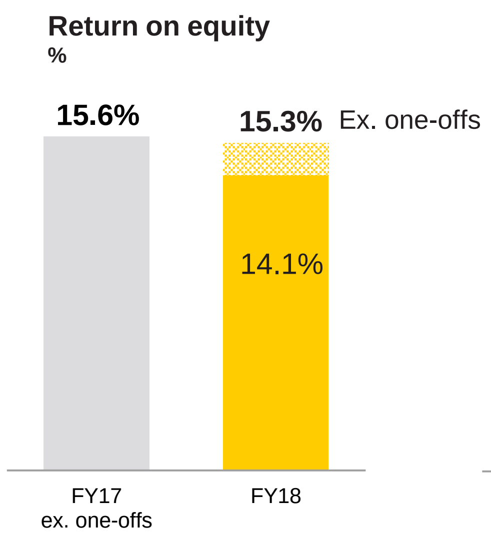
FY18 v FY17 (continuing ops)	**Ex. one-offs[11]**	**Reported basis**
Cash NPAT	3.7%	(4.8%)
Operating income	3.4%	2.6%
Operating expenses	3.1%	9.2%
Operating performance	3.7%	(2.2%)
Cost-to-income	(10)bpts	270 bpts

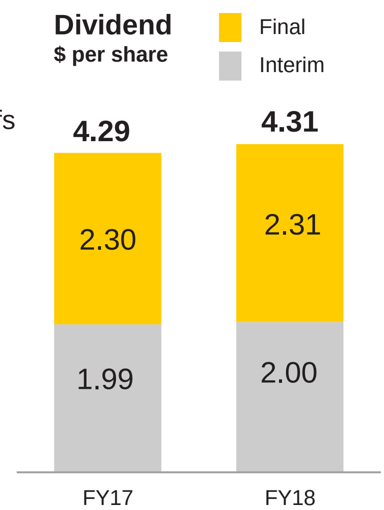
Matt Comyn, Chief Executive Officer

"Despite the challenges we have faced this year, the fundamentals of our business remained strong. Operating momentum was driven by our core franchise which delivered good volume margin management in home and business lending, ongoing growth in transaction accounts and deposits, and continued uptake of our technology offering. We also continued to strengthen our balance sheet. This performance has supported a higher dividend for shareholders."

Earnings, returns, dividends

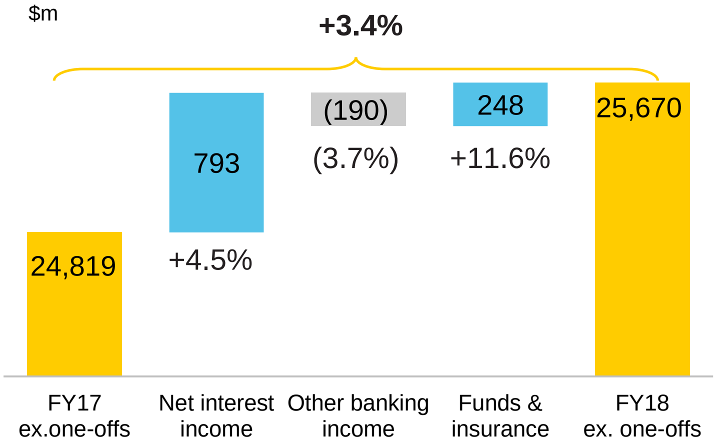




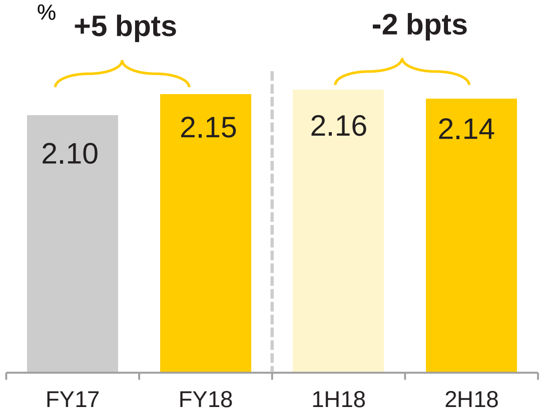


Operating income, margin

Operating income ex. one-off items[11]



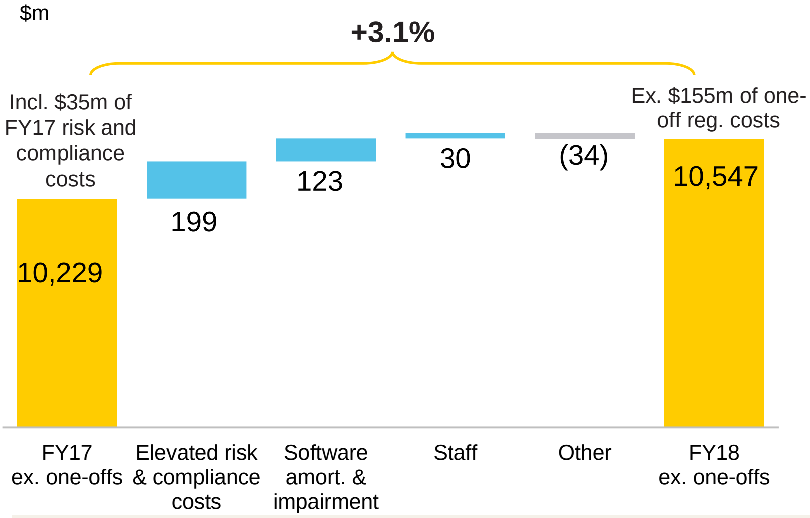
Net interest margin (NIM)



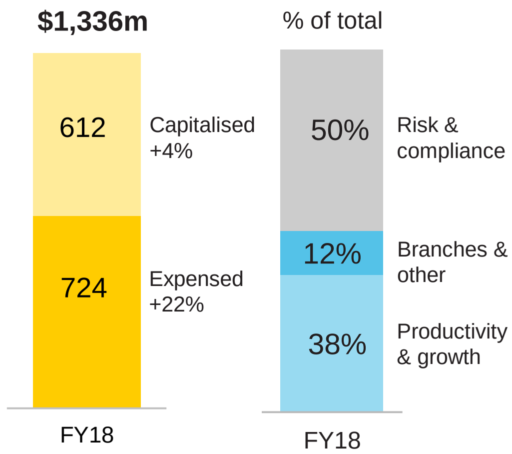
- Operating income excluding one-off items increased (+3.4%) due mainly to higher net interest income (+4.5%). This reflected continuing volume and margin management. Lending volumes were 2% higher and the net interest margin (NIM) increased 5 basis points on the prior year to 2.15%.
- The increase in NIM was driven by asset pricing (+4 bpts). This was largely due to the repricing of interest-only and investor loans undertaken in order to manage regulatory requirements. It was also supported by a favourable change in funding mix from strong growth in transaction deposits (+2 bpts). The gains were partly offset by higher funding costs (-1 bpt) due to the impact of the major bank levy and higher wholesale funding costs.
- In the second half of 2018, NIM reduced to 2.14% due to home loan switching and discounting (- 2 bpts), higher wholesale funding costs (-2 bpts) and basis risk (-2 bpts), offset by run-off of low margin institutional lending (+1 bpt), higher NZ NIM (+1 bpt) and deposit pricing (+2 bpts).
- Other banking income declined 3.7% due to a reduction in interchange revenue following regulatory changes, the removal of ATM withdrawal fees, weaker Markets trading performance, lower treasury income, and an accounting loss from the restructure of economic hedges for the Group's 30 year US debt issuances. This was partly offset by higher business lending fee income.
- Funds management income increased 9.3% driven by positive net flows, higher investment market returns, and lower advice remediation provisions.
- Insurance income increased 31.4% as a result of lower weather event claims and growth in premiums driven by risk based pricing initiatives.

Operating expenses, investment

Operating expenses ex. one-off items[11]



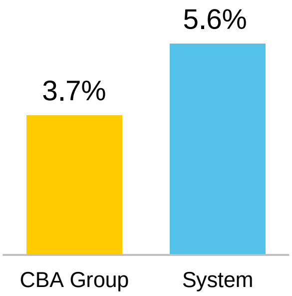
Investment spend



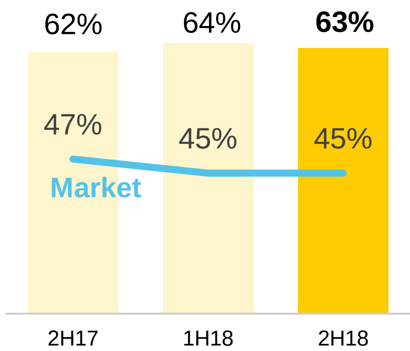
- Operating expenses excluding one-offs increased 3.1%, largely due to elevated risk and compliance costs. A combined total of $389m in additional provisions was recognised for the year. This comprised new risk and compliance provisions of $234m (a $199m increase on FY17) and one-off regulatory costs of $155m.
- Expenses include a $65m increase in capitalised software impairments, primarily due to the decision to implement a new institutional lending platform ($51m), plus a $58m increase in amortisation of software assets.
- Staff costs increased due to wage inflation, partly offset by lower employee incentives.
- Other expenses included the benefit of lower advice review program and other provisions, and lower non-regulatory professional fees, partly offset by the BBSW fine and lower IT rebates.
- Investment spend was $1,336m, up 12.9% on FY17. Spend on risk and compliance was 50% of total investment spend in FY18, and is expected to be more than 50% in FY19.

Home lending, deposits

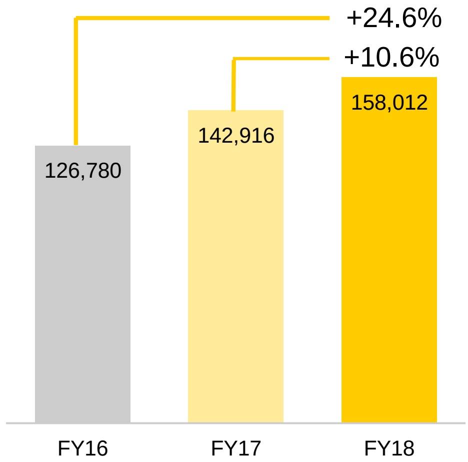
Home loan growth[12]
12 months to Jun 18



Home loans[13]
Proprietary channel
% of total flows ($), CBA



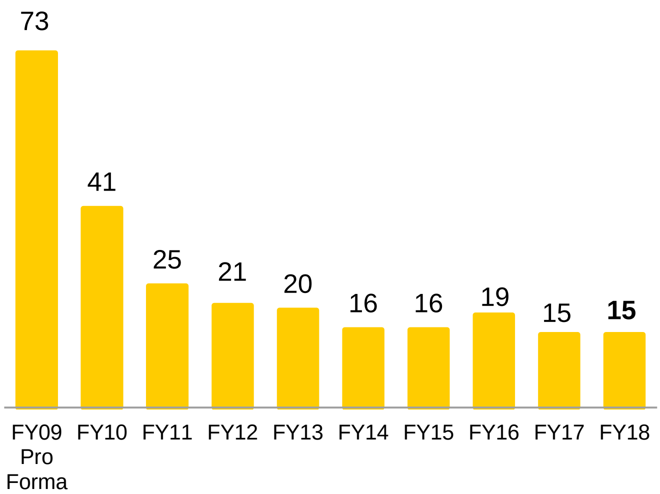
Group transaction deposit balances[14]
$m



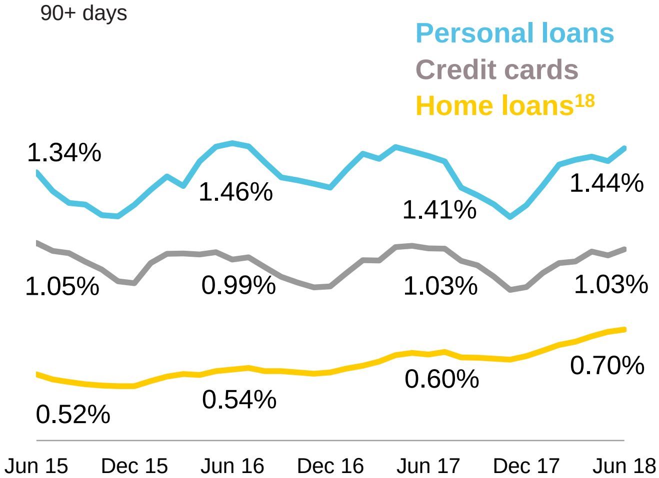
- Growth in the home loan portfolio moderated to 3.7%, as the Group took early measures in order to manage regulatory requirements. Owner-occupied home loans grew 6.2% while investment home lending decreased 1.2%.
- CBA remains focused on its core market of owner-occupied, proprietary lending. Proprietary loans represented 63% of home loans flows in 2H18, versus 45% for the market.
- The Group grew household deposits by 4.1%. Strength in transaction accounts continued through the period, with balances up 10.6% year on year, and Retail Banking Services (RBS) new transaction accounts up 4.6%.[15]

Credit quality

Loan impairment expense
Group, basis points[16]

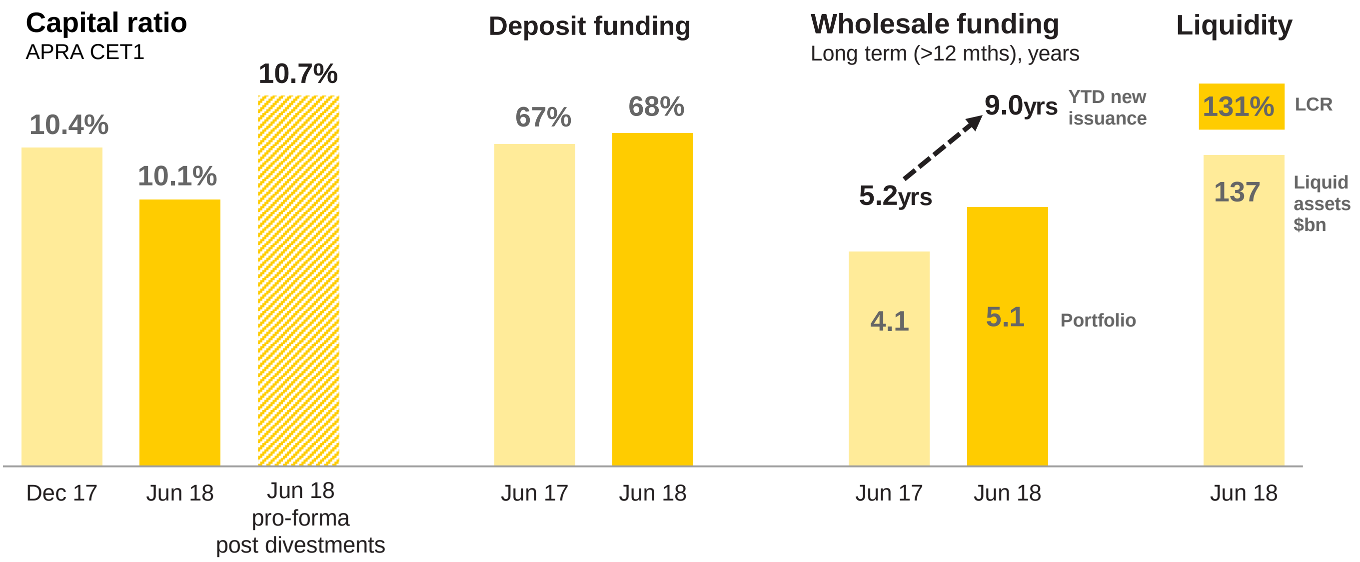


Consumer arrears[17]
90+ days



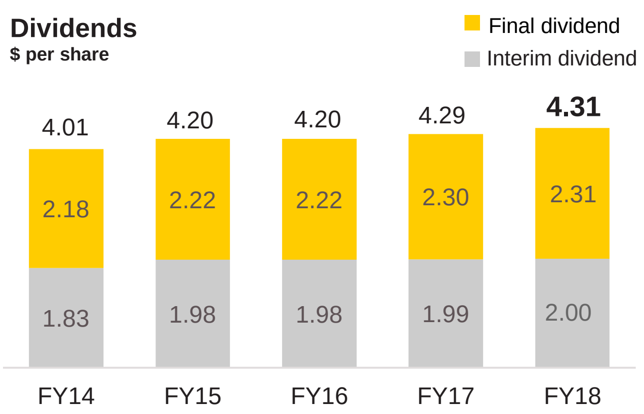
- Credit quality remained sound. Loan impairment expense (LIE) as a percentage of average gross loans and acceptances was 15 basis points.
- Consumer LIE was flat at 18 basis points and corporate LIE increased by 2 basis points to 10 basis points.
- There has been an uptick in home loan arrears as some households experienced difficulties with rising essential costs and limited income growth, leading to some pockets of stress.
- CBA will adopt AASB 9 from 1 July 2018. As a result, collective provisions will increase by $1,058m (before tax) to $3,821m, due to forward-looking factors and lifetime expected credit losses on stage 2 loans. The impact will be recognised in opening retained earnings and will have no impact on the Income Statement. The CET1 ratio will decrease by 18 basis points due to the higher collective provision (-23 bpts), less the removal of the deduction in the shortfall to Regulatory Expected Losses (5bpts).[19]

Balance sheet strength



- CBA's Common Equity Tier 1 (CET1) capital ratio was 10.1% on an APRA basis at 30 June 2018, down 30 basis points on 31 December 2017.
- Organic capital generation during the second half was offset by a number of one-off items including: $325m expense for the AUSTRAC civil penalty (-7 bpts) (additional to the $375m expense in 1H18); the APRA operational risk regulatory adjustment (-28 bpts); the movement of Wealth Management Advice business to the regulatory consolidated group (-5 bpts); the maturity of the final tranche of Colonial debt (-7 bpts); and the BoComm Life capital injection (-5 bpts).
- On a pro-forma basis CET1 is 10.7%. This includes the Sovereign (+27 bpts), CommInsure Life (+38 bpts) and BoComm Life (+18 bpts) divestments, and takes into account the implementation of AASB 9 and AASB 15 (-21 bpts).
- Customer deposits contributed 68% of total funding, with transaction account balances up 10.6% on the prior year.
- The Net Stable Funding Ratio was 112%, up from 107% in June 2017, driven by a more NSFR efficient customer deposit mix.
- The weighted average maturity (WAM) of new long-term wholesale debt issued in the period was 9.0 years, bringing the portfolio WAM to 5.1 years. Long-term wholesale funding now accounts for 67% of total wholesale funding, up from 60% in June 2017.
- Liquid assets were $137bn, including a committed liquidity facility of $53.3bn, and the Liquidity Coverage Ratio was 131%, up from 129% at 30 June 2017.
- The Leverage Ratio was 5.5% on an APRA basis, up from 5.1% in the prior year, well above the Basel III minimum of 3% and APRA's proposed 4% minimum.

Dividends



- The Group's financial performance delivered an increased dividend for shareholders.
- The Board has determined a final dividend of $2.31 per share, up 1 cent on 2H17. This brings the full year dividend to $4.31, fully franked, up 2 cents on FY17.
- The full year dividend payout ratio is 80.4% of cash NPAT; 74.9% excluding the AUSTRAC civil penalty.
- The ex-dividend date is 15 August, the Record Date is 16 August, and the final dividend will be paid on 28 September.
- The dividend reinvestment plan (DRP) continues to apply, with no discount. The deadline for notifying participation in the DRP is 17 August.

Becoming a simpler, better bank

Become a simpler, better bank for our customers

- Simplify our business
- Lead in retail and commercial banking
- Best in digital

Supported by stronger capabilities

- Operational risk and compliance
- Cost reduction
- Data and analytics
- Innovation

Matt Comyn, Chief Executive Officer

"We are building a simpler, better bank, fully aligned to meeting the needs of customers in our core markets.

We are simplifying our portfolio, operating model and processes to deliver better customer, efficiency, and risk outcomes.

This will be underpinned by stronger capabilities in operational risk and compliance management, cost reduction, data and analytics and a continuing commitment to innovation and customer service.

The result will be a more focused business managed with greater discipline to deliver sustainable returns at lower risk."

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Investor Centre

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commbank.com.au/results

Footnotes

[1] Presented on a cash basis unless otherwise stated.

[2] Includes the one-offs detailed on page ii under 'Operating performance excluding one-off items'.

[3] Excludes the one-offs detailed on page ii under 'Operating performance excluding one-off items'.

[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 as a key measure of risk adjusted profitability. 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 full year ended 30 June 2018 and comparisons are to the full year ended 30 June 2017. Comparative information has been restated to conform to presentation in the current period.

[8] Unless otherwise stated, the financial results are presented on a 'continuing operations' basis. This excludes CommInsure Life, Sovereign, BoComm Life and TymeDigital (discontinued operations). See page i for details.

[9] For an explanation of and reconciliation between statutory and cash NPAT, refer to page 4 of the Profit Announcement.

[10] Includes discontinued operations.

[11] FY17 has been adjusted to exclude the following one-offs: a $397 million gain on sale of the Group's remaining investment in Visa Inc.; a $393 million one-off expense for acceleration of amortisation on certain software assets; and $41 million of equity accounted profits from AHL. FY18 has been adjusted to exclude: a $700 million expense for the AUSTRAC civil penalty; an increase of $226 million in income and $190 million in expense from the consolidation of AHL; $7 million of equity accounted profits relating to AHL; an increase of $4 million in income and $7 million in expense from the acquisition of eChoice; and a $155 million incremental expense for one-off regulatory costs.

[12] System source RBA Lending and Credit Aggregates and APRA Monthly Banking Statistics. CBA includes BWA.

[13] CBA only. System as at Mar-18 quarter. Source: MFAA.

[14] Includes non-interest bearing deposits.

[15] Retail Banking Services personal transaction accounts, excluding offset accounts.

[16] FY09 includes Bankwest on a pro-forma basis and is based on loan impairment expense for the year.

[17] Consumer arrears includes retail portfolios of CBA (Retail Banking Services, Business and Private Banking), Bankwest and New Zealand.

[18] Excludes Reverse Mortgage, Commonwealth Portfolio Loan (CBA only) and Residential Mortgage Group (CBA only) loans.

[19] 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.

Key financial information

Group performance summary (continuing operations)	Full year ended [1] (cash basis) 30 Jun 18 $m	30 Jun 17 $m	Jun 18 v Jun 17 %	Half year ended[1] (cash basis) 30 Jun 18 $m	31 Dec 17 $m	Jun 18 v Dec 17 %
Net interest income	18,341	17,543	5	9,086	9,255	(2)
Other banking income	5,182	5,578	(7)	2,495	2,687	(7)
Total banking income	23,523	23,121	2	11,581	11,942	(3)
Funds management income	2,091	1,913	9	1,052	1,039	1
Insurance income	293	223	31	157	136	15
Total operating income [2]	25,907	25,257	3	12,790	13,117	(2)
Investment experience	17	23	(26)	4	13	(69)
Total income	25,924	25,280	3	12,794	13,130	(3)
Operating expenses [3]	(11,599)	(10,622)	9	(5,863)	(5,736)	2
Loan impairment expense	(1,079)	(1,095)	(1)	(483)	(596)	(19)
Net profit before tax	13,246	13,563	(2)	6,448	6,798	(5)
NPAT from continuing operations ("cash basis")	9,233	9,696	(5)	4,474	4,759	(6)
NPAT incl. discont'd operations ("cash basis")	9,412	9,881	(5)	4,541	4,871	(7)
NPAT incl. discont'd operations ("statutory basis")	9,329	9,928	(6)	4,423	4,906	(10)
Cash net profit after tax, by division (continuing operations)						
Retail Banking Services	5,193	4,933	5	2,540	2,653	(4)
Business and Private Banking	1,888	1,808	4	928	960	(3)
Institutional Banking and Markets	1,121	1,311	(14)	530	591	(10)
Wealth Management	563	422	33	282	281	-
New Zealand	975	869	12	492	483	2
Bankwest	681	576	18	342	339	1
IFS and Other	(1,188)	(223)	large	(640)	(548)	17
Shareholder ratios & performance indicators (continuing operations)						
Earnings per share - "cash basis" - basic (cents)	528.6	563.4	(6)	255.0	273.6	(7)
Return on equity - "cash basis" (%)	14.1	15.7	(160)bpts	13.5	14.6	(110)bpts
Dividends per share - fully franked (cents)	431	429	-	231	200	16
Dividend payout ratio - "cash basis" (%) [4]	80.4	75.0	large	89.5	72.0	large
Average interest earning assets ($M) [5]	854,264	834,741	2	857,050	851,522	1
Funds Under Administration - average ($M)	153,810	141,146	9	156,896	151,008	4
Assets Under Management - average ($M)	220,764	210,295	5	217,298	224,560	(3)
Net interest margin (%)	2. 15	2. 10	5 bpts	2. 14	2. 16	(2)bpts
Operating expenses to total operating income (%) [6]	44. 8	42. 1	270 bpts	45. 8	43. 7	210 bpts

[1] Comparative information has been restated to conform to presentation in the current period.

[2] The full year ended 30 June 2018 includes $226 million in income from the consolidation of AHL Holdings Pty Limited (AHL) as the Group acquired the remaining 20% share on 25 August 2017, an increase of $4 million in income from the acquisition of eChoice, $7 million of equity accounted profits relating to AHL. The full year ended 30 June 2017 includes a $397 million gain on sale of the Group's remaining investment in Visa Inc. and $41 million of equity accounted profits from AHL.

[3] The full year ended 30 June 2018 includes $700 million for the AUSTRAC civil penalty, and $190 million in expense from the consolidation of AHL as the Group acquired the remaining 20% share on 25 August 2017, $7 million in expense from the acquisition of eChoice, and $155 million of one-off regulatory costs. The full year ended 30 June 2017 includes $393 million one-off expense for acceleration of amortisation on certain software assets.

[4] Includes discontinued operations.

[5] Average interest earning assets are net of average mortgage offset balances.

[6] See footnotes 2 and 3 above. Excluding these items, Operating expenses to total operating income is 41.1% from continuing operations and 41.8% including discontinued operations for the full year ended 30 June 2018.

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Highlights

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FY18 Headline Results Snapshot

(Continuing operations basis(1)(2))

Metric	FY18	FY17	Change	Pro-forma: Excl one-off items (3)
Statutory earnings ($M)	9,375	9,766	↓ 4.0%	↑ 4.4% ($10,153m)
Cash earnings ($M)	9,233	9,696	↓ 4.8%	↑ 3.7% ($10,011m)
Total operating income ($M)	25,907	25,257	↑ 2.6%	↑ 3.4% ($25,670m)
Total operating expenses ($M)	11,599	10,622	↑ 9.2%	↑ 3.1% ($10,547m)
Loan impairment expense ($M)	1,079	1,095	↓ 1.5%	
Cost to income (efficiency ratio)	44.8%	42.1%	↑ 270 bpts	↓ 10 bpts (41.1%)
Return on equity (%)	14.1	15.7	↓ 160 bpts	↓ 30 bpts (15.3%)
Capital ratio CET1 (APRA) (4)	10.1%	10.1%	Flat	
Customer deposit funding ratio (%) (4)	68	67	↑ 1%	
Weighted average maturity of long-term debt (years) (4)	5.1	4.1	↑ 1.0 year	
Liquidity coverage ratio (%) (4)	131	129	↑ 2%	
Net Stable Funding Ratio (%) (4)	112	107	↑ 5%	
Cash basic earnings per share (cents)	528.6	563.4	↓ 6.2%	↑ 2.2% (573.1 cents)
Dividends per share (cents) (4)	431	429	↑ 2 cents	

(1) On 21 September 2017 CBA announced the sale of 100% of its life insurance business including CommInsure Life and Sovereign to AIA Group Limited ("AIA"). On 23 May 2018, the Bank announced the sale of its 37.5% equity interest in BoComm Life Insurance Company Limited ("BoComm Life") to Mitsui Sumitomo Insurance Co., Ltd ("MSI"). The CBA Board has approved the sale of Commonwealth Bank of South Africa (Holding Company) Limited ("TymeDigital") to the minority shareholder, African Rainbow Capital. The sale is subject to regulatory approval and potential sale price adjustments. As a result, the financial effect of the sale cannot currently be reliably estimated, however it is not expected to have a material impact on the Group's results. The financial results have been restated and presented on a continuing operations basis excluding the Life, BoComm Life and TymeDigital businesses (discontinued operations).

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

(3) The full year ended 30 June 2018 is adjusted to exclude $700 million for the AUSTRAC civil penalty, an increase of $226 million in income and $190 million in expense from the consolidation of AHL Holdings Pty Limited (AHL) as the Bank acquired the remaining 20% share on 25 August 2017, an increase of $4 million in income and $7 million in expense from the acquisition of eChoice, $7 million of equity accounted profits relating to AHL, and $155 million of one-off regulatory costs. The full year ended 30 June 2017 is adjusted to exclude a $397 million gain on sale of the Bank's remaining investment in Visa Inc., a $393 million one-off expense for acceleration of amortisation on certain software assets, and $41 million of equity accounted profits from AHL.

(4) Numbers are presented including discontinued operations.

Highlights

Group Performance Summary

Group Performance Summary	Full Year Ended [1] ("statutory basis") 30 Jun 18 $M	Jun 18 vs Jun 17 %	Full Year Ended [1] ("cash basis") 30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	Half Year Ended [1] ("cash basis") 30 Jun 18 $M	31 Dec 17 $M	Jun 18 vs Dec 17 %
Net interest income	**18,341**	5	**18,341**	17,543	5	**9,086**	9,255	(2)
Other banking income	**5,390**	(5)	**5,182**	5,578	(7)	**2,495**	2,687	(7)
Total banking income	**23,731**	2	**23,523**	23,121	2	**11,581**	11,942	(3)
Funds management income	**2,099**	9	**2,091**	1,913	9	**1,052**	1,039	1
Insurance income	**302**	31	**293**	223	31	**157**	136	15
Total operating income [2]	**26,132**	3	**25,907**	25,257	3	**12,790**	13,117	(2)
Investment experience	**n/a**	n/a	**17**	23	(26)	**4**	13	(69)
Total income	**26,132**	3	**25,924**	25,280	3	**12,794**	13,130	(3)
Operating expenses [3]	**(11,633)**	9	**(11,599)**	(10,622)	9	**(5,863)**	(5,736)	2
Loan impairment expense	**(1,079)**	(1)	**(1,079)**	(1,095)	(1)	**(483)**	(596)	(19)
Net profit before tax	**13,420**	(2)	**13,246**	13,563	(2)	**6,448**	6,798	(5)
Corporate tax expense	**(4,026)**	4	**(3,994)**	(3,847)	4	**(1,964)**	(2,030)	(3)
Non-controlling interests	**(19)**	(5)	**(19)**	(20)	(5)	**(10)**	(9)	11
Net profit after tax from continuing operations	**9,375**	(4)	**9,233**	9,696	(5)	**4,474**	4,759	(6)
Net profit after tax from discontinued operations	**(46)**	large	**179**	185	(3)	**67**	112	(40)
Net profit after tax	**9,329**	(6)	**9,412**	9,881	(5)	**4,541**	4,871	(7)
Loss on acquisition, disposal, closure and demerger of businesses	**n/a**	n/a	**(183)**	-	n/a	**(126)**	(57)	large
Hedging and IFRS volatility	**n/a**	n/a	**101**	73	38	**5**	96	(95)
Other non-cash items	**n/a**	n/a	**(1)**	(26)	(96)	**3**	(4)	large
Net profit after tax ("statutory basis")	**9,329**	(6)	**9,329**	9,928	(6)	**4,423**	4,906	(10)
Cash net profit after tax, by division [1]								
Retail Banking Services			**5,193**	4,933	5	**2,540**	2,653	(4)
Business and Private Banking			**1,888**	1,808	4	**928**	960	(3)
Institutional Banking and Markets			**1,121**	1,311	(14)	**530**	591	(10)
Wealth Management			**563**	422	33	**282**	281	-
New Zealand			**975**	869	12	**492**	483	2
Bankwest			**681**	576	18	**342**	339	1
International Financial Services			**178**	134	33	**100**	78	28
Other			**(1,366)**	(357)	large	**(740)**	(626)	18
Net profit after tax from continuing operations ("cash basis")			**9,233**	9,696	(5)	**4,474**	4,759	(6)

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

(2) The full year ended 30 June 2018 includes $226 million in income from the consolidation of AHL Holdings Pty Limited (AHL) as the Bank acquired the remaining 20% share on 25 August 2017, an increase of $4 million in income from the acquisition of eChoice and $7 million of equity accounted profits relating to AHL. The full year ended 30 June 2017 includes a $397 million gain on sale of the Bank's remaining investment in Visa Inc. and $41 million of equity accounted profits from AHL.

(3) The full year ended 30 June 2018 includes $700 million for the AUSTRAC civil penalty, and $190 million in expense from the consolidation of AHL as the Bank acquired the remaining 20% share on 25 August 2017, $7 million in expense from the acquisition of eChoice, and $155 million of one-off regulatory costs. The full year ended 30 June 2017 includes $393 million one-off expense for acceleration of amortisation on certain software assets.

Highlights

Non-Cash Items Included in Statutory Profit

The Profit Announcement discloses the net profit after tax on both a statutory and cash basis. The statutory basis is prepared 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 Bank'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 losses or gains on acquisition, disposal, closure and demerger of businesses 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.

	Full Year Ended			Half Year Ended		
Non-Cash Items included in Statutory Profit	**30 Jun 18 $M**	30 Jun 17 $M	Jun 18 vs Jun 17 %	**30 Jun 18 $M**	31 Dec 17 $M	Jun 18 vs Dec 17 %
(Loss)/gain on acquisition, disposal, closure and demerger of businesses (1)	**(183)**	-	n/a	**(126)**	(57)	large
Hedging and IFRS volatility	**101**	73	38	**5**	96	(95)
Bankwest non-cash items	**(3)**	(3)	-	**(2)**	(1)	large
Treasury shares valuation adjustment	**2**	(23)	large	**5**	(3)	large
Other non-cash items	**(1)**	(26)	(96)	**3**	(4)	large
Total non-cash items (after tax)	**(83)**	47	large	**(118)**	35	large

Non-Cash items attributable to continuing and discontinued operations are set out below:

	Full Year Ended			Half Year Ended		
	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	**30 Jun 18 $M**	31 Dec 17 $M	Jun 18 vs Dec 17 %
(Loss)/gain on acquisition, disposal, closure and demerger of businesses	**44**	-	n/a	**(21)**	65	large
Hedging and IFRS volatility	**101**	73	38	**5**	96	(95)
Bankwest non-cash items	**(3)**	(3)	-	**(2)**	(1)	large
Non-cash items (after tax) from continuing operations	**142**	70	large	**(18)**	160	large
(Loss)/gain on acquisition, disposal, closure and demerger of businesses	**(227)**	-	n/a	**(105)**	(122)	(14)
Treasury shares valuation adjustment discontinued operations	**2**	(23)	large	**5**	(3)	large
Non-cash items (after tax) from discontinued operations	**(225)**	(23)	large	**(100)**	(125)	(20)
Total non-cash items (after tax)	**(83)**	47	large	**(118)**	35	large

(1) Includes transaction and separation costs associated with the disposal of CommInsure Life and Sovereign ($136 million) and impairment due to the reclassification of TymeDigital as a discontinued operation ($91 million), demerger costs for NewCo ($21 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 Bank's interest in Qilu Bank Co. Ltd ($4 million).

Highlights

Key Performance Indicators	Full Year Ended (1) 30 Jun 18	30 Jun 17	Jun 18 vs Jun 17 %	Half Year Ended (1) 30 Jun 18	31 Dec 17	Jun 18 vs Dec 17 %
Group Performance from continuing operations						
Statutory net profit after tax ($M)	**9,375**	9,766	(4)	**4,456**	4,919	(9)
Cash net profit after tax ($M)	**9,233**	9,696	(5)	**4,474**	4,759	(6)
Net interest margin (%)	**2. 15**	2. 10	5 bpts	**2. 14**	2. 16	(2)bpts
Net interest margin excluding Treasury and Markets (%)	**2. 13**	2. 08	5 bpts	**2. 12**	2. 14	(2)bpts
Operating expenses to total operating income (%) (2) (3)	**44. 8**	42. 1	270 bpts	**45. 8**	43. 7	210 bpts
Spot number of full-time equivalent staff (FTE)	**43,771**	43,620	-	**43,771**	42,563	3
Jaws (%) (4)	**(6. 6)**	n/a	n/a	**n/a**	n/a	n/a
Effective corporate tax rate ("cash basis") (%)	**30. 2**	28. 4	180 bpts	**30. 5**	29. 9	60 bpts
Profit after capital charge (PACC) ($M) (5)	**5,803**	6,525	(11)	**2,682**	3,121	(14)
Average interest earning assets ($M) (6)	**854,264**	834,741	2	**857,050**	851,522	1
Average interest bearing liabilities ($M) (6)	**759,583**	755,612	1	**761,752**	757,449	1
Funds Under Administration (FUA) - average ($M)	**153,810**	141,146	9	**156,896**	151,008	4
Assets Under Management (AUM) - average ($M)	**220,764**	210,295	5	**217,298**	224,560	(3)
Average inforce premiums ($M)	**1,050**	1,016	3	**1,058**	1,043	1
Group Performance including discontinued operations						
Statutory net profit after tax ($M)	**9,329**	9,928	(6)	**4,423**	4,906	(10)
Cash net profit after tax ($M)	**9,412**	9,881	(5)	**4,541**	4,871	(7)
Net interest margin (%)	**2. 15**	2. 11	4 bpts	**2. 15**	2. 16	(1)bpt
Net interest margin excluding Treasury and Markets (%)	**2. 13**	2. 09	4 bpts	**2. 13**	2. 14	(1)bpt
Operating expenses to total operating income (%) (2) (3)	**45. 4**	42. 7	270 bpts	**46. 6**	44. 2	240 bpts
Spot number of full-time equivalent staff (FTE)	**45,753**	45,614	-	**45,753**	44,458	3
Jaws (%) (4)	**(6. 4)**	n/a	n/a	**n/a**	n/a	n/a
Effective corporate tax rate ("cash basis") (%)	**30. 2**	28. 4	180 bpts	**30. 5**	29. 9	60 bpts
Profit after capital charge (PACC) ($M) (5)	**5,783**	6,525	(11)	**2,657**	3,126	(15)
Average interest earning assets ($M) (6)	**854,343**	834,741	2	**857,124**	851,606	1
Average interest bearing liabilities ($M) (6)	**760,450**	755,612	1	**762,623**	758,312	1
Funds Under Administration (FUA) - average ($M)	**164,866**	152,999	8	**167,809**	162,219	3
Assets Under Management (AUM) - average ($M)	**221,305**	210,929	5	**217,818**	225,116	(3)
Average inforce premiums ($M)	**3,232**	3,434	(6)	**3,169**	3,308	(4)

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

(2) The full year ended 30 June 2017 includes a $397 million gain on sale of the Bank's remaining investment in Visa Inc., a $393 million one-off expense for acceleration of amortisation on certain software assets, and $41 million of equity accounted profits from AHL Holdings Pty Limited (AHL). Excluding these items, Operating expenses to total operating income is 41.2% from continuing operations and 41.9% including discontinued operations for the full year ended 30 June 2017.

(3) The full year ended 30 June 2018 includes $700 million for the AUSTRAC civil penalty, an increase of $226 million in income and $190 million in expense from the consolidation of AHL as the Bank acquired the remaining 20% share on 25 August 2017, an increase of $4 million in income and $7 million in expense from the acquisition of eChoice, $7 million of equity accounted profits relating to AHL, and $155 million of one-off regulatory costs. Excluding these items, Operating expenses to total operating income is 41.1% from continuing operations and 41.8% including discontinued operations for the full year ended 30 June 2018.

(4) The Bank 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.

(5) The Bank uses PACC as a key measure of risk adjusted profitability. It takes into account the profit achieved, the risk to capital that was taken to achieve it, and other adjustments.

(6) Average interest earning assets are net of average mortgage offset balances. Average interest earning liabilities exclude average mortgage offset balances.

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Key Performance Indicators	Full Year Ended (1) 30 Jun 18	30 Jun 17	Jun 18 vs Jun 17 %	Half Year Ended (1) 30 Jun 18	31 Dec 17	Jun 18 vs Dec 17 %
Shareholder Returns from continuing operations						
Earnings Per Share (EPS) (cents) (2)						
Statutory basis - basic	**536. 9**	567. 9	(5)	**254. 1**	283. 0	(10)
Cash basis - basic	**528. 6**	563. 4	(6)	**255. 0**	273. 6	(7)
Return on equity (ROE) (%) (2)						
Statutory basis	**14. 4**	15. 9	(150)bpts	**13. 5**	15. 2	(170)bpts
Cash basis	**14. 1**	15. 7	(160)bpts	**13. 5**	14. 6	(110)bpts
Shareholder Returns including discontinued operations						
Earnings Per Share (EPS) (cents) (2)						
Statutory basis - basic	**534. 3**	577. 3	(7)	**252. 2**	282. 2	(11)
Cash basis - basic	**538. 8**	574. 1	(6)	**258. 8**	280. 0	(8)
Return on equity (ROE) (%) (2)						
Statutory basis	**14. 3**	16. 2	(190)bpts	**13. 4**	15. 1	(170)bpts
Cash basis	**14. 4**	16. 0	(160)bpts	**13. 7**	15. 0	(130)bpts
Dividends per share - fully franked (cents)	**431**	429	-	**231**	200	16
Dividend cover - "cash basis" (times)	**1. 2**	1. 3	(8)	**1. 1**	1. 4	(21)
Dividend payout ratio (%) (2)						
Statutory basis	**81. 2**	74. 6	large	**91. 9**	71. 4	large
Cash basis	**80. 4**	75. 0	large	**89. 5**	72. 0	large
Capital including discontinued operations						
Common Equity Tier 1 (Internationally Comparable) (%) (3)	**15. 5**	15. 6	(10)bpts	**15. 5**	16. 3	(80)bpts
Common Equity Tier 1 (APRA) (%)	**10. 1**	10. 1	-	**10. 1**	10. 4	(30)bpts
Risk weighted assets (RWA) ($M)	**458,612**	437,063	5	**458,612**	440,836	4
Leverage Ratio including discontinued operations						
Leverage Ratio (Internationally Comparable) (%) (3)	**6. 3**	5. 8	50 bpts	**6. 3**	6. 1	20 bpts
Leverage Ratio (APRA) (%)	**5. 5**	5. 1	40 bpts	**5. 5**	5. 4	10 bpts
Liquidity Metrics including discontinued operations						
Liquidity Coverage Ratio (%)	**131**	129	200 bpts	**131**	131	-
Net Stable Funding Ratio (%)	**112**	107	large	**112**	110	200 bpts
Credit Quality Metrics including discontinued operations						
Loan impairment expense ("cash basis") annualised as a % of average GLAAs	**0. 15**	0. 15	-	**0. 13**	0. 16	(3)bpts
Gross impaired assets as a % of GLAAs	**0. 42**	0. 43	(1)bpt	**0. 42**	0. 45	(3)bpts
Credit risk weighted assets (RWA) ($M)	**369,528**	377,259	(2)	**369,528**	366,985	1

(1) Comparative information has been restated to conform to presentation in the current period.
(2) For definitions refer to Appendix 6.9.
(3) Analysis aligns with the 13 July 2015 APRA study titled “International capital comparison study

Highlights

Key Performance Indicators	Full Year Ended (1) 30 Jun 18	30 Jun 17	Jun 18 vs Jun 17 %	Half Year Ended (1) 30 Jun 18	31 Dec 17	Jun 18 vs Dec 17 %
Retail Banking Services						
Cash net profit after tax ($M)	**5,193**	4,933	5	**2,540**	2,653	(4)
Net interest margin (%)	**2.98**	2.90	8 bpts	**2.94**	3.01	(7)bpts
Average interest earning assets ($M) (2)	**328,851**	317,052	4	**331,490**	326,256	2
Operating expenses to total banking income (%) (3) (4)	**30.5**	31.0	(50)bpts	**30.9**	30.1	80 bpts
Risk weighted assets ($M)	**146,511**	134,937	9	**146,511**	140,715	4
Business and Private Banking						
Cash net profit after tax ($M)	**1,888**	1,808	4	**928**	960	(3)
Net interest margin (%)	**3.05**	2.98	7 bpts	**3.08**	3.03	5 bpts
Average interest earning assets ($M) (2)	**111,136**	109,091	2	**111,307**	110,969	-
Operating expenses to total banking income (%) (3)	**36.1**	37.3	(120)bpts	**36.4**	35.7	70 bpts
Risk weighted assets ($M)	**96,329**	87,654	10	**96,329**	89,449	8
Institutional Banking and Markets						
Cash net profit after tax ($M)	**1,121**	1,311	(14)	**530**	591	(10)
Net interest margin (%)	**1.04**	1.10	(6)bpts	**1.05**	1.03	2 bpts
Average interest earning assets ($M)	**139,050**	138,613	-	**135,628**	142,416	(5)
Operating expenses to total banking income (%) (3)	**42.7**	37.7	large	**47.7**	38.3	large
Risk weighted assets ($M)	**96,190**	102,242	(6)	**96,190**	97,732	(2)
Wealth Management (5)						
Cash net profit after tax ($M)	**563**	422	33	**282**	281	-
Operating expenses to total operating income (%) (3)	**66.6**	72.3	large	**67.1**	66.1	100 bpts
AUM - average ($M)	**215,768**	205,910	5	**212,324**	219,558	(3)
FUA - average ($M)	**141,726**	129,152	10	**144,625**	139,104	4
CommInsure Inforce Premiums - average ($M)	**799**	762	5	**804**	795	1
New Zealand (5)						
Cash net profit after tax ($M)	**975**	869	12	**492**	483	2
Risk weighted assets - APRA basis ($M) (6)	**49,884**	48,807	2	**49,884**	47,489	5
Net interest margin (ASB) (%) (7)	**2.24**	2.17	7 bpts	**2.27**	2.20	7 bpts
Average interest earning assets (ASB) (NZ$M) (7)	**89,774**	84,091	7	**91,054**	88,525	3
Operating expenses to total operating income (ASB) (%) (3) (7)	**34.6**	35.9	(130)bpts	**35.1**	34.1	100 bpts
FUA - average (ASB) (NZ$M) (7)	**13,110**	12,665	4	**13,280**	12,971	2
AUM - average (ASB) (NZ$M) (7)	**4,965**	4,631	7	**4,931**	4,976	(1)
Bankwest						
Cash net profit after tax ($M)	**681**	576	18	**342**	339	1
Net interest margin (%)	**2.10**	2.07	3 bpts	**2.11**	2.09	2 bpts
Average interest earning assets ($M) (2)	**74,162**	71,192	4	**74,661**	73,670	1
Operating expenses to total banking income (%) (3)	**42.1**	45.0	(290)bpts	**42.6**	41.6	100 bpts
Risk weighted assets ($M)	**42,897**	37,803	13	**42,897**	40,468	6

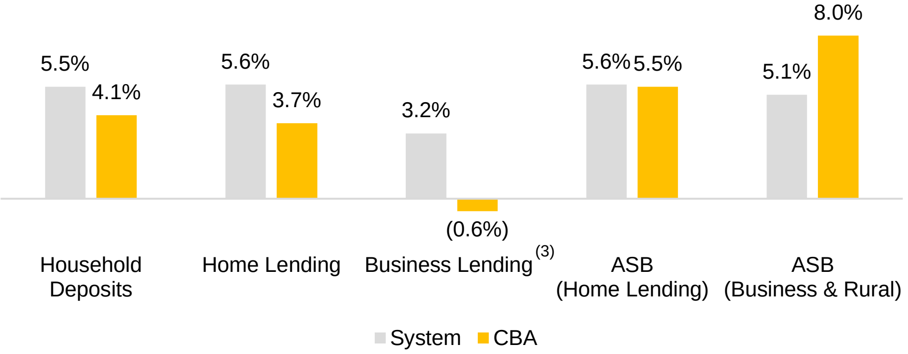
(1) Comparative information has been restated to conform to presentation in the current period.
(2) Net of average mortgage offset balances.
(3) Presented on a "cash basis".
(4) Excludes the impact of consolidation of AHL Holdings Pty Ltd (trading as "Aussie Home Loans") and eChoice.
(5) Presented on 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

Market Share [1]	30 Jun 18 %	31 Dec 17 %	30 Jun 17 %	Jun 18 vs Dec 17	Jun 18 vs Jun 17
	As at				
Home loans	**24. 4**	24. 6	24. 8	(20)bpts	(40)bpts
Credit cards [2]	**27. 2**	27. 3	27. 0	(10)bpts	20 bpts
Other household lending [3]	**28. 0**	27. 3	26. 9	70 bpts	110 bpts
Household deposits	**28. 4**	28. 5	28. 8	(10)bpts	(40)bpts
Business lending - RBA	**15. 9**	16. 2	16. 5	(30)bpts	(60)bpts
Business lending - APRA	**17. 8**	18. 4	18. 6	(60)bpts	(80)bpts
Business deposits - APRA	**20. 2**	20. 4	20. 3	(20)bpts	(10)bpts
Equities trading	**4. 1**	4. 0	3. 9	10 bpts	20 bpts
Australian Retail - administrator view [4]	**15. 4**	15. 4	15. 6	-	(20)bpts
FirstChoice Platform [4]	**10. 7**	10. 7	10. 7	-	-
Australia life insurance (total risk) [4] [5]	**8. 0**	9. 9	9. 9	(190)bpts	(190)bpts
Australia life insurance (individual risk) [4] [5]	**9. 6**	9. 7	10. 0	(10)bpts	(40)bpts
NZ home loans	**21. 7**	21. 8	21. 7	(10)bpts	-
NZ customer deposits	**17. 8**	17. 8	17. 8	-	-
NZ business lending	**15. 0**	14. 5	14. 4	50 bpts	60 bpts
NZ retail AUM [6]	**13. 2**	13. 0	12. 4	20 bpts	80 bpts
NZ annual inforce premiums [5]	**27. 3**	26. 8	27. 9	50 bpts	(60)bpts

(1) Current period and comparatives have been updated to reflect market restatements.
(2) Credit Cards Market Share data has been sourced from APRA Monthly Banking Statistics back series, Loans to Households: Credit Cards. The RBA Credit Cards source previously used for calculating Credit Cards Market Share, is no longer published.
(3) Other Household Lending market share includes personal loans, margin loans and other forms of lending to individuals.
(4) As at 31 March 2018.
(5) Metrics relate to discontinued operations.
(6) Presented on a continuing operations basis.

CBA Growth against System [1] [2]
Balance Growth - 12 months to June 2018



(1) System adjusted for new market entrants.
(2) System source RBA/APRA/RBNZ. CBA includes Bankwest.
(3) Domestic Lending balance growth (excluding CMPF).

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

Group performance analysis

Group Performance Analysis

Section 3 – Group Performance Analysis

Group Performance Analysis

Financial Performance and Business Review

Performance Overview (continuing operations basis [1])

The Bank's statutory net profit after tax for the year ended 30 June 2018 decreased $391 million or 4.0% on the prior year to $9,375 million.

Cash net profit after tax ("cash NPAT" or "cash profit") decreased $463 million or 4.8% on the prior year to $9,233 million, impacted by a number of one-off items [2] including a $700 million non-tax deductible expense for the AUSTRAC civil penalty [3]. Return on equity ("cash basis") was 14.1% and earnings per share ("cash basis") was 528.6 cents, a decrease of 6.2% on the prior year.

Excluding one-off items [2], cash NPAT increased 3.7%.

Operating income growth was 2.6% (3.4% excluding one-off items [2]), primarily driven by a 4.5% increase in net interest income, with average interest earning assets increasing 2.3% from growth in home loans and business loans, and net interest margin ("NIM") increasing 2.2%, largely from the repricing of interest-only and investor home loans in order to manage regulatory requirements.

Operating expenses increased 9.2% due to one-off AUSTRAC civil penalty and regulatory costs. Excluding one-off items [2] the increase was 3.1%, primarily driven by elevated investment spend on financial crime compliance, and higher technology costs.

Loan impairment expense ("LIE") decreased 1.5%, reflecting the benign credit environment in both the retail and business portfolios, due to low interest rates and low levels of unemployment.

Earnings per share ("cash basis") decreased 6.2% to 528.6 cents per share primarily due to lower profits.

Return on equity ("cash basis") decreased 160 basis points to 14.1% due to the combination of lower profits and higher levels of equity as the Bank builds towards APRA's 'unquestionably strong' capital target, which is effective 1 January 2020.

The Bank declared a final dividend of $2.31 bringing the total dividend for the year to $4.31 which was equivalent to 80.4% of the Bank's cash profit.

Balance sheet strength and resilience is a key priority for the Bank. The Bank has managed key balance sheet risks in a sustainable and conservative manner, and has made strategic decisions to ensure strength in capital, funding and liquidity. In particular, the Bank has:

- Issued new long-term wholesale funding with a weighted average maturity ("WAM") of 9.0 years, bringing the portfolio WAM to 5.1 years (up from 4.1 years at 30 June 2017). This has reduced our annual funding requirement in future years (as average annual maturities are lower), reducing the associated refinancing risk from potentially unfavourable funding conditions;
- Actively replaced short-term for long-term wholesale funding, with long-term wholesale funding now accounting for 67% of total wholesale funding (up from 60% at 30 June 2017);
- Appropriately managed the level of liquid assets and customer deposit growth to strengthen our funding and liquidity positions as illustrated by increases in our Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR");
- Taken a conservative view in the application of the AASB 9 Accounting Standard; and
- Focused on capital generation, with a clear path to achieve APRA's 'unquestionably strong' capital target.

(1) Under accounting standards the planned divestment of the Bank's Australia and New Zealand life insurance businesses, BoComm Life investment and the TymeDigital business requires separate disclosure of discontinued operations. The financial results of these businesses are therefore excluded from the individual account lines of the Bank's performance and reported as a single cash net profit after tax line item. Commentary throughout this report refers to the financial results on a continuing operations basis.

(2) One-off items within Operating income:
FY17: a $397 million gain on sale of the Bank's remaining investment in Visa Inc. and $41 million of equity accounted profits from our 80% stake in AHL Holdings Pty Ltd (trading as "Aussie Home Loans");
FY18: $226 million of income from the consolidation of AHL after increasing our stake to 100%, $7 million of equity accounted profits pre the 25 August 2017 acquisition of AHL and $4 million of eChoice revenue. This includes $5 million of net interest income and $232 million of other banking income.
One-off items within Operating expenses:
FY17: a $393 million one-off expense for acceleration of amortisation on certain software assets;
FY18: $190 million of consolidated expenses after increasing our AHL stake to 100%, $7 million of eChoice expenses, a $700 million non-tax deductible expense for the AUSTRAC civil penalty; and one-off regulatory costs of $155 million associated with the Royal Commission, the AUSTRAC proceedings and the APRA Prudential Inquiry.

(3) Refer to page 142 for further information.

Financial Performance and Business Review (continued)

Performance Overview (continued)

The Bank's financial result was impacted by a number of one-off items as outlined in footnote 2 on page 11. In order to present a transparent view of business performance, operating income and operating expenses are shown both before and after these one-off items.

The impact of these adjustments is outlined below:

	Full Year Ended (1)			Half Year Ended (1)		
	30 Jun 18	30 Jun 17	Jun 18 vs Jun 17	30 Jun 18	31 Dec 17	Jun 18 vs Dec 17
	$M	$M	%	$M	$M	%
Operating income excluding one-off items	*25,670*	*24,819*	*3*	*12,647*	*13,023*	*(3)*
One-off items:						
Sale of Visa shares	-	397	large	-	-	n/a
AHL and eChoice	237	41	large	143	94	52
Total operating income	25,907	25,257	3	12,790	13,117	(2)
Investment experience	17	23	(26)	4	13	(69)
Total income	25,924	25,280	3	12,794	13,130	(3)
Operating expense excluding one-off items	*(10,547)*	*(10,229)*	*3*	*(5,367)*	*(5,180)*	*4*
One-off items:						
Accelerated amortisation on certain software assets	-	(393)	large	-	-	n/a
AHL and eChoice	(197)	-	n/a	(126)	(71)	77
AUSTRAC civil penalty	(700)	-	n/a	(325)	(375)	(13)
One-off regulatory costs	(155)	-	n/a	(45)	(110)	(59)
Total operating expenses	(11,599)	(10,622)	9	(5,863)	(5,736)	2
Loan impairment expense	(1,079)	(1,095)	(1)	(483)	(596)	(19)
Net profit before tax	13,246	13,563	(2)	6,448	6,798	(5)
Corporate tax expense	(3,994)	(3,847)	4	(1,964)	(2,030)	(3)
Non-controlling interests - continuing operations (2)	(19)	(20)	(5)	(10)	(9)	11
Net profit after tax from continuing operations ("cash basis")	9,233	9,696	(5)	4,474	4,759	(6)
Non-cash items - continuing operations (3)	142	70	large	(18)	160	large
Net profit after tax from continuing operations ("statutory basis")	9,375	9,766	(4)	4,456	4,919	(9)
Net profit after tax from discontinued operations ("cash basis")	179	189	(5)	67	112	(40)
Non-cash items - discontinued operations (3)	(225)	(23)	large	(100)	(125)	(20)
Non-controlling interests - discontinued operations	-	(4)	large	-	-	n/a
Net profit after tax ("statutory basis")	9,329	9,928	(6)	4,423	4,906	(10)
Key performance indicators - continuing operations						
Return on equity (%) ("statutory basis")	14.4	15.9	(150)bpts	13.5	15.2	(170)bpts
Return on equity (%) ("cash basis")	14.1	15.7	(160)bpts	13.5	14.6	(110)bpts
Earnings per share - basic (cents) ("statutory basis")	536.9	567.9	(5)	254.1	283.0	(10)
Earnings per share - basic (cents) ("cash basis")	528.6	563.4	(6)	255.0	273.6	(7)
Key performance indicators - including discontinued operations						
Dividends per share (cents)	431	429	-	231	200	16
Common Equity Tier 1 (APRA) (%)	10.1	10.1	-	10.1	10.4	(30)bps

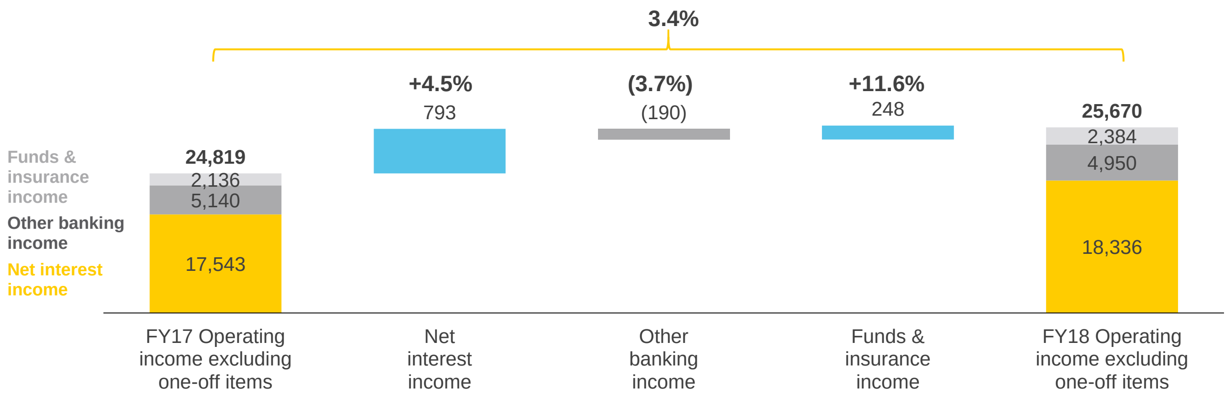
(1) Information has been restated and presented on a continuing operations basis. Discontinued operations include the Bank's life insurance business in Australia and New Zealand, its 37.5% equity interest in BoComm Life Insurance Company Limited and TymeDigital.
(2) Non-controlling interests include preference dividends paid to holders of preference shares in ASB Capital Limited and ASB Capital No.2 Limited.
(3) Refer to page 4 for details.

Financial Performance and Business Review (continued)

Financial Performance Drivers

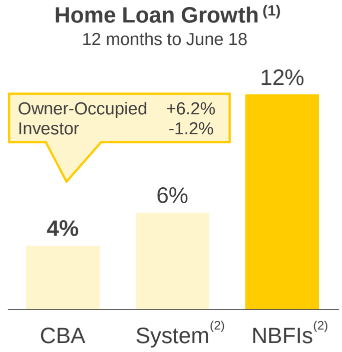
Operating Income

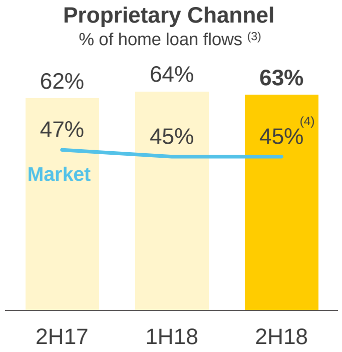
Operating income excluding one-off items was $25,670 million, an increase of $851 million or 3.4% on the prior year. This result was primarily driven by a 4.5% increase in net interest income, with higher funds and insurance income partly offset by a reduction in other banking income.

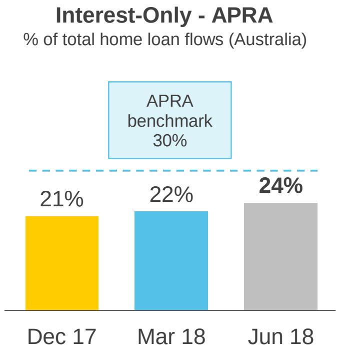


Net interest income excluding one-off items was $18,336 million, an increase of $793 million or 4.5%, driven by 2.3% growth in average interest earning assets and a 2.2% increase in NIM (up 5 basis points).

Domestic home loan volume growth of 4%, was 2% below system. The difference relative to system reflects a conservative approach in order to manage regulatory requirements on interest-only and investor lending, and increased competition, particularly from non-bank lenders. Proprietary flows represented 63% of home loan flows in 2H18.



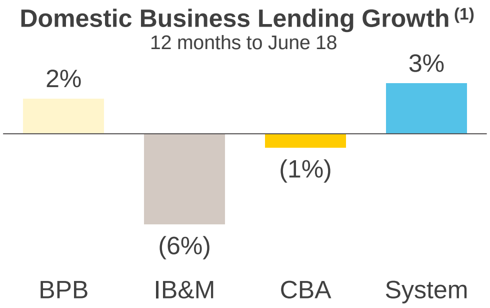




(1) System source RBA. CBA includes BWA and subsidiaries.
(2) Adjusted for new market entrants/reporting changes. NBFIs: Non-bank financial institutions.
(3) RBS retail mortgages, including those originated outside of RBS.
(4) System as at Mar-18 quarter. Source: MFAA.

Domestic business lending volumes decreased 1%, 4% below system as the Bank continues to rebalance the portfolio.

- Growth in BPB lending balances of 2% was below system due to a decline in residential property development due to the completion of projects and a continued focus on risk appetite. Growth was achieved across various industries, including property investment, agribusiness, hospitality and health.
- IB&M domestic business lending balances decreased 6% driven by portfolio optimisation initiatives.



(1) System source RBA. CBA also includes RBS and BWA.

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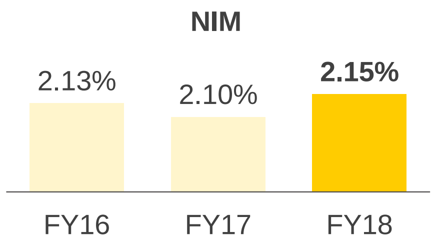
Financial Performance and Business Review (continued)

Financial Performance Drivers (continued)

Operating Income (continued)

NIM increased 5 basis points to 2.15% during the year primarily due to:

- The benefit from repricing of interest-only and investor home loans in order to manage regulatory requirements;
- The funding benefit from deposit repricing and an increased proportion of low cost funding via transaction deposits; partly offset by
- The impact of the major bank levy and higher wholesale funding costs.



Other banking income excluding one-off items was $4,950 million, a decrease of $190 million or 3.7%, due to:

- A reduction in interchange revenue driven by lower average interchange rates following regulatory changes;
- The removal of ATM withdrawal fees; and
- A weaker trading performance in both global markets and treasury; partly offset by
- Higher business loan fee income reflecting volume growth and a shift to fee based products such as cash advance facilities.

Funds management income was $2,091 million, an increase of $178 million or 9.3%, driven by:

- An increase in the amount of funds invested (positive net flows) and positive market returns on invested funds (strong market performance); and
- Lower remediation costs as the Advice Review program approaches completion; partly offset by
- A reduction in rates charged on funds invested, due to customers switching to less specialised, and lower fee, fund types.

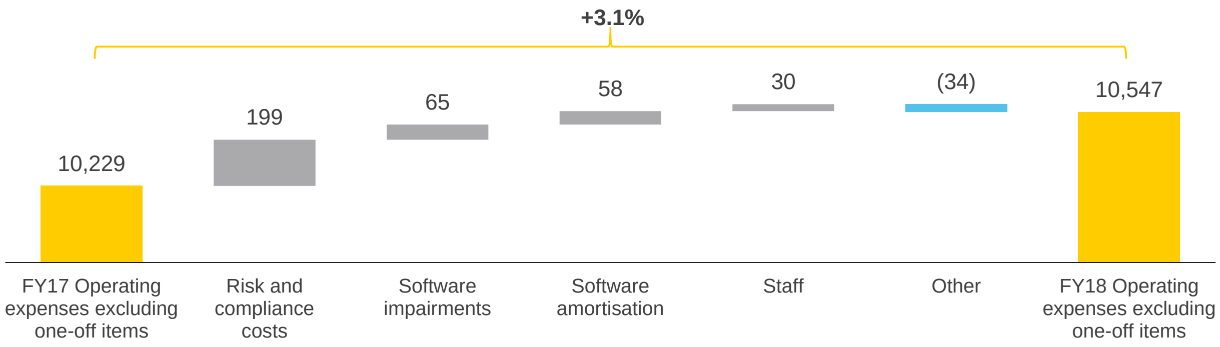
Insurance income was $293 million, an increase of $70 million or 31.4%, as a result of:

- Lower weather related claims (Cyclone Debbie resulted in a large increase in claims in the prior year); and
- Higher premium income from volume growth and the repricing of policies to better reflect the underlying risks.

Operating Expenses

Operating expenses excluding one-off items were $10,547 million, an increase of $318 million or 3.1% on the prior year. The key drivers were:

- $199 million of higher risk and compliance costs;
- $65 million increase in capitalised software impairments, primarily driven by a decision to implement a new institutional lending platform;
- $58 million increase in amortisation of software assets;
- $30 million increase in staff expenses, driven by wage inflation, partly offset by lower employee incentives. The number of full-time equivalent staff increased by 151 to 43,771, primarily due to:
  - An increase in project demand and risk and compliance staff; partly offset by
  - The divestment of non-core businesses in our IFS division; and
  - The wind-down of the Advice Review program.
- $34 million decrease from other movements including $73 million lower Advice Review program and other provisions, $41 million lower non-regulatory related professional fees and $4 million of other decreases; partly offset by $59 million lower IT vendor rebates received in the current year, and a $25 million provision in relation to the ASIC Bank Bill Swap Rate litigation [1].

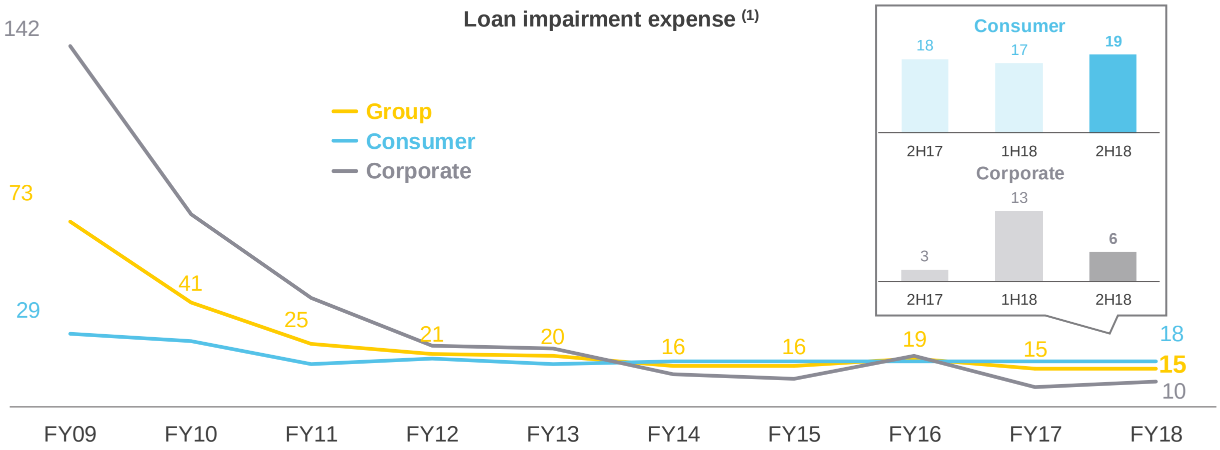


(1) Refer to page 143 for further information.

Financial Performance and Business Review (continued)

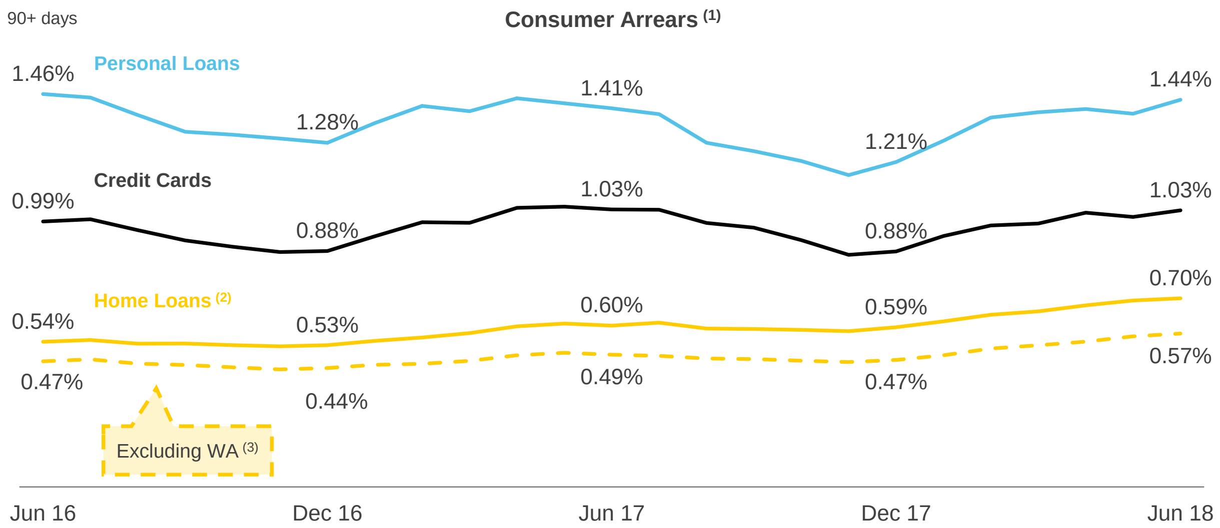
Credit Quality

LIE was $1,079 million, a decrease of $16 million or 1.5% on the prior year. LIE as a percentage of gross loans and acceptances ("GLAA") remained at 15 basis points (in line with the prior year), reflective of the continued benign credit conditions, in both the Consumer portfolio (18 basis points of GLAA) and the Corporate portfolio (10 basis points of GLAA), due to low interest rates and low levels of unemployment.



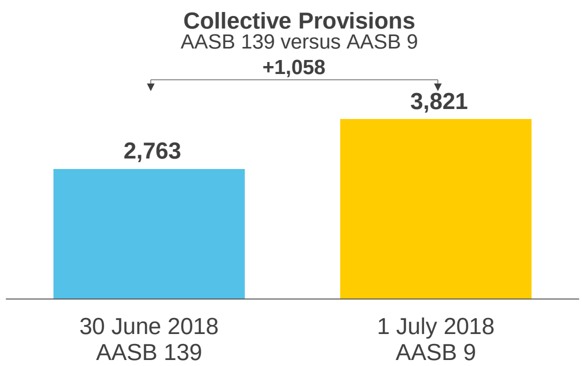
(1) Cash LIE as a percentage of average GLAA (bpts). Statutory LIE for FY10 was 48 bpts and for FY13 was 21 bpts.

Retail portfolio arrears remain relatively low. 90+ days home loan arrears were elevated on the prior year as some households experienced difficulties with rising essential costs and limited income growth, leading to some pockets of stress. After accounting for seasonal trends, arrears across unsecured retail portfolios remained relatively stable across the period.



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

The AASB 9 Accounting Standard was adopted on 1 July 2018. The Bank has taken a conservative view in the application of the Standard, resulting in an increase in impairment provisions of $1,058 million (before tax) to $3,821 million, and a decrease in the Bank's Common Equity Tier 1 ("CET1") ratio of 18 basis points. The new requirements have been applied retrospectively with the transition adjustment recognised in opening retained earnings and reserves as at 1 July 2018.



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Financial Performance and Business Review (continued)

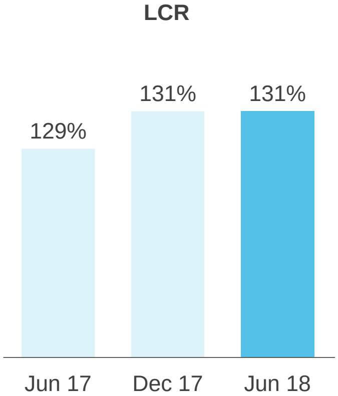
Balance Sheet Strength

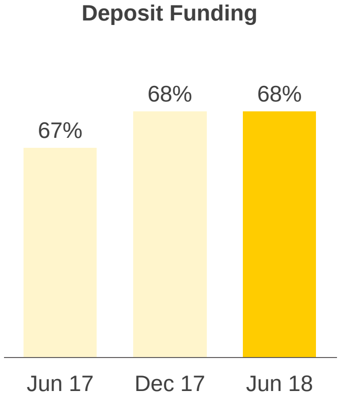
Funding and Liquidity

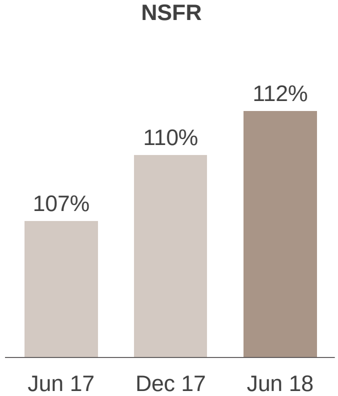
The Bank's Liquidity Coverage Ratio was 131%, (up from 129% at 30 June 2017), well above the regulatory minimum of 100%.

The Bank continues to satisfy a significant portion of its funding requirements from growth in customer deposits, which accounted for 68% of total funding, up from 67% at 30 June 2017.

The Bank's Net Stable Funding Ratio (NSFR) was 112% (up from 107% at 30 June 2017), well above the regulatory minimum of 100% which applied from 1 January 2018. The increase was mainly driven by a more NSFR efficient customer deposit mix.

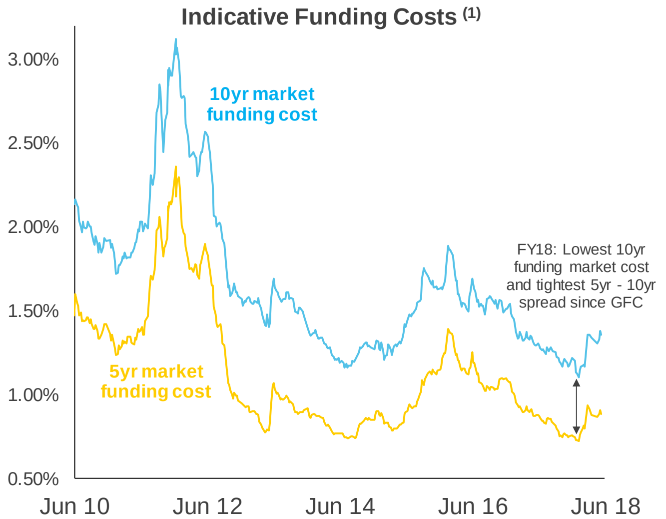


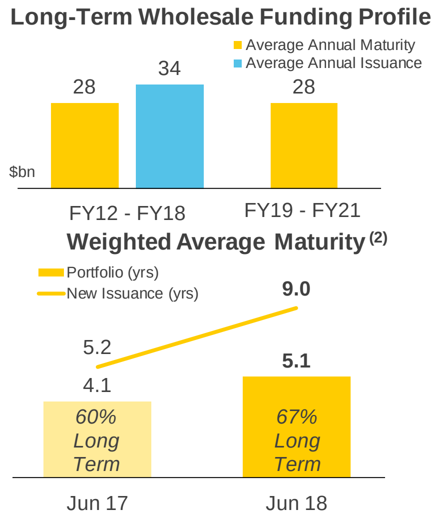




The Bank continued to strengthen its funding position in the period, taking advantage of favourable global funding conditions to lengthen the term of long-term wholesale debt. Lengthening the maturity of our wholesale debt will, over time, reduce our annual funding requirement and the associated refinancing risk. The WAM of new long-term wholesale debt issued in the period was 9.0 years, bringing the portfolio WAM to 5.1 years (up from 4.1 years at 30 June 2017). Long-term wholesale funding now accounts for 67% of total wholesale funding (up from 60% at 30 June 2017).

As indicated in the chart below, benign funding conditions for most of the period have provided opportunities to lengthen tenor at relatively lower wholesale funding costs.





(1) Indicative funding costs across major currencies. Represents the spread in BBSW equivalent terms on a swapped basis.
(2) Long term wholesale funding (>12 months).

Financial Performance and Business Review (continued)

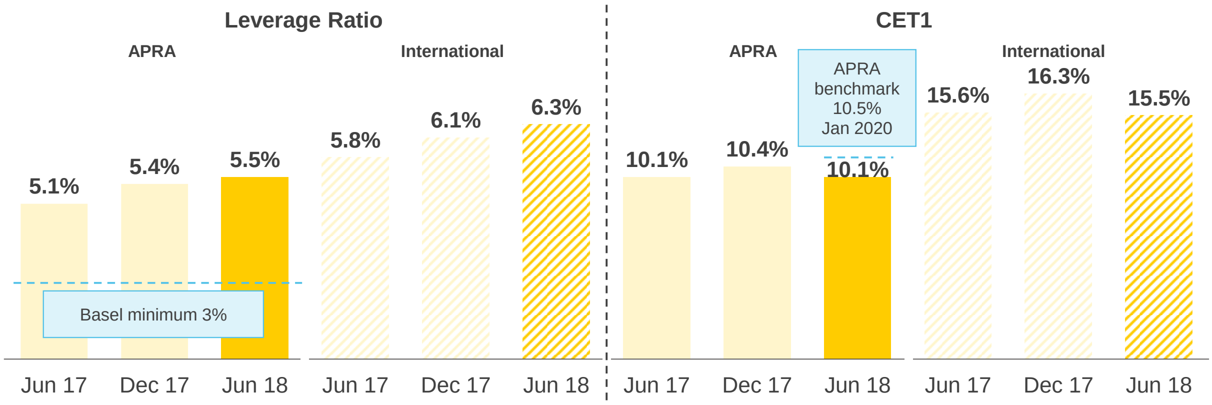
Balance Sheet Strength (continued)

Leverage and Capital

The leverage ratio was 5.5% on an APRA basis, up from 5.1% at 30 June 2017, benefitting from a 7% increase in capital levels driven by both organic capital generation and the Additional Tier 1 CommBank PERLS X Capital Notes issuance, and a 1% reduction in exposures.

The Bank's CET1 ratio (APRA) was 10.1%, compared with 10.4% at 31 December 2017 and 10.1% at 30 June 2017. The capital ratios were maintained well in excess of regulatory minimum capital adequacy requirements at all times throughout the year ended 30 June 2018. The decrease of 30 basis points in the June 2018 half year was primarily driven by a number of unfavourable one-off impacts. These included higher Operational Risk Weighted Assets ("RWA") driven by APRA's requirement to increase Operational Risk Regulatory Capital by $1 billion (RWA $12.5 billion), effective 30 April 2018 (-28 basis points), and the movement of the Wealth Management Advice business into the regulatory group (-5 basis points). Further unfavourable one-off impacts included the AUSTRAC civil penalty (-7 basis points), the maturity of the final tranche of Colonial Debt that was subject to transitional relief (-7 basis points), and the capital contribution into BoComm Life (-5 basis points) (which will be fully reimbursed on completion of sale to Mitsui Sumitomo Insurance Co. Ltd). Organic capital generation remained strong at 32 basis points, partly offset by various other movements (-10 basis points).

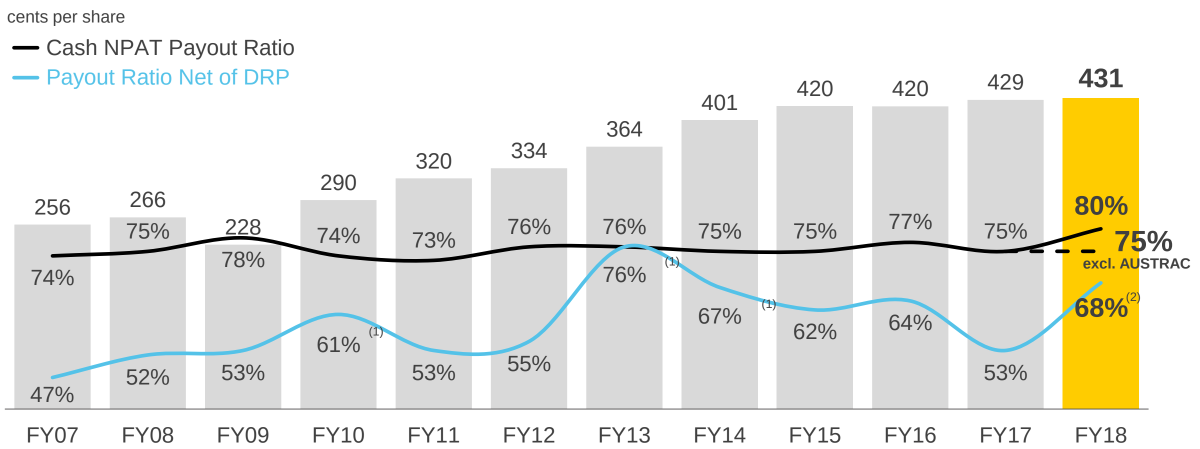
The sale of the Bank's New Zealand life insurance business was completed on 2 July 2018, resulting in an uplift in the Bank's pro-forma CET1 ratio (APRA) of 27 basis points. The Bank is expected to complete the sale of its Australian life insurance business and its non-controlling investment in BoComm Life by December 2018, subject to regulatory approval, which will provide a further uplift of approximately 56 basis points. These impacts will be partly offset by the implementation of AASB 9 (-18 basis points) and AASB 15 (-3 basis points), resulting in a 30 June 2018 pro-forma CET1 ratio of approximately 10.7%.



Dividends

The Bank's performance supported the Board's aim of consistent dividends for shareholders. The final dividend declared was $2.31 per share, bringing the total dividend for the year ended 30 June 2018 to $4.31, an increase of 2 cents on the prior year. The dividend payout ratio ("cash basis") for the full year ended 30 June 2018 was 80.4% of cash NPAT. Excluding the AUSTRAC civil penalty, the dividend payout ratio was 74.9% of cash NPAT, within the Bank's target ratio of 70% to 80%.

The DRP will continue to be offered to shareholders, and no discount will be applied to shares allocated under the plan for the final dividend.



(1) DRP Neutralised: 2H10, 1H13, 2H13, 2H14
(2) Assumes 2H18 DRP participation of 15%

Group Performance Analysis

Net Interest Income (continuing operations basis)

	Full Year Ended (1)			Half Year Ended (1)		
	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	30 Jun 18 $M	31 Dec 17 $M	Jun 18 vs Dec 17 %
Net interest income - "cash basis"	**18,341**	17,543	5	**9,086**	9,255	(2)
Average interest earning assets						
Home loans (2)	**451,607**	435,448	4	**455,462**	447,814	2
Consumer Finance	**23,265**	23,518	(1)	**23,383**	23,148	1
Business and corporate loans	**225,037**	221,188	2	**223,452**	226,596	(1)
Total average lending interest earning assets	**699,909**	680,154	3	**702,297**	697,558	1
Non-lending interest earning assets (3)	**154,355**	154,587	-	**154,753**	153,964	1
Total average interest earning assets	**854,264**	834,741	2	**857,050**	851,522	1
Net interest margin (%)	**2. 15**	2. 10	5 bpts	**2. 14**	2. 16	(2)bpts
Net interest margin excluding Treasury and Markets (%)	**2. 13**	2. 08	5 bpts	**2. 12**	2. 14	(2)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 was $492,431 million for the full year ended 30 June 2018 ($470,773 million for the full year ended 30 June 2017), and $497,441 million for the half year ended 30 June 2018 ($487,502 million for the half year ended 31 December 2017). While these balances are required to be grossed up under accounting standards, they are netted down for the calculation of customer interest payments and the calculation of the Bank's Net interest margin.
(3) On 21 September 2017 CBA announced the sale of 100% of its life insurance businesses including CommInsure Life and Sovereign to AIA Group Limited ("AIA"). For the full year ended 30 June 2018, $79 million of Non-lending interest earning assets have been reclassified to Assets held for sale ($84 million for the half ended 31 December 2017).

Full Year Ended June 2018 versus June 2017

Net interest income was $18,341 million, an increase of $798 million or 5% on the prior year. The result was driven by a 2% increase in average interest earning assets, and a 2% or 5 basis point increase in net interest margin to 2.15%.

Average Interest Earning Assets

Average interest earning assets increased $20 billion or 2% on the prior year to $854 billion.

- Home loan average balances increased $16 billion or 4% on the prior year to $452 billion. This was driven by growth in owner occupied loans primarily through the proprietary channel;
- Business and corporate loan average balances increased $4 billion or 2% on the prior year to $225 billion, driven by $2 billion of growth in Business and Private Banking business lending balances in various industries and $1 billion of growth in New Zealand business and rural loans. Institutional lending balances increased $1 billion driven by a $2 billion increase in Cash Management Pooling Facilities, partly offset by a $1 billion decrease in underlying institutional lending balances due to portfolio optimisation initiatives; and
- Non-lending interest earning asset average balances remained broadly flat on the prior year at $154 billion, with a $3 billion increase in higher yielding Available for Sale Securities largely driven by pre-funding to take advantage of favourable market conditions, offset by a $2 billion decrease in lower yielding Cash and other liquid assets due to reduced levels of collateral placed with the Bank by derivative counterparties, and a $1 billion decrease in trading assets.

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

Net Interest Margin

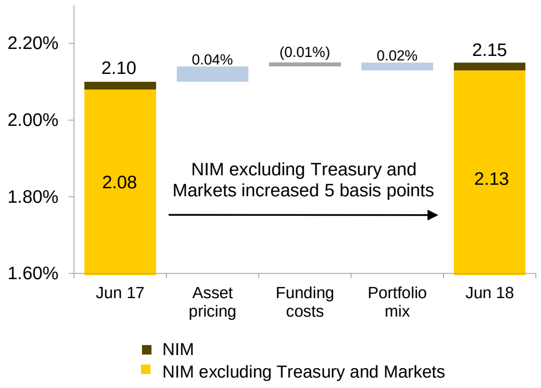
The Bank's net interest margin increased 5 basis points on the prior year to 2.15%. The key drivers of the movement were:

Asset pricing: Increased margin of 4 basis points driven by home lending, reflecting the benefit from repricing of interest-only and investor home loans in order to manage regulatory requirements (up 5 basis points), partly offset by lower consumer finance margins (down 1 basis point).

Funding costs: Decreased margin of 1 basis point, driven by the negative impact of the major bank levy (down 4 basis points) and higher wholesale funding costs (down 1 basis point), partly offset by the benefit from deposit repricing (up 4 basis points). Funding conditions were favourable during the year, which allowed the Bank to lengthen the tenor of long-term funding and replace short-term for long-term funding at relatively lower costs.

Portfolio mix: Increased margin of 2 basis points reflecting a favourable change in funding mix from strong growth in transaction deposits.

NIM movement since June 2017 (1)



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

Net Interest Income (continued)

Half Year Ended June 2018 versus December 2017

Net interest income was $9,086 million, a decrease of $169 million or 2% on the prior half, driven by a 1% or 2 basis points decrease in net interest margin to 2.14%, and the impact of three fewer calendar days in the current half, partly offset by a 1% increase in average interest earning assets.

Average Interest Earning Assets

Average interest earning assets increased $6 billion or 1% on the prior half to $857 billion.

- Home loan average balances increased $8 billion or 2% to $455 billion, primarily driven by continued growth in owner occupied loans primarily through the proprietary channel;
- Business and corporate loan average balances decreased $3 billion or 1% on the prior half to $223 billion, driven by a $5 billion reduction in institutional lending balances due to portfolio optimisation initiatives, partly offset by a $1 billion increase in Business and Private Banking business lending balances and a $1 billion increase in New Zealand business and rural loans; and
- Average non-lending interest earning assets increased $1 billion or 1% on the prior half to $155 billion, driven by an increase in liquid assets due to pre-funding to take advantage of favourable market conditions.

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

Net Interest Margin

The Bank's net interest margin decreased 2 basis points on the prior half to 2.14%. The key drivers of the movement were:

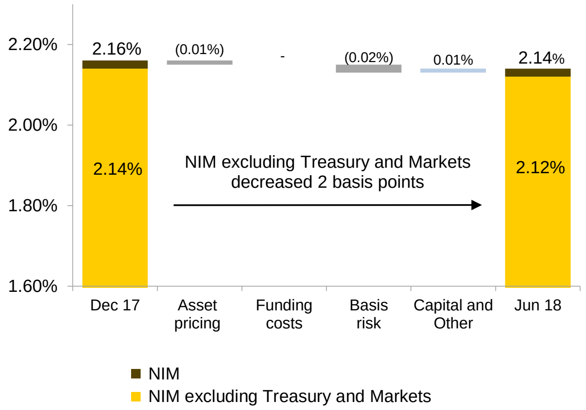
Asset pricing: Decreased margin of 1 basis point, driven by home lending (down 2 basis points), reflecting the impact of home loan discounting, and customers switching from higher margin interest-only to lower margin principal and interest home loans, partly offset by the benefit from the run-off of low margin institutional lending balances (up 1 basis point).

Funding costs: Flat, with higher wholesale funding costs (down 2 basis points) offset by the benefit from deposit repricing (up 2 basis points). Higher wholesale funding costs were partly driven by the higher cost associated with lengthening of the wholesale funding tenor and a higher mix of long-term to short-term wholesale funding.

Basis risk: Basis risk arises from the spread between the 3 month bank bill swap rate and 3 month overnight index swap rate. The margin decreased 2 basis points as a result of an increase in the average spread from 23 basis points in the prior half to 33 basis points in the current half.

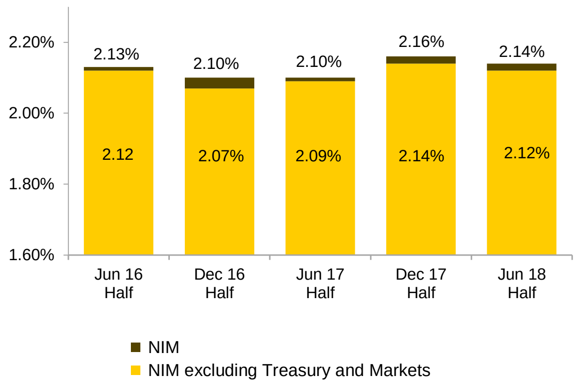
Capital and Other: Increased margin from a 1 basis point increase in the contribution from New Zealand reflecting higher retail and business lending margins.

NIM movement since December 2017 (1)



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

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)

	Full Year Ended [1]			Half Year Ended [1]		
	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	**30 Jun 18 $M**	31 Dec 17 $M	Jun 18 vs Dec 17 %
Commissions	**2,459**	2,561	(4)	**1,208**	1,251	(3)
Lending fees	**1,109**	1,078	3	**551**	558	(1)
Trading income	**1,025**	1,149	(11)	**469**	556	(16)
Other income	**357**	352	1	**126**	231	(45)
Other banking income excl. one-off items - "cash basis"	**4,950**	5,140	(4)	**2,354**	2,596	(9)
One-off items [2]						
Sale of Visa shares	**-**	397	large	**-**	-	-
AHL and eChoice acquisitions	**232**	41	large	**141**	91	55
Other banking income - "cash basis"	**5,182**	5,578	(7)	**2,495**	2,687	(7)

(1) Comparative information has been restated to conform to presentation in the current period.
(2) For further details on the one-off items refer to page 12.

Year Ended June 2018 versus June 2017

Other banking income excluding one-off items was $4,950 million, a decrease of $190 million or 4% on the prior year.

Commissions decreased by $102 million or 4% to $2,459 million, due to lower consumer finance and deposit fee income driven by the reduction in average interchange rates as a result of regulatory changes, and the removal of ATM withdrawal fees, partly offset by lower loyalty costs from changes to the rewards program, higher credit card and debit card purchases as consumers continue to shift from using cash to cards, and higher merchant fee income driven by higher margins.

Lending fees increased by $31 million or 3% to $1,109 million, mainly driven by volume growth and higher business lending fees due to a shift to fee based products such as cash advance facilities.

Trading income decreased by $124 million or 11% to $1,025 million, driven by weaker Markets trading performance from the impact of widening spreads on the inventory of high grade corporate and government bonds, and lower Treasury income.

Other income increased by $5 million or 1% to $357 million, primarily driven by a lower realised loss on the hedge of New Zealand earnings and higher equity accounting profits in IFS mainly from volume growth in Qilu Bank and Vietnam International Bank, partly offset by lower Treasury income arising from a restructuring of economic hedges to reduce the overall funding costs and optimise capital in relation to the 30 year US debt issuances. This resulted in an upfront realised loss and an embedded gain in the swap that is amortised over the residual life of the debt issuance.

Half Year Ended June 2018 versus December 2017

Other banking income excluding one-off items was $2,354 million, a decrease of $242 million or 9% on the prior half.

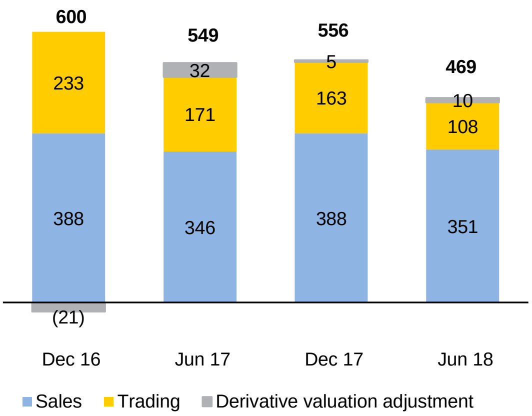
Commissions decreased by $43 million or 3% to $1,208 million, mainly due to lower merchant income driven by remediation costs associated with operational issues and seasonally lower turnover volumes in the current half due to the timing of the December holiday season, and seasonally lower foreign exchange transactions from travel money cards.

Lending fees decreased by $7 million or 1% to $551 million, mainly driven by lower branch service fees and the removal of loan service fees on a business overdraft account.

Trading income decreased by $87 million or 16% to $469 million, due to lower Markets sales performance from lower volatility driving lower client demand and weaker trading performance driven by the widening of spreads on the inventory of high grade corporate and government bonds.

Other income decreased by $105 million or 45% to $126 million, driven by lower Structured Asset Finance income due to the non-recurrence of a prior half gain on sale of assets and lower Treasury income arising from a restructuring of economic hedges to reduce the overall funding costs and optimise capital in relation to the 30 year US debt issuances. This resulted in an upfront realised loss and an embedded gain in the swap that is amortised over the residual life of the debt issuance.

Trading Income ($M)



Group Performance Analysis

Funds Management Income (continuing operations basis)

	Full Year Ended (1)			**Half Year Ended**		
	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	**30 Jun 18 $M**	31 Dec 17 $M	Jun 18 vs Dec 17 %
Colonial First State (CFS) (2)	**1,003**	933	8	**488**	515	(5)
CFS Global Asset Management	**975**	887	10	**503**	472	7
New Zealand	**105**	92	14	**55**	50	10
IFS and Other	**8**	1	large	**6**	2	large
Funds management income - "cash basis"	**2,091**	1,913	9	**1,052**	1,039	1
Funds Under Administration (FUA) - average ($M)	**153,810**	141,146	9	**156,896**	151,008	4
Assets Under Management (AUM) - average ($M)	**220,764**	210,295	5	**217,298**	224,560	(3)

(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.

Year Ended June 2018 versus June 2017

Funds management income was $2,091 million, an increase of $178 million or 9% on the prior year. The key drivers were:

- CFS increased by $70 million or 8% to $1,003 million, driven by an increase in average FUA of $13 billion or 10% to $142 billion reflecting higher investment market returns, positive net flows and a benefit from a reduction in Advice customer remediation provisions. This was partly offset by a 2 basis point decline in underlying CFS FUA margins due to a change in business mix reflecting continued growth in the lower margin CFSWrap platform. The underlying margin excludes the benefit from a $38 million reduction in Advice customer remediation provisions;
- CFSGAM increased by $88 million or 10% to $975 million, driven by an increase in average AUM of $10 billion or 5% to $216 billion reflecting higher investment markets and the benefit of the lower Australian dollar, partly offset by higher net outflows in the global equities and fixed income businesses. AUM margins increased 2 basis points reflecting the receipt of higher performance fees. Excluding the benefit of performance fees, underlying AUM margins declined 1 basis point due to a change in business mix reflecting net outflows in the higher margin global equities business; and
- New Zealand increased by $13 million or 14% to $105 million, driven by an increase in average AUM of $191 million or 4% to $5 billion reflecting strong net flows and higher investment market returns. Average FUA remained stable at $12 billion.

Half Year Ended June 2018 versus December 2017

Funds management income was $1,052 million, an increase of $13 million or 1% on the prior half. The key drivers were:

- CFSGAM increased by $31 million or 7% to $503 million driven by the receipt of higher performance fees in the current half. Average AUM decreased by $7 billion or 3% to $212 billion, reflecting higher net outflows partly offset by the benefit of the lower Australian dollar and higher investment markets. Excluding the benefit of performance fees, underlying AUM margins increased 1 basis point due to net outflows in the lower margin fixed income business in the prior half; and
- New Zealand increased by $5 million or 10% to $55 million driven by an increase in average FUA of $367 million or 3% to $12 billion. Average AUM remained stable at $5 billion; partly offset by
- CFS decreased by $27 million or 5% to $488 million driven by additional Advice customer remediation provisions booked in the half. Average FUA increased $6 billion or 4% to $145 billion driven by positive net flows and higher investment markets. CFS FUA margins decreased 5 basis points due to an additional $55 million of Advice customer remediation provisions. Excluding these provisions, underlying CFS FUA margins remained stable.

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Insurance Income (continuing operations basis)

	Full Year Ended (1)			Half Year Ended		
	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	**30 Jun 18 $M**	31 Dec 17 $M	Jun 18 vs Dec 17 %
CommInsure (2)	**183**	121	51	**101**	82	23
IFS	**56**	50	12	**32**	24	33
Other	**54**	52	4	**24**	30	(20)
Insurance income - "cash basis"	**293**	223	31	**157**	136	15

(1) Comparative information has been restated to conform to presentation in the current period.
(2) CommInsure represents the General Insurance business.

Year Ended June 2018 versus June 2017

Insurance income was $293 million, an increase of $70 million or 31% on the prior year. The key drivers were:

- CommInsure income increased by $62 million or 51% to $183 million due to lower weather event claims (Cyclone Debbie led to a large increase in claims in the prior year) and growth in premiums driven by risk based pricing initiatives; and
- IFS income increased by $6 million or 12% to $56 million, driven by higher premium income.

Half Year Ended June 2018 versus December 2017

Insurance income was $157 million, an increase of $21 million or 15% on the prior half. The key drivers were:

- CommInsure increased by $19 million or 23% to $101 million mainly due to lower weather related event claims in the current half; and
- IFS income increased by $8 million or 33% to $32 million, mainly driven by higher premium income; partly offset by
- Other decreased by $6 million or 20% to $24 million, driven by lower premiums.

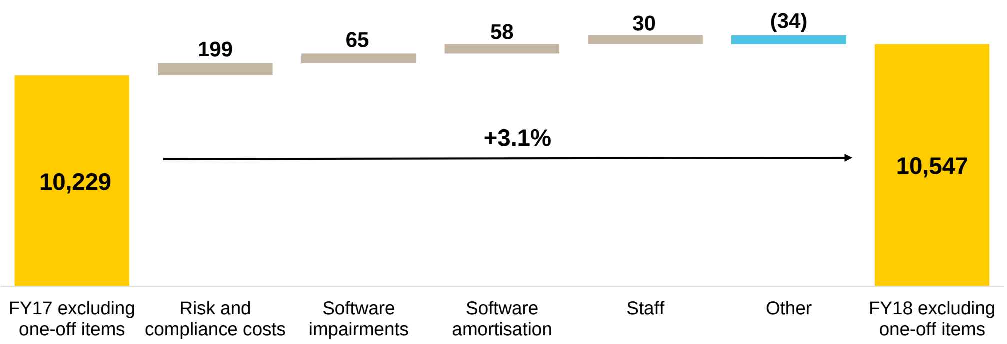
Group Performance Analysis

Operating Expenses (continuing operations basis)

	Full Year Ended [1]			Half Year Ended [1]		
	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	**30 Jun 18 $M**	31 Dec 17 $M	Jun 18 vs Dec 17 %
Staff expenses	**5,895**	5,865	1	**2,944**	2,951	-
Occupancy and equipment expenses	**1,165**	1,110	5	**595**	570	4
Information technology services expenses	**1,787**	1,578	13	**961**	826	16
Other expenses	**1,700**	1,676	1	**867**	833	4
Operating expenses excluding one-off items - "cash basis"	**10,547**	10,229	3	**5,367**	5,180	4
One-off items [2]						
Accelerated amortisation on certain software assets	**-**	393	large	**-**	-	-
Consolidation of AHL and eChoice	**197**	-	n/a	**126**	71	77
AUSTRAC civil penalty	**700**	-	n/a	**325**	375	(13)
One-off regulatory costs	**155**	-	n/a	**45**	110	(59)
Operating expenses including one-off items - "cash basis"	**11,599**	10,622	9	**5,863**	5,736	2
Operating expenses to total operating income (%)	**44. 8**	42. 1	270 bpts	**45. 8**	43. 7	210 bpts
Operating expenses to total operating income excluding one-off items % [3]	**41. 1**	41. 2	(10)bpts	**42. 4**	39. 8	260 bpts
Number of full-time equivalent staff (FTE)	**43,771**	43,620	-	**43,771**	42,563	3

(1) Comparative information has been restated to conform to presentation in the current period.
(2) For further details on the one-off items refer to page 12.
(3) For further details on the one-off items for operating income refer to page 12.

Operating Expenses excluding one-off items



Year Ended June 2018 versus June 2017

Operating expenses excluding one-off items were $10,547 million, an increase of $318 million or 3% on the prior year.

Staff expenses increased by $30 million or 1% to $5,895 million, driven by wage inflation, partly offset by lower employee incentives. The number of full-time equivalent staff increased by 151 from 43,620 to 43,771, primarily due to an increase in project demand and risk and compliance staff, partly offset by the divestment of non-core businesses in IFS and the wind-down of the Advice Review program.

Occupancy and equipment expenses increased by $55 million or 5% to $1,165 million, primarily due to the consolidation and development of corporate offices, annual rental reviews, and depreciation.

Information technology services expenses increased by $209 million or 13% to $1,787 million. This was primarily due to a $65 million increase in capitalised software impairments, driven by a decision to implement a new institutional lending platform ($51 million), a $58 million increase in amortisation of software assets, higher software license costs, and lower vendor rebates received in the current year.

Other expenses increased by $24 million or 1% to $1,700 million, primarily driven by $199 million of higher risk and compliance costs, and a $25 million provision for the BBSW litigation, partly offset by lower Advice Review program costs, lower non-regulatory related professional fees, lower volume related expenses and lower discretionary spend.

Operating expenses to total operating income ratio excluding one-off items decreased 10 basis points from 41.2% to 41.1%.

Operating Expenses (continued)

Half Year Ended June 2018 versus December 2017

Operating expenses excluding one-off items increased $187 million or 4% on the prior half to $5,367 million.

Staff expenses decreased by $7 million to $2,944 million, primarily due to lower employee incentives, partly offset by an increase in risk and compliance staff. The number of full-time equivalent staff increased by 1,208 or 3% from 42,563 to 43,771, primarily due to growth in risk and compliance staff and higher project staff following seasonally low FTE in the December 2017 holiday period.

Occupancy and equipment expenses increased by $25 million or 4% to $595 million, primarily due to the development of a new corporate office.

Information technology services expenses increased by $135 million or 16% to $961 million, primarily due to a $51 million increase in capitalised software impairments, driven by a decision to implement a new institutional lending platform, a $43 million increase in amortisation of software assets, and higher expensed investment spend and software licence costs.

Other expenses increased by $34 million or 4% to $867 million, primarily driven by $54 million of higher risk and compliance costs, and a $25 million provision for the BBSW litigation, partly offset by lower Advice Review program costs, lower credit card loyalty costs, and lower discretionary spend.

Operating expenses to total operating income ratio excluding one-off items increased 260 basis points from 39.8% to 42.4%.

Investment Spend (continuing operations basis)

	Full Year Ended [1]			Half Year Ended [1]		
	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	**30 Jun 18 $M**	31 Dec 17 $M	Jun 18 vs Dec 17 %
Expensed investment spend [2]	**724**	592	22	**400**	324	23
Capitalised investment spend	**612**	591	4	**314**	298	5
Investment spend	**1,336**	1,183	13	**714**	622	15
Comprising:						
Productivity and growth	**510**	610	(16)	**222**	288	(23)
Risk and compliance	**664**	445	49	**409**	255	60
Branch refurbishment and other	**162**	128	27	**83**	79	5
Investment spend	**1,336**	1,183	13	**714**	622	15

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Included within the Operating Expenses disclosure on page 23.

Year Ended June 2018 versus June 2017

The Bank continues to invest to deliver on the strategic priorities of the business with $1,336 million incurred in the full year to 30 June 2018, an increase of $153 million or 13% on the prior year. The increase is mainly driven by a $219 million increase in spend on risk and compliance projects.

Productivity and growth initiatives accounted for 38% of investment spend, a decrease of 14% from 52% in the prior year as the Bank prioritised funding for risk and compliance initiatives. Risk and compliance costs accounted for 50% of investment spend, an increase of 12% from 38%, as the Bank increased investment to strengthen regulatory and compliance frameworks and implement systems to satisfy regulatory obligations. Key areas of investment across each of the categories are outlined below.

Productivity and Growth

The Bank has invested in the following:

- Delivering tools and capabilities which allow easier and cheaper access to the Bank's data, enabling us to meet customers' specific needs and promote growth and retention of customers;
- Upgrading and automating retail and business banking systems to deliver improved customer self-service and drive improved customer experience through reduced handling times; and
- Improving the Bank's credit decisioning model and simplifying the frontline staff interface to enhance the customer experience.

Risk and Compliance

Financial Crimes Compliance

We are committed to build on the significant changes made in recent years as part of a comprehensive program to improve operational risk management and compliance at the Bank.

The Bank has invested in the following:

- Anti-money laundering and counter-terrorism financing (AML/CTF) compliance, including upgrading and enhancing our AML/CTF technology, updating our process documentation, investing in further resourcing and strengthening training of our personnel;
- Strengthening financial crime capabilities, and significant investment in seeking to fulfil the crucial role that it plays, including through its Program of

Investment Spend (continued)

- Action with coverage across all aspects of financial crime (including AML/CTF, sanctions and anti-bribery and corruption) and all business units; and
- Uplifting the Bank's processes for monitoring, managing, reporting and controlling financial crime across all of its operations, including how the Bank engages with and informs AUSTRAC and other regulators, and the operating model of the Bank which relates specifically to financial crime to ensure increased confidence in managing this area of risk.

Other Risk and Compliance

The Bank has invested in the following:

- Continuing to invest to protect against cyber risks and attacks, with a particular focus on data protection and application of cyber security controls which enable the Bank to identify and remediate suspicious activity;
- Improving the resilience of the Bank's IT infrastructure, including payments and data centres;
- Implementing systems to fulfil regulatory and compliance requirements, including Future of Financial Advice, Stronger Super (MySuper and SuperStream), Life and General Insurance Capital, and Common Reporting Standard requirements;
- Upgrading ATMs which is required to process new RBA banknotes; and
- Investing in regulatory credit risk and capital processes.

Branch Refurbishment and Other

The Bank has invested in the following:

- Retail branch refurbishment as our branch design is constantly evolving to reflect changes in customer preferences; and
- Consolidation and development of corporate offices as existing leases expire.

Capitalised Software

	Full Year Ended			Half Year Ended		
	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	**30 Jun 18 $M**	31 Dec 17 $M	Jun 18 vs Dec 17 %
Opening Balance	**1,934**	2,228	(13)	**1,896**	1,934	(2)
Additions	**486**	491	(1)	**273**	213	28
Amortisation and writeoffs (1) (2)	**(553)**	(785)	(30)	**(351)**	(202)	74
Reclassification to assets held for sale	**(48)**	-	n/a	**1**	(49)	large
Closing balance	**1,819**	1,934	(6)	**1,819**	1,896	(4)

(1) The full year ended 30 June 2017 included a $393 million one-off expense for acceleration of amortisation on certain software assets.
(2) The full year ended 30 June 2018 and half year ended 30 June 2018 includes write-offs of $55 million in discontinued operations where assets have not been reclassified as held for sale. The full year ended 30 June 2017 includes amortisation of $17 million in discontinued operations.

Year Ended June 2018 versus June 2017

The capitalised software balance decreased $115 million or 6% to $1,819 million.

Additions decreased by $5 million or 1% to $486 million, driven by lower capitalised investment in productivity and growth initiatives as the Bank focused on risk and compliance projects which have a lower capitalisation rate.

Amortisation and write-offs decreased $232 million or 30% to $553 million, driven by the non-recurrence of a $393 million one-off expense for acceleration of amortisation on certain software assets in the prior year. Excluding this expense, amortisation and write-offs increased $161 million or 41%, primarily driven by a $65 million increase in capitalised software impairments, driven by a decision to implement a new institutional lending platform ($51 million), a $55 million write down of TymeDigital software following the decision to discontinue the Bank's South African operations, and a change in software mix to digital assets which have a shorter useful life.

Reclassification to assets held for sale was $48 million due to the reclassification of capitalised software in the life insurance businesses to assets held for sale following the announced sale of CommInsure Life and Sovereign to AIA Group Limited.

Half Year Ended June 2018 versus December 2017

The capitalised software balance decreased $77 million or 4% to $1,819 million on the prior half.

Additions increased $60 million or 28% to $273 million, primarily driven by increased capitalised investment in risk and compliance projects.

Amortisation and write-offs increased $149 million or 74% to $351 million, primarily driven by a $55 million write down of TymeDigital software following the decision to discontinue the Bank's South African operations, a $51 million impairment of capitalised software relating to a decision to implement a new institutional lending platform, and a change in software mix to digital assets which have a shorter useful life.

Reclassification to assets held for sale decreased $50 million, from $49 million in the prior half due to the non-recurrence of the reclassification of capitalised software in the life insurance businesses.

Group Performance Analysis

Loan Impairment Expense

	Full Year Ended (1)			Half Year Ended		
	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	**30 Jun 18 $M**	31 Dec 17 $M	Jun 18 vs Dec 17 %
Retail Banking Services	**716**	702	2	**360**	356	1
Business and Private Banking	**129**	62	large	**80**	49	63
Institutional Banking and Markets	**80**	64	25	**(25)**	105	large
New Zealand	**74**	65	14	**51**	23	large
Bankwest	**54**	99	(45)	**24**	30	(20)
IFS and Other	**26**	103	(75)	**(7)**	33	large
Loan impairment expense - "cash basis"	**1,079**	1,095	(1)	**483**	596	(19)

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

Year Ended June 2018 versus June 2017

Loan impairment expense was $1,079 million, a decrease of $16 million or 1% on the prior year. This was driven by:

- A decrease in IFS and Other of $77 million or 75% to $26 million, driven by the release of a centrally held loan impairment provision which was raised in the prior year and is no longer required; and
- A decrease in Bankwest of $45 million or 45% to $54 million, driven by reduced home loan impairments in Western Australian mining towns and regional areas due to the non-recurrence of specific provisions in the prior year and an improvement in the quality of the Western Australian business loan portfolio; partly offset by
- An increase in Business and Private Banking of $67 million to $129 million, mainly driven by increased provisioning within segments exposed to discretionary consumer spending, partly offset by lower levels of individual provisions;
- An increase in Institutional Banking and Markets of $16 million or 25% to $80 million, driven by higher individual provisions due to a large single name exposure, partly offset by a higher level of write-backs in the mining and wholesale trade portfolios;
- An increase in Retail Banking Services of $14 million or 2% to $716 million, due to increased home loan and personal loan collective provisions to reflect actual loss experience, and a management overlay in anticipation of changes to bankruptcy legislation, partly offset by lower home loan impairments in mining towns in Western Australia and Queensland; and
- An increase in New Zealand of $9 million or 14% to $74 million, due to higher average arrears and write-offs in consumer finance, partly offset by lower provisions in the business portfolio due to favourable macroeconomic conditions in New Zealand.

Loan impairment expense annualised as a percentage of average Gross Loans and Acceptances (GLAAs) was flat at 15 basis points.

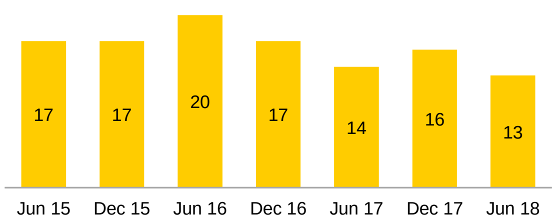
Half Year Ended June 2018 versus December 2017

Loan impairment expense was $483 million, a decrease of $113 million or 19% on the prior half mainly driven by:

- A decrease in Institutional Banking and Markets of $130 million to a $25 million benefit, reflecting lower individual provisions due to the non-recurrence of a large single name impairment and lower collective provisions due to the reduction of a maturity date model adjustment;
- A decrease in IFS and Other of $40 million to a $7 million benefit, driven by the release of a centrally held loan impairment provision which is no longer required; and
- A decrease in Bankwest of $6 million or 20% to $24 million, driven by improved performance in the Western Australian business loan portfolio; partly offset by
- An increase in Business and Private Banking of $31 million or 63% to $80 million, due to higher individual provisions driven by a small number of large exposures;
- An increase in New Zealand of $28 million to $51 million, driven by seasonally higher average arrears and write-offs in the consumer finance portfolio, and higher average arrears in the small business and home loan portfolios; and
- An increase in Retail Banking Services of $4 million or 1% to $360 million, reflecting seasonally higher losses and arrears in consumer finance following the December holiday season.

Loan impairment expense annualised as a percentage of average Gross Loans and Acceptances (GLAAs) decreased 3 basis points to 13 basis points.

Half Year Loan Impairment Expense ("cash basis") annualised as a percentage of Average GLAAs (bpts)



Taxation Expense (continuing operations basis)

	Full Year Ended (1) (2)			Half Year Ended (1) (2)		
	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	**30 Jun 18 $M**	31 Dec 17 $M	Jun 18 vs Dec 17 %
Corporate tax expense ($M)	**3,994**	3,847	4	**1,964**	2,030	(3)
Effective tax rate - "cash basis" (%)	**30. 2**	28. 4	180 bpts	**30. 5**	29. 9	60 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" was 30.2% for the year ended 30 June 2018 and 28.4% for the year ended 30 June 2017.

Year Ended June 2018 versus June 2017

Corporate tax expense for the year ended 30 June 2018 was $3,994 million, an increase of $147 million or 4% on the prior year, reflecting a 30.2% effective tax rate.

The 180 basis points increase in the effective tax rate from 28.4% to 30.2% was primarily due to the $700 million expense for the AUSTRAC civil penalty being non-deductible for tax purposes. Excluding this item, the effective tax rate was 28.6%. The effective tax rate is expected to be approximately 29% in the full year ended 30 June 2019. This rate is below the Australian company tax rate of 30% primarily as a result of the profit earned by the offshore banking unit and offshore jurisdictions that have lower corporate tax rates.

Half Year Ended June 2018 versus December 2017

Corporate tax expense for the half year ended 30 June 2018 was $1,964 million, a decrease of $66 million or 3% on the prior half, reflecting a 30.5% effective tax rate.

Excluding the $700 million expense for the AUSTRAC civil penalty (half year ended 30 June 2018: $325 million; 31 December 2017: $375 million), the effective tax rate was 29.0% for the half year ended 30 June 2018 and 28.3% for the half year ended 31 December 2017. This rate is below the Australian company tax rate of 30% primarily as a result of the profit earned by the offshore banking unit and offshore jurisdictions that have lower corporate tax rates.

Group Performance Analysis

Group Assets and Liabilities

Total Group Assets and Liabilities	30 Jun 18 $M	31 Dec 17 $M	30 Jun 17 $M	Jun 18 vs Dec 17 %	Jun 18 vs Jun 17 %
	As at				
Interest earning assets					
Home loans (1)	**501,665**	492,688	485,857	2	3
Consumer finance	**23,317**	23,593	23,577	(1)	(1)
Business and corporate loans	**222,367**	223,981	226,484	(1)	(2)
Loans, bills discounted and other receivables (2)	**747,349**	740,262	735,918	1	2
Non-lending interest earning assets (3)	**150,306**	151,695	163,665	(1)	(8)
Total interest earning assets	**897,655**	891,957	899,583	1	-
Other assets (2) (3)	**61,856**	55,078	76,735	12	(19)
Assets held for sale (3)	**15,654**	14,895	-	5	n/a
Total assets	**975,165**	961,930	976,318	1	-
Interest bearing liabilities					
Transaction deposits (4)	**109,181**	106,407	98,884	3	10
Savings deposits (4)	**187,587**	189,709	191,245	(1)	(2)
Investment deposits	**216,852**	219,251	220,530	(1)	(2)
Other demand deposits (3)	**58,057**	61,299	70,313	(5)	(17)
Total interest bearing deposits	**571,677**	576,666	580,972	(1)	(2)
Debt issues	**172,673**	166,732	168,034	4	3
Other interest bearing liabilities	**54,124**	53,983	57,531	-	(6)
Total interest bearing liabilities	**798,474**	797,381	806,537	-	(1)
Non-interest bearing transaction deposits	**48,831**	46,608	44,032	5	11
Other non-interest bearing liabilities (3)	**45,100**	37,307	62,089	21	(27)
Liabilities held for sale (3)	**14,900**	14,543	-	2	n/a
Total liabilities	**907,305**	895,839	912,658	1	(1)

(1) Home loans are presented gross of $41,865 million of mortgage offset balances (31 December 2017: $41,110 million; 30 June 2017: $37,569 million). These balances are required to be grossed up under accounting standards, but are netted down for the calculation of customer interest payments.

(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 business including CommInsure Life and Sovereign to AIA Group Limited ("AIA") and its 37.5% equity stake in BoComm Life. For 30 June 2018, $75 million of Non-lending interest earning assets and $15,151 million of Other assets have been reclassified to Assets held for sale, and $871 million of Other demand deposits and $14,029 million of Other non-interest bearing liabilities have been reclassified to Liabilities held for sale. Assets held for sale also included $428 million of assets that reside outside the Bank's Life Insurance Business as at 30 June 2018.

(4) Transaction and Savings deposits includes $41,865 million of mortgage offset balances (31 December 2017: $41,110 million; 30 June 2017: $37,569 million).

Year Ended June 2018 versus June 2017

Total assets were $975 billion, a decrease of $1 billion on the prior year, reflecting lower liquid assets and institutional lending, partly offset by increased home and business lending.

Total liabilities were $907 billion, a decrease of $5 billion or 1% on the prior year, reflecting lower total deposits and other interest bearing liabilities, partly offset by increased debt issues.

The Bank continued to satisfy a significant portion of lending growth from customer deposits. Customer deposits represented 68% of total funding (30 June 2017: 67%).

Home loans

Home loan balances increased $16 billion to $502 billion, reflecting a 3% increase on the prior year. The increase excluding FX was 4%, driven by Retail Banking Services, Bankwest and New Zealand.

Domestic growth of 4%, below system of 6%, reflecting a conservative approach in order to manage regulatory requirements on investor and interest only home lending, and increased competition, particularly from non-bank lenders.

Home loans in Australia amount to $451 billion (30 June 2017: $436 billion) of which 65% are owner occupied, 32% are investment home loans and 3% 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, decreased $260 million or 1% on the prior year to $23 billion, which was ahead of system growth.

Group Assets and Liabilities (continued)

Business and corporate loans

Business and corporate loans decreased $4 billion to $222 billion, a 2% decrease on the prior year. The decrease was driven by a 6% decrease in institutional lending balances, as a result of portfolio optimisation initiatives. This was partly offset by growth of 2% in Business and Private Banking across various industries, including agribusiness, hospitality and health, and growth of 4% in Bankwest driven by the property and corporate segments. Growth in New Zealand (excluding the impact of FX) of 8% was above system, reflecting the long-term strategic focus on this segment.

Domestic business decreased 1%, below system of 3%, due to the portfolio optimisation initiatives in institutional lending, and a decline in residential property development following the completion of several projects and a continued focus on risk appetite in Business and Private Banking.

Non-lending interest earning assets

Non-lending interest earning assets decreased $13 billion to $150 billion, reflecting an 8% decrease on the prior year. The decrease excluding FX was 9%, 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 $15 billion to $62 billion, a 19% decrease on the prior year, impacted by the reclassification of life insurance assets to Assets held for sale. Excluding this, balances increased 1% reflecting higher derivative asset balances primarily from interest rate and foreign exchange volatility, and increased trading asset balances.

Total interest bearing deposits

Total interest bearing deposits decreased $9 billion to $572 billion, a 2% decrease on the prior year. The decrease excluding FX was 1%, driven by changes in the funding mix as the Bank replaced short-term wholesale funding with long-term wholesale funding to further strengthen the balance sheet, and lower investment deposits in Institutional Banking and Markets driven by increased competition from domestic and foreign banks. The decrease was partly offset by strong growth in transaction deposits balances in Retail Banking Services, Business and Private Banking and Institutional Banking and Markets.

Domestic household deposits grew at 4%, below system of 6%, as the Bank focused on managing the volume and margin mix with consideration to the level of asset growth, and the maturity of term deposits in Retail Banking Services following a campaign in the prior year.

Debt issues

Debt issues increased $5 billion to $173 billion, a 3% increase on the prior year, reflecting changes in the funding mix as the Bank actively replaced short-term wholesale funding with long-term wholesale funding to further strengthen the balance sheet.

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

Refer to page 43-44 for further information on debt programs and issuances for the year ended 30 June 2018.

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 $3 billion to $54 billion, a 6% decrease on the prior year, primarily driven by a net decrease in cash collateral received from counterparties and lower offshore central bank deposits, partly offset by new Tier 2 and PERLS X issuances.

Non-interest bearing transaction deposits

Non-interest bearing transaction deposits increased $5 billion to $49 billion, an 11% increase on the prior year, primarily driven by 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 $17 billion to $45 billion, a 27% decrease on the prior year, impacted by the reclassification of life insurance liabilities to Liabilities held for sale. Excluding this, balances decreased 5% reflecting lower derivative liability balances primarily from interest rate and foreign exchange volatility.

Half Year Ended June 2018 versus December 2017

Total assets were $975 billion, an increase of $13 billion or 1% on the prior half, primarily driven by increased home and business lending, and higher derivative asset balances, partly offset by lower institutional lending balances.

Total liabilities were $907 billion, an increase of $11 billion or 1% on the prior half, reflecting higher derivative liability balances and debt issues, partly offset by lower total deposits.

Customer deposits represented 68% of total funding (31 December 2017: 68%).

Home loans

Home loan balances increased $9 billion to $502 billion, reflecting a 2% increase on the prior half, primarily driven by Retail Banking Services, New Zealand and Bankwest.

Domestic growth of 2%, below system of 3%, reflecting a conservative approach in order to manage regulatory requirements on investor and interest only home lending, and increased competition, particularly from non-bank lenders.

Home loans in Australia amount to $451 billion (31 December 2017: $444 billion) of which 65% are owner occupied, 32% are investment home loans and 3% are lines of credit (31 December 2017: 64% were owner occupied, 32% were investment home loans and 4% were lines of credit).

Consumer finance

Consumer finance, which includes personal loans, credit cards and margin lending, decreased $276 million or 1% on the prior half to $23 billion, which was ahead of system growth.

Business and corporate loans

Business and corporate loans decreased $2 billion to $222 billion, a 1% decrease on the prior half. The decrease was driven by a 4% decrease in institutional lending, as a result of portfolio optimisation initiatives. This was partly offset by growth of 2% in Business and Private Banking across various industries, including property investment, agribusiness, health and manufacturing, and growth of 5% in New Zealand (excluding the impact of FX) reflecting the long-term strategic focus on this segment.

Domestic business lending growth was flat, below system of 1%, due to the portfolio optimisation initiatives in institutional lending, and a decline in residential property development following the completion of several projects and a continued focus on risk appetite in Business and Private Banking.

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Group Assets and Liabilities (continued)

Non-lending interest earning assets

Non-lending interest earning assets decreased $1 billion to $150 billion, a 1% decrease on the prior half. The decrease excluding FX was 2%, which was driven by reduced reverse repo positions in Institutional Banking and Markets and lower available for sale investments in Treasury.

Other assets

Other assets, including derivative assets, insurance assets and intangibles, increased $7 billion to $62 billion, a 12% increase on the prior half. The increase was driven by higher derivative asset balances primarily from foreign exchange volatility, and higher unsettled trades, partly offset by lower trading asset balances.

Total interest bearing deposits

Total interest bearing deposits decreased $5 billion to $572 billion, a 1% decrease on the prior half, reflecting changes in the funding mix as the Bank actively replaced short-term wholesale funding with long-term wholesale funding to further strengthen the balance sheet, and a reduction in investment deposits in Bankwest due to a focus on managing the volume and margin mix in a competitive market for term funding. This was partly offset by strong growth in balances in Retail Banking Services and Business and Private Banking. Investment deposits increased in Retail Banking Services as customers switched from savings deposits to higher yield term deposits.

Domestic household deposits grew at 2.3% on an annualised basis, broadly in line with system.

Debt issues

Debt issues increased $6 billion to $173 billion, a 4% increase on the prior half. The increase excluding FX was 3%, reflecting changes in the funding mix as the Bank actively replaced short-term wholesale funding with long-term wholesale funding to further strengthen the balance sheet.

Refer to page 43-44 for further information on debt programs and issuance for the half year ended 30 June 2018.

Other interest bearing liabilities

Other interest bearing liabilities, including loan capital, liabilities at fair value through income statement and amounts due to other financial institutions, increased $141 million on the prior half to $54 billion, primarily driven by new Tier 2 and PERLS X issuances, partly offset by lower offshore central bank deposits.

Non-interest bearing transaction deposits

Non-interest bearing transaction deposits increased $2 billion to $49 billion, a 5% increase on the prior half, primarily driven by 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, increased $8 billion to $45 billion, a 21% increase on the prior half. The increase reflected higher derivative liability balances primarily from foreign exchange volatility, and higher unsettled trades.

Group operations & business settings

Group Operations and Business Settings

Section 4 – Group Operations and Business Settings

Loan Impairment Provisions and Credit Quality

Provisions for Impairment

	As at				
	30 Jun 18 $M	31 Dec 17 $M	30 Jun 17 $M	Jun 18 vs Dec 17 %	Jun 18 vs Jun 17 %
Provisions for impairment losses					
Collective provision	**2,763**	2,772	2,747	-	1
Individually assessed provisions	**870**	978	980	(11)	(11)
Total provisions for impairment losses	**3,633**	3,750	3,727	(3)	(3)
Less: Provision for Off Balance Sheet exposures	**(28)**	(27)	(34)	4	(18)
Total provisions for loan impairment	**3,605**	3,723	3,693	(3)	(2)

Year Ended June 2018 versus June 2017

Total provisions for impairment losses was $3,633 million, a decrease of $94 million or 3% on the prior year. The movement in the level of provisioning reflects:

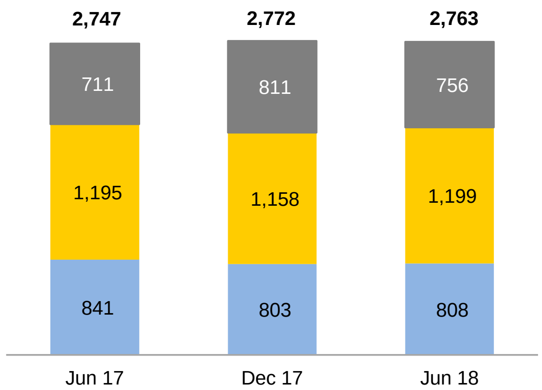
- Corporate individually assessed provisions decreased by $109 million or 15% to $614 million. This was largely due to a small number of large write-offs and write-backs in Institutional Banking and Markets and Business and Private Banking, partly offset by increases in provisions for PTBC commercial exposures; and
- Corporate collective provisions decreased by $33 million or 4% to $808 million. This was due to reductions in exposures, a reduction in model adjustments reflecting improvements in the quality of maturity date data, transfers of collective provisions to individually assessed provisions for clients that became impaired, improvements in the quality of the Bankwest business portfolio, and improvements in the New Zealand business portfolio due to favourable macroeconomic conditions; partly offset by
- Management overlays increased by $45 million or 6% to $756 million. This was mainly in Retail Banking Services, due to the anticipated impact of changes to bankruptcy legislation and model recalibration updates, partly offset by the release of a centrally held loan impairment provision which was raised in the prior year and is no longer required. Economic overlays remained unchanged on the prior year.

Half Year Ended June 2018 versus December 2017

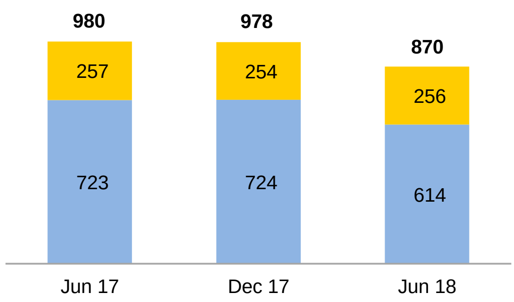
Total provisions for impairment losses was $3,633 million, a decrease of $117 million or 3% on the prior half. The movement in the level of provisioning reflects:

- Corporate individually assessed provisions decreased by $110 million or 15% to $614 million. This was mainly due to the higher write-offs in Institutional Banking and Markets; and
- Management overlays decreased by $55 million or 7% to $756 million. This was mainly due to the release of a centrally held loan impairment provision which was raised in the prior year and is no longer required. Economic overlays remained unchanged on the prior half; partly offset by
- Consumer collective provisions increased by $41 million or 4% to $1,199 million. This was predominantly due to seasonally higher consumer finance arrears and higher home loan provisions reflecting increased home loan arrears, as some households experienced difficulties with rising essential costs and limited income growth, leading to some pockets of stress.

Collective Provisions ($M) (1)



Individually Assessed Provisions ($M) (1)



Overlay Consumer Corporate

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

Loan Impairment Provisions and Credit Quality (continued)

Credit Quality

	Full Year Ended			Half Year Ended		
Credit Quality Metrics	**30 Jun 18**	30 Jun 17	Jun 18 vs Jun 17 %	**30 Jun 18**	31 Dec 17	Jun 18 vs Dec 17 %
Gross loans and acceptances (GLAA) ($M)	**748,408**	737,002	2	**748,408**	741,318	1
Risk weighted assets (RWA) ($M) - Basel III	**458,612**	437,063	5	**458,612**	440,836	4
Credit RWA ($M) - Basel III	**369,528**	377,259	(2)	**369,528**	366,985	1
Gross impaired assets ($M)	**3,179**	3,187	-	**3,179**	3,367	(6)
Net impaired assets ($M)	**2,111**	2,038	4	**2,111**	2,207	(4)
Provision Ratios						
Collective provision as a % of credit RWA	**0. 75**	0. 73	2 bpts	**0. 75**	0. 76	(1)bpt
Total provisions as a % of credit RWA	**0. 98**	0. 99	(1)bpt	**0. 98**	1. 02	(4)bpts
Total provisions for impaired assets as a % of gross impaired assets	**33. 60**	36. 05	(245)bpts	**33. 60**	34. 45	(85)bpts
Total provisions for impaired assets as a % of gross impaired assets (corporate)	**41. 84**	42. 82	(98)bpts	**41. 84**	40. 52	132 bpts
Total provisions for impaired assets as a % of gross impaired assets (consumer)	**26. 04**	28. 45	(241)bpts	**26. 04**	27. 00	(96)bpts
Total provisions for impairment losses as a % of GLAAs	**0. 49**	0. 51	(2)bpts	**0. 49**	0. 51	(2)bpts
Asset Quality Ratios						
Gross impaired assets as a % of GLAAs	**0. 42**	0. 43	(1)bpt	**0. 42**	0. 45	(3)bpts
Loans 90+ days past due but not impaired as a % of GLAAs	**0. 43**	0. 36	7 bpts	**0. 43**	0. 36	7 bpts
Loan impairment expense ("cash basis") annualised as a % of average GLAAs	**0. 15**	0. 15	-	**0. 13**	0. 16	(3)bpts
Net write-offs annualised as a % of GLAAs	**0. 16**	0. 16	-	**0. 18**	0. 15	3 bpts
Corporate total committed exposures rated investment grade (%) (1)	**67. 90**	69. 20	(130)bpts	**67. 90**	68. 00	(10)bpts
Australian Home Loan Portfolio						
Portfolio dynamic LVR (%) (2)	**49. 88**	50. 33	(45)bpts	**49. 88**	49. 76	12 bpts
Customers in advance (%) (3)	**77. 80**	77. 31	49 bpts	**77. 80**	77. 48	32 bpts

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

Provision Ratios and Impaired Assets

Provision coverage ratios remain prudent. The impaired asset portfolio remains well provisioned with provision coverage of 33.60%, a decrease of 85 basis points on the prior half.

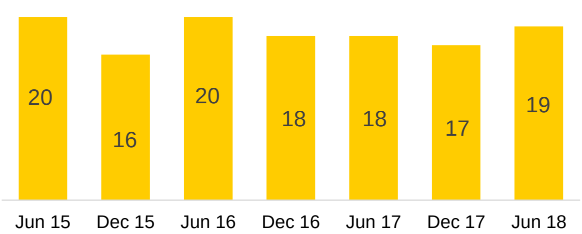
Gross impaired assets were $3,179 million, a decrease of 6% or $188 million on the prior half. Gross impaired assets as a proportion of GLAAs were 0.42%, a decrease of 3 basis points on the prior half mainly due to the partial write-off of a large single name exposure.

Retail Portfolio Asset Quality

The retail consumer portfolio's credit quality remained sound during the period. Consumer LIE as a percentage of average gross loans and acceptances was 19 basis points, an increase of 2 basis points compared to the prior half reflecting seasonally higher consumer finance and home loan arrears.

Consumer LIE

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



Group Operations and Business Settings

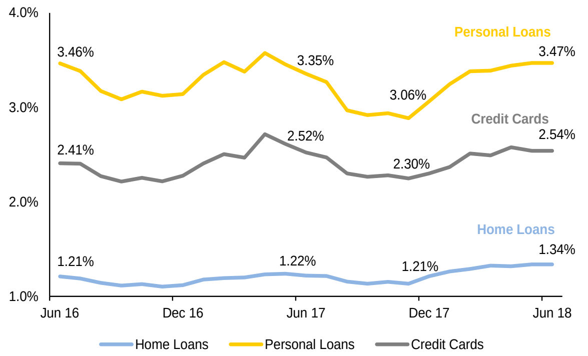
Loan Impairment Provisions and Credit Quality (continued)

Retail Portfolio Asset Quality (continued)

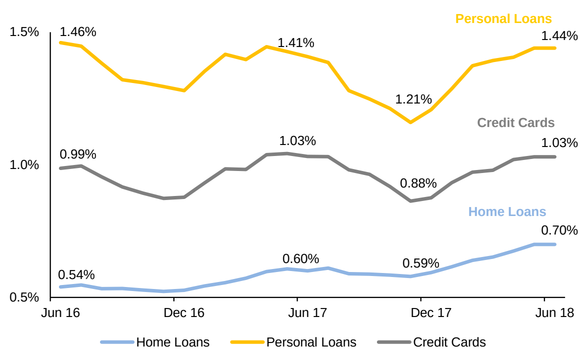
The retail portfolio arrears remain relatively low. Home loan 90+ days arrears were 0.70%, an increase of 11 basis points on the prior half driven by seasonality and some households experiencing difficulties with rising essential costs and limited income growth, leading to some pockets of stress. A large proportion of this increase is fully secured and therefore has not translated to a material increase in loan impairment expense. Increases in 90+ days arrears for the unsecured retail portfolios were largely in line with expected seasonal trends across the half. The home lending book remains well secured with an increase in the dynamic LVR of 12 basis points to 49.88% for the half.

The majority of home lending customers remain in advance of scheduled repayments and the loan serviceability buffer remains at 2.25% above the customer interest rate, with a minimum floor rate of 7.25%. Further risk mitigants remain in place including lenders mortgage insurance requirements and a 90% LVR limit for higher risk loans.

30+ Days Arrears Ratios (%) (1)



90+ Days Arrears Ratios (%) (1)



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

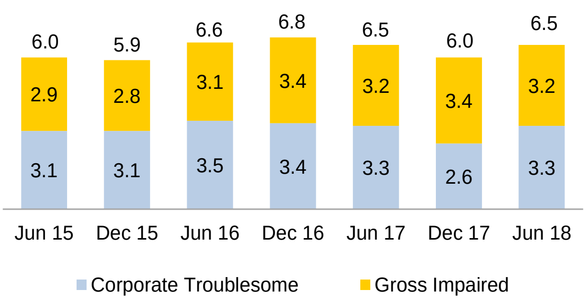
Corporate Portfolio Asset Quality

Corporate troublesome exposures at $3.3 billon increased by $700 million or 27% on the prior half partly due to a large single name troublesome exposure in the transport sector and the migration of some impaired assets back into troublesome.

Investment grade rated exposures decreased by 10 basis points on the prior half to 67.9% of overall portfolio risk graded counterparties partly due to a reduction in sovereign exposures reflecting liquidity management activities.

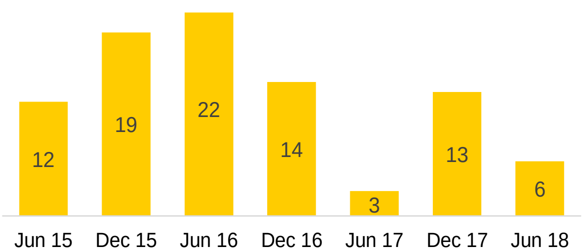
Corporate LIE as a percentage of gross loans and acceptances was down 7 basis points on the prior half to 6 basis points. The decrease is due to non-recurrence of a large single name impairment in Institutional Banking and Markets, partly offset by higher individual provisions in Business and Private Banking.

Troublesome and Impaired Assets ($B)

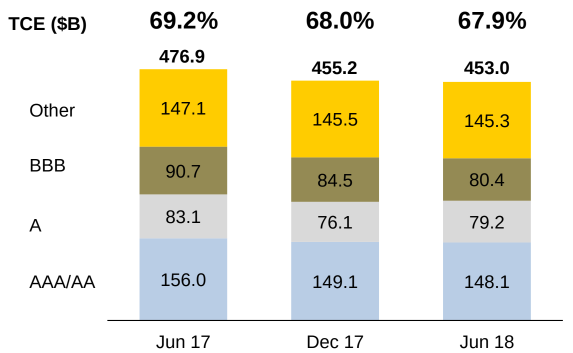


Corporate LIE

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



Corporate Portfolio Quality
% of book rated investment grade (1)



(1) CBA grades in S&P equivalents.

Loan Impairment Provisions and Credit Quality (continued)

Industry Exposure and Asset Quality

The distribution of the Bank's credit exposures by industry remained relatively consistent during the half. The largest movement was an increase in the consumer sector of 0.8% from 56.6% of the banks total committed exposures to 57.4% driven by home loan growth. The next largest movement was a reduction in sovereign exposure of 0.4% from 9.7% to 9.3% reflecting liquidity management activities.

Movements in troublesome and impaired assets (TIA) were mixed across industry sectors, with total TIA increasing by $506 million or 8% compared to the prior half to $6,541 million. The largest increase came from transport due to a credit downgrade of a large single name exposure, followed by consumer reflecting increased home loan arrears. These increases were partly offset by exposure reduction and write-backs in the mining sector and a reduction in the business services sector led by the partial write-off of a large single name exposure.

TIA as a percentage of TCE increased by 4 basis points from 0.56% to 0.60%. Transport experienced the largest deterioration due to the downgrade of a large single name exposure. Construction deteriorated due to a large single name exposure. This was partly offset by improvements in business services due to the partial write-off of a large single name exposure.

Credit Exposures by Industry [(1)]

	Total Committed Exposures (TCE)		Troublesome and Impaired Assets (TIA)		TIA % of TCE	
	30 Jun 18 %	31 Dec 17 %	30 Jun 18 $M	31 Dec 17 $M	30 Jun 18 %	31 Dec 17 %
Consumer	**57. 4**	56. 6	**1,659**	1,511	**0. 27**	0. 25
Sovereign	**9. 3**	9. 7	**-**	-	**-**	-
Property	**6. 2**	6. 3	**632**	586	**0. 94**	0. 86
Banks	**5. 5**	5. 2	**9**	9	**0. 01**	0. 02
Finance - Other	**5. 2**	5. 1	**31**	35	**0. 05**	0. 06
Retail & Wholesale Trade	**2. 0**	2. 1	**487**	488	**2. 21**	2. 13
Agriculture	**2. 0**	2. 0	**900**	876	**4. 12**	4. 07
Manufacturing	**1. 4**	1. 4	**350**	290	**2. 34**	1. 90
Transport	**1. 4**	1. 5	**659**	399	**4. 29**	2. 49
Mining	**1. 3**	1. 3	**364**	409	**2. 64**	2. 97
Business Services	**1. 2**	1. 3	**184**	349	**1. 44**	2. 56
Energy	**1. 0**	1. 1	**4**	9	**0. 04**	0. 08
Construction	**0. 7**	0. 8	**297**	223	**3. 68**	2. 73
Health & Community	**0. 9**	0. 9	**218**	225	**2. 38**	2. 42
Culture & Recreation	**0. 6**	0. 7	**41**	47	**0. 62**	0. 66
Other	**3. 9**	4. 0	**706**	579	**1. 67**	1. 35
Total	**100. 0**	100. 0	**6,541**	6,035	**0. 60**	0. 56

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

Group Operations and Business Settings

Capital

Basel Regulatory Framework

Background

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

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

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

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

Unquestionably Strong Capital Ratios

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

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

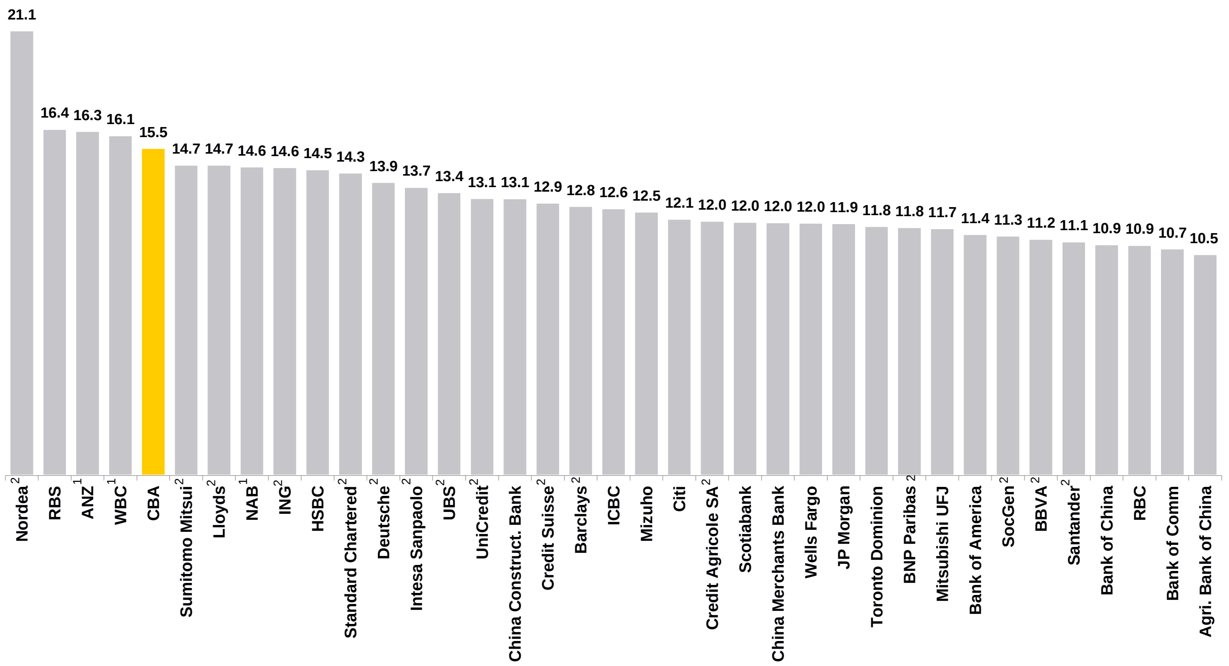
Following the finalisation of the reforms announced by the BCBS in December 2017, as detailed on page 39, APRA has advised that these reforms have been accommodated within the targets set by APRA in July 2017.

In February 2018, APRA commenced consultation on their approach to the finalised BCBS reforms. As part of its revisions to the capital framework, APRA will consult on potential adjustments to the overall design of the capital framework to improve transparency, international comparability and flexibility. Details on both the finalised BCBS and the proposed APRA reforms are detailed on page 39-40.

Internationally Comparable Capital Position

The Bank's CET1 ratio as measured on an internationally comparable basis was 15.5% as at 30 June 2018, placing it amongst the top quartile of international peer banks.

International Peer Basel III CET1



Source: Morgan Stanley and CBA. Based on last reported CET1 ratios up to 02 August 2018 assuming Basel III capital reforms are fully implemented.
Peer group comprises listed commercial banks with total assets in excess of A$780 billion and which have disclosed fully implemented Basel III ratios or provided sufficient disclosure for a Morgan Stanley estimate.

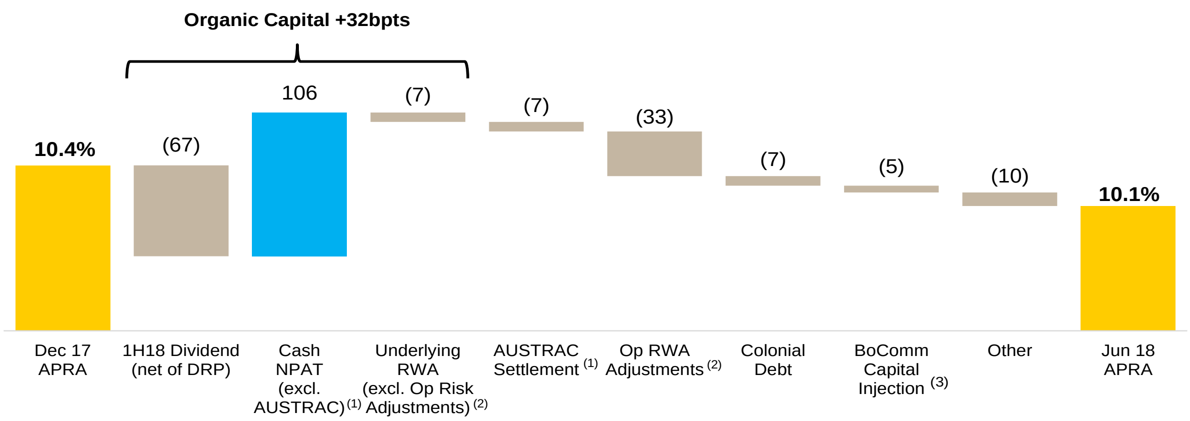
(1) Domestic peer figures as at 31 March 2018.
(2) Deduction for accrued expected future dividends added back for comparability.

Capital (continued)

Summary Group Capital Adequacy Ratios	As at 30 Jun 18 %	31 Dec 17 %	30 Jun 17 %	Jun 18 vs Dec 17 %	Jun 18 vs Jun 17 %
Common Equity Tier 1	**10. 1**	10. 4	10. 1	(30)bpts	-
Tier 1	**12. 3**	12. 4	12. 1	(10)bpts	20 bpts
Tier 2	**2. 7**	2. 4	2. 1	30 bpts	60 bpts
Total Capital (APRA)	**15. 0**	14. 8	14. 2	20 bpts	80 bpts
Common Equity Tier 1 (Internationally Comparable) (1)	**15. 5**	16. 3	15. 6	(80)bpts	(10)bpts

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

Capital – CET1 (APRA)



(1) For the purposes of explaining the movement in CET1, the additional $325 million (-7basis points) for the AUSTRAC civil penalty has been shown separately. Of the $700 million total penalty announced on the 4 June 2018, $375 million was provided for in the half year ended 30 December 2017 (1H18) results.
(2) APRA's requirement to increase operational risk regulatory capital (28 basis points) and movement of the Wealth Mangement Advice business to the regulatory consolidated group (5 basis points) is not included in the underlying RWA and is presented separately.
(3) The capital contribution into BoComm Life will be fully reimbursed on completion of sale to Mitsui Sumitomo Insurance Co. Ltd

Capital Position

The Bank's CET1 ratio (APRA) was 10.1% as at 30 June 2018, a decrease of 30 basis points from 31 December 2017 and flat from 30 June 2017. The CET1 ratio was consistently well in excess of regulatory minimum capital adequacy requirements at all times throughout the full year ended 30 June 2018.

The decrease of 30 basis points over the half year ended 30 June 2018 was primarily driven by a number of unfavourable one-off impacts. These included higher Operational RWA driven by the capital adjustment required per the Enforceable Undertaking with APRA (-28 basis points) as detailed on page 39 and the transfer of the Advice business to the regulatory consolidated group (-5 basis points). Further unfavourable one-off impacts included the additional AUSTRAC civil penalty of $325 million (-7 basis points) in the half year ended 30 June 2018, the maturity of the final tranche of Colonial Debt that was subject to transitional relief (-7 basis points), and the capital contribution into BoComm Life (-5 basis points), (which will be fully reimbursed on completion of sale to Mitsui Sumitomo Insurance Co. Ltd). Organic capital generation remained strong at 32 basis points partly offset by various other movements (-10 basis points).

The sale of the Bank's New Zealand life insurance business was completed on 2 July 2018, resulting in an uplift in the Bank's pro-forma CET1 ratio (APRA) of 27 basis points. The Bank is expected to complete the sale of its Australian life insurance business and its non-controlling investment in BoComm Life by December 2018, subject to regulatory approval, which will provide a further uplift of approximately 56 basis points. These impacts will be partly offset by the implementation of AASB 9 (-18 basis points) and AASB 15 (-3 basis points), resulting in a 30 June 2018 pro-forma CET1 ratio of approximately 10.7%. In June 2018, the Group announced it will demerge its wealth management and mortgage broking businesses, and undertake a strategic review of its general insurance business.

Capital Initiatives

The following significant capital initiatives were undertaken during the year:

Common Equity Tier 1 Capital

- The Dividend Reinvestment Plan (DRP) in respect of the 2017 final dividend, which included a 1.5% discount, was satisfied by the allocation of $1,573 million of ordinary shares, representing a participation rate of 39.5%; and
- The DRP in respect of the 2018 interim dividend was satisfied by the allocation of $536 million of ordinary shares, representing a participation rate of 15.3%.

Additional Tier 1 Capital

- In April 2018, the Bank issued $1.365 billion of CommBank PERLS X Capital Notes (PERLS X), a Basel III compliant Additional Tier 1 security.

Tier 2 Capital

- In October 2017, the Bank issued a EUR 1 billion subordinated note that is Basel III compliant Tier 2 capital; and
- In January 2018, the Bank issued a USD 1.25 billion subordinated note that is Basel III compliant Tier 2 capital.

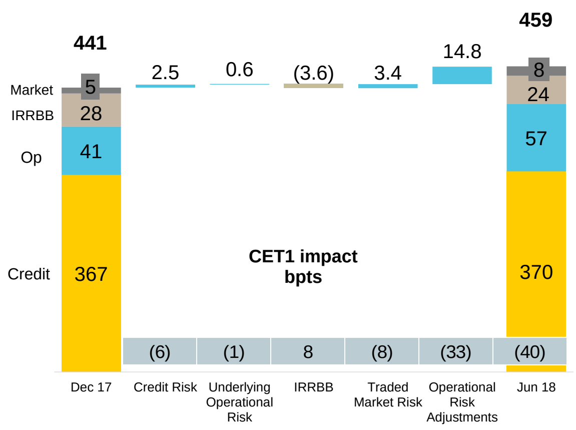
Capital (continued)

Risk Weighted Assets

Total Group Risk Weighted Assets

Total RWA increased by $17.8 billion or 4% on the prior half to $458.6 billion; driven by higher Operational Risk, Traded Market Risk and Credit Risk RWA, partly offset by lower IRRBB RWA.

Total Risk Weighted Assets ($B)



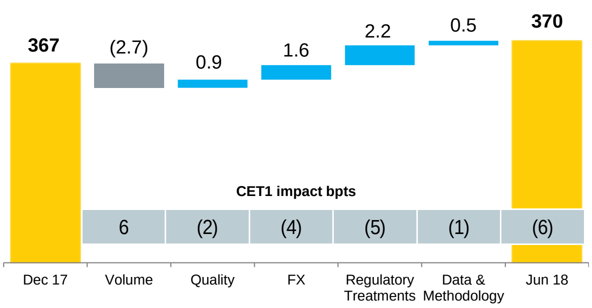
Credit Risk Weighted Assets

Credit Risk RWA increased by $2.5 billion or 1% on the prior half, driven by:

- Foreign currency movements ($1.6 billion);
- Implementation of revised APS 120 Securitisation requirements ($1.2 billion) and refresh of credit risk estimates and other regulatory treatments ($1.0 billion);
- Reduction in credit quality across some Retail and Corporate portfolios ($0.9 billion);
- Data and methodology changes in the treatment of maturities on derivative and loans (net $0.5 billion); and
- Growth in Retail Residential Mortgages ($2.2 billion).

These increases were offset by other volume reductions ($4.9 billion) due mainly to Corporate portfolio optimisation.

Credit Risk Weighted Assets ($B)



Interest Rate Risk Weighted Assets

IRRBB RWA decreased by $3.6 billion or 13% on the prior half. This was due to interest rate risk management activities and an increase in embedded gains.

Traded Market Risk Weighted Assets

Traded Market Risk RWA increased by $3.4 billion or 71%. This was driven by the conservative treatment, under the internal model approach, of some interest rate products, which is under review.

Operational Risk Weighted Assets

Operational Risk RWA increased by $15.4 billion or 37.4% on the prior half year. This includes:

- An add-on required by APRA following the Prudential Inquiry findings ($12.5 billion);
- The inclusion of Wealth Management Advice in the Level 2 Banking Group from 30 June 2018, in accordance with APRA's expectations relating to the capital treatment of advice related activities ($2.3 billion); and
- The regular assessment of the Group's operational risk profile in the context of the evolving risk and regulatory environment ($0.6 billion).

The Group regularly reviews and updates its Operational Risk RWA to reflect material changes in its operational risk profile in accordance with the Operational Risk Management Framework and governance processes.

Pillar 3 Disclosures

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

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

Other Regulatory Changes

Basel Committee on Banking Supervision

In December 2017, the BCBS released "Basel III: Finalising post-crisis reforms".

These reforms include:

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

In March 2018 the BCBS issued a further consultation document on market risk "Revisions to the minimum capital requirements for market risk", which included a number of changes to the identification and measurements under both the standardised and IRB approach.

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

Group Operations and Business Settings

APRA

In response to the finalisation of the above reforms by the BCBS, in February 2018 APRA released a discussion paper titled "Discussion paper – Revisions to the capital framework for authorised deposit-taking institutions". APRA is proposing to implement these reforms from 1 January 2021, 12 months in advance of the BCBS implementation timeframes.

Additional proposals addressed by APRA include:

- Increased capital requirements for investment and interest only home loan exposures, and amendment to the correlation factor to dampen procyclicality of risk weights;
- Higher correlation factors to apply in the Other Retail asset class (including credit cards);
- Large corporates and financial institutions will be subject to the Foundation Internal Ratings based approach;
- Removal of slotting approach and introduction of two asset classes for commercial property;
- Merging of SME retail and SME Corporate asset classes;
- Higher Credit Conversion Factors (CCFs) for off-balance sheet exposures;
- Mandate Loss Given Default (LGD) and Exposure At Default (EAD) estimates for certain non-retail portfolios; and
- Implementation of an output on floor on 1 January 2021 (without transitional phasing).

Further consultation will occur across calendar year 2018 culminating in the release of draft standards in mid 2019.

Other reforms

- Two new accounting standards, AASB 9 financial Instruments and AASB 15 Revenue Recognition were implemented on 1 July 2018. The capital impact of implementing these standards are discussed on page 38. AASB 16 Leases will be implemented on 1 July 2019;
- APRA has finalised its prudential requirements for the standardised approach to counterparty credit risk (SA-CCR), and these will take effect from 1 July 2019;
- In November 2015, the Financial Stability Board released the Total Loss-absorbing Capacity (TLAC) standard for global systemically important banks (G-SIBs). APRA has indicated that it intends to consult on a minimum loss absorbing capacity framework in 2018; and
- The RBNZ has commenced a comprehensive review of the capital adequacy framework applying to registered banks incorporated in New Zealand. In December 2017, the RBNZ published "in principle" proposals on the definition of capital. In July 2018, "in principle decisions" were announced requiring the four largest banks to report using both their own risk models as well as the standardised frameworks. The RBNZ aims to conclude key elements of the Capital Review in 2018, including setting of minimum capital ratios.

Leverage Ratio

	As at				
Summary Group Leverage Ratio	**30 Jun 18**	31 Dec 17	30 Jun 17	Jun 18 vs Dec 17 %	Jun 18 vs Jun 17 %
Tier 1 Capital ($M)	**56,432**	54,465	52,684	4	7
Total Exposures ($M) (1)	**1,018,622**	1,012,503	1,027,958	1	(1)
Leverage Ratio (APRA) (%)	**5. 5**	5. 4	5. 1	10 bpts	40 bpts
Leverage Ratio (Internationally Comparable) (%) (2)	**6. 3**	6. 1	5. 8	20 bpts	50 bpts

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

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

The Bank's Leverage Ratio, defined as Tier 1 Capital as a percentage of total exposures, was 5.5%, an increase of 40 basis points from 30 June 2018 on an APRA basis, and 6.3%, an increase of 50 basis points from 30 June 2018 on an internationally comparable basis.

The ratio increased across both the full year ended 30 June 2018 and the half year ended 30 June 2018, primarily driven by both organic capital generation and the Additional Tier 1 PERLS X issuance.

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

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

In February 2018, APRA released additional refinements to the BCBS guidance including a minimum leverage requirement of 4% for IRB banks. These changes are subject to consultation and are proposed to apply from 1 July 2019.

Dividends

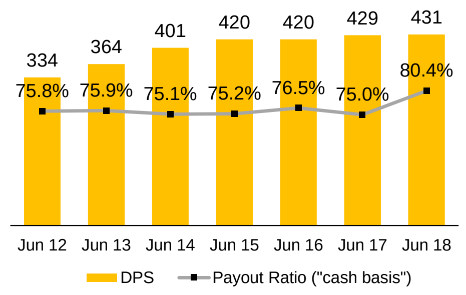
Final dividend for the Year Ended 30 June 2018

The final dividend declared was $2.31 per share, bringing the total dividend for the year ended 30 June 2018 to $4.31, an increase of 2 cents on the prior year. The dividend payout ratio ("cash basis") for the full year to 30 June 2018 was 80.4%.

Excluding the AUSTRAC civil penalty, the dividend payout ratio was 74.9% of cash NPAT, within the Bank's target ratio of 70% to 80%.

The dividend will be fully franked and will be paid on 28 September 2018 to owners of ordinary shares at the close of business on 16 August 2018 (record date). Shares will be quoted ex-dividend on 15 August 2018.

Full Year Dividend History (cents per share)



Dividend Reinvestment Plan (DRP)

The DRP will continue to be offered to shareholders, and no discount will be applied to shares allocated under the plan for the final dividend.

Dividend Policy

The Bank will seek to:

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

Liquidity

Level 2	30 Jun 18 $M	31 Dec 17 $M	30 Jun 17 $M	Jun 18 vs Dec 17 %	Jun 18 vs Jun 17 %
	As at				
Liquidity Coverage Ratio (LCR) Liquid Assets					
High Quality Liquid Assets (HQLA) [1]	**83,589**	90,239	93,402	(7)	(11)
Committed Liquidity Facility (CLF)	**53,300**	48,300	48,300	10	10
Total LCR liquid assets	**136,889**	138,539	141,702	(1)	(3)
Net Cash Outflows (NCO)					
Customer deposits	**73,470**	71,676	77,298	3	(5)
Wholesale funding [2]	**13,893**	17,510	17,579	(21)	(21)
Other net cash outflows [3]	**16,767**	16,257	15,271	3	10
Total NCO	**104,130**	105,443	110,148	(1)	(5)
Liquidity Coverage Ratio (%)	**131**	131	129	-	200 bpts
LCR surplus	**32,759**	33,096	31,554	(1)	4

(1) Includes all repo-eligible securities with the Reserve Bank of New Zealand. The Exchange Settlement Account (ESA) cash balance is netted down by the Reserve Bank of Australia open-repo of internal Residential Mortgage-Backed Securities (RMBS).
(2) Includes all interbank deposits that are included as short-term wholesale funding on page 43.
(3) Includes cash inflows.

Liquidity Coverage Ratio (LCR)

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

The Group's LCR at 30 June 2018 was 131%, flat on the prior half and a 200 basis point increase from 30 June 2017 of 129%, and remains well above the regulatory minimum of 100%. In the full year to 30 June 2018, the LCR liquid assets decreased by $5 billion, following a decline in modelled NCOs of $6 billion. The decrease in LCR liquid assets was driven by a $10 billion reduction in HQLA as the Group managed the level of liquids assets required to be held, partly offset by a $5 billion increase in the CLF on 1 January 2018. The decrease in modelled NCO's over the year was driven by a reduction in wholesale funding maturities over the next 30 days and lower customer deposit NCOs due to a more LCR efficient deposit mix.

In the half to 30 June 2018, HQLAs decreased $7 billion, partly offset by a $5 billion increase in the CLF on 1 January 2018. Total modelled NCOs decreased $1 billion, with lower wholesale funding NCOs partly offset by higher customer deposits NCOs aligned with growth in customer deposits and change in deposit mix.

Group Operations and Business Settings

Funding

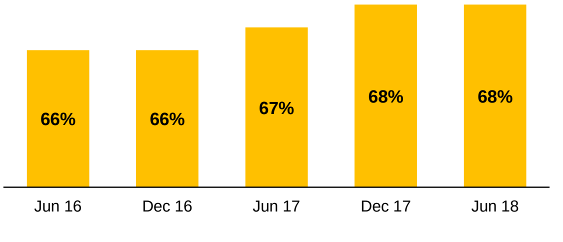
	As at				
Group Funding [1]	**30 Jun 18 $M**	31 Dec 17 $M	30 Jun 17 $M	Jun 18 vs Dec 17 %	Jun 18 vs Jun 17 %
Customer deposits	**569,846**	568,300	560,918	-	2
Short-term wholesale funding [2]	**85,360**	95,898	106,815	(11)	(20)
Long-term wholesale funding - less than or equal to one year residual maturity	**33,564**	29,182	25,330	15	33
Long-term wholesale funding - more than one year residual maturity [3]	**137,136**	131,555	131,950	4	4
IFRS MTM and derivative FX revaluations	**(165)**	646	1,150	large	large
Total wholesale funding	**255,895**	257,281	265,245	(1)	(4)
Short-term collateral deposits [4]	**6,193**	6,714	6,135	(8)	1
Total funding	**831,934**	832,295	832,298	-	-

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

Customer Deposits

Customer deposits accounted for 68% of total funding at 30 June 2018, flat on 31 December 2017 and a 1% increase from 67% at 30 June 2017. The Group satisfied a significant proportion of its funding requirements from retail, business, and institutional customer deposits.

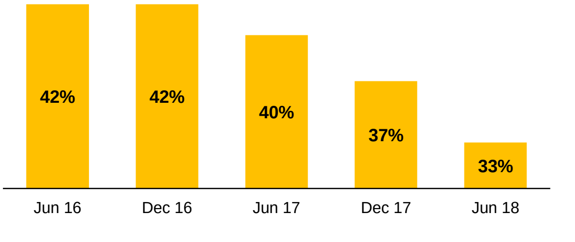
Customers Deposits to Total Funding Ratio



Short-Term Wholesale Funding

Short-term wholesale funding accounted for 33% of total wholesale funding at 30 June 2018, a 4% decrease from 37% at 31 December 2017, and a 7% decrease from 40% at 30 June 2017, as the Group continued to strengthen its funding position by replacing short-term wholesale funding with long-term wholesale funding.

Short-Term to Total Wholesale Funding Ratio



Funding (continued)

Long-Term Wholesale Funding

Long-term wholesale funding (including IFRS MTM and derivative FX revaluations) accounted for 67% of total wholesale funding at 30 June 2018, a 4% increase from 63% at 31 December 2017, and a 7% increase from 60% at 30 June 2017, as the Group continued to increase the level of long-term wholesale funding to further strengthen the balance sheet.

During the full year to 30 June 2018, the Group raised $33 billion of long-term wholesale funding in multiple currencies including AUD, USD, EUR, and GBP.

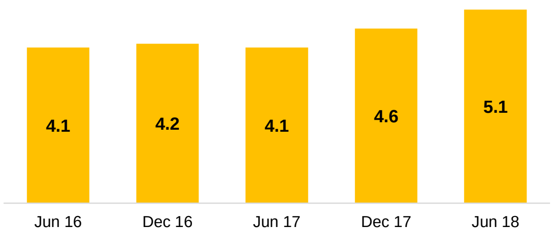
Most issuances were in senior unsecured format, although the Group used its covered bond and RMBS programs to provide cost, tenor and diversification benefits. The Group also issued Basel III compliant Tier 2 capital of $3 billion.

The Weighted Average Maturity (WAM) of new long-term wholesale debt increased 3.8 years to 9.0 years for the 12 months to 30 June 2018. The WAM of outstanding long-term wholesale debt with a residual maturity greater than 12 months at 30 June 2018 increased by 1.0 year to 5.1 years.

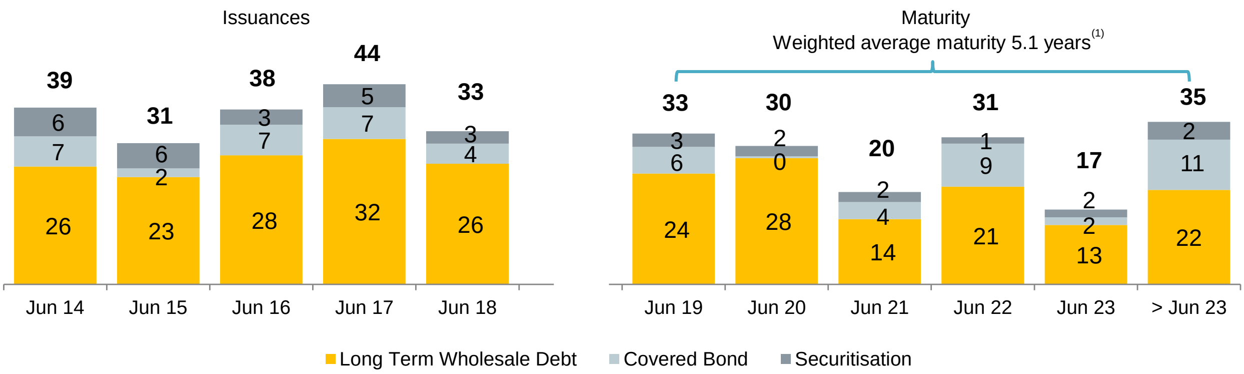
The Group lengthened the tenor of its wholesale funding to take advantage of favourable global credit conditions, in anticipation of a likely increase in global interest rates and a reduction in liquidity as central banks begin to unwind quantitative easing. The 10 year market funding costs have been at their lowest level since the Global Financial Crisis. This has created opportunities to lengthen the wholesale funding tenor at relatively lower wholesale funding costs.

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

Weighted Average Maturity of Long-Term Wholesale Debt (1)



Long-Term Wholesale Funding Profile ($B)



(1) Represents the weighted average maturity of outstanding long-term wholesale debt with a residual maturity greater than 12 months at 30 June 2018.

Group Operations and Business Settings

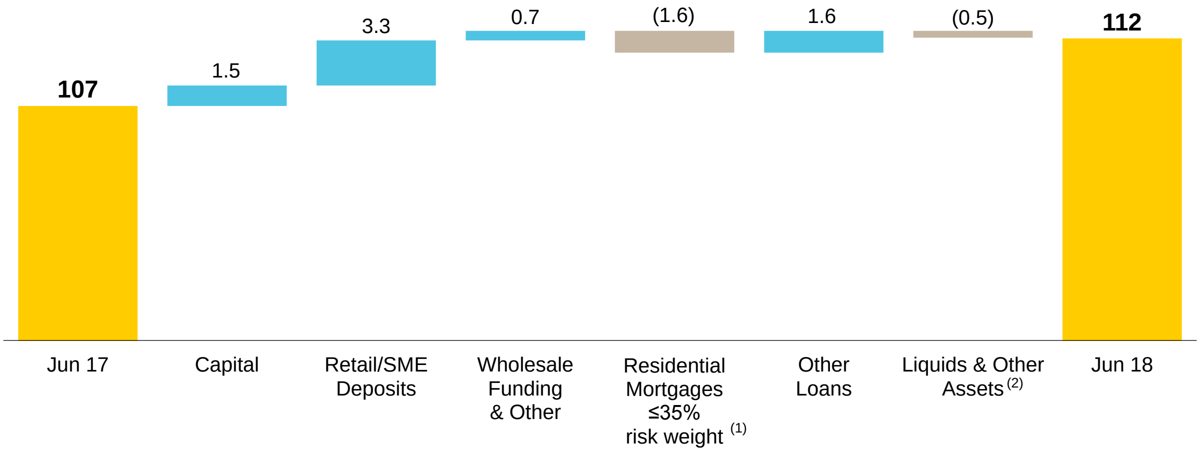
Net Stable Funding Ratio (NSFR)

Level 2	30 Jun 18 $M	31 Dec 17 $M	30 Jun 17 $M	Jun 18 vs Dec 17 %	Jun 18 vs Jun 17 %
			As at		
Required Stable Funding					
Residential Mortgages ≤35% [1]	**251,166**	254,465	242,161	(1)	4
Other Loans	**253,740**	243,748	263,160	4	(4)
Liquid and Other Assets [2]	**64,579**	60,644	57,825	6	12
Total Required Stable Funding	**569,485**	558,857	563,146	2	1
Available Stable Funding					
Capital	**90,219**	82,405	81,281	9	11
Retail/SME Deposits	**346,289**	341,780	327,357	1	6
Wholesale Funding & Other	**198,759**	192,406	194,766	3	2
Total Available Stable Funding	**635,267**	616,591	603,404	3	5
Net Stable Funding Ratio (NSFR) (%)	**112**	110	107	200 bpts	large

Net Stable Funding Ratio (NSFR)

On 1 January 2018, APRA introduced a Net Stable Funding Ratio (NSFR) requirement designed to encourage stable funding of core assets. APRA prescribed factors are used to determine the stable funding requirement of assets and the stability of sources of funding. The Group's NSFR was 112% at 30 June 2018, an increase of 2% from 110% at 31 December 2017, and well above the regulatory minimum of 100% which applied from 1 January 2018. The increase was mainly driven by a more NSFR efficient customer deposit mix.

NSFR Movement (%)



(1) This represents residential mortgages with a risk weight of less than or equal to 35% under APRA standard APS112 Capital Adequacy: Standardised Approach to Credit Risk.

(2) Includes non-performing loans, off-balance sheet items, net derivatives, and other assets.

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Divisional performance

Contents

Retail Banking Services

Overview

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

On 25 August 2017, the Bank acquired the remaining 20% share in AHL Holdings Pty Limited (trading as Aussie Home Loans), bringing its shareholding to 100%. On 23 February 2018, the Bank also acquired the assets of eChoice. As a result the Bank now controls and consolidates AHL and the operations of eChoice. In order to provide an underlying view of the performance, the information presented below has been presented both including and excluding the impact of these acquisitions.

Serving our Customers

Through our investment in real time banking and innovative solutions such as our chatbot, Ceba, we continued to deliver greater flexibility for our customers. We have 6.5 million customers who use digital channels for their banking, with 59% of transactions, by value, completed via the CommBank app and NetBank. The CommBank app continued to be ranked the number one free finance app in Australia, with more than 5 million logons per day. As part of our commitment to providing enhanced customer outcomes, ATM fees were removed during the year, and to support customers in need, domestic and family violence emergency assistance packages have been made available. Our branch design is constantly evolving to reflect changing customer preferences and to generate customer insights in the identification of genuine customer needs, demonstrated by the 78,000 insights we are now providing each week. As part of our commitment to continue to improve customer service, the Net Promoter Score (NPS) was introduced as our primary customer measure. The NPS in the six months to 30 June 2018 was -2.7 [1].

	Full Year Ended [2]				Half Year Ended			
	Excluding AHL and eChoice [3]			Total RBS	Excluding AHL and eChoice [3]			Total RBS
	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	30 Jun 18 $M	30 Jun 18 $M	31 Dec 17 $M	Jun 18 vs Dec 17 %	30 Jun 18 $M
Net interest income	**9,786**	9,208	6	**9,791**	**4,837**	4,949	(2)	**4,839**
Other banking income	**1,861**	1,997	(7)	**2,086**	**906**	955	(5)	**1,047**
Total banking income	**11,647**	11,205	4	**11,877**	**5,743**	5,904	(3)	**5,886**
Operating expenses	**(3,548)**	(3,473)	2	**(3,745)**	**(1,773)**	(1,775)	-	**(1,899)**
Loan impairment expense	**(716)**	(702)	2	**(716)**	**(360)**	(356)	1	**(360)**
Net profit before tax	**7,383**	7,030	5	**7,416**	**3,610**	3,773	(4)	**3,627**
Corporate tax expense	**(2,214)**	(2,097)	6	**(2,223)**	**(1,083)**	(1,131)	(4)	**(1,087)**
Cash net profit after tax excluding AHL and eChoice	**5,169**	4,933	5	**n/a**	**2,527**	2,642	(4)	**n/a**
Cash net profit after tax from AHL and eChoice	**24**	-	n/a	**n/a**	**13**	11	18	**n/a**
Cash net profit after tax	**5,193**	4,933	5	**5,193**	**2,540**	2,653	(4)	**2,540**
Income analysis								
Net interest income								
Home loans	**4,729**	4,291	10	**4,729**	**2,264**	2,465	(8)	**2,264**
Consumer finance [4]	**1,938**	2,001	(3)	**1,938**	**967**	971	-	**967**
Retail deposits	**3,066**	2,859	7	**3,066**	**1,579**	1,487	6	**1,579**
Other [5]	**53**	57	(7)	**58**	**27**	26	4	**29**
Total net interest income	**9,786**	9,208	6	**9,791**	**4,837**	4,949	(2)	**4,839**
Other banking income								
Home loans	**223**	218	2	**223**	**109**	114	(4)	**109**
Consumer finance [4]	**576**	613	(6)	**576**	**283**	293	(3)	**283**
Retail deposits	**561**	586	(4)	**561**	**291**	270	8	**291**
Distribution [6]	**359**	451	(20)	**584**	**156**	203	(23)	**297**
Other [5]	**142**	129	10	**142**	**67**	75	(11)	**67**
Total other banking income	**1,861**	1,997	(7)	**2,086**	**906**	955	(5)	**1,047**
Total banking income	**11,647**	11,205	4	**11,877**	**5,743**	5,904	(3)	**5,886**

(1) Net Promoter Score (NPS) is an industry standard metric that measures a customer's willingness to recommend a brand's product and services to their friends, family and colleagues. NPS is sourced from DBM Consultants Consumer Atlas. Prior to this reporting period it was sourced from Roy Morgan Research (Roy Morgan Research MFI NPS was +4.2 for June 2018 and +4.4 for December 2017).
(2) Comparative information has been restated to conform to presentation in the current period.
(3) Excludes AHL and eChoice, but includes equity accounted profits earned before the Bank gained control and consolidated AHL.
(4) Consumer finance includes personal loans and credit cards.
(5) Other includes asset finance, merchants, and business lending.
(6) Distribution includes income associated with the sale of foreign exchange products, income received from the distribution of wealth management products through the retail network, and equity accounted profits from associates.

Retail Banking Services

Balance Sheet (including AHL and eChoice)	30 Jun 18 $M	31 Dec 17 $M	30 Jun 17 $M	Jun 18 vs Dec 17 %	Jun 18 vs Jun 17 %
	As at				
Home loans [1]	**347,139**	341,071	334,530	2	4
Consumer finance [2]	**17,002**	17,212	17,118	(1)	(1)
Other interest earning assets	**2,506**	2,709	2,744	(7)	(9)
Total interest earning assets	**366,647**	360,992	354,392	2	3
Other assets	**1,625**	1,423	968	14	68
Total assets	**368,272**	362,415	355,360	2	4
Transaction deposits [3]	**29,130**	27,344	24,329	7	20
Savings deposits [3]	**114,230**	116,579	116,478	(2)	(2)
Investment deposits and other	**80,446**	79,122	77,132	2	4
Total interest bearing deposits	**223,806**	223,045	217,939	-	3
Non-interest bearing transaction deposits	**33,333**	32,171	30,529	4	9
Other non-interest bearing liabilities	**3,369**	2,920	3,840	15	(12)
Total liabilities	**260,508**	258,136	252,308	1	3

	Full Year Ended [4]			Half Year Ended [4]		
Key Financial Metrics (excluding AHL and eChoice)	**30 Jun 18**	30 Jun 17	Jun 18 vs Jun 17 %	**30 Jun 18**	31 Dec 17	Jun 18 vs Dec 17 %
Performance indicators						
Net interest margin (%)	**2. 98**	2. 90	8 bpts	**2. 94**	3. 01	(7)bpts
Return on assets (%)	**1. 4**	1. 4	-	**1. 4**	1. 5	(10)bpts
Operating expenses to total banking income (%)	**30. 5**	31. 0	(50)bpts	**30. 9**	30. 1	80 bpts
Impairment expense annualised as a % of average GLAAs (%)	**0. 20**	0. 20	-	**0. 20**	0. 20	-
Other information						
Average interest earning assets ($M) [5]	**328,851**	317,052	4	**331,490**	326,256	2
Risk weighted assets ($M)	**146,511**	134,937	9	**146,511**	140,715	4
90+ days home loan arrears (%) [6]	**0. 71**	0. 61	10 bpts	**0. 71**	0. 59	12 bpts
90+ days consumer finance arrears (%) [6]	**1. 25**	1. 22	3 bpts	**1. 25**	1. 03	22 bpts
Number of full-time equivalent staff (FTE)	**11,759**	11,865	(1)	**11,759**	11,758	-

(1) Home loans are presented gross of $32,075 million of mortgage offset balances (31 December 2017: $31,412 million; 30 June 2017: $29,041 million). These balances are required to be grossed up under accounting standards but are netted down for the calculation of customer interest payments.
(2) Consumer finance includes personal loans and credit cards.
(3) Transaction and Savings deposits includes $32,075 million of mortgage offset balances (31 December 2017: $31,412 million; 30 June 2017: $29,041 million).
(4) Comparative information has been restated to conform to presentation in the current period.
(5) Average interest earning assets are presented net of mortgage offset balances, which reduce customer interest payments. Net average interest earning assets are also used in the calculation of divisional net interest margin.
(6) Arrears rates represents total CBA domestic home loans and consumer finance balances (excluding Bankwest).

Retail Banking Services

Financial Performance and Business Review

Year Ended June 2018 versus June 2017

Retail Banking Services cash net profit after tax for the full year ended 30 June 2018 was $5,193 million, an increase of $260 million or 5% on the prior year. The result was driven by 4% growth in total banking income, 2% growth in operating expenses and 2% growth in loan impairment expense.

On 25 August 2017, the Bank acquired the remaining 20% share in AHL Holdings Pty Limited (trading as Aussie Home Loans), bringing its shareholding to 100%. On 23 February 2018, the Bank also acquired the assets of eChoice. As a result the Bank now controls and consolidates AHL and the operations of eChoice. In order to provide an underlying view of the performance, the commentary below has been presented excluding the impact of these acquisitions.

Net Interest Income

Net interest income was $9,786 million, an increase of $578 million or 6% on the prior year. This was driven by a 3% increase in net interest margin and 4% growth in average interest earning assets.

Net interest margin increased 8 basis points, reflecting:

- Higher home lending margin from repricing of interest only and investor loans in order to manage regulatory requirements, partly offset by unfavourable home loan portfolio mix with a shift to lower margin fixed rate loans, and more customers switching from interest only loans to lower margin principal and interest repayments, and increased competition (up 11 basis points); and
- Higher deposit margin from an increase in transaction deposit mix, from 22% to 24% of total deposits, and repricing (up 5 basis points); partly offset by
- The impact of the major bank levy (down 5 basis points); and
- Unfavourable portfolio mix, as home loans continue to grow ahead of other higher margin products (down 3 basis points).

Other Banking Income

Other banking income was $1,861 million, a decrease of $136 million or 7% on the prior year, reflecting:

- Lower consumer finance income primarily driven by the reduction in average interchange rates due to regulatory changes, partly offset by lower loyalty costs from changes to the rewards program, and higher credit card purchases as consumers continue to shift from using cash to cards;
- Lower deposit fee income driven by the reduction in average interchange rates due to regulatory changes, and the removal of ATM withdrawal fees, partly offset by higher debit card purchases as consumers continue to shift from cash to cards; and
- Lower distribution income resulting from lower equity accounting profits following the consolidation of Aussie Home Loans.

Operating Expenses

Operating expenses were $3,548 million, an increase of $75 million or 2% on the prior year. The key drivers were higher staff costs driven by salary increases, increased volume-related expenses, higher regulatory and compliance costs, and ongoing investment in technology and digital capabilities.

The number of full-time equivalent employees (FTE) decreased by 106 or 1% on the prior year, from 11,865 to 11,759 FTE.

Investment spend continued to focus on customer centric initiatives through improvements to the Home Buying experience, enhancements within digital channels and digitisation of manual processes as well as Risk and Compliance projects. This included transforming proprietary distribution, automating customer data certification, and improving pricing propositions to optimise customer outcomes.

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

The operating expense to total banking income ratio was 30.5%, an improvement of 50 basis points on the prior year, driven by higher total banking income.

Loan Impairment Expense

Loan impairment expense was $716 million, an increase of $14 million or 2% on the prior year, driven by increased home loan and personal loan collective provisions to reflect actual loss experience, and a management overlay in anticipation of changes to bankruptcy legislation, partly offset by lower home loan impairments in mining towns in Western Australia and Queensland.

Loan impairment expense as a percentage of average gross loans and acceptances was flat on the prior year at 20 basis points.

Home loan arrears increased by 10 basis points from 0.61% to 0.71%, reflecting reduced portfolio growth and some households experiencing difficulties with rising essential costs and limited income growth, leading to some pockets of stress.

Consumer finance arrears increased by 3 basis points from 1.22% to 1.25%, predominantly driven by increases in Western Sydney.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of $12.6 billion or 4%, below system growth of 6%, reflecting a conservative approach in order to manage regulatory requirements on investor and interest only home lending, and increased competition, particularly from non-banks. Solid performance in the proprietary channel led to an increase in the proprietary flows mix from 59% to 63%;
- Total deposit growth of $8.7 billion or 3% (interest and non-interest bearing), below system growth, mainly driven by the maturity of term deposits following a campaign in the prior year. Total transaction deposits increased 14% from growth in existing customers' balances in personal and business transaction accounts and growth in mortgage offset accounts, partly offset by lower savings balances (down 2%) driven by customer preference for higher yield term deposits; and
- Consumer finance balance decrease of $0.1 billion or 1%, which was ahead of system growth.

Financial Performance and Business Review (continued)

Risk Weighted Assets

Risk weighted assets were $146.5 billion, an increase of $11.6 billion or 9% on the prior year.

- Credit risk weighted assets increased $2.2 billion or 2% driven by higher home lending volume growth;
- Operational risk weighted assets increased $7.0 billion or 67% driven by the requirement to increase operational risk regulatory capital effective 30 April 2018 following the findings of the recent APRA Prudential Inquiry; and
- Market risk weighted assets increased $2.3 billion or 41% due to interest rate risk in the banking book.

Retail Banking Services generated $4,421 million of organic capital (1) for the Bank. This contributed 99 basis points to the Bank's CET1 ratio.

Half Year Ended June 2018 versus December 2017

Cash net profit after tax for the half year ended 30 June 2018 was $2,540 million, a decrease of $113 million or 4% on the prior half. The result was driven by a 3% decrease in total banking income, flat operating expenses and a 1% increase in loan impairment expense.

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

Net Interest Income

Net interest income was $4,837 million, a decrease of $112 million or 2% on the prior half. The decrease was driven by a 2% decrease in net interest margin, 2% growth in average interest earning assets, and the impact of three fewer calendar days in the current half.

Net interest margin decreased 7 basis points, reflecting:

- Higher short term wholesale funding costs due to an increase in the spread between the 3 month bank bill swap rate and the 3 month overnight index swap rate, known as basis risk (down 4 basis points);
- Lower home loan margin due to unfavourable mix, with customers shifting to lower margin fixed rate loans and from interest only to lower margin principal and interest repayments, and increased competition (down 5 basis points, excluding basis risk); partly offset by
- Higher deposit margin resulting from repricing (up 2 basis points, excluding basis risk).

Other Banking Income

Other banking income was $906 million, a decrease of $49 million or 5% on the prior half, reflecting:

- Lower distribution income driven by seasonally lower foreign exchange transactions from travel money cards, lower equity accounted profits following the consolidation of Aussie Home Loans, and a decrease in wealth management product volumes; partly offset by
- Higher deposit fee income driven by higher debit card purchases as customers continue to shift from cash to cards.

Operating Expenses

Operating expenses were $1,773 million, a decrease of $2 million or flat on the prior half. This was driven by lower staff costs, offset by higher regulatory and compliance costs, and continued investment in technology and digital capabilities.

The number of full-time equivalent employees (FTE) increased by 1 on the prior half, from 11,758 to 11,759 FTE.

The operating expense to total banking income ratio was 30.9%, an increase of 80 basis points on the prior half, driven by lower total banking income.

Loan Impairment Expense

Loan impairment expense was $360 million, an increase of $4 million or 1% on the prior half. The result was driven by seasonally higher losses and arrears in consumer finance following the December holiday season.

Loan impairment expense as a percentage of average gross loans and acceptances remained flat on the prior half at 20 basis points.

Home loan arrears increased by 12 basis points from 0.59% to 0.71%, driven by a seasonal increase following the December holiday season, and some households experiencing difficulties with rising essential costs and limited income growth, leading to some pockets of stress.

Consumer finance arrears increased by 22 basis points from 1.03% to 1.25%, mainly due to a seasonal increase following the December holiday season.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of $6.1 billion or 2%, below system growth of 3%, reflecting a conservative approach in order to manage regulatory requirements on investor and interest-only home lending, and increased competition, particularly from non-banks. Proprietary flows decreased 1% from 64% to 63%;
- Total deposit growth of $1.9 billion or 1% (interest and non-interest bearing), in line with system growth, reflecting 5% growth in total transaction deposits from growth in existing customers' balances in personal and business transaction accounts and increased mortgage offset accounts, and higher investment balances as customers switched from savings deposits to higher yield term deposits; and
- Consumer finance balance decrease of $0.2 billion or 1%, which was ahead of system growth.

Risk Weighted Assets

Risk weighted assets were $146.5 billion, an increase of $5.8 billion or 4% on the prior half.

- Credit risk weighted assets increased $1.5 billion or 1% driven by a $0.7 billion increase from higher home lending volume growth and a $0.8 billion increase from lower credit quality due to an increase in arrears;
- Operational risk weighted assets increased $3.9 billion or 29% driven by the requirement to increase operational risk regulatory capital effective 30 April 2018 following the findings of the recent APRA Prudential Inquiry; and
- Market risk weighted assets increased $0.4 billion or 5% due to interest rate risk in the banking book.

Retail Banking Services generated $2,352 million of organic capital (1) for the Bank. This contributed 51 basis points to the Bank's CET1 ratio.

(1) Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets used to generate those profits. Amounts quoted exclude the payment of dividends and the one-off impact on Operational RWA from the Enforceable Undertaking with APRA.

Business and Private Banking

Overview

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

Serving our Customers

We continue to simplify and innovate for our customers, enabling them to better run and grow their business. Recent innovations include improvements to processes for existing business customers borrowing up to $1 million through a conditional pre-approval solution, expansion of self-serve capabilities and a recently announced strategic partnership to deliver 'Wiise', a unique SME business tool that amalgamates banking, accounting and business management solutions in a single cloud-based platform. Customer usage of our market-leading business analytics tool 'Daily IQ' continues to increase and we continue to bring innovation to regional areas, running customer-centred design workshops to address our customers' business challenges. CommSec continues to enhance its digital platform and has more than 225,000 active mobile users, with one in every three trades now completed via mobile device. As part of our commitment to continue to improve customer service, the Net Promoter Score (NPS) [1] was introduced as our primary customer measure. The NPS in the six months to 30 June 2018 was -19.6 for the business customer segment and +22.2 for CommSec.

	Full Year Ended [2] [3]			Half Year Ended [2] [3]		
	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	**30 Jun 18 $M**	31 Dec 17 $M	Jun 18 vs Dec 17 %
Net interest income	**3,392**	3,246	4	**1,698**	1,694	-
Other banking income	**1,033**	976	6	**516**	517	-
Total banking income	**4,425**	4,222	5	**2,214**	2,211	-
Operating expenses	**(1,596)**	(1,574)	1	**(807)**	(789)	2
Loan impairment expense	**(129)**	(62)	large	**(80)**	(49)	63
Net profit before tax	**2,700**	2,586	4	**1,327**	1,373	(3)
Corporate tax expense	**(812)**	(778)	4	**(399)**	(413)	(3)
Cash net profit after tax	**1,888**	1,808	4	**928**	960	(3)
Income analysis						
Net interest income						
Corporate Financial Services	**1,232**	1,220	1	**620**	612	1
Business Banking SME	**1,001**	948	6	**499**	502	(1)
Regional and Agribusiness	**605**	579	4	**302**	303	-
Private Bank	**356**	308	16	**177**	179	(1)
CommSec	**198**	191	4	**100**	98	2
Total net interest income	**3,392**	3,246	4	**1,698**	1,694	-
Other banking income						
Corporate Financial Services	**415**	394	5	**210**	205	2
Business Banking SME	**182**	175	4	**88**	94	(6)
Regional and Agribusiness	**107**	104	3	**53**	54	(2)
Private Bank	**66**	62	6	**33**	33	-
CommSec	**263**	241	9	**132**	131	1
Total other banking income	**1,033**	976	6	**516**	517	-
Total banking income	**4,425**	4,222	5	**2,214**	2,211	-
Income by product						
Business products	**2,613**	2,533	3	**1,307**	1,306	-
Retail products	**1,289**	1,162	11	**645**	644	-
Equities and Margin Lending	**350**	333	5	**174**	176	(1)
Markets	**121**	135	(10)	**62**	59	5
Other	**52**	59	(12)	**26**	26	-
Total banking income	**4,425**	4,222	5	**2,214**	2,211	-

(1) Net Promoter Score (NPS) is an industry standard metric that measures a customer's willingness to recommend a brand's product and services to their friends, family and colleagues.
(2) Comparative information has been restated to conform to presentation in the current period.
(3) Includes Bankwest east coast business banking customers now being managed by the Business and Private Banking division.

Business and Private Banking

	As at [1]				
Balance Sheet	**30 Jun 18 $M**	31 Dec 17 $M	30 Jun 17 $M	Jun 18 vs Dec 17 %	Jun 18 vs Jun 17 %
Home loans [2]	**34,712**	34,220	34,663	1	-
Consumer finance	**1,093**	1,013	1,033	8	6
Business loans [3]	**78,557**	77,009	77,039	2	2
Margin loans	**2,750**	2,694	2,840	2	(3)
Total interest earning assets	**117,112**	114,936	115,575	2	1
Non-lending interest earning assets	**315**	321	286	(2)	10
Other assets [4]	**358**	166	433	large	(17)
Total assets	**117,785**	115,423	116,294	2	1
Transaction deposits [3] [5]	**17,101**	15,955	14,921	7	15
Savings deposits [5]	**34,582**	34,532	33,909	-	2
Investment deposits and other	**28,159**	28,120	27,211	-	3
Total interest bearing deposits	**79,842**	78,607	76,041	2	5
Non-interest bearing transaction deposits	**9,098**	8,395	7,997	8	14
Other non-interest bearing liabilities	**805**	586	887	37	(9)
Total liabilities	**89,745**	87,588	84,925	2	6

	Full Year Ended [1] [6]			Half Year Ended [1] [6]		
Key Financial Metrics	**30 Jun 18**	30 Jun 17	Jun 18 vs Jun 17 %	**30 Jun 18**	31 Dec 17	Jun 18 vs Dec 17 %
Performance indicators						
Net interest margin (%)	**3. 05**	2. 98	7 bpts	**3. 08**	3. 03	5 bpts
Return on assets (%)	**1. 6**	1. 6	-	**1. 6**	1. 6	-
Operating expenses to total banking income (%)	**36. 1**	37. 3	(120)bpts	**36. 4**	35. 7	70 bpts
Impairment expense annualised as a % of average GLAAs (%)	**0. 11**	0. 05	6 bpts	**0. 14**	0. 08	6 bpts
Other information						
Average interest earning assets ($M) [7]	**111,136**	109,091	2	**111,307**	110,969	-
Risk weighted assets ($M)	**96,329**	87,654	10	**96,329**	89,449	8
Troublesome and impaired assets ($M)	**2,855**	2,586	10	**2,855**	2,410	18
Number of full-time equivalent staff (FTE)	**3,575**	3,677	(3)	**3,575**	3,578	-

(1) Includes Bankwest business banking customers now being managed by Business and Private Banking.
(2) Home loans are presented gross of $4,285 million of mortgage offset balances (31 December 2017: $4,418 million; 30 June 2017: $3,732 million). These balances are required to be grossed up under accounting standards, but are netted down for the calculation of customer interest payments.
(3) Business loans include $275 million of Cash Management Pooling Facilities (CMPF) (31 December 2017: $287 million; 30 June 2017: $260 million). Transaction Deposits include $1,154 million of CMPF liabilities (31 December 2017: $913 million; 30 June 2017: $874 million). These balances are required to be grossed up under accounting standards, but are netted for the calculation of customer interest and risk weighted assets.
(4) Other assets include Intangible assets.
(5) Transaction and Savings deposits includes $4,285 million of mortgage offset balances (31 December 2017: $4,418 million; 30 June 2017: $3,732 million).
(6) Comparative information has been restated to conform to presentation in the current period.
(7) Average interest earning assets are presented net of mortgage offset balances, which reduce customer interest payments. Net average interest earning assets are also used in the calculation of divisional net interest margin.

Business and Private Banking

Financial Performance and Business Review

Year Ended June 2018 versus June 2017

Business and Private Banking cash net profit after tax for the full year ended 30 June 2018 was $1,888 million, an increase of $80 million or 4% on the prior year. The result was driven by 5% growth in total banking income, 1% growth in operating expenses and a $67 million increase in loan impairment expense.

Net Interest Income

Net interest income was $3,392 million, an increase of $146 million or 4% on the prior year. This increase was driven by a 2% increase in net interest margin and 2% growth in average interest earning assets.

Net interest margin increased 7 basis points reflecting:

- Favourable portfolio mix from strong growth in transaction deposit volumes (up 7 basis points); and
- Higher home loan margin from repricing of interest only and investor loans in order to manage regulatory requirements (up 6 basis points); partly offset by
- Lower business lending margins due to run-off of higher margin residential property development lending (down 1 basis point); and
- The impact of the major bank levy (down 5 basis points).

Other Banking Income

Other banking income was $1,033 million, an increase of $57 million or 6% on the prior year, driven by:

- Higher business loan fee income reflecting volume growth and a shift to fee based products such as cash advance facilities;
- Higher merchant income driven by higher margins due to customers migrating onto new pricing structures and the reduction in interchange rates driven by regulatory changes; and
- Higher brokerage income driven by a 15% increase in average daily contract volumes; partly offset by
- Lower income from the sale of interest rate risk management products, reflecting the benign domestic interest rate environment.

Operating Expenses

Operating expenses were $1,596 million, an increase of $22 million or 1% on the prior year. This was mainly driven by higher spend on product development initiatives such as 'Daily IQ', an increase in Albert merchant terminal costs, remediation expenses, and higher staff and IT expenses. This was partly offset by the benefit of productivity savings including centralisation of middle office functions, and consolidation of the workforce following the Bankwest business banking integration.

The number of full-time equivalent employees (FTE) decreased by 102 or 3% on the prior year from 3,677 to 3,575 FTE, driven by fewer middle office FTE and the consolidation of the workforce following the Bankwest business banking integration, partly offset by an increase in risk and compliance staff.

Investment continues to focus on further enhancing customer experience by improving the digital business loan application process and self-service capabilities, as well as regulatory and compliance initiatives.

The operating expense to total banking income ratio was 36.1%, an improvement of 120 basis points on the prior year, driven by higher total banking income.

Loan Impairment Expense

Loan impairment expense was $129 million, an increase of $67 million on the prior year. This was driven by a higher level of collective provisions mainly due to increased provisioning within segments exposed to discretionary consumer spending, partly offset by lower levels of individual provisions.

Loan impairment expense as a percentage of average gross loans and acceptances increased 6 basis points on the prior year to 11 basis points, remaining well below long run average levels.

Asset quality declined slightly reflecting a reduction in quality in the diversified portfolio, partly offset by an improvement in the commercial property portfolio.

Balance Sheet

Key spot balance sheet movements included:

- Total deposit growth of $4.9 billion or 6% (interest and non-interest bearing), above system growth of 3%, driven by growth in Business Transaction Accounts and interest-bearing cash accounts reflecting higher balances with existing customers;
- Home loan growth was flat, below system growth of 6%, reflecting flat investor home loan growth driven by a conservative approach in order to manage regulatory requirements on investor home lending, a 14% decrease in lines of credit, and 5% growth in owner occupied loans; and
- Business loan growth of $1.5 billion or 2%, below system growth of 3%, due to a decline in residential property development following the completion of projects and a continued focus on margin and risk appetite. Business loan growth was achieved across various industries, including property investment, agribusiness, hospitality and health.

Risk Weighted Assets

Risk weighted assets were $96.3 billion, an increase of $8.7 billion or 10% on the prior year.

- Credit risk weighted assets increased $2.0 billion or 3% driven by higher lending balances and a refinement of the calculation methodology;
- Operational risk weighted assets increased $4.4 billion or 56% driven by the requirement to increase operational risk regulatory capital effective 30 April 2018 following the findings of the recent APRA Prudential enquiry; and
- Market risk weighted assets increased $2.0 billion or 64% driven by IRRBB $1.3 billion and traded market risk $0.7 billion.

Business and Private Banking generated $1,264 million of organic capital (1) for the Bank. This contributed 29 basis points to the Bank's CET1 ratio.

(1) Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets used to generate those profits. Amounts quoted exclude the payment of dividends and the one-off impact on Operational RWA from the Enforceable Undertaking with APRA.

Financial Performance and Business Review (continued)

Half Year Ended June 2018 versus December 2017

Cash net profit after tax was $928 million, a decrease of $32 million or 3% on the prior half. The result was driven by flat revenue, 2% growth in operating expenses, and a 63% increase in loan impairment expense.

Net Interest Income

Net interest income was $1,698 million, an increase of $4 million or flat on the prior half. This was driven by a 2% increase in net interest margin, flat average interest earning assets, and the impact of three fewer calendar days in the current half.

Net interest margin increased 5 basis points reflecting:

- Higher deposits margins primarily from growth in higher margin transaction deposit balances.

Other Banking Income

Other banking income was $516 million, a decrease of $1 million or flat on the prior half, driven by:

- Lower merchant income due to remediation costs associated with operational issues, and seasonally lower turnover volumes in the current half due to the timing of the December holiday season; partly offset by
- Higher business loan fee income reflecting volume growth and a shift to fee based products such as cash advance facilities.

Operating Expenses

Operating expenses were $807 million, an increase of $18 million or 2% on the prior half. This was driven by higher amortisation, 'Daily IQ' and other platform enhancements, remediation expenses and higher IT spend. This was partly offset by the benefit of productivity such as the centralisation of middle office functions and consolidation of the workforce following the Bankwest business banking integration.

The number of full time equivalent employees (FTE) decreased by 3 or flat on the prior half from 3,578 to 3,575 FTE, reflecting fewer middle office FTE and the consolidation of the workforce following the Bankwest business banking integration, partly offset by an increase in risk and compliance staff.

The operating expenses to total banking income ratio was 36.4%, an increase of 70 basis points on the prior half, driven by higher operating expenses.

Loan Impairment Expense

Loan impairment expense was $80 million, an increase of $31 million or 63% on the prior half. This was driven by higher individual provisions due to a small number of large exposures.

Loan impairment expense as a percentage of average gross loans and acceptances increased 6 basis points on the prior half to 14 basis points, remaining well below long run average levels.

Asset quality declined reflecting a reduction in quality in the diversified portfolio, partly offset by an improvement in the commercial property portfolio.

Balance Sheet

Key spot balance sheet movements included:

- Total deposit growth of $1.9 billion or 2% (interest and non-interest bearing), above system growth of 1%, driven by growth in Business Transaction Accounts and interest-bearing cash accounts, reflecting higher balances from existing customers;
- Home loan growth of $0.5 billion or 1%, below system growth of 3%, reflecting a conservative approach in order to manage regulatory requirements on investor and interest-only home lending. Growth was driven by both owner occupied and investor home loans, offset by a 3% decrease in lines of credit; and
- Business loan growth of $1.5 billion or 2%, above system growth of 1%. This was due to growth across various industries, including property investment, agribusiness, health and manufacturing, partly offset by a decline in residential property development due to the completion of projects, and a continued focus on margin and risk appetite.

Risk Weighted Assets

Risk weighted assets were $96.3 billion, an increase of $6.9 billion or 8% on the prior half.

- Credit risk weighted assets increased $3.5 billion or 5% driven by higher lending balances and a refinement of the calculation methodology;
- Operational risk weighted assets increased $2.3 billion or 23% driven by the requirement to increase operational risk regulatory capital effective 30 April 2018 following the findings of the recent APRA Prudential enquiry; and
- Market risk weighted assets increased $1.0 billion or 24% driven by IRRBB $0.4 billion and traded market risk $0.6 billion.

Business and Private Banking generated $485 million of organic capital (1) for the Bank. This contributed 11 basis points to the Bank's CET1 ratio.

(1) Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets used to generate those profits. Amounts quoted exclude the payment of dividends and the one-off impact on Operational RWA from the Enforceable Undertaking with APRA.

Institutional Banking and Markets

Overview

Institutional Banking & Markets serves the commercial and wholesale banking needs of large Corporate, Institutional and Government clients across a full range of financial services solutions including access to debt capital markets, transaction banking, working capital and risk management through dedicated product and industry specialists.

Serving our Customers

As we continue to partner with our institutional clients to deliver innovative risk and finance solutions, we have also focused on working with them to drive and support key areas of need for Australia's future. Over the last year we have partnered with clients to develop and execute a strong roadmap of deal opportunities in the renewable energy space, and have partnered with leading organisations to bring together domestic leaders to drive solutions and outcomes on building the future of Australia's energy mix. We are proud to have contributed to the inception of Australia's largest ready-to-build solar farm, and been awarded Best Asia Pacific Solar Deal by IJ Global. Focusing on, and supporting the natural demographic shift of our population, we have also worked with clients to realise the potential of infrastructure growth within Australia, resulting in numerous successful transactions in the retirement, real estate and transport sectors. We have also hosted Australia's first 'Future of Health' national conference, showcasing the future of patient centric care and the world's leading healthcare technology to support our ageing population.

	Full Year Ended (1)			Half Year Ended		
	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	**30 Jun 18 $M**	31 Dec 17 $M	Jun 18 vs Dec 17 %
Net interest income	**1,444**	1,523	(5)	**707**	737	(4)
Other banking income	**1,229**	1,348	(9)	**550**	679	(19)
Total banking income	**2,673**	2,871	(7)	**1,257**	1,416	(11)
Operating expenses	**(1,142)**	(1,083)	5	**(600)**	(542)	11
Loan impairment (expense)/benefit	**(80)**	(64)	25	**25**	(105)	large
Net profit before tax	**1,451**	1,724	(16)	**682**	769	(11)
Corporate tax expense	**(330)**	(413)	(20)	**(152)**	(178)	(15)
Cash net profit after tax	**1,121**	1,311	(14)	**530**	591	(10)
Income analysis						
Net interest income						
Institutional Banking	**1,341**	1,394	(4)	**661**	680	(3)
Markets	**103**	129	(20)	**46**	57	(19)
Total net interest income	**1,444**	1,523	(5)	**707**	737	(4)
Other banking income						
Institutional Banking	**742**	749	(1)	**347**	395	(12)
Markets	**487**	599	(19)	**203**	284	(29)
Total other banking income	**1,229**	1,348	(9)	**550**	679	(19)
Total banking income	**2,673**	2,871	(7)	**1,257**	1,416	(11)
Income by product						
Institutional products	**1,822**	1,846	(1)	**901**	921	(2)
Asset leasing	**240**	280	(14)	**101**	139	(27)
Markets (excluding derivative valuation adjustments)	**588**	723	(19)	**246**	342	(28)
Other	**21**	17	24	**6**	15	(60)
Total banking income excluding derivative valuation adjustments	**2,671**	2,866	(7)	**1,254**	1,417	(12)
Derivative valuation adjustments (2)	**2**	5	(60)	**3**	(1)	large
Total banking income	**2,673**	2,871	(7)	**1,257**	1,416	(11)

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Derivative valuation adjustments include both net interest income and other banking income adjustments.

Institutional Banking and Markets

Balance Sheet	30 Jun 18 $M	31 Dec 17 $M	30 Jun 17 $M	Jun 18 vs Dec 17 %	Jun 18 vs Jun 17 %
	As at [1]				
Interest earning lending assets [1]	**104,601**	109,373	111,686	(4)	(6)
Non-lending interest earning assets	**27,757**	30,742	31,349	(10)	(11)
Other assets [2]	**30,358**	25,158	30,076	21	1
Total assets	**162,716**	165,273	173,111	(2)	(6)
Transaction deposits [1]	**45,235**	45,849	42,468	(1)	7
Savings deposits	**6,627**	6,278	7,381	6	(10)
Investment deposits	**44,647**	45,816	49,689	(3)	(10)
Certificates of deposit and other	**12,776**	13,002	15,077	(2)	(15)
Total interest bearing deposits	**109,285**	110,945	114,615	(1)	(5)
Due to other financial institutions	**12,719**	14,880	16,669	(15)	(24)
Debt issues and other [3]	**9,382**	7,900	9,358	19	-
Non-interest bearing liabilities [2]	**22,509**	17,935	21,470	26	5
Total liabilities	**153,895**	151,660	162,112	1	(5)

Key Financial Metrics	**Full Year Ended** [4] 30 Jun 18	30 Jun 17	Jun 18 vs Jun 17 %	**Half Year Ended** 30 Jun 18	31 Dec 17	Jun 18 vs Dec 17 %
Performance indicators						
Net interest margin (%)	**1. 04**	1. 10	(6)bpts	**1. 05**	1. 03	2 bpts
Return on assets (%)	**0. 7**	0. 7	-	**0. 7**	0. 7	-
Operating expenses to total banking income (%)	**42. 7**	37. 7	large	**47. 7**	38. 3	large
Impairment expense annualised as a % of average GLAAs (%)	**0. 08**	0. 06	2 bpts	**(0. 05)**	0. 19	(24)bpts
Other information						
Average interest earning assets ($M)	**139,050**	138,613	-	**135,628**	142,416	(5)
Risk weighted assets ($M)	**96,190**	102,242	(6)	**96,190**	97,732	(2)
Troublesome and impaired assets ($M)	**1,406**	1,361	3	**1,406**	1,173	20
Corporate total committed exposures rated investment grade (%)	**86. 7**	86. 4	30 bpts	**86. 7**	86. 0	70 bpts
Number of full-time equivalent staff (FTE) [5]	**1,566**	1,467	7	**1,566**	1,510	4

(1) Interest earning lending assets include $21,990 million of Cash Management Pooling Facilities (CMPF) (31 December 2017: $22,849 million; 30 June 2017: $21,302 million). Transaction Deposits include $27,331 million of CMPF liabilities (31 December 2017: $28,778 million; 30 June 2017: $26,860 million). These balances are required to be grossed up under accounting standards, but are netted for the calculation of customer interest and risk weighted assets.

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

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

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

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

Institutional Banking and Markets

Financial Performance and Business Review

Year Ended June 2018 versus June 2017

Institutional Banking and Markets cash net profit after tax for the full year ended 30 June 2018 was $1,121 million, a decrease of $190 million or 14% on the prior year. The result was driven by a 7% decline in total banking income, a 5% increase in operating expenses and a 25% increase in loan impairment expense.

Net Interest Income

Net interest income was $1,444 million, a decrease of $79 million or 5% on the prior year. The result was driven by a 5% decrease in net interest margin, and a marginal increase in average interest earning assets.

Net interest margin decreased 6 basis points, reflecting:

- Lower earnings on free equity, mainly due to a reduction in average risk weighted assets (down 6 basis points); and
- The impact of the major bank levy (down 5 basis points); partly offset by
- Favourable portfolio mix from higher transaction deposit balances (up 3 basis points); and
- Higher lending and leasing margins driven by portfolio optimisation initiatives (up 2 basis point).

Other Banking Income

Other banking income was $1,229 million, a decrease of $119 million or 9% on the prior year, driven by:

- Weaker Markets trading performance mainly driven by the impact of widening spreads on the inventory of high grade corporate and government bonds; and
- Lower gains on the sale of assets in the Structured Asset Finance portfolio.

Operating Expenses

Operating expenses were $1,142 million, an increase of $59 million or 5% on the prior year. The increase was driven by a $51 million impairment of capitalised software relating to a decision to implement a new institutional lending platform, and higher regulatory, risk and compliance costs.

The operating expense to total banking income ratio was 42.7%, an increase of 500 basis points on the prior year, primarily due to lower Markets revenue, the introduction of the major bank levy and the impairment of capitalised software.

The number of full-time equivalent employees (FTE) increased by 99 or 7% on the prior year, from 1,467 to 1,566 FTE. The growth was primarily due to increase in project-related FTE, and risk and compliance staff.

Investment is focused on further strengthening of the operational risk and compliance framework, improving customer experience through the New Payments Platform, as well as responding to new regulatory requirements.

Loan Impairment Expense

Loan impairment expense was $80 million, an increase of $16 million or 25% on the prior year. The increase was driven by higher individual provisions due to a large single name exposure, partly offset by a higher level of write-backs in the mining and wholesale trade portfolios.

Loan impairment expense as a percentage of average gross loans and acceptances increased 2 basis points to 8 basis points, remaining well below long run average levels. Asset quality of the portfolio has remained stable, and the percentage of the book rated as investment grade increased by 30 basis points to 86.7%.

Balance Sheet

Key spot balance sheet movements included:

- Lending balances decreased $7.1 billion or 6%, driven by portfolio optimisation initiatives;
- Transaction deposits growth of $2.8 billion or 7%, driven by a combination of new to bank client mandates and continued deepening of existing client relationships;
- Investment deposits decreased $5.0 billion or 10%, driven by increased competition from domestic and foreign banks; and
- Certificates of deposits and other decreased $2.3 billion or 15% due to a lower funding requirement from the decrease in non-lending interest earning assets.

Risk Weighted Assets

Risk weighted assets were $96.2 billion, a decrease of $6.1 billion or 6% on the prior year.

- Credit risk weighted assets decreased $12.7 billion or 14% driven by portfolio optimisation initiatives which reduced volumes ($10.3 billion) and improved credit quality ($3.1 billion), partly offset by the impact from foreign exchange ($0.7 billion);
- Market risk weighted assets increased $3.9 billion or 83% mainly driven by the conservative treatment of some interest rate exposures, under the internal model approach; and
- Operational risk weighted assets increased $2.7 billion or 32% driven by the requirement to increase Operational risk regulatory capital effective 30 April 2018 following the findings of the recent APRA Prudential Inquiry.

Institutional Banking and Markets generated $2,011 million of organic capital [1] for the Bank. This contributed 44 basis points to the Bank's CET1 ratio.

(1) Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets used to generate those profits. Amounts quoted exclude the payment of dividends and the one-off impact on Operational RWA from the Enforceable Undertaking with APRA.

Financial Performance and Business Review (continued)

Half Year Ended June 2018 versus December 2017

Cash net profit after tax for the half year ended 30 June 2018 was $530 million, a decrease of $61 million or 10% on the prior half. The result was driven by an 11% decline in total banking income, an 11% increase in operating expenses, and a $130 million decrease in loan impairment expense.

Net Interest Income

Net interest income was $707 million, a decrease of $30 million or 4% on the prior half, driven by a 5% decrease in average interest earning assets and the impact of three fewer calendar days in the current half, partly offset by a 2% increase in net interest margin.

Net interest margin increased 2 basis points, reflecting:

- Higher lending margins driven by portfolio optimisation initiatives (up 2 basis points); and
- Favourable portfolio mix from higher divisional customer deposit to loan ratio (up 2 basis points); partly offset by
- Lower earnings on free equity mainly from a reduction in average risk weighted assets (down 2 basis points).

Other Banking Income

Other banking income was $550 million, a decrease of $129 million or 19% on the prior half, driven by:

- Weaker Markets sales performance from reduced volatility driving lower client demand, and weaker trading performance mainly driven by the impact of widening spreads on the inventory of high grade corporate and government bonds; and
- Non-recurrence of prior half gain on sale of assets in the Structured Asset Finance portfolio.

Operating Expenses

Operating expenses were $600 million, an increase of $58 million or 11% on the prior half, driven by a $51 million impairment of capitalised software relating to a decision to implement a new institutional lending platform, and higher regulatory, risk and compliance costs.

The operating expense to total banking income ratio was 47.7%, an increase of 940 basis points on the prior half, due to lower Markets revenue and the impairment of capitalised software.

The number of full-time equivalent employees (FTE) increased by 56 or 4% on the prior half, from 1,510 to 1,566 FTE primarily due to growth in risk and compliance staff.

Investment is focused on further strengthening of the operational risk and compliance framework, improving customer experience through the New Payments Platform, as well as responding to new regulatory requirements.

Loan Impairment Expense

Loan impairment expense was a $25 million benefit for the half, a decrease of $130 million on the prior half, mainly driven by lower individual provisions due to the non-recurrence of a large single name exposure and lower collective provisions due to the reduction of a maturity date model adjustment.

Asset quality of the portfolio has remained stable, and the percentage of the book rated as investment grade increased by 70 basis points to 86.7%.

Balance Sheet

Key spot balance sheet movements included:

- Lending balances decreased $4.8 billion or 4%, mainly driven by portfolio optimisation initiatives;
- Other assets and Non-interest bearing liabilities have increased by $5.2 billion and $4.6 billion respectively, mainly driven by the revaluation of derivative assets and derivative liabilities from the weakening of the Australian Dollar. Note that under the accounting standards, derivative assets and derivative liabilities are required to be presented on a gross basis; and
- Due to other financial institutions decreased $2.2 billion or 15%, due to lower funding requirements from the decrease in non-lending interest earning assets.

Risk Weighted Assets

Risk weighted assets were $96.2 billion, a decrease of $1.5 billion or 2% on the prior half.

- Credit risk weighted assets decreased $6.1 billion or 7% driven by portfolio optimisation initiatives which reduced volumes ($6.5 billion), improved credit quality ($0.9 billion), partly offset by the impact from foreign exchange ($1.3 billion);
- Market risk weighted assets increased $2.6 billion or 43% mainly driven by the conservative treatment of some interest rate exposures, under the internal model approach; and
- Operational risk weighted assets increased $2.0 billion or 21% driven by the requirement to increase Operational risk regulatory capital effective 30 April 2018 following the findings of the recent APRA Prudential Inquiry.

Institutional Banking and Markets generated $964 million of organic capital [1] for the Bank. This contributed 21 basis points to the Bank's CET1 ratio.

(1) Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets used to generate those profits. Amounts quoted exclude the payment of dividends and the one-off impact on Operational RWA from the Enforceable Undertaking with APRA.

Wealth Management

Overview

Wealth Management provides superannuation, investment, retirement and insurance products and services including financial planning which help to improve the financial wellbeing of more than 2.1 million customers. In addition, as a global asset management business, we manage investments on behalf of institutional investors and pension funds, wholesale distributors and platforms, financial advisers and their clients.

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

On 25 June 2018 CBA announced its intention to demerge its wealth management and mortgage broking businesses, and will undertake a strategic review of its general insurance business, including a potential sale. The demerged business, ("NewCo"), is expected to include Colonial First State, Colonial First State Global Asset Management (CFSGAM), Count Financial, Financial Wisdom and Aussie Home Loans (AHL). NewCo is included in continuing operations and pro-forma financials of NewCo are set out on page 66. The implementation of the demerger is subject to final CBA board, shareholder and regulatory approvals under a scheme of arrangement.

Serving our Customers

Wealth Management is making it simpler for our customers to manage their investments, superannuation and insurance. During the past year, we have focused on improving the digital experience for our customers. We continue to help our customers in their time of need, with over 125,000 customers making a claim on their home or motor insurance in the past year. We offer various claim lodgement options to customers through the enhancement of the digital claim forms, live-chat and language-based call routing. In addition to simpler online processes, the launch of managed account services has enabled our customers to more efficiently administer their investments. Many of our customers are seeking assurance that their superannuation is being invested in ethically appropriate enterprises, so Wealth Management has entered into an exclusive partnership with Affirmative Investment Management to deliver ethical investment options to our customers.

	Full Year Ended (2)			Half Year Ended		
	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	**30 Jun 18 $M**	31 Dec 17 $M	Jun 18 vs Dec 17 %
Funds management income	**1,978**	1,820	9	**991**	987	-
Insurance income	**183**	121	51	**101**	82	23
Total operating income	**2,161**	1,941	11	**1,092**	1,069	2
Operating expenses	**(1,440)**	(1,403)	3	**(733)**	(707)	4
Net profit before tax	**721**	538	34	**359**	362	(1)
Corporate tax expense	**(179)**	(134)	34	**(89)**	(90)	(1)
Underlying profit after tax	**542**	404	34	**270**	272	(1)
Investment experience after tax	**21**	18	17	**12**	9	33
Cash net profit after tax from continuing operations	**563**	422	33	**282**	281	-
Cash net profit after tax from discontinued operations (1)	**160**	130	23	**66**	94	(30)
Cash net profit after tax	**723**	552	31	**348**	375	(7)
Represented by:						
CFSGAM	**292**	279	5	**143**	149	(4)
Colonial First State (3)	**271**	188	44	**127**	144	(12)
CommInsure (4)	**102**	62	65	**56**	46	22
Life Insurance Business (discontinued operations) (1)	**160**	130	23	**66**	94	(30)
Other	**(102)**	(107)	(5)	**(44)**	(58)	(24)
Cash net profit after tax	**723**	552	31	**348**	375	(7)

(1) CommInsure's life business (the "Life business") represents life insurance and life related investments business which are discontinued operations.
(2) Comparative information has been restated to conform to presentation in the current period.
(3) Colonial First State incorporates the results of all Wealth Management financial planning businesses.
(4) CommInsure represents the General Insurance business.

Wealth Management

Key Financial Metrics (continuing operations)	Full Year Ended [1]			Half Year Ended		
	30 Jun 18	30 Jun 17	Jun 18 vs Jun 17 %	30 Jun 18	31 Dec 17	Jun 18 vs Dec 17 %
Performance indicators						
Operating expenses to total operating income (%)	**66. 6**	72. 3	large	**67. 1**	66. 1	100 bpts
Other information						
AUM - average ($M) [2]	**215,768**	205,910	5	**212,324**	219,558	(3)
AUM - spot ($M) [2]	**213,242**	219,427	(3)	**213,242**	218,191	(2)
FUA - average ($M) [3]	**141,726**	129,152	10	**144,625**	139,104	4
FUA - spot ($M) [3]	**147,999**	135,447	9	**147,999**	143,668	3
CommInsure Inforce Premiums - average ($M) [4]	**799**	762	5	**804**	795	1
CommInsure Inforce Premiums - spot ($M) [4]	**797**	783	2	**797**	801	-
Risk weighted assets ($M) [5]	**4,234**	449	large	**4,234**	734	large
Number of full-time equivalent staff (FTE) [6]	**3,407**	3,914	(13)	**3,407**	3,534	(4)

	Full Year Ended [1]											
	CFS Global Asset Management			Colonial First State [7]			CommInsure [4]			Other		
	Jun 18 $M	Jun 17 $M	Jun 18 vs Jun 17 %	Jun 18 $M	Jun 17 $M	Jun 18 vs Jun 17 %	Jun 18 $M	Jun 17 $M	Jun 18 vs Jun 17 %	Jun 18 $M	Jun 17 $M	Jun 18 vs Jun 17 %
Funds management income	**975**	887	10	**1,003**	933	8	**-**	-	-	**-**	-	-
Insurance income	**-**	-	-	**-**	-	-	**183**	121	51	**-**	-	-
Total operating income	**975**	887	10	**1,003**	933	8	**183**	121	51	**-**	-	-
Operating expenses	**(622)**	(512)	21	**(624)**	(675)	(8)	**(44)**	(42)	5	**(150)**	(174)	(14)
Net profit before tax	**353**	375	(6)	**379**	258	47	**139**	79	76	**(150)**	(174)	(14)
Corporate tax (expense)/benefit	**(68)**	(97)	(30)	**(114)**	(78)	46	**(42)**	(23)	83	**45**	64	(30)
Underlying profit after tax	**285**	278	3	**265**	180	47	**97**	56	73	**(105)**	(110)	(5)
Investment experience after tax	**7**	1	large	**6**	8	(25)	**5**	6	(17)	**3**	3	-
Cash net profit/(loss) after tax	**292**	279	5	**271**	188	44	**102**	62	65	**(102)**	(107)	(5)

(1) Comparative information has been restated to conform to presentation in the current period.
(2) AUM excludes the Bank's interest in the First State Cinda Fund Management Company Limited.
(3) FUA excludes the Life business (discontinued operations).
(4) Represents the CommInsure General Insurance business. The Inforce Premiums are annualised equivalents.
(5) Risk Weighted Assets include CommInsure Life Business (discontinued operations).
(6) FTEs exclude the Life business (discontinued operations).
(7) Colonial First State incorporates the results of all Wealth Management Financial Planning businesses.

Wealth Management

Financial Performance and Business Review

Year Ended June 2018 versus June 2017

Wealth Management cash net profit after tax for the full year ended 30 June 2018 was $723 million, an increase of $171 million or 31% on the prior year. Excluding the contribution from the CommInsure Life Business (discontinued operations), cash net profit after tax was $563 million, an increase of $141 million or 33% on the prior year. The result was driven by 9% growth in funds management income, 51% growth in insurance and 3% higher operating expenses.

On 21 September 2017 CBA announced the sale of the CommInsure Life Business to AIA. In order to provide an underlying view of the performance, the commentary below has been presented excluding the impact of the CommInsure Life Business.

On 25 June 2018 CBA announced its intention to demerge its wealth management and mortgage broking businesses ("NewCo"), and undertake a strategic review of its general insurance business, including a potential sale. NewCo is included in continuing operations, and disclosed separately on page 66.

Funds Management Income

Funds management income was $1,978 million, an increase of $158 million or 9% on the prior year.

Average Assets Under Management (AUM) was $216 billion an increase of $10 billion or 5% on the prior year reflecting higher investment markets and the benefit of the lower Australian dollar, partly offset by higher net outflows in the global equities and fixed income businesses. AUM margins increased 2 basis points reflecting the receipt of higher performance fees in the current year. Excluding the benefit of performance fees, underlying AUM margins declined 1 basis point due to a change in business mix reflecting net outflows in the higher margin global equities business.

Average Funds Under Administration (FUA) was $142 billion an increase of $13 billion or 10% on the prior year. The FirstChoice and CFSWrap platforms experienced continued growth in average FUA of 9% and 16% respectively, reflecting positive net flows and higher investment markets. Underlying CFS FUA margins declined 2 basis points due to a change in business mix reflecting continued growth in the lower margin CFSWrap platform. The underlying margin excludes the benefit from a $38 million reduction in Advice customer remediation provisions.

Insurance Income

General insurance income was $183 million, an increase of $62 million or 51% on the prior year, due to lower weather event claims (Cyclone Debbie led to a large increase in claims in the prior year) and growth in premiums driven by risk based pricing initiatives.

Operating Expenses

Operating expenses were $1,440 million, an increase of $37 million or 3% on the prior year. This was driven by the non-recurrence of one-off provision releases related to CFSGAM in the prior year, higher performance fee related payments in CFSGAM and higher amortisation expenses, partly offset by lower staff costs from the ongoing realisation of productivity benefits.

The number of full-time equivalent employees (FTE) decreased by 507 or 13% from 3,914 to 3,407 FTE. This reflected a continued focus on workforce optimisation particularly in the financial planning business and the wind-down of the Advice Review program. The majority of costs for the Advice Review program were provided for in prior financial years.

The operating expenses to total operating income ratio was 66.6%, an improvement of 570 basis points on the prior year driven by higher operating income.

Investment spend continues to focus on ongoing regulatory reform initiatives, CFS system upgrades and improving customer experience through digital capabilities.

Risk Weighted Assets [1]

Risk weighted assets were $4.2 billion, an increase of $3.8 billion on the prior year.

- Operational risk weighted assets increased $3.6 billion driven by the transfer of the Wealth Management Advice business to the Level 2 Regulatory Consolidated Banking Group and the requirement to increase Operational risk regulatory capital effective 30 April 2018 following the findings of the recent APRA Prudential inquiry.

Wealth Management generated $578 million of organic capital [2] for the Bank. This contributed 12 basis points to the Bank's CET1 ratio.

Half Year Ended June 2018 versus December 2017

Cash net profit after tax for the half year ended 30 June 2018 was $348 million, a decrease of $27 million or 7% on the prior half. Excluding the contribution from the CommInsure Life Business (discontinued operations), cash net profit after tax was $282 million, an increase of $1 million on the prior half. The result was driven by 23% higher insurance income due to lower weather event claims partly offset by 4% higher operating expenses. In order to provide an underlying view of the performance, the commentary below has been presented excluding the impact of the CommInsure Life Business.

Funds Management Income

Funds management income of $991 million, an increase of $4 million on the prior half.

Average AUM was $212 billion a decrease of $7 billion or 3% on the prior half, reflecting higher net outflows partly offset by the benefit of the lower Australian dollar and higher investment markets. AUM margins increased 5 basis points on the prior half, due to receipt of higher performance fees in the current half. Excluding the benefit of performance fees, underlying AUM margins increased 1 basis point due to net outflows in lower margin fixed income business in the prior half.

(1) Risk Weighted Assets include CommInsure Life Business (discontinued operations).

(2) Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets used to generate those profits. Amounts quoted include discontinued operations, and exclude the payment of dividends, the one-off impact on Operational RWA from the Enforceable Undertaking with APRA and the one-off impact from the transfer of the Advice business to the Level 2 regulatory consolidated group.

Wealth Management

Average FUA was $145 billion an increase of $6 billion or 4% on the prior half, driven by positive net flows and positive investment markets. FUA margins declined 5 basis points due to an additional $55 million of Advice customer remediation provisions. Excluding Advice remediation provisions, underlying CFS FUA margins remained stable.

Insurance Income

General insurance income was $101 million, an increase of $19 million or 23% on the prior half, mainly due to lower weather related event claims in the current half.

Operating Expenses

Operating expenses were $733 million, an increase of $26 million or 4% on the prior half. The result was driven by higher performance fee related payments in CFSGAM and higher amortisation expenses, partly offset by lower staff costs from the ongoing realisation of productivity benefits.

The number of full-time equivalent employees (FTE) decreased by 127 or 4% on the prior half from 3,534 to 3,407 FTE, reflecting continued focus on workforce optimisation initiatives across all businesses, and the wind-down of the Advice Review program.

The operating expenses to total operating income ratio increased 100 basis points on the prior half to 67.1%.

Investment spend continues to focus on regulatory reform initiatives and continued investment in CFS system upgrades and IT infrastructure.

Risk Weighted Assets (1)

Risk weighted assets were $4.2 billion, an increase of $3.5 billion on the prior half.

- Operational risk weighted assets increased $3.6 billion driven by the transfer of the Wealth Management Advice business to the Level 2 Regulatory Consolidated Banking Group and the requirement to increase Operational risk regulatory capital effective 30 April 2018 following the findings of the recent APRA Prudential inquiry.

Wealth Management generated $232 million in organic capital (2) for the Bank. This contributed 5 basis points to the Bank's CET1 ratio.

(1) Risk Weighted Assets include CommInsure Life Business (discontinued operations).
(2) Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets used to generate those profits. Amounts quoted include discontinued operations, and exclude the payment of dividends, the one-off impact on Operational RWA from the Enforceable Undertaking with APRA and the one-off impact from the transfer of the Advice business to the Level 2 regulatory consolidated group.

	Full Year Ended								
Assets Under Management (AUM) (1)	30 Jun 17 $M	Inflows $M	Outflows $M	Net Flows $M	Other (2) $M	**30 Jun 18 $M**	31 Dec 17 $M	Jun 18 vs Jun 17 %	Jun 18 vs Dec 17 %
Australian equities	30,032	5,218	(8,632)	(3,414)	4,258	**30,876**	33,759	3	(9)
Global equities	94,588	20,738	(34,254)	(13,516)	12,931	**94,003**	98,271	(1)	(4)
Fixed income (3)	86,541	48,608	(57,650)	(9,042)	1,731	**79,230**	77,522	(8)	2
Infrastructure	8,266	825	(711)	114	753	**9,133**	8,639	10	6
Total	219,427	75,389	(101,247)	(25,858)	19,673	**213,242**	218,191	(3)	(2)

	Full Year Ended								
Funds Under Administration (FUA)	30 Jun 17 $M	Inflows $M	Outflows $M	Net Flows $M	Other (2) $M	**30 Jun 18 $M**	31 Dec 17 $M	Jun 18 vs Jun 17 %	Jun 18 vs Dec 17 %
FirstChoice	82,382	15,316	(14,004)	1,312	6,605	**90,299**	87,592	10	3
CFSWrap (4)	27,747	6,912	(5,565)	1,347	1,615	**30,709**	29,459	11	4
CFS Non-Platform	15,751	9,690	(10,274)	(584)	1,585	**16,752**	16,513	6	1
Other (5)	9,567	1,201	(1,223)	(22)	694	**10,239**	10,104	7	1
Total	135,447	33,119	(31,066)	2,053	10,499	**147,999**	143,668	9	3

	Full Year Ended								
Inforce Premiums	30 Jun 17 $M	Sales $M	Lapses $M	Net Flows $M	Other $M	**30 Jun 18 $M**	31 Dec 17 $M	Jun 18 vs Jun 17 %	Jun 18 vs Dec 17 %
General Insurance	783	139	(125)	14	-	**797**	801	2	-

(1) AUM excludes the Bank's interest in the First State Cinda Fund Management Company Limited.
(2) Includes investment income and foreign exchange gains and losses from translation of internationally sourced business.
(3) Fixed income include short-term investments and global credit.
(4) CFSWrap, formerly Custom Solutions, includes FirstWrap Products.
(5) Other includes Commonwealth Bank Group Super.

Life Business - Discontinued Operations

	Full Year Ended			Half Year Ended		
	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	**30 Jun 18 $M**	31 Dec 17 $M	Jun 18 vs Dec 17 %
Funds management income	**96**	121	(21)	**50**	46	9
Insurance income	**337**	317	6	**156**	181	(14)
Total operating income	**433**	438	(1)	**206**	227	(9)
Operating expenses	**(272)**	(295)	(8)	**(141)**	(131)	8
Net profit before tax	**161**	143	13	**65**	96	(32)
Corporate tax expense	**(49)**	(43)	14	**(20)**	(29)	(31)
Underlying profit after tax	**112**	100	12	**45**	67	(33)
Investment experience after tax	**48**	34	41	**21**	27	(22)
Non-controlling interests	**-**	(4)	large	**-**	-	-
Cash net profit after tax	**160**	130	23	**66**	94	(30)

	Full Year Ended			Half Year Ended		
Key Financial Metrics	**30 Jun 18**	30 Jun 17	Jun 18 vs Jun 17 %	**30 Jun 18**	31 Dec 17	Jun 18 vs Dec 17 %
FUA - average ($M)	**11,056**	11,853	(7)	**10,913**	11,211	(3)
Inforce premiums - average ($M)	**1,479**	1,703	(13)	**1,403**	1,568	(11)
Number of full-time equivalent staff (FTE)	**841**	926	(9)	**841**	848	(1)

	Full Year Ended								
Funds Under Administration (FUA)	30 Jun 17 $M	Inflows $M	Outflows $M	Net Flows $M	Other $M	**30 Jun 18 $M**	31 Dec 17 $M	Jun 18 vs Jun 17 %	Jun 18 vs Dec 17 %
Life Investments	11,331	471	(1,596)	(1,125)	570	**10,776**	11,132	(5)	(3)

	Full Year Ended								
Inforce Premiums	30 Jun 17 $M	Sales $M	Lapses $M	Net Flows $M	Other $M	**30 Jun 18 $M**	31 Dec 17 $M	Jun 18 vs Jun 17 %	Jun 18 vs Dec 17 %
Life Insurance	1,569	230	(503)	(273)	-	**1,296**	1,571	(17)	(18)

Financial Performance and Business Review (Discontinued Operations)

Year Ended June 2018 versus June 2017

The Life Business cash net profit after tax for the full year ended 30 June 2018 was $160 million, an increase of $30 million or 23% on the prior year. The result was driven by the non-recurrence of $143 million pre-tax loss recognition on income protection products, lower operating expenses and higher investment experience, partly offset by loss of wholesale schemes, reserve strengthening reflecting poorer claims experience, and lower funds management income reflecting run-off in the closed investment portfolio.

Half Year Ended June 2018 versus December 2017

The Life Business cash net profit after tax was $66 million, a decrease of $28 million or 30% on the prior half, driven by loss of wholesale schemes, reserve strengthening reflecting poorer claims experience, higher operating expenses reflecting increased regulatory initiative spend and lower investment experience.

Indicative Pro-forma NewCo Financials

The pro-forma financial disclosures below provide an unaudited and indicative view of the businesses that CBA intends to demerge (NewCo) as announced by CBA on 25 June 2018. The information provided below is for information purposes only and is not a representation or forecast of the financial position or future performance of NewCo. Past performance and trends should not be relied upon as being indicative of future performance. Further information regarding the demerger and NewCo will be provided to shareholders in due course.

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	Full Year Ended														
	CFS Super and Investments, and Aligned Advice [1]			CFS Global Asset Management			Mortgage Broking [2]			Other [3] (NewCo)			NewCo		
	Jun 18 $M	Jun 17 $M	Jun 18 vs Jun 17 %	**Jun 18 $M**	Jun 17 $M	Jun 18 vs Jun 17 %	**Jun 18 $M**	Jun 17 $M	Jun 18 vs Jun 17 %	**Jun 18 $M**	Jun 17 $M	Jun 18 vs Jun 17 %	**Jun 18 $M**	Jun 17 $M	Jun 18 vs Jun 17 %
Total banking income	**-**	-	-	**-**	-	-	**243**	45	large	**-**	-	-	**243**	45	large
Funds management income	**828**	803	3	**975**	887	10	**-**	-	-	**-**	-	-	**1,803**	1,690	7
Total operating income	**828**	803	3	**975**	887	10	**243**	45	large	**-**	-	-	**2,046**	1,735	18
Operating expenses	**(388)**	(389)	-	**(622)**	(512)	21	**(191)**	-	n/a	**(109)**	(112)	(3)	**(1,310)**	(1,013)	29
Net profit before tax	**440**	414	6	**353**	375	(6)	**52**	45	16	**(109)**	(112)	(3)	**736**	722	2
Corporate tax (expense)/benefit	**(134)**	(126)	6	**(68)**	(97)	(30)	**(12)**	-	n/a	**33**	34	(3)	**(181)**	(189)	(4)
Underlying profit after tax	**306**	288	6	**285**	278	3	**40**	45	(11)	**(76)**	(78)	(3)	**555**	533	4
Investment experience after tax	**6**	5	20	**7**	1	large	**-**	-	-	**-**	-	-	**13**	6	large
Cash net profit/(loss) after tax	**312**	293	6	**292**	279	5	**40**	45	(11)	**(76)**	(78)	(3)	**568**	539	5

	Full Year Ended		
Key Financial Metrics	**30 Jun 18**	30 Jun 17	Jun 18 vs Jun 17 %
Performance indicators			
Operating expenses to total operating income (%)	**64. 0**	58. 4	large
Other information			
AUM - average ($M) [4]	**215,768**	205,910	5
AUM - spot ($M) [4]	**213,242**	219,427	(3)
FUA - average ($M) [5]	**131,713**	119,674	10
FUA - spot ($M) [5]	**137,760**	125,880	9
Number of full-time equivalent staff (FTE) [6]	**2,850**	3,000	(5)

(1) Super and Investments represents Colonial First State and Aligned Advice represents an indicative view of the standalone financials of Financial Wisdom Limited and Count Financial Limited.
(2) Mortgage Broking includes AHL Holdings Pty Limited (trading as Aussie Home Loans) and Mortgage Choice. On 25 August 2017, CBA acquired the remaining 20% share in AHL, bringing its shareholding to 100%. As a result, the Bank now controls and consolidates AHL. This was equity accounted in the prior year.
(3) Other represents centrally held costs.
(4) AUM excludes the Group's interest in the First State Cinda Fund Management Company Limited.
(5) FUA excludes Commonwealth Bank Group Super.
(6) FTEs are approximate to give an indicative view.

New Zealand

Overview

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

ASB conducts its business through three business units: Retail Banking; Business Banking; and Private Banking, Wealth and Insurance. Retail Banking provides services to individuals across multiple channels including our branch network, digital platforms, ATMs, mobile managers and contact centres. Business Banking provides services to corporate, commercial, rural and small business customers. Private Banking, Wealth and Insurance provides securities, investment and insurance services to customers, and banking services to high net worth individuals.

On 2 July 2018, CBA completed the sale of its life insurance business in New Zealand ("Sovereign") to AIA Group Limited ("AIA"). The New Zealand results have been prepared on a continuing operations basis excluding Sovereign (discontinued operations). The financial results of Sovereign (discontinued operations) are excluded from the account lines of New Zealand's performance and reported as a single cash net profit after tax line item.

Serving our Customers

We are committed to being the first choice in key markets, and continue to focus on delivering seamless and simple experiences to our customers. We continue to invest in technology and innovation with nearly 60% of all sales transactions by volume being completed digitally. In 2018 we launched a number of innovative customer solutions such as "Selfie ID", a mobile app beta pilot that allows new customers to open a bank account in approximately 15 minutes without having to visit a branch, using facial biometrics to confirm their identity. We also introduced enhanced functionality enabling customers to manage their term deposits digitally. The continued focus of our Business Banking team on connecting people, capital and ideas has been central to successfully retaining and attracting New Zealand business customers, while our Wealth team continues to achieve strong growth, with customers now able to access new fund offerings via digital.

	Full Year Ended (1)			Half Year Ended		
New Zealand (A$M)	**30 Jun 18 A$M**	30 Jun 17 A$M	Jun 18 vs Jun 17 %	**30 Jun 18 A$M**	31 Dec 17 A$M	Jun 18 vs Dec 17 %
Net interest income	**1,760**	1,642	7	**911**	849	7
Other banking income (2)	**373**	331	13	**187**	186	1
Total banking income	**2,133**	1,973	8	**1,098**	1,035	6
Funds management income	**105**	92	14	**55**	50	10
Total operating income	**2,238**	2,065	8	**1,153**	1,085	6
Operating expenses	**(811)**	(795)	2	**(420)**	(391)	7
Loan impairment expense	**(74)**	(65)	14	**(51)**	(23)	large
Net profit before tax	**1,353**	1,205	12	**682**	671	2
Corporate tax expense	**(378)**	(336)	13	**(190)**	(188)	1
Cash net profit after tax from continuing operations	**975**	869	12	**492**	483	2
Cash net profit after tax from discontinued operations	**96**	96	-	**47**	49	(4)
Cash net profit after tax	**1,071**	965	11	**539**	532	1

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Other banking income disclosed in AUD includes realised gains or losses associated with the hedging of New Zealand operations earnings.

New Zealand

New Zealand (NZ$M)	Full Year Ended [1] 30 Jun 18 NZ$M	30 Jun 17 NZ$M	Jun 18 vs Jun 17 %	Half Year Ended 30 Jun 18 NZ$M	31 Dec 17 NZ$M	Jun 18 vs Dec 17 %
Net interest income	**1,916**	1,738	10	**985**	931	6
Other banking income	**419**	401	4	**207**	212	(2)
Total banking income	**2,335**	2,139	9	**1,192**	1,143	4
Funds management income	**114**	97	18	**59**	55	7
Total operating income	**2,449**	2,236	10	**1,251**	1,198	4
Operating expenses	**(881)**	(836)	5	**(454)**	(427)	6
Loan impairment expense	**(80)**	(69)	16	**(54)**	(26)	large
Net profit before tax	**1,488**	1,331	12	**743**	745	-
Corporate tax expense	**(416)**	(372)	12	**(207)**	(209)	(1)
Cash net profit after tax from continuing operations	**1,072**	959	12	**536**	536	-
Cash net profit after tax from discontinued operations	**106**	102	4	**53**	53	-
Cash net profit after tax	**1,178**	1,061	11	**589**	589	-
Represented by:						
ASB	**1,143**	1,025	12	**568**	575	(1)
Other [2]	**(71)**	(66)	8	**(32)**	(39)	(18)
Sovereign (discontinued operations)	**106**	102	4	**53**	53	-
Cash net profit after tax	**1,178**	1,061	11	**589**	589	-

Key Financial Metrics (continuing operations) [3]	Full Year Ended [1] 30 Jun 18	30 Jun 17	Jun 18 vs Jun 17 %	Half Year Ended 30 Jun 18	31 Dec 17	Jun 18 vs Dec 17 %
Operating expenses to total operating income (%)	**36. 0**	37. 4	(140)bpts	**36. 3**	35. 6	70 bpts

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

Financial Performance and Business Review

Year Ended June 2018 versus June 2017

New Zealand [1] cash net profit after tax [2] for the full year ended 30 June 2018 was NZD1,178 million, an increase of NZD117 million or 11% on the prior year. The result was driven by 10% growth in total operating income, 5% growth in operating expenses, a 16% increase in loan impairment expense and a 4% increase in the profit of the discontinued Sovereign business.

New Zealand [1] generated AUD1,096 million of organic capital [3] for the Bank. This contributed 25 basis points to the Bank's CET1 ratio.

(1) The New Zealand result incorporates ASB Bank and the discontinued Sovereign Insurance businesses. The CBA Branch results relating to the Institutional Banking and Markets business in New Zealand are not included.
(2) Includes allocated capital charges and other CBA costs.
(3) Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets (in accordance with APRA requirements) used to generate those profits. Amounts quoted include discontinued operations, and exclude the payment of dividends and the one-off impact on Operational RWA from the Enforceable Undertaking with APRA.

Half Year Ended June 2018 versus December 2017

New Zealand [1] cash net profit after tax [2] for the half year ended 30 June 2018 was NZD589 million, flat on the prior half. The result was driven by 4% growth in total operating income, 6% growth in operating expenses, a NZD28 million increase in loan impairment expense and flat profit in the discontinued Sovereign business.

New Zealand [1] generated AUD431 million of organic capital [3] for the Bank. This contributed 10 basis points to the Bank's CET1 ratio.

(1) The New Zealand result incorporates ASB Bank and the discontinued Sovereign Insurance businesses. The CBA Branch results relating to the Institutional Banking and Markets business in New Zealand are not included.
(2) Includes allocated capital charges and other CBA costs.
(3) Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets (in accordance with APRA requirements) used to generate those profits. Amounts quoted include discontinued operations, and exclude the payment of dividends and the one-off impact on Operational RWA from the Enforceable Undertaking with APRA.

New Zealand

ASB (NZ$M)	Full Year Ended [1] 30 Jun 18 NZ$M	30 Jun 17 NZ$M	Jun 18 vs Jun 17 %	Half Year Ended 30 Jun 18 NZ$M	31 Dec 17 NZ$M	Jun 18 vs Dec 17 %
Net interest income	**2,008**	1,825	10	**1,024**	984	4
Other banking income	**424**	404	5	**212**	212	-
Total banking income	**2,432**	2,229	9	**1,236**	1,196	3
Funds management income	**114**	97	18	**59**	55	7
Total operating income	**2,546**	2,326	9	**1,295**	1,251	4
Operating expenses	**(881)**	(836)	5	**(454)**	(427)	6
Loan impairment expense	**(80)**	(69)	16	**(54)**	(26)	large
Net profit before tax	**1,585**	1,421	12	**787**	798	(1)
Corporate tax expense	**(442)**	(396)	12	**(219)**	(223)	(2)
Cash net profit after tax	**1,143**	1,025	12	**568**	575	(1)

Balance Sheet (NZ$M)	As at 30 Jun 18 NZ$M	31 Dec 17 NZ$M	30 Jun 17 NZ$M	Jun 18 vs Dec 17 %	Jun 18 vs Jun 17 %
Home loans	**53,918**	52,580	51,128	3	5
Business and rural lending	**27,054**	25,816	25,133	5	8
Other interest earning assets	**2,212**	2,214	2,087	-	6
Total lending interest earning assets	**83,184**	80,610	78,348	3	6
Non-lending interest earning assets	**9,861**	8,943	8,662	10	14
Other assets	**2,320**	1,772	1,572	31	48
Total assets	**95,365**	91,325	88,582	4	8
Customer deposits	**55,923**	54,516	52,795	3	6
Debt issues	**20,053**	17,771	18,073	13	11
Other interest bearing liabilities [2]	**3,298**	3,418	2,716	(4)	21
Total interest bearing liabilities	**79,274**	75,705	73,584	5	8
Non-interest bearing liabilities	**6,591**	6,339	6,248	4	5
Total liabilities	**85,865**	82,044	79,832	5	8

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Other interest bearing liabilities includes NZD262 million due to Bank companies (31 December 2017: NZD51 million; 30 June 2017: NZD33 million).

New Zealand

ASB Key Financial Metrics [2]	Full Year Ended [1] 30 Jun 18	30 Jun 17	Jun 18 vs Jun 17 %	Half Year Ended 30 Jun 18	31 Dec 17	Jun 18 vs Dec 17 %
Performance indicators						
Net interest margin (%)	**2. 24**	2. 17	7 bpts	**2. 27**	2. 20	7 bpts
Return on assets (%)	**1. 2**	1. 2	-	**1. 2**	1. 3	(10)bpts
Operating expenses to total operating income (%)	**34. 6**	35. 9	(130)bpts	**35. 1**	34. 1	100 bpts
Impairment expense annualised as a % of average GLAAs (%)	**0. 10**	0. 09	1 bpt	**0. 13**	0. 06	7 bpts
Other information						
Average interest earning assets (NZ$M)	**89,774**	84,091	7	**91,054**	88,525	3
Risk weighted assets (NZ$M) [3]	**55,682**	53,275	5	**55,682**	54,138	3
Risk weighted assets (A$M) [4]	**49,884**	48,807	2	**49,884**	47,489	5
FUA - average (NZ$M)	**13,110**	12,665	4	**13,280**	12,971	2
FUA - spot (NZ$M)	**13,525**	12,826	5	**13,525**	13,325	2
AUM - average (NZ$M) [5]	**4,965**	4,631	7	**4,931**	4,976	(1)
AUM - spot (NZ$M) [5]	**5,125**	4,954	3	**5,125**	4,809	7
90+ days home loan arrears (%)	**0. 14**	0. 12	2 bpts	**0. 14**	0. 12	2 bpts
90+ days consumer finance arrears (%)	**0. 43**	0. 46	(3)bpts	**0. 43**	0. 50	(7)bpts
Number of full-time equivalent staff (FTE)	**4,857**	4,745	2	**4,857**	4,826	1

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Key financial metrics are calculated in New Zealand dollar terms unless otherwise stated.
(3) Risk weighted assets (NZ$M) calculated in accordance with RBNZ requirements.
(4) Risk weighted assets (A$M) calculated in accordance with APRA requirements.
(5) AUM excludes NZD7,635 million spot balances managed by CFS Global Asset Management (31 December 2017: NZD7,222 million; 30 June 2017: NZD5,776 million). These are included in the AUM balances reported by CFS Global Asset Management.

New Zealand

Financial Performance and Business Review

Year Ended June 2018 versus June 2017

ASB cash net profit after tax for the full year ended 30 June 2018 was NZD1,143 million, an increase of NZD118 million or 12% on the prior year. The result was driven by 9% growth in total operating income, 5% growth in operating expenses and a 16% increase in loan impairment expense.

Net Interest Income

Net interest income was NZD2,008 million, an increase of NZD183 million or 10% on the prior year. The increase was driven by a 3% increase in net interest margin and 7% growth in average interest earning assets.

Net interest margin increased 7 basis points, reflecting:

- Higher home loan margin primarily driven by lower funding costs (up 5 basis points) and lower costs associated with customers breaking fixed rate loans in prior years (up 3 basis points);
- Higher income from treasury and other related activities (up 2 basis points); and
- Higher business and rural lending margins due to lower funding costs (up 1 basis point); partly offset by
- Unfavourable retail deposit mix shift from savings accounts to lower margin term deposits (down 4 basis points).

Other Banking Income

Other banking income was NZD424 million, an increase of NZD20 million or 5% on the prior year. The increase was driven by:

- Higher card income due to an increase in customer spend; and
- Higher line of credit fees due to growth in customer numbers; partly offset by
- Lower service fees primarily due to the removal of dishonour fees and ATM fees, and the impact of customers migrating to lower fee digital channels.

Funds Management Income

Funds management income was NZD114 million, an increase of NZD17 million or 18% on the prior year, driven by:

- Higher average Assets Under Management (AUM) (up 7%), reflecting net inflows and favourable market performance and higher AUM margins primarily due to a change in business mix reflecting net inflows in the higher margin funds;
- Increase in income associated with balances managed by CFSGAM (up 9%) due to net inflows and favourable market performance; and
- Higher average Funds Under Administration (FUA) (up 4%) due to favourable market performance, partly offset by lower FUA margins.

Operating Expenses

Operating expenses were NZD881 million, an increase of NZD45 million or 5% on the prior year. The increase was driven by higher staff costs due to an increased number of risk and compliance staff and annual salary increases, higher regulatory compliance costs, and higher amortisation expense.

The number of full-time equivalent employees (FTE) increased by 112 or 2% on the prior year from 4,745 to 4,857 FTE, primarily driven by growth in risk and compliance staff.

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

The operating expense to total operating income ratio for ASB was 34.6%, an improvement of 130 basis points on the prior year, driven by growth in total operating income.

Loan Impairment Expense

Loan impairment expense was NZD80 million, an increase of NZD11 million or 16% on the prior year. The increase was due to higher consumer finance expense reflecting higher average arrears and write-offs, partly offset by lower provisions in the Business Banking portfolio due to favourable macroeconomic conditions in New Zealand.

Home loan arrears have increased marginally from the prior year. The increase follows abnormally low arrears rates in the prior year reflecting favourable macroeconomic conditions in New Zealand.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of NZD2.8 billion or 5%, in line with system, with continued customer preference for fixed rate loans;
- Business and rural loan growth of NZD1.9 billion or 8%, above system growth of 5%, reflecting the long-term strategic focus on this segment; and
- Customer deposit growth of NZD3.1 billion or 6%, in line with system, with particularly strong growth in term deposits.

Risk Weighted Assets (1)

Risk weighted assets were NZD55.7 billion, an increase of NZD2.4 billion or 5% on the prior year.

- Credit risk weighted assets increased NZD2.1 billion or 4% driven by a NZD2.5 billion increase due to lending growth and a NZD0.6 billion increase from refinement of exposures modelling methodology in the home loan portfolio, partly offset by a NZD1.0 billion decrease from improved credit quality primarily in the residential, corporate and rural portfolios (reflecting a recovery in dairy prices).
- Market risk weighted assets increased NZD0.3 billion or 15% primarily due to increased NZD interest rate risk exposures.

ASB generated AUD1,064 million of organic capital (2) for the Bank. This contributed 24 basis points to the Bank's CET1 ratio.

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

(2) Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets (in accordance with APRA requirements) used to generate those profits. Amounts quoted exclude the payment of dividends and the one-off impact on Operational RWA from the Enforceable Undertaking with APRA.

New Zealand

Half Year Ended June 2018 versus December 2017

ASB cash net profit after tax for the half year ended 30 June 2018 was NZD568 million, a decrease of NZD7 million or 1% on the prior half. The result was driven by 4% growth in total operating income, 6% increase in operating expenses and a NZD28 million increase in loan impairment expense.

Net Interest Income

Net interest income was NZD1,024 million, an increase of NZD40 million or 4% on the prior half. This increase was driven by a 3% increase in net interest margin and 3% growth in average interest earning assets, partly offset by the impact of three fewer calendar days in the current half.

Net interest margin increased 7 basis points, reflecting:

- Higher home loan margin primarily due to lower funding costs (up 1 basis point) and lower costs associated with customers breaking fixed rate loans in prior years (up 2 basis points);
- Higher income from treasury and other related activities (up 2 basis points);
- Higher business and rural lending margins due to lower funding costs (up 1 basis point); and
- Higher customer deposits margin primarily due to repricing of term deposits (up 1 basis point).

Other Banking Income

Other banking income was NZD212 million, flat on the prior half. This was driven by:

- Lower service fees following the removal of ATM fees, and a reduction in home loan and personal loan establishment fees; partly offset by
- Higher merchant income predominantly due to lower interchange expense.

Funds Management Income

Funds management income was NZD59 million, an increase of NZD4 million or 7% on the prior half, driven by:

- Increase in income associated with balances managed by CFSGAM (up 4%) due to net inflows and favourable market performance;
- Higher average Funds Under Administration (FUA) (up 2%) due to favourable market performance; and
- Higher Assets Under Management (AUM) margins primarily due to a change in business mix reflecting net inflows in the higher margin funds, partly offset by lower average AUM (down 1%).

Operating Expenses

Operating expenses were NZD454 million, an increase of NZD27 million or 6% on the prior half. The increase was driven by higher staff costs due to an increase in the number of risk and compliance staff, increased investment spend and higher amortisation.

The number of full-time equivalent employees (FTE) increased by 31 or 1% on the prior half from 4,826 to 4,857 FTE, primarily driven by growth in compliance staff and timing of vacancies being filled.

Investment spend continues to focus on operational risk and compliance, customer experience and technology.

The operating expense to total operating income ratio was 35.1%, an increase of 100 basis points on the prior half driven by higher operating expenses.

Loan Impairment Expense

Loan impairment expense was NZD54 million, an increase of NZD28 million on the prior half. The increase was driven by seasonally higher average arrears and write-offs in the consumer finance portfolio, and higher average arrears in the small business and home loan portfolios.

Home loan arrears have increased marginally following low home loan arrears rates in the prior half reflecting favourable New Zealand macroeconomic conditions.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of NZD1.3 billion or 3%, below system with strong competition for fixed rate loans;
- Business and rural loan growth of NZD1.2 billion or 5%, above system growth of 3%, reflecting the long-term strategic focus on this segment; and
- Customer deposit growth of NZD1.4 billion or 3%, in line with system, with strong growth in term deposits.

Risk Weighted Assets (1)

Risk weighted assets were NZD55.7 billion, an increase of NZD1.6 billion or 3% on the prior half.

- Credit risk weighted assets increased NZD1.8 billion or 4% driven by a NZD1.7 billion increase due to lending growth and a NZD0.5 billion increase from refinement of exposures modelling methodology in the home loan portfolio, partly offset by a NZD0.4 billion decrease from improved credit quality primarily in the residential and rural portfolio (reflecting a recovery in dairy prices).
- Market risk weighted assets decreased NZD0.2 billion or 8% primarily due to reduced NZD interest rate risk exposures.

ASB generated AUD412 million of organic capital (2) for the Bank. This contributed 9 basis points to the Bank's CET1 ratio.

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

(2) Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets (in accordance with APRA requirements) used to generate those profits. Amounts quoted exclude the payment of dividends and the one-off impact on Operational RWA from the Enforceable Undertaking with APRA.

Sovereign Life Insurance Business - Discontinued Operations

Sovereign (NZ$M)	Full Year Ended 30 Jun 18 NZ$M	30 Jun 17 NZ$M	Jun 18 vs Jun 17 %	Half Year Ended 30 Jun 18 NZ$M	31 Dec 17 NZ$M	Jun 18 vs Dec 17 %
Insurance income	**241**	252	(4)	**124**	117	6
Operating expenses	**(122)**	(124)	(2)	**(63)**	(59)	7
Net profit before tax	**119**	128	(7)	**61**	58	5
Corporate tax (expense)/benefit	**(21)**	(23)	(9)	**(9)**	(12)	(25)
Underlying profit after tax	**98**	105	(7)	**52**	46	13
Investment experience after tax	**8**	(3)	large	**1**	7	(86)
Cash net profit after tax	**106**	102	4	**53**	53	-
Represented by:						
Planned profit margins	**89**	92	(3)	**44**	45	(2)
Experience variations	**9**	13	(31)	**8**	1	large
Operating margins	**98**	105	(7)	**52**	46	13
Investment experience after tax	**8**	(3)	large	**1**	7	(86)
Cash net profit after tax	**106**	102	4	**53**	53	-

Key Financial Metrics	Full Year Ended 30 Jun 18	30 Jun 17	Jun 18 vs Jun 17 %	Half Year Ended 30 Jun 18	31 Dec 17	Jun 18 vs Dec 17 %
Other information						
Average inforce premiums - average (NZ$M)	**763**	755	1	**766**	759	1
Annual inforce premiums - spot (NZ$M)	**772**	757	2	**772**	762	1
Number of full-time equivalent staff (FTE)	**679**	664	2	**679**	651	4

Insurance Inforce	Full Year Ended 30 Jun 17 NZ$M	Sales NZ$M	Lapses NZ$M	Net Flows NZ$M	Other NZ$M	30 Jun 18 NZ$M	31 Dec 17 NZ$M	Jun 18 vs Jun 17 %	Jun 18 vs Dec 17 %
Life Insurance	757	113	(86)	27	(12)	**772**	762	2	1

New Zealand

Financial Performance and Business Review (Discontinued Operations)

Year Ended June 2018 versus June 2017

Sovereign cash net profit after tax for the full year ended 30 June 2018 was NZD106 million, an increase of NZD4 million or 4% on the prior year. The result was driven by a 4% decrease in insurance income, a 2% decrease in operating expenses and a NZD11 million increase in investment experience.

On 2 July 2018 CBA completed the sale of Sovereign to AIA.

Insurance Income

Insurance income was NZD241 million, a decrease of NZD11 million or 4% on the prior year, driven by higher disability income claims expense.

Operating Expenses

Operating expenses were NZD122 million, a decrease of NZD2 million or 2% on the prior year, driven by lower advertising spend and lower staff costs due to vacancies in 1H18.

The number of full-time equivalent employees (FTE) increased by 15 or 2% from 664 to 679 FTE.

Investment Experience

Investment experience after tax was a profit of NZD8 million compared to a loss of NZD3 million in the prior year. The increase of NZD11 million is driven by a 23 basis point decrease in the average discount rate in the current year positively impacting the present value of policyholder valuations. The decrease in average discount rates is due to changes in market interest rates.

Half Year Ended June 2018 versus December 2017

Cash net profit after tax for the half year ended 30 June 2018 was NZD53 million, flat on the prior half. The result was driven by a 6% increase in insurance income, 7% increase in operating expenses and an 86% decrease in investment experience.

Insurance Income

Insurance income was NZD124 million, an increase of NZD7 million or 6% on the prior half, driven by higher premium income, partly offset by higher lump sum claims expense.

Operating Expenses

Operating expenses increased NZD4 million or 7% on the prior half, driven by an increase in project related expenses due to investment spend on an actuarial data warehouse and higher staff costs as the business backfilled vacancies.

The number of full-time equivalent employees (FTE) increased by 28 or 4% from 651 to 679 FTE.

Investment Experience

Investment experience after tax was a profit of NZD1 million compared to a profit of NZD7 million in the prior half. The decrease of NZD6 million was driven by the prior half being impacted by a 19 basis point decrease in the average discount rate positively impacting policyholder valuations. The decrease in average discount rates is due to changes in market interest rates.

Bankwest

Overview

Bankwest provides simple and affordable banking products to more than 1 million retail, business and rural customers across Australia. We assist our customers to manage their everyday banking needs, buy a home, build and grow businesses and invest for the future and support our customers through a network of close to 100 branches and over 200 ATMs, easy to use digital and mobile services and an Australian based 24/7 customer contact centre.

Serving our Customers

At Bankwest, our vision is to provide amazing customer experiences that matter. Consistent with this vision, during the year we extended our contact centre opening hours to 24/7 and removed transaction fees on our ATMs. We are helping customers to better manage their money with 'Easy Alerts', which provides in-app messages to customers notifying them of important transactions such as upcoming credit card repayments. We continue to innovate to provide more convenient ways for our customers to make payments and purchase goods, including our Australian first 'Halo' wearable payment ring, recently awarded 'Most Innovative Retail Banking Product' and 'Most Innovative Card Product' at the RFI Australian Retail Banking Awards. Our customers have benefited from a variety of financial literacy programs including our popular 'Buying Your First Property' seminars. In Western Australia we have partnered with Perth Arena and Optus Stadium to offer our customers unique sporting experiences, as well as discounts on purchases made with a Bankwest Mastercard at Perth Arena. As part of our commitment to continue to improve customer service, the Net Promoter Score (NPS) was introduced as our primary customer measure (1). The NPS in the six months to 30 June 2018 was +4.3 for Retail and +9.5 for Business.

	Full Year Ended (2) (3)			Half Year Ended (3)		
	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	**30 Jun 18 $M**	31 Dec 17 $M	Jun 18 vs Dec 17 %
Net interest income	**1,561**	1,473	6	**783**	778	1
Other banking income	**215**	204	5	**108**	107	1
Total banking income	**1,776**	1,677	6	**891**	885	1
Operating expenses	**(748)**	(754)	(1)	**(380)**	(368)	3
Loan impairment (expense)/benefit	**(54)**	(99)	(45)	**(24)**	(30)	(20)
Net profit before tax	**974**	824	18	**487**	487	-
Corporate tax expense	**(293)**	(248)	18	**(145)**	(148)	(2)
Cash net profit after tax	**681**	576	18	**342**	339	1

	As at				
Balance Sheet	**30 Jun 18 $M**	31 Dec 17 $M	30 Jun 17 $M	Jun 18 vs Dec 17 %	Jun 18 vs Jun 17 %
Home loans (4)	**70,052**	69,246	67,637	1	4
Other interest earning lending assets	**10,468**	10,554	10,177	(1)	3
Total interest earning assets	**80,520**	79,800	77,814	1	3
Other assets	**299**	248	306	21	(2)
Total assets	**80,819**	80,048	78,120	1	3
Transaction deposits (5)	**12,616**	12,391	11,926	2	6
Savings deposits	**9,016**	9,246	9,195	(2)	(2)
Investment deposits	**29,415**	31,699	31,784	(7)	(7)
Certificates of deposit and other	**34**	36	41	(6)	(17)
Total interest bearing deposits	**51,081**	53,372	52,946	(4)	(4)
Other interest bearing liabilities	**93**	81	69	15	35
Non-interest bearing transaction deposits	**1,969**	1,808	1,723	9	14
Other non-interest bearing liabilities	**632**	559	744	13	(15)
Total liabilities	**53,775**	55,820	55,482	(4)	(3)

(1) Net Promoter Score (NPS) is an industry standard metric that measures a customer's willingness to recommend a brand's product and services to their friends, family and colleagues.
(2) Comparative information has been restated to conform to presentation in the current period.
(3) Excludes Bankwest east coast business banking customers now being managed by the Business and Private Banking division.
(4) Home loans are presented gross of $5,513 million of mortgage offset balances (31 December 2017: $5,292 million; 30 June 2017: $4,805 million). These balances are required to be grossed up under accounting standards, but are netted down for the calculation of customer interest payments.
(5) Transaction deposits includes $5,513 million of mortgage offset balances (31 December 2017: $5,292 million; 30 June 2017: $4,805 million).

Bankwest

Key Financial Metrics	Full Year Ended (1) 30 Jun 18	30 Jun 17	Jun 18 vs Jun 17 %	Half Year Ended (1) 30 Jun 18	31 Dec 17	Jun 18 vs Dec 17 %
Performance indicators						
Net interest margin (%)	**2. 10**	2. 07	3 bpts	**2. 11**	2. 09	2 bpts
Return on assets (%)	**0. 8**	0. 7	10 bpts	**0. 9**	0. 9	-
Operating expenses to total banking income (%)	**42. 1**	45. 0	(290)bpts	**42. 6**	41. 6	100 bpts
Impairment expense annualised as a % of average GLAAs (%)	**0. 07**	0. 14	(7)bpts	**0. 06**	0. 08	(2)bpts
Other information						
Average interest earning assets ($M) (2)	**74,162**	71,192	4	**74,661**	73,670	1
Risk weighted assets ($M)	**42,897**	37,803	13	**42,897**	40,468	6
90+ days home loans arrears (%)	**0. 95**	0. 80	15 bpts	**0. 95**	0. 80	15 bpts
90+ days consumer finance arrears (%)	**1. 26**	1. 39	(13)bpts	**1. 26**	1. 19	7 bpts
Number of full-time equivalent staff (FTE)	**2,907**	2,850	2	**2,907**	2,845	2

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Average interest earning assets are presented net of mortgage offset balances, which reduce customer interest payments. Net average interest earning assets are also used in the calculation of divisional net interest margin.

Financial Performance and Business Review

Year Ended June 2018 versus June 2017

Bankwest cash net profit after tax for the full year ended 30 June 2018 was $681million, an increase of $105 million or 18% on the prior year. The result was driven by 6% growth in total banking income, 1% lower operating expenses and a 45% decrease in loan impairment expense.

Net Interest Income

Net interest income was $1,561 million, an increase of $88 million or 6% on the prior year. This increase was driven by a 1% increase in net interest margin and 4% growth in average interest earning assets.

Net interest margin increased 3 basis points reflecting:

- A one-off benefit from the extension of the behavioural life of the home loan portfolio reflecting lower customer attrition rates, which has increased the period that mortgage origination costs are amortised over (up 3 basis points);
- Higher home loan margins from repricing of interest only and investor loans in order to manage regulatory requirements, and lower funding costs, partly offset by margin compression due to price competition (up 1 basis point);
- Favourable portfolio mix largely from higher transaction deposit balances (up 3 basis points);
- Stable business lending margins reflecting lower funding costs offset by an increase in the mix of lower margin, commercial property and corporate customers; and
- The impact of the major bank levy (down 4 basis points).

Other Banking Income

Other banking income was $215 million, an increase of $11 million or 5% on the prior year, driven by:

- Higher home loan fee based package offerings; partly offset by
- Lower deposit fee income following the removal of ATM fees.

Operating Expenses

Operating expenses were $748 million, a decrease of $6 million or 1% on the prior year. This was mainly driven by the non-recurrence of a one-off cost of $27 million in the prior year for the integration of Bankwest's east coast business banking operations into Business and Private Banking, partly offset by a one-off cost of $18 million to rationalise Bankwest's east coast retail branch network in the current year. Excluding these one-off costs, underlying operating expenses were flat.

The number of full-time equivalent employees (FTE) increased by 57 or 2% on the prior year, from 2,850 to 2,907 FTE, driven by investment in customer technology platforms such as the digital home loan applications process.

Investment spend has been concentrated on increasing the resilience of the Bankwest technology platforms and building a simple, digital experience for home loan and small business customers such as digital home loan applications.

The operating expense to total banking income ratio was 42.1%, a decrease of 290 basis points on the prior year mainly due to higher total banking income.

Loan Impairment Expense

Loan impairment expense was $54 million, a decrease of $45 million or 45% on the prior year. This was driven by reduced home loan impairments in Western Australian mining towns and regional areas due to the non-recurrence of specific provisions in the prior year and an improvement in the quality of the Western Australian business loan portfolio.

Loan impairment expense as a percentage of average gross loans and acceptances decreased 7 basis points on the prior year to 7 basis points.

Home loan arrears increased by 15 basis points from 0.80% to 0.95%, driven by continued stress in the Western Australia economy.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of $2.4 billion or 4%, below system growth of 6%, due to increased competition and the Western Australian economy continuing to lag national growth rates;
- Business loan growth of $0.3 billion or 4%, above system growth of 3%, driven by growth in the property and corporate segments while the Western Australian economy continued to lag national growth rates; and
- Total deposit balance decline of $1.6 billion or 3% (interest and non-interest bearing), below system growth of 3%, reflecting a reduction in investment deposits due to a focus on managing the volume and margin mix in a competitive market for term funding.

Risk Weighted Assets

Risk weighted assets were $42.9 billion, an increase of $5.1 billion or 13% on the prior year.

- Credit risk weighted assets increased $1.9 billion or 6% driven by lending volume growth and higher average probability of default on the home loan portfolio; and
- Operational risk weighted assets increased $2.4 billion or 66% driven by the requirement to increase Operational risk regulatory capital effective 30 April 2018 following the findings of the recent APRA Prudential inquiry.

Bankwest generated $281 million of organic capital [1] for the Bank. This contributed 7 basis points to the Bank's CET1 ratio.

(1) Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets used to generate those profits. Amounts quoted exclude the payment of dividends and the one-off impact on Operational RWA from the Enforceable Undertaking with APRA.

Bankwest

Half Year Ended June 2018 versus December 2017

Cash net profit after tax was $342 million, an increase of $3 million or 1% on the prior half. The result was driven by 1% growth in total banking income, 3% increase in operating expenses and a 20% decrease in loan impairment expense.

Net Interest Income

Net interest income was $783 million, an increase of $5 million or 1% on the prior half. This result was driven by a 1% increase in net interest margin, 1% growth in average interest earning assets and the impact of three fewer calendar days in the current half.

Net interest margin increased 2 basis points reflecting:

- A one-off benefit from the extension of the behavioural life of the home loan portfolio reflecting lower customer attrition rates, which has increased the period that mortgage origination costs are amortised over (up 7 basis points);
- Repricing of investment deposits due to a focus on managing the volume and margin mix in a competitive market for term funding (up 2 basis points);
- Higher short term wholesale funding costs due to an increase in the spread between the 3 month bank bill swap rate and the 3 month overnight index swap rate, known as basis risk (down 3 basis points);
- Lower home loan margins due to price competition (down 3 basis points, excluding basis risk); and
- Lower business loan margins due to fewer higher risk, higher margin customers (down 1 basis point, excluding basis risk).

Other Banking Income

Other banking income was $108 million, an increase of $1 million or 1% on the prior half, driven by:

- Higher home loan fee based package offerings; and
- Higher consumer finance income due to higher credit card purchases as customers shift from using cash to cards; partly offset by
- Lower deposit fee income following the removal of ATM fees.

Operating Expenses

Operating expenses were $380 million, an increase of $12 million or 3% on the prior half. This was driven by a one-off cost of $18 million to rationalise Bankwest's east coast retail branch network. Excluding this one-off cost, operating expenses decreased 2% on the prior half due to lower property costs associated with branch closures.

The number of full-time equivalent employees (FTE) increased by 62 or 2% on the prior half, from 2,845 to 2,907 FTE, driven by investment in customer technology platforms such as digital home loan applications, and regulatory and compliance systems.

The operating expense to total banking income ratio was 42.6%, an increase of 100 basis points on the prior half, mainly due to higher operating expenses.

Loan Impairment Expense

Loan impairment expense was $24 million, a decrease of $6 million or 20% on the prior half. This was driven by an improved performance in the Western Australian business loan portfolio, partly offset by reduced write-backs.

Loan impairment expense as a percentage of average gross loans and acceptances decreased 2 basis points on the prior half to 6 basis points.

Home loan arrears increased by 15 basis points from 0.80% to 0.95%, driven by continued stress in the Western Australia economy.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of $0.8 billion or 1%, below system of 3%, due to increased competition and the Western Australian economy continuing to lag national growth rates;
- Business loan balance decrease of $0.1 billion or 1%, below system growth of 1%, due to increased competition; and
- Total deposit balance decrease of $2.1 billion or 4% (interest and non-interest bearing), below system growth of 1%, driven by a reduction in investment deposits due to a focus on managing the volume and margin mix in a competitive market for term funding.

Risk Weighted Assets

Risk weighted assets were $42.9 billion, an increase of $2.4 billion or 6% on the prior half.

- Credit risk weighted assets decreased $1.0 billion or 3% driven by higher average probability of default on the home loan portfolio, an increase in the maturity of the business loan portfolio, partly offset by the benefit from adopting advanced accreditation from the credit card portfolio; and
- Operational risk weighted assets increased $1.4 billion or 28% driven by the requirement to increase Operational risk regulatory capital effective 30 April 2018 following the findings of the recent APRA Prudential inquiry.

Bankwest generated $211 million of organic capital [1] for the Bank. This contributed 5 basis points to the Bank's CET1 ratio.

(1) Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets used to generate those profits. Amounts quoted exclude the payment of dividends and the one-off impact on Operational RWA from the Enforceable Undertaking with APRA.

International Financial Services

Overview

International Financial Services (IFS) aims to increase economic participation and enhance the financial wellbeing of our customers by building a scalable, digital banking business focused on underserved consumers and small businesses.

On 23 May 2018 CBA announced the sale of its 37.5% equity interest in BoComm Life Insurance Company Limited ("BoComm Life") to Mitsui Sumitomo Insurance Co., Ltd ("MSI"). Completion of the sale is subject to the China Banking and Insurance Regulatory Commission's regulatory approval process and Chinese merger clearance.

The CBA Board has approved the sale of Commonwealth Bank of South Africa (Holding Company) Limited ("TymeDigital") to the minority shareholder, African Rainbow Capital. The sale is subject to regulatory approval and potential sale price adjustments. As a result, the financial effect of the sale cannot currently be reliably estimated, however it is not expected to have a material impact on the Group's results.

The IFS results have been prepared on a continuing operations basis excluding the financial results of BoComm Life and TymeDigital businesses (discontinued operations). The financial results of the discontinued operations are excluded from the account lines of IFS performance and reported as a single cash net profit after tax line item.

Serving our Customers

We have made good progress in building out our digital banking capabilities and financial literacy initiatives. We continue to roll-out our digital kiosk for customer on-boarding in Indonesia. Unlocking the opportunity for products and services through digital channels, we recently launched our unsecured personal loan with real time approval function, a first in Indonesia. Our products and services are being designed so they are not only simple to understand, but also help our customers to make better-informed financial decisions.

	Full Year Ended (1)			Half Year Ended (1)		
IFS (2)	**30 Jun 18 $M**	30 Jun 17 $M	Jun 18 vs Jun 17 %	**30 Jun 18 $M**	31 Dec 17 $M	Jun 18 vs Dec 17 %
Net interest income	**114**	142	(20)	**52**	62	(16)
Other banking income	**325**	295	10	**171**	154	11
Total banking income	**439**	437	-	**223**	216	3
Funds management income	**2**	-	n/a	**1**	1	-
Insurance income	**56**	50	12	**32**	24	33
Total operating income	**497**	487	2	**256**	241	6
Operating expenses	**(232)**	(282)	(18)	**(109)**	(123)	(11)
Loan impairment expense	**(65)**	(64)	2	**(32)**	(33)	(3)
Net profit before tax	**200**	141	42	**115**	85	35
Corporate tax expense	**(21)**	(4)	large	**(14)**	(7)	large
Non-controlling interests	**(6)**	(8)	(25)	**(3)**	(3)	-
Underlying profit after tax	**173**	129	34	**98**	75	31
Investment experience after tax	**5**	5	-	**2**	3	(33)
Cash net profit after tax from continuing operations	**178**	134	33	**100**	78	28
Cash net loss after tax from discontinued operations (3)	**(63)**	(41)	54	**(39)**	(24)	63
Cash net profit after tax	**115**	93	24	**61**	54	13

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

(2) International Financial Services incorporates the Asian retail and business banking operations (Indonesia, China, Vietnam and India), associate investments in China and Vietnam and the life insurance and fund management operations in Indonesia. It does not include the Business and Private Banking, Institutional Banking and Markets and Colonial First State Global Asset Management businesses in Asia.

(3) Discontinued operations include BoComm Life and TymeDigital in South Africa.

International Financial Services

Key Financial Metrics (continuing operations)	Full Year Ended [1] 30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	Half Year Ended [1] 30 Jun 18 $M	31 Dec 17 $M	Jun 18 vs Dec 17 %
Performance indicators						
Return on assets (%)	**3. 4**	2. 4	100 bpts	**3. 8**	3. 0	80 bpts
Operating expenses to total operating income (%)	**46. 7**	57. 9	large	**42. 6**	51. 0	large
Impairment expense annualised as a % of average GLAAs (%)	**4. 64**	3. 81	83 bpts	**3. 53**	4. 48	(95)bpts
Other information						
Risk weighted assets ($M) [2]	**2,509**	2,351	7	**2,509**	2,233	12
Number of full-time equivalent staff (FTE)	**2,310**	2,979	(22)	**2,310**	2,420	(5)

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Risk weighted assets include BoComm Life and TymeDigital businesses.

Financial Performance and Business Review

Year Ended June 2018 versus June 2017

International Financial Services (IFS) cash net profit after tax for the full year ended 30 June 2018 was $115 million, an increase of $22 million or 24% on the prior year. Excluding the contribution from discontinued operations, cash net profit after tax was $178 million, an increase of $44 million or 33% on the prior year. The result was driven by 2% growth in operating income, 18% decrease in operating expenses and 2% increase in loan impairment expense.

On 23 May 2018 CBA announced the sale of it's 37.5% equity interest in BoComm Life to Mitsui Sumitomo Insurance Co. Ltd. The CBA Board has approved the sale of Commonwealth Bank of South Africa (Holding Company) Limited ("TymeDigital") to the minority shareholder, African Rainbow Capital. The sale is subject to regulatory approval and potential sale price adjustments. As a result, the financial effect of the sale cannot currently be reliably estimated, however it is not expected to have a material impact on the Group's results. In order to provide an underlying view of the performance, the commentary below has been presented excluding the impact of discontinued businesses.

In addition, IFS has completed three non-core business divestments during the year (Mumbai branch, Ho Chi Minh City branch and China County Banks), while running off the non-strategic commercial lending segment in Indonesia.

The total number of direct customers reduced 30% to approximately 360,000, impacted by the business divestments.

Net Interest Income

Net interest income was $114 million, a decrease of $28 million or 20% on the prior year, including a decrease of $5 million or a 4% from the higher Australian dollar. This reflected the impact of the non-core business divestments and the managed run-off of the PT Bank Commonwealth (PTBC) commercial segment.

Net interest margin decreased by 8 basis points, reflecting lower margin from multifinance loans in PTBC.

Other Banking Income

Other banking income was $325 million, an increase of $30 million or 10% on the prior year. This reflected an increase in equity accounted profits of $10 million or 13% growth in Qilu Bank, $11 million or 7% growth in Bank of Hangzhou (HZB) and $11 million or 161% growth in Vietnam International Bank (VIB) due to underlying volume growth.

Insurance Income

Insurance income in PT Commonwealth Life (PTCL) was $56 million, an increase of $6 million or 12% on the prior year primarily driven by higher premium income.

Operating Expenses

Operating expenses were $232 million, a decrease of $50 million or 18% on the prior year, including a $10 million or 4% decrease from the higher Australian dollar. The result was driven by lower staff costs due to the non-core business divestments and redundancies.

The number of full-time equivalent employees (FTE) fell by 669 or 22% on the prior year, from 2,979 to 2,310 FTE. This reflected the impact of the non-core business divestments ad redundancies.

The operating expense to total operating income ratio was 46.7%, an improvement of 1,120 basis points on the prior year, driven by lower operating expenses.

Loan Impairment Expense

Loan impairment expense was $65 million, an increase of $1 million or 2% on the prior year. The result was driven by the increase in small-medium enterprise loan impairments in PTBC.

Loan impairment expense as a percentage of average gross loans and acceptances increased by 83 basis points from 3.81% to 4.64%.

Balance Sheet

Volume growth has been adversely impacted by non-core business divestments and the managed run-off of the PTBC commercial segment. Excluding these factors, growth in the PTBC consumer and business banking products increased 16%, driven by 38% and 19% growth in home loans and small-medium enterprise loans respectively, partly offset by a 4% reduction in multifinance loans.

Financial Performance and Business Review (continued)

Risk Weighted Assets [1]

Risk weighted assets were $2.5 billion an increase of $0.2 billion or 7% on the prior year.

- IRRBB risk weighted assets increased $0.3 billion or 88% driven by an increase in capital deductions and associate investments in China;
- Operational risk weighted assets increased $0.1 billion driven by the requirement to increase operational risk regulatory capital effective 30 April 2018 following the findings of the recent APRA Prudential enquiry; and
- Credit risk weighted assets decreased $0.2 billion or 12% driven by divestments.

IFS generated $105 million of organic capital [2] for the Bank. This contributed 2 basis points to the Bank's CET1 ratio.

Half Year Ended June 2018 versus December 2017

Cash net profit after tax for the half year ended 30 June 2018 was $61 million, an increase of $7 million or 13% on the prior half. Excluding the contribution from discontinued operations, cash net profit after tax was $100 million, an increase of $22 million or 28% on the prior half. The result was driven by 6% growth in operating income, 11% decrease in operating expenses and 3% decrease in loan impairment expense. In order to provide an underlying view of the performance, the commentary below has been presented excluding the impact of discontinued operations.

Net Interest Income

Net interest income was $52 million, a decrease of $10 million or 16% on the prior half, driven by lower volumes due to the non-core business divestments and the managed run-off of the PTBC commercial segment.

Other Banking Income

Other banking income was $171 million, an increase of $17 million or 11% on the prior half. This reflected higher equity accounted profits from HZB and VIB due to underlying volume growth.

Insurance Income

Insurance income in PTCL was $32 million, an increase of $8 million or 33% on the prior half, primarily driven by higher premium income.

Operating Expenses

Operating expenses were $109 million, a decrease of $14 million or 11% on the prior half, as a result of lower staff costs due to the non-core business divestments.

The number of full-time equivalent employees (FTE) decreased by 110 or 5% on the prior half, from 2,420 to 2,310 FTE.

The operating expense to total operating income ratio was 42.6%, an improvement of 840 basis points on the prior half driven by lower operating expenses.

Loan Impairment Expense

Loan impairment expense was $32 million, a decrease of 3% on the prior half.

Balance Sheet

Volume growth has been adversely impacted by the managed run-off of the PTBC commercial segment. Excluding the commercial segment, growth in the PTBC consumer and business banking products increased 10%, driven by 25% and 14% growth in home loans and small-medium enterprise loans respectively, partly offset by a 7% reduction in multifinance loans

Risk Weighted Assets [1]

Risk weighted assets were $2.5 billion, an increase of $0.3 billion or 12% on the prior half.

- IRRBB risk weighted assets increased $0.1 billion or 19% driven by an increase in capital deductions in associate investments in China;
- Operational risk weighted assets increased $0.1 billion driven by the requirement to increase operational risk regulatory capital effective 30 April 2018 following the findings of the recent APRA Prudential enquiry; and
- Credit risk weighted assets increased $0.1 billion or 6% driven by growth in the PTBC consumer and business banking products.

IFS generated $39 million of organic capital [2] for the Bank. This contributed less than 1 basis point to the Bank's CET1 ratio.

(1) Risk weighted assets include BoComm Life and TymeDigital businesses.
(2) Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets used to generate those profits. Amounts quoted include discontinued operations, and exclude the payment of dividends and the one-off impact on Operational RWA from the Enforceable Undertaking with APRA.

International Financial Services

BoComm Life and TymeDigital – (Discontinued Operations)

	Full Year Ended			Half Year Ended		
IFS	**30 Jun 18 $M**	30 Jun 17 $M	Jun 18 vs Jun 17 %	**30 Jun 18 $M**	31 Dec 17 $M	Jun 18 vs Dec 17 %
Net interest income	**1**	(9)	large	**3**	(2)	large
Other banking income	**1**	2	(50)	**1**	-	large
Total banking income	**2**	(7)	large	**4**	(2)	large
Funds management income	**-**	-	-	**-**	-	-
Insurance income	**-**	-	-	**-**	-	-
Total operating income	**2**	(7)	large	**4**	(2)	large
Operating expenses	**(83)**	(51)	63	**(53)**	(30)	77
Loan impairment expense	**-**	-	-	**-**	-	-
Net loss before tax	**(81)**	(58)	40	**(49)**	(32)	53
Corporate tax benefit	**2**	-	large	**2**	-	large
Non-controlling interests	**-**	-	-	**-**	-	-
Underlying loss after tax	**(79)**	(58)	36	**(47)**	(32)	47
Investment experience after tax	**16**	17	(6)	**8**	8	-
Cash net loss after tax	**(63)**	(41)	54	**(39)**	(24)	63

Financial Performance and Business Review (Discontinued Operations)

Year Ended June 2018 versus June 2017

Discontinued operations cash net loss after tax for the full year ended 30 June 2018 was $63 million, an increase of $22 million or 54% on the prior year. The result was driven by higher operating expenses in TymeDigital as a result of higher investment in preparation for the bank launch.

Half Year Ended June 2018 versus December 2017

Discontinued operations cash net loss after tax for the half year ended 30 June 2018 was $39 million, an increase of $15 million or 63% on the prior half. The result was driven by higher operating expenses in TymeDigital as a result of higher investment for the bank launch.

Other

Overview

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

Treasury is primarily focused on the management of the Bank's interest rate risk, funding and liquidity requirements, and management of the Bank's capital.

The Treasury function includes:

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

	Full Year Ended (1)			Half Year Ended (1)		
Corporate Centre (including eliminations)	**30 Jun 18 $M**	30 Jun 17 $M	Jun 18 vs Jun 17 %	**30 Jun 18 $M**	31 Dec 17 $M	Jun 18 vs Dec 17 %
Net interest income	**279**	309	(10)	**96**	183	(48)
Other banking income (2)	**(79)**	427	large	**(84)**	5	large
Total banking income	**200**	736	(73)	**12**	188	(94)
Funds management income	**6**	1	large	**5**	1	large
Insurance income	**54**	52	4	**24**	30	(20)
Total operating income	**260**	789	(67)	**41**	219	(81)
Operating expenses (3)	**(1,885)**	(1,258)	50	**(915)**	(970)	(6)
Loan impairment (expense)/benefit	**39**	(39)	large	**39**	-	n/a
Net loss before tax	**(1,586)**	(508)	large	**(835)**	(751)	11
Corporate tax benefit	**249**	168	48	**116**	133	(13)
Non-controlling interests	**(13)**	(12)	8	**(7)**	(6)	17
Underlying profit after tax	**(1,350)**	(352)	large	**(726)**	(624)	16
Investment experience after tax	**(16)**	(5)	large	**(14)**	(2)	large
Cash net loss after tax from continuing operations	**(1,366)**	(357)	large	**(740)**	(626)	18
Cash net loss after tax from discontinued operations	**(14)**	-	n/a	**(7)**	(7)	-
Cash net loss after tax	**(1,380)**	(357)	large	**(747)**	(633)	18

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

(2) The full year ended 30 June 2017 includes a $397 million gain on sale of the Bank's remaining investment in Visa Inc.

(3) The full year ended 30 June 2018 includes $700 million for the AUSTRAC civil penalty (half year ended 30 June 2018: $325 million and half year ended 31 December 2017: $375 million). The full year ended 30 June 2018 includes $155 million of one-off regulatory spend (half year ended 30 June 2018: $45 million and half year ended 31 December 2017: $110 million). The full year ended 30 June 2017 included a $393 million one-off expense for acceleration of amortisation on certain software assets.

Year Ended June 2018 versus June 2017

Corporate Centre cash net loss after tax for the full year ended 30 June 2018 was $1,380 million, an increase of $1,023 million on the prior year. The result was primarily driven by 67% lower total operating income, 50% higher operating expenses and a $78 million decrease in loan impairment expense.

Net Interest Income

Net interest income was $279 million, a decrease of $30 million or 10% on the prior year. This was driven by an increased rebate of earnings on liquid balances.

Other Banking Income

Other banking income was a loss of $79 million compared to income of $427 million in the prior year, a decrease of $506 million. Excluding the $397 million gain on sale of the Bank's remaining investment in Visa Inc. in the prior year, other banking income decreased $109 million. This was primarily driven by lower Treasury income, which included the restructuring of economic hedges to reduce the overall funding costs and optimise capital in relation to the 30 year US debt issuances. This resulted in an upfront realised loss and an embedded gain in the swap that is amortised over the residual life of the debt issuance.

Other

Insurance Income

Insurance income was $54 million, an increase of $2 million or 4% on the prior year, driven by growth in premiums due to risk based pricing initiatives. This is recognised in Corporate Centre as it represents elimination entries for Wealth Management products sold through the Retail Banking Services network.

Operating Expenses

Operating expenses were $1,885 million, an increase of $627 million or 50% on the prior year. Excluding the impact of $700 million for the AUSTRAC civil penalty, $155 million of one-off regulatory costs, and the $393 million one-off expense for acceleration of amortisation on certain software assets in the prior year, operating expenses increased $165 million or 19%. This was driven by $199 million of higher risk and compliance costs, partly offset by the non-recurrence of corporate technology and investment spend incurred in the prior year.

Loan Impairment Expense

Loan impairment expense was a benefit of $39 million, a decrease of $78 million on the prior year due to the release of a $40 million centrally held provision overlay. This provision was raised in the prior year and is no longer required.

Risk Weighted Assets

Risk weighted assets were $20.0 billion, a decrease of $2.7 billion or 12% on the prior year.

- Credit risk weighted assets decreased $1.5 billion or 11% driven by portfolio optimisation initiatives; and
- Market risk weighted assets decreased $1.9 billion or 28% mainly due to interest rate risk management activities and an increase in embedded gains; partly offset by
- Operational risk weighted assets increased $0.7 billion or 31% driven by the requirement to increase operational risk regulatory capital effective 30 April 2018 following the findings of the recent APRA Prudential inquiry.

Corporate Centre consumed $5,713 million of organic capital [(1)] from the Bank largely due to the payment of dividends. This impacted the Bank's CET1 ratio by -131 basis points.

Half Year Ended June 2018 versus December 2017

Corporate Centre cash net loss after tax for the half year ended 30 June 2018 was $747 million, an increase of $114 million or 18% on the prior half. This was driven by 81% lower total operating income, 6% lower operating expenses and a $39 million decrease in loan impairment expense.

Net Interest Income

Net interest income was $96 million, a decrease of $87 million or 48% on the prior half. This was driven by the timing of rebates of earnings on liquid balances.

Other Banking Income

Other banking income was a loss of $84 million compared to income of $5 million in the prior half, a decrease of $89 million. This was primarily driven by lower Treasury income, which included the restructuring of economic hedges to reduce the overall funding costs and optimise capital in relation to the 30 year US debt issuances. This resulted in an upfront realised loss and an embedded gain in the swap that is amortised over the residual life of the debt issuance.

Insurance Income

Insurance income was $24 million, a decrease of $6 million or 20% on the prior half, driven by lower premiums. This is recognised in Corporate Centre as it represents elimination entries for Wealth Management products sold through the Retail Banking Services network.

Operating Expenses

Operating expenses were $915 million, a decrease of $55 million or 6% on the prior half. Excluding the $50 million lower AUSTRAC civil penalty compared to the prior half (half year ended 30 June 2018: $325 million, half year ended 31 December 2017: $375 million) and $65 million lower one-off regulatory costs compared to the prior half (half year ended 30 June 2018: $45 million, half year ended 31 December 2017: $110 million), expenses increased $60 million or 12%. This included higher professional fees associated with strategic reviews across the Group.

Loan Impairment Expense

Loan impairment expense was a benefit of $39 million, a decrease of $39 million on the prior half due to the release of the $40 million centrally held provision overlay which is no longer required.

Risk Weighted Assets

Risk weighted assets were $20.0 billion, a decrease of $1.8 billion or 8% on the prior half.

- Market risk weighted assets decreased $3.3 billion or 40% mainly due to interest rate risk management activities and an increase in embedded gains; partly offset by
- Credit risk weighted assets increased $1.0 billion or 9% driven by the implementation of the revised APS 120 Securitisation requirements; and
- Operational risk weighted assets increased $0.5 billion or 21% driven by the requirement to increase operational risk regulatory capital effective 30 April 2018 following the findings of the recent APRA Prudential inquiry.

Corporate Centre consumed $3,130 million of organic capital [(1)] from the Bank largely due to the payment of dividends. This impacted the Bank's CET1 ratio by -71 basis points.

(1) Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets used to generate those profits less the Bank's payment of dividends. Amounts quoted include discontinued operations and exclude the one-off impact on Operational RWA from the Enforceable Undertaking with APRA and the one-off impact from the provision for the AUSTRAC civil penalty.

Investment Experience

Investment Experience

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

	Full Year Ended (1)			Half Year Ended		
Investment Experience	**30 Jun 18 $M**	30 Jun 17 $M	Jun 18 vs Jun 17 %	**30 Jun 18 $M**	31 Dec 17 $M	Jun 18 vs Dec 17 %
Wealth Management	**26**	26	-	**15**	11	36
New Zealand	**-**	-	-	**-**	-	-
IFS and Other	**(9)**	(3)	large	**(11)**	2	large
Investment experience before tax	**17**	23	(26)	**4**	13	(69)
Tax on Investment experience	**(7)**	(5)	40	**(4)**	(3)	33
Investment experience after tax from continuing operations	**10**	18	(44)	**-**	10	large
Investment experience after tax from discontinued operations	**41**	26	58	**15**	26	(42)
Investment experience after tax	**51**	44	16	**15**	36	(58)

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

Shareholder Investment Asset Mix

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

	As at 30 June 2018			
Shareholder Investment Asset Mix (%)	Australia (1) %	New Zealand %	Asia %	Total %
Cash	44	-	5	30
Fixed interest	-	-	26	4
Other	1	-	-	1
Assets classified as held for sale	55	100	69	65
Total	100	100	100	100

	As at 30 June 2018			
Shareholder Investment Asset Mix ($M)	Australia (1) $M	New Zealand $M	Asia $M	Total $M
Cash	1,119	-	27	1,146
Fixed interest	-	-	150	150
Other	22	-	-	22
Assets classified as held for sale	1,420	698	400	2,518
Total	2,561	698	577	3,836

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

Divisional Summary

	Full Year Ended 30 June 2018								
Divisional Summary	**Retail Banking Services $M**	**Business and Private Banking $M**	**Institutional Banking and Markets $M**	**Wealth Management $M**	**New Zealand $M**	**Bankwest $M**	**IFS $M**	**Other $M**	**Total $M**
Net interest income	9,791	3,392	1,444	-	1,760	1,561	114	279	**18,341**
Other banking income	2,086	1,033	1,229	-	373	215	325	(79)	**5,182**
Total banking income	11,877	4,425	2,673	-	2,133	1,776	439	200	**23,523**
Funds management income	-	-	-	1,978	105	-	2	6	**2,091**
Insurance income	-	-	-	183	-	-	56	54	**293**
Total operating income	11,877	4,425	2,673	2,161	2,238	1,776	497	260	**25,907**
Investment experience (1)	-	-	-	26	-	-	5	(14)	**17**
Total income	11,877	4,425	2,673	2,187	2,238	1,776	502	246	**25,924**
Operating expenses	(3,745)	(1,596)	(1,142)	(1,440)	(811)	(748)	(232)	(1,885)	**(11,599)**
Loan impairment (expense)/benefit	(716)	(129)	(80)	-	(74)	(54)	(65)	39	**(1,079)**
Net profit before tax	7,416	2,700	1,451	747	1,353	974	205	(1,600)	**13,246**
Corporate tax (expense)/benefit	(2,223)	(812)	(330)	(184)	(378)	(293)	(21)	247	**(3,994)**
Non-controlling interests	-	-	-	-	-	-	(6)	(13)	**(19)**
Net profit after tax from continuing operations - "cash basis"	5,193	1,888	1,121	563	975	681	178	(1,366)	**9,233**
Net profit after tax from discontinued operations	-	-	-	160	96	-	(63)	(14)	**179**
Net profit after tax - "cash basis"	5,193	1,888	1,121	723	1,071	681	115	(1,380)	**9,412**
Additional information (continuing operations) (2)									
Net interest margin (%) (3)	2. 98	3. 05	1. 04	n/a	2. 24	2. 10	n/a	n/a	**2. 15**
Operating expenses to total banking income (%) (3)	30. 5	36. 1	42. 7	66. 6	34. 6	42. 1	46. 7	n/a	**44. 8**
Impairment expense annualised as a % of average GLAAs (%) (3)	0. 20	0. 11	0. 08	n/a	0. 10	0. 07	4. 64	n/a	**0. 15**
Average interest earning assets ($M) (3) (4)	328,851	111,136	139,050	n/a	89,774	74,162	n/a	111,291	**854,264**
Risk weighted assets ($M) (5) (6)	146,511	96,329	96,190	4,234	49,884	42,897	2,509	20,058	**458,612**
Employees (Full Time Equivalent) (No.) (3)	11,759	3,575	1,566	3,407	4,857	2,907	2,310	13,390	**43,771**

(1) Investment experience is presented on a pre-tax basis.
(2) Retail Banking Services additional information (metrics) is presented excluding the impact of consolidation of AHL Holdings Pty Ltd (trading as "Aussie Home Loans") and eChoice.
(3) New Zealand additional information metrics relate to ASB only and is calculated in New Zealand Dollar terms.
(4) Net of average mortgage offset balances.
(5) Risk weight assets include discontinued operations.
(6) New Zealand risk weighted assets represents ASB only and are calculated in accordance with APRA requirements.

Financial statements

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Section 6 – Financial Statements

Financial Statements

Consolidated Income Statement

For the year ended 30 June 2018

		Full Year Ended (1)		Half Year Ended (1)	
		30 Jun 18	30 Jun 17	**30 Jun 18**	31 Dec 17
	Appendix	**$M**	$M	**$M**	$M
Interest income	1.1	**34,543**	33,301	**17,362**	17,181
Interest expense	1.1	**(16,202)**	(15,758)	**(8,276)**	(7,926)
Net interest income		**18,341**	17,543	**9,086**	9,255
Other banking income	1.5	**5,390**	5,684	**2,501**	2,889
Net banking operating income		**23,731**	23,227	**11,587**	12,144
Net funds management operating income		**2,099**	1,928	**1,052**	1,047
Net insurance operating income		**302**	231	**161**	141
Total net operating income before impairment and operating expenses		**26,132**	25,386	**12,800**	13,332
Loan impairment expense	2.2	**(1,079)**	(1,095)	**(483)**	(596)
Operating expenses	1.6	**(11,633)**	(10,626)	**(5,895)**	(5,738)
Net profit before income tax		**13,420**	13,665	**6,422**	6,998
Corporate tax expense	1.8	**(4,026)**	(3,879)	**(1,956)**	(2,070)
Net profit after income tax from continuing operations		**9,394**	9,786	**4,466**	4,928
Non-controlling interests in continuing operations		**(19)**	(20)	**(10)**	(9)
Net profit attributable to equity holders of the Bank from continuing operations		**9,375**	9,766	**4,456**	4,919
Net (loss)/profit after tax from discontinued operations		**(46)**	166	**(33)**	(13)
Non-controlling interests in discontinued operations		**-**	(4)	**-**	-
Net profit attributable to equity holders of the Bank		**9,329**	9,928	**4,423**	4,906

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

	Full Year Ended (1)		Half Year Ended (1)	
	30 Jun 18	30 Jun 17	**30 Jun 18**	31 Dec 17
	Cents per Share			
Earnings per share from continuing operations (2):				
Basic	**536. 9**	567. 9	**254. 1**	283. 0
Diluted	**520. 2**	549. 9	**246. 2**	273. 9
Earnings per share (2):				
Basic	**534. 3**	577. 3	**252. 2**	282. 2
Diluted	**517. 7**	558. 8	**244. 4**	273. 2

(1) Comparative information has been restated to conform to presentation in the current period
(2) Basic and diluted earnings per share for all periods presented have been adjusted retrospectively to incorporate the discount element of the dividend reinvestment plan.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2018

	Full Year Ended (1)		Half Year Ended (1)	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	31 Dec 17 $M
Net profit after income tax for the period from continuing operations	**9,394**	9,786	**4,466**	4,928
Other comprehensive income/(expense):				
Items that may be reclassified subsequently to profit/(loss):				
Foreign currency translation reserve net of tax	**5**	(256)	**252**	(247)
Gains and (losses) on cash flow hedging instruments net of tax	**(53)**	(577)	**(9)**	(44)
Gains and (losses) on available-for-sale investments net of tax	**(77)**	(52)	**(41)**	(36)
Total of items that may be reclassified	**(125)**	(885)	**202**	(327)
Items that will not be reclassified to profit/(loss):				
Actuarial gains from defined benefit superannuation plans net of tax	**161**	175	**117**	44
Losses on liabilities at fair value due to changes in own credit risk net of tax	**(2)**	(3)	**(1)**	(1)
Revaluation of properties net of tax	**31**	23	**31**	-
Total of items that will not be reclassified	**190**	195	**147**	43
Other comprehensive income/(expense) net of income tax	**65**	(690)	**349**	(284)
Total comprehensive income for the period from continuing operations	**9,459**	9,096	**4,815**	4,644
Net profit after income tax for the period from discontinued operations	**(46)**	166	**(33)**	(13)
Other comprehensive income/(expense) for the period from discontinued operations net of income tax	**(14)**	(29)	**(26)**	12
Total comprehensive income for the period	**9,399**	9,233	**4,756**	4,643
Total comprehensive income for the period is attributable to:				
Equity holders of the Bank	**9,380**	9,209	**4,746**	4,634
Non-controlling interests	**19**	24	**10**	9
Total comprehensive income net of income tax	**9,399**	9,233	**4,756**	4,643

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

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

	Full Year Ended		Half Year Ended	
	30 Jun 18	30 Jun 17	**30 Jun 18**	31 Dec 17
	Cents per Share			
Dividends per share attributable to shareholders of the Bank:				
Ordinary shares	**431**	429	**231**	200

Financial Statements

Consolidated Balance Sheet

As at 30 June 2018

		As at (1)		
Assets	Appendix	**30 Jun 18 $M**	31 Dec 17 $M	30 Jun 17 $M
Cash and liquid assets		**36,417**	37,322	45,850
Receivables due from other financial institutions		**9,222**	6,955	10,037
Assets at fair value through Income Statement:				
Trading		**32,254**	34,696	32,704
Insurance		**372**	382	13,669
Other		**258**	1,038	1,111
Derivative assets		**32,133**	25,228	31,724
Available-for-sale investments		**82,240**	83,913	83,535
Loans, bills discounted and other receivables	2.1	**743,365**	736,316	731,762
Bank acceptances of customers		**379**	222	463
Property, plant and equipment		**2,576**	2,635	3,873
Investment in associates and joint ventures		**2,842**	2,750	2,778
Intangible assets	6.2	**9,023**	9,038	10,024
Deferred tax assets		**1,439**	1,291	906
Other assets		**6,991**	5,249	7,882
Assets held for sale		**15,654**	14,895	-
Total assets		**975,165**	961,930	976,318
Liabilities				
Deposits and other public borrowings	3.1	**622,234**	624,897	626,655
Payables due to other financial institutions		**20,899**	24,466	28,432
Liabilities at fair value through Income Statement		**10,247**	9,350	10,392
Derivative liabilities		**28,472**	23,563	30,330
Bank acceptances		**379**	222	463
Current tax liabilities		**952**	642	1,450
Deferred tax liabilities		**-**	-	332
Other provisions		**1,889**	2,120	1,780
Insurance policy liabilities		**451**	481	12,018
Debt issues		**172,294**	166,510	167,571
Managed funds units on issue		**-**	-	2,577
Bills payable and other liabilities		**11,596**	8,861	11,932
Liabilities held for sale		**14,900**	14,543	-
		884,313	875,655	893,932
Loan capital		**22,992**	20,184	18,726
Total liabilities		**907,305**	895,839	912,658
Net assets		**67,860**	66,091	63,660
Shareholders' Equity				
Ordinary share capital	4.2	**37,270**	36,776	34,971
Reserves	4.2	**1,676**	1,494	1,869
Retained profits	4.2	**28,360**	27,267	26,274
Shareholders' Equity attributable to Equity holders of the Bank		**67,306**	65,537	63,114
Non-controlling interests	4.2	**554**	554	546
Total Shareholders' Equity		**67,860**	66,091	63,660

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

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Ordinary share capital $M	Reserves $M	Retained profits $M	Total $M	Non-controlling interests $M	Total Shareholders' Equity $M
As at 31 December 2016 (1)	34,455	2,144	24,606	**61,205**	551	**61,756**
Net profit after income tax from continuing operations	-	-	4,909	**4,909**	11	**4,920**
Net profit after income tax from discontinued operations	-	-	124	**124**	4	**128**
Net other comprehensive income from continuing operations	-	(286)	32	**(254)**	-	**(254)**
Net other comprehensive income from discontinued operations	-	(25)	-	**(25)**	-	**(25)**
Total comprehensive income for the period	-	(311)	5,065	**4,754**	15	**4,769**
Transactions with Equity holders in their capacity as Equity holders: (2)						
Dividends paid on ordinary shares	-	-	(3,429)	**(3,429)**	-	**(3,429)**
Dividend reinvestment plan (net of issue costs)	557	-	-	**557**	-	**557**
Issue of shares (net of issue costs)	-	-	-	**-**	-	**-**
Share-based payments	-	57	-	**57**	-	**57**
Purchase of treasury shares	(65)	-	-	**(65)**	-	**(65)**
Sale and vesting of treasury shares	24	-	-	**24**	-	**24**
Other changes	-	(21)	32	**11**	(20)	**(9)**
As at 30 June 2017	34,971	1,869	26,274	**63,114**	546	**63,660**
Net profit after income tax from continuing operations	-	-	4,919	**4,919**	9	**4,928**
Net profit after income tax from discontinued operations	-	-	(13)	**(13)**	-	**(13)**
Net other comprehensive income from continuing operations	-	(327)	43	**(284)**	-	**(284)**
Net other comprehensive income from discontinued operations	-	12	-	**12**	-	**12**
Total comprehensive income for the period	-	(315)	4,949	**4,634**	9	**4,643**
Transactions with Equity holders in their capacity as Equity holders: (2)						
Dividends paid on ordinary shares	-	-	(3,979)	**(3,979)**	-	**(3,979)**
Dividend reinvestment plan (net of issue costs)	1,572	-	-	**1,572**	-	**1,572**
Issue of shares (net of issue costs)	164	-	-	**164**	-	**164**
Share-based payments	-	(49)	-	**(49)**	-	**(49)**
Purchase of treasury shares	(12)	-	-	**(12)**	-	**(12)**
Sale and vesting of treasury shares	81	-	-	**81**	-	**81**
Other changes	-	(11)	23	**12**	(1)	**11**
As at 31 December 2017	36,776	1,494	27,267	**65,537**	554	**66,091**
Net profit after income tax from continuing operations	-	-	4,456	**4,456**	10	**4,466**
Net profit after income tax from discontinued operations	-	-	(33)	**(33)**	-	**(33)**
Net other comprehensive income from continuing operations	-	233	116	**349**	-	**349**
Net other comprehensive income from discontinued operations	-	(26)	-	**(26)**	-	**(26)**
Total comprehensive income for the period	-	207	4,539	**4,746**	10	**4,756**
Transactions with Equity holders in their capacity as Equity holders: (2)						
Dividends paid on ordinary shares	-	-	(3,505)	**(3,505)**	-	**(3,505)**
Dividend reinvestment plan (net of issue costs)	533	-	-	**533**	-	**533**
Issue of shares (net of issue costs)	-	-	-	**-**	-	**-**
Share-based payments	-	30	-	**30**	-	**30**
Purchase of treasury shares	(83)	-	-	**(83)**	-	**(83)**
Sale and vesting of treasury shares	44	-	-	**44**	-	**44**
Other changes	-	(55)	59	**4**	(10)	**(6)**
As at 30 June 2018	37,270	1,676	28,360	**67,306**	554	**67,860**

(1) Comparatives have been restated following a change in accounting policy to recognise deferred tax on Brand names acquired by the Group. Further details on the change are provided in Note 1.1 in the 2018 Annual Report.

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

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

Consolidated Statement of Cash Flows [1] [2]

For the year ended 30 June 2018

	Appendix	Full Year Ended 30 Jun 18 $M	30 Jun 17 $M
Cash flows from operating activities			
Interest received		**35,801**	33,536
Interest paid		**(15,356)**	(15,006)
Other operating income received		**6,181**	5,556
Expenses paid		**(10,340)**	(9,763)
Income taxes paid		**(4,791)**	(3,976)
Net inflows/(outflows) from assets at fair value through Income Statement (excluding life insurance)		**5,270**	4,220
Net inflows/(outflows) from liabilities at fair value through Income Statement:			
Insurance:			
Investment income		**225**	186
Premiums received [3]		**3,241**	3,366
Policy payments and commission expense [3]		**(3,453)**	(3,854)
Other liabilities at fair value through Income Statement		**(208)**	156
Cash flows from operating activities before changes in operating assets and liabilities		**16,570**	14,421
Changes in operating assets and liabilities arising from cash flow movements			
Movement in available-for-sale investments:			
Purchases		**(51,783)**	(54,608)
Proceeds		**52,832**	49,392
Net increase in loans, bills discounted and other receivables		**(16,105)**	(38,744)
Net decrease in receivables due from other financial institutions and regulatory authorities		**884**	1,100
Net decrease/(increase) in securities purchased under agreements to resell		**9,258**	(13,993)
Insurance business:			
Purchase of insurance assets at fair value through Income Statement		**(1,594)**	(1,789)
Proceeds from sale/maturity of insurance assets at fair value through Income Statement		**2,671**	3,152
Net increase in other assets		**(11)**	(174)
Net (decrease)/increase in deposits and other public borrowings		**(876)**	39,821
Net (decrease)/increase in payables due to other financial institutions		**(8,279)**	666
Net decrease in securities sold under agreements to repurchase		**(1,574)**	(853)
Net (decrease)/increase in other liabilities		**(884)**	802
Changes in operating assets and liabilities arising from cash flow movements		**(15,461)**	(15,228)
Net cash provided by/(used in) operating activities	6.5 (a)	**1,109**	(807)
Cash flows from investing activities			
Cash inflows/(outflows) from acquisitions	6.5 (d)	**26**	(31)
Net proceeds from disposal of entities and businesses (net of cash disposals)		**-**	1
Dividends received		**68**	94
Proceeds from sale of property, plant and equipment		**155**	381
Purchases of property, plant and equipment		**(477)**	(602)
Payments for acquisitions of investments in associates/joint ventures		**(271)**	(25)
Net purchase of intangible assets		**(503)**	(495)
Net cash used in investing activities		**(1,002)**	(677)

(1) It should be noted that the Group does not use this accounting Statement of Cash Flows in the internal management of its liquidity positions.
(2) Includes discontinued operations.
(3) Represents gross premiums and policy payments before splitting between policy holders and shareholders.

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

Consolidated Statement of Cash Flows [1] [2] (continued)

For the year ended 30 June 2018

		Full Year Ended	
		30 Jun 18	30 Jun 17
	Appendix	$M	$M
Cash flows from financing activities			
Dividends paid (excluding Dividend Reinvestment Plan)		**(5,366)**	(6,084)
Proceeds from issuance of debt securities		**68,273**	94,560
Redemption of issued debt securities		**(67,809)**	(81,758)
Purchase of treasury shares		**(95)**	(92)
Sale of treasury shares		**55**	34
Issue of loan capital		**4,445**	3,757
Redemption of loan capital		**(464)**	-
Proceeds from issuance of shares (net of issue costs)		**-**	(6)
Other		**27**	61
Net cash (used in)/provided by financing activities		**(934)**	10,472
Net (decrease)/increase in cash and cash equivalents		**(827)**	8,988
Effect of foreign exchange rates on cash and cash equivalents		**715**	(318)
Cash and cash equivalents at beginning of year		**23,117**	14,447
Cash and cash equivalents at end of year	6.5 (b)	**23,005**	23,117

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

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

Appendices

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Section 7 – Appendices

Appendices

1) Our Performance

Overview

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

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

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

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

1.1 Net Interest Income (continuing operations basis)

	Full Year Ended (1)			Half Year Ended (1)		
	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	**30 Jun 18 $M**	31 Dec 17 $M	Jun 18 vs Dec 17 %
Interest Income						
Loans and bills discounted	**31,714**	30,734	3	**15,878**	15,836	-
Other financial institutions	**140**	149	(6)	**52**	88	(41)
Cash and liquid assets	**459**	321	43	**267**	192	39
Assets at fair value through Income Statement	**501**	490	2	**267**	234	14
Available-for-sale investments	**1,729**	1,607	8	**898**	831	8
Total interest income - "statutory basis"	**34,543**	33,301	4	**17,362**	17,181	1
Interest Expense						
Deposits	**10,243**	10,518	(3)	**5,155**	5,088	1
Other financial institutions	**418**	300	39	**218**	200	9
Liabilities at fair value through Income Statement	**167**	102	64	**94**	73	29
Debt issues	**4,169**	4,159	-	**2,170**	1,999	9
Loan capital	**836**	679	23	**450**	386	17
Bank levy	**369**	-	n/a	**189**	180	5
Total interest expense - "statutory basis"	**16,202**	15,758	3	**8,276**	7,926	4
Net interest income - "statutory basis"	**18,341**	17,543	5	**9,086**	9,255	(2)

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

Accounting Policies

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

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

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

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

1.1 Net Interest Income (continuing operations basis) (continued)

Net Interest Income – Reconciliation of Cash to Statutory Basis

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

	Full Year Ended (1)			Half Year Ended (1)		
	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	**30 Jun 18 $M**	31 Dec 17 $M	Jun 18 vs Dec 17 %
Total interest income - "cash basis"	**34,543**	33,301	4	**17,362**	17,181	1
Hedging and IFRS volatility	**-**	-	-	**-**	-	-
Total interest income - "statutory basis"	**34,543**	33,301	4	**17,362**	17,181	1
Total interest expense - "cash basis"	**16,202**	15,758	3	**8,276**	7,926	4
Hedging and IFRS volatility	**-**	-	-	**-**	-	-
Total interest expense - "statutory basis"	**16,202**	15,758	3	**8,276**	7,926	4

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

1.2 Net Interest Margin (continuing operations basis)

	Full Year Ended [1]		Half Year Ended [1]	
	30 Jun 18	30 Jun 17	**30 Jun 18**	31 Dec 17
	%	%	**%**	%
Australia				
Interest spread [2]	**1. 99**	1. 99	**1. 98**	2. 01
Benefit of interest-free liabilities, provisions and equity [3]	**0. 24**	0. 21	**0. 24**	0. 24
Net interest margin [4]	**2. 23**	2. 20	**2. 22**	2. 25
New Zealand				
Interest spread [2]	**1. 68**	1. 64	**1. 70**	1. 66
Benefit of interest-free liabilities, provisions and equity [3]	**0. 33**	0. 33	**0. 35**	0. 31
Net interest margin [4]	**2. 01**	1. 97	**2. 05**	1. 97
Other Overseas				
Interest spread [2]	**0. 67**	0. 59	**0. 60**	0. 74
Benefit of interest-free liabilities, provisions and equity [3]	**0. 05**	0. 04	**0. 05**	0. 05
Net interest margin [4]	**0. 72**	0. 63	**0. 65**	0. 79
Total Group				
Interest spread [2]	**1. 91**	1. 90	**1. 90**	1. 92
Benefit of interest-free liabilities, provisions and equity [3]	**0. 24**	0. 20	**0. 24**	0. 24
Net interest margin [4]	**2. 15**	2. 10	**2. 14**	2. 16

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

1.3 Average Balances and Related Interest (continuing operations basis)

The following tables list the major categories of interest earning assets and interest bearing liabilities of the Group together with the respective interest earned or paid and the average interest rate for each of the full years ended 30 June 2018 and 30 June 2017. Averages used were predominantly daily averages. Interest is accounted for based on product yield.

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

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

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

The official cash rate in Australia and New Zealand remained flat during the year.

	Full Year Ended 30 Jun 18			**Full Year Ended 30 Jun 17** [1]		
Interest Earning Assets	**Avg Bal $M**	**Interest $M**	**Yield %**	Avg Bal $M	Interest $M	Yield %
Home loans [2]	**451,607**	**19,823**	**4. 39**	435,448	19,000	4. 36
Consumer Finance [3]	**23,265**	**2,793**	**12. 01**	23,518	2,857	12. 15
Business and corporate loans	**225,037**	**9,098**	**4. 04**	221,188	8,877	4. 01
Loans, bills discounted and other receivables	**699,909**	**31,714**	**4. 53**	680,154	30,734	4. 52
Cash and other liquid assets [4]	**46,272**	**599**	**1. 29**	48,476	470	0. 97
Assets at fair value through Income Statement (excluding life insurance)	**24,831**	**501**	**2. 02**	25,626	490	1. 91
Available-for-sale investments	**83,252**	**1,729**	**2. 08**	80,485	1,607	2. 00
Non-lending interest earning assets	**154,355**	**2,829**	**1. 83**	154,587	2,567	1. 66
Total interest earning assets [5]	**854,264**	**34,543**	**4. 04**	834,741	33,301	3. 99
Non-interest earning assets [2] [4]	**106,749**			137,592		
Assets held for sale [4]	**15,274**			-		
Total average assets	**976,287**			972,333		

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

(2) Net of average mortgage offset balances which are included in Non-interest earning assets. Gross average home loans balance, excluding mortgage offset accounts was $492,431 million (30 June 2017: $470,773 million). While these balances are required to be grossed up under accounting standards, they are netted down for the calculation of customer interest payments and the calculation of the Bank's Net interest margin.

(3) Consumer finance includes personal loans, credit cards and margin loans.

(4) On 21 September 2017 CBA announced the sale of 100% of its life insurance businesses including CommInsure Life and Sovereign to AIA Group Limited ("AIA") and its 37.5% equity stake in BoComm Life. For 30 June 2018, $79 million of average Non-lending interest earning assets and $15,177 million of average Other assets have been reclassified to Assets held for sale. Assets held for sale also includes $18 million of average assets that reside outside the Group's life insurance business as at 30 June 2018.

(5) Used for calculating Net interest margin.

1.3 Average Balances and Related Interest (continuing operations basis) (continued)

	Full Year Ended 30 Jun 18			Full Year Ended 30 Jun 17 [1]		
Interest Bearing Liabilities	**Avg Bal $M**	**Interest $M**	**Yield %**	Avg Bal $M	Interest $M	Yield %
Transaction deposits [2]	**74,952**	**601**	**0. 80**	69,831	547	0. 78
Savings deposits [2]	**179,617**	**2,154**	**1. 20**	180,192	2,415	1. 34
Investment deposits	**220,399**	**5,339**	**2. 42**	212,143	5,302	2. 50
Certificates of deposit and other [3]	**61,108**	**2,149**	**3. 52**	68,984	2,254	3. 27
Total interest bearing deposits	**536,076**	**10,243**	**1. 91**	531,150	10,518	1. 98
Payables due to other financial institutions	**26,940**	**418**	**1. 55**	30,333	300	0. 99
Liabilities at fair value through Income Statement	**8,889**	**167**	**1. 88**	8,516	102	1. 20
Debt issues	**167,116**	**4,169**	**2. 49**	168,921	4,159	2. 46
Loan capital	**20,562**	**836**	**4. 07**	16,692	679	4. 07
Bank levy	**-**	**369**	**-**	-	-	-
Total interest bearing liabilities	**759,583**	**16,202**	**2. 13**	755,612	15,758	2. 09
Non-interest bearing liabilities [2] [3]	**136,113**	**-**	**-**	154,746	-	-
Liabilities held for sale [3]	**14,721**			-		
Total average liabilities	**910,417**			910,358		

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Net of average mortgage offset balances which are included in Non-interest bearing liabilities.
(3) On 21 September 2017 CBA announced the sale of 100% of its life insurance businesses including CommInsure Life and Sovereign to AIA Group Limited ("AIA"). For 30 June 2018, $867 million of average Other demand deposits and $13,854 million of average Non-interest bearing liabilities have been reclassified to Liabilities held for sale.

1.3 Average Balances and Related Interest (continuing operations basis) (continued)

Net Interest Margin	Full Year Ended 30 Jun 18 Avg Bal $M	Interest $M	Yield %	Full Year Ended 30 Jun 17 [1] Avg Bal $M	Interest $M	Yield %
Total interest earning assets [2]	**854,264**	**34,543**	**4. 04**	834,741	33,301	3. 99
Total interest bearing liabilities [2]	**759,583**	**16,202**	**2. 13**	755,612	15,758	2. 09
Net interest income and interest spread		**18,341**	**1. 91**		17,543	1. 90
Benefit of free funds			**0. 24**			0. 20
Net interest margin			**2. 15**			2. 10

Geographical Analysis of Key Categories	Full Year Ended 30 Jun 18 Avg Bal $M	Interest $M	Yield %	Full Year Ended 30 Jun 17 [1] Avg Bal $M	Interest $M	Yield %
Loans, Bills Discounted and Other Receivables						
Australia	**597,343**	**27,110**	**4. 54**	581,093	26,266	4. 52
New Zealand [3]	**76,977**	**3,763**	**4. 89**	74,802	3,747	5. 01
Other Overseas [3]	**25,589**	**841**	**3. 29**	24,259	721	2. 97
Total	**699,909**	**31,714**	**4. 53**	680,154	30,734	4. 52
Non-Lending Interest Earning Assets						
Australia [2]	**108,379**	**2,286**	**2. 11**	108,346	2,171	2. 00
New Zealand [3]	**9,830**	**196**	**1. 99**	7,676	162	2. 11
Other Overseas [3]	**36,146**	**347**	**0. 96**	38,565	234	0. 61
Total	**154,355**	**2,829**	**1. 83**	154,587	2,567	1. 66
Total Interest Bearing Deposits						
Australia [2]	**462,235**	**8,370**	**1. 81**	458,399	8,691	1. 90
New Zealand [3]	**51,959**	**1,402**	**2. 70**	49,777	1,451	2. 92
Other Overseas [3]	**21,882**	**471**	**2. 15**	22,974	376	1. 64
Total	**536,076**	**10,243**	**1. 91**	531,150	10,518	1. 98
Other Interest Bearing Liabilities						
Australia	**170,303**	**4,725**	**2. 77**	165,999	3,991	2. 40
New Zealand [3]	**24,794**	**803**	**3. 24**	23,080	802	3. 47
Other Overseas [3]	**28,410**	**431**	**1. 52**	35,383	447	1. 26
Total	**223,507**	**5,959**	**2. 67**	224,462	5,240	2. 33

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

(2) On 21 September 2017 CBA announced the sale of 100% of its life insurance businesses including CommInsure Life and Sovereign to AIA Group Limited ("AIA") and its 37.5% equity stake in BoComm Life. For 30 June 2018, $79 million of average Non-lending interest earning assets have been reclassified to Assets held for sale and $867 million of average Other demand deposits and $13,854 million of average Non-interest bearing liabilities have been reclassified to Liabilities held for sale.

(3) The New Zealand and Other Overseas components comprise overseas branches of the Group and overseas domiciled controlled entities. Overseas intragroup borrowings have been adjusted into the interest spread and margin calculations to more appropriately reflect the overseas cost of funds.

1.3 Average Balances and Related Interest (continuing operations basis)

	Half Year Ended 30 Jun 18			Half Year Ended 31 Dec 17 [1]			Half Year Ended 30 Jun 17 [1]		
Interest Earning Assets	**Avg Bal $M**	**Interest $M**	**Yield %**	Avg Bal $M	Interest $M	Yield %	Avg Bal $M	Interest $M	Yield %
Home loans [2]	**455,462**	**9,862**	**4. 37**	447,814	9,961	4. 41	440,572	9,459	4. 33
Consumer Finance [3]	**23,383**	**1,399**	**12. 07**	23,148	1,394	11. 95	23,577	1,424	12. 18
Business and corporate loans	**223,452**	**4,617**	**4. 17**	226,596	4,481	3. 92	221,868	4,400	4. 00
Loans, bills discounted and other receivables	**702,297**	**15,878**	**4. 56**	697,558	15,836	4. 50	686,017	15,283	4. 49
Cash and other liquid assets [4]	**46,198**	**319**	**1. 39**	46,344	280	1. 20	54,246	294	1. 09
Assets at fair value through Income Statement (excluding life insurance)	**24,943**	**267**	**2. 16**	24,721	234	1. 88	26,006	260	2. 02
Available-for-sale investments	**83,612**	**898**	**2. 17**	82,899	831	1. 99	80,350	784	1. 97
Non-lending interest earning assets	**154,753**	**1,484**	**1. 93**	153,964	1,345	1. 73	160,602	1,338	1. 68
Total interest earning assets [5]	**857,050**	**17,362**	**4. 09**	851,522	17,181	4. 00	846,619	16,621	3. 96
Non-interest earning assets [2] [4]	**108,521**			105,006			141,177		
Assets held for sale [4]	**15,659**			14,895			-		
Total average assets	**981,230**			971,423			987,796		

	Half Year Ended 30 Jun 18			Half Year Ended 31 Dec 17 [1]			Half Year Ended 30 Jun 17 [1]		
Interest Bearing Liabilities	**Avg Bal $M**	**Interest $M**	**Yield %**	Avg Bal $M	Interest $M	Yield %	Avg Bal $M	Interest $M	Yield %
Transaction deposits [6]	**75,138**	**303**	**0. 81**	74,769	298	0. 79	71,061	281	0. 80
Savings deposits [6]	**179,035**	**1,048**	**1. 18**	180,190	1,106	1. 22	180,279	1,113	1. 24
Investment deposits	**221,881**	**2,693**	**2. 45**	218,940	2,646	2. 40	217,852	2,683	2. 48
Certificates of deposit and other [4]	**59,181**	**1,111**	**3. 79**	63,005	1,038	3. 27	69,256	1,135	3. 30
Total interest bearing deposits	**535,235**	**5,155**	**1. 94**	536,904	5,088	1. 88	538,448	5,212	1. 95
Payables due to other financial institutions	**25,252**	**218**	**1. 74**	28,601	200	1. 39	30,487	174	1. 15
Liabilities at fair value through Income Statement	**8,696**	**94**	**2. 18**	9,078	73	1. 60	8,934	35	0. 79
Debt issues	**170,431**	**2,170**	**2. 57**	163,855	1,999	2. 42	168,446	2,014	2. 41
Loan capital	**22,138**	**450**	**4. 10**	19,011	386	4. 03	17,811	358	4. 05
Bank levy	**-**	**189**	**-**	-	180	-	-	-	-
Total interest bearing liabilities	**761,752**	**8,276**	**2. 19**	757,449	7,926	2. 08	764,126	7,793	2. 06
Non-interest bearing liabilities [4] [6]	**137,929**			134,326			160,838		
Liabilities held for sale [4]	**14,902**			14,543			-		
Total average liabilities	**914,583**			906,318			924,964		

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Net of average mortgage offset balances which are included in Non-interest earning assets. Gross average home loans balance, excluding mortgage offset accounts is $497,441 million (31 December 2017: $487,502; 30 June 2017: $477,851 million). While these balances are required to be grossed up under accounting standards, they are netted down for the calculation of customer interest payments and the calculation of the Bank's Net interest margin.
(3) Consumer finance includes personal loans, credit cards and margin loans.
(4) On 21 September 2017, CBA announced the sale of 100% of its Life Insurance businesses including CommInsure Life and Sovereign to AIA Group Limited ("AIA") and its 37.5% equity stake in BoComm Life. For 30 June 2018, $74 million of average Non-lending interest earning assets and $15,539 million of average Other assets have been reclassified to Assets held for sale. Assets held for sale also includes $46 million of average assets that reside outside the Group Life Insurance businesses as at 30 June 2018. For 30 June 2018, $871 million of average Other demand deposits and $14,031 million of average Non-interest bearing liabilities have been reclassified to Liabilities held for sale.
(5) Used for calculating Net interest margin.
(6) Deposits exclude average mortgage offset balances which are included in Non-interest bearing liabilities.

1.3 Average Balances and Related Interest (continuing operations basis) (continued)

Net Interest Margin	Half Year Ended 30 Jun 18 Avg Bal $M	Interest $M	Yield %	Half Year Ended 31 Dec 17 [1] Avg Bal $M	Interest $M	Yield %	Half Year Ended 30 Jun 17 [1] Avg Bal $M	Interest $M	Yield %
Total interest earning assets [2]	**857,050**	**17,362**	**4. 09**	851,522	17,181	4. 00	846,619	16,621	3. 96
Total interest bearing liabilities [2]	**761,752**	**8,276**	**2. 19**	757,449	7,926	2. 08	764,126	7,793	2. 06
Net interest income and interest spread		**9,086**	**1. 90**		9,255	1. 92		8,828	1. 90
Benefit of free funds			**0. 24**			0. 24			0. 20
Net interest margin			**2. 14**			2. 16			2. 10

Geographical Analysis of Key Categories	Half Year Ended 30 Jun 18 Avg Bal $M	Interest $M	Yield %	Half Year Ended 31 Dec 17 [1] Avg Bal $M	Interest $M	Yield %	Half Year Ended 30 Jun 17 [1] Avg Bal $M	Interest $M	Yield %
Loans, Bills Discounted and Other Receivables									
Australia	**598,119**	**13,550**	**4. 57**	596,579	13,560	4. 51	586,145	13,049	4. 49
New Zealand [3]	**78,521**	**1,901**	**4. 88**	75,458	1,862	4. 89	75,488	1,858	4. 96
Other Overseas [3]	**25,657**	**427**	**3. 36**	25,521	414	3. 22	24,384	376	3. 11
Total	**702,297**	**15,878**	**4. 56**	697,558	15,836	4. 50	686,017	15,283	4. 49
Non-Lending Interest Earning Assets									
Australia [2]	**105,831**	**1,173**	**2. 24**	110,886	1,113	1. 99	112,226	1,126	2. 02
New Zealand [3]	**10,754**	**107**	**2. 01**	8,921	89	1. 98	7,693	77	2. 02
Other Overseas [3]	**38,168**	**204**	**1. 08**	34,157	143	0. 83	40,683	135	0. 67
Total	**154,753**	**1,484**	**1. 93**	153,964	1,345	1. 73	160,602	1,338	1. 68
Total Interest Bearing Deposits									
Australia [2]	**459,561**	**4,214**	**1. 85**	464,866	4,156	1. 77	464,944	4,274	1. 85
New Zealand [3]	**52,838**	**691**	**2. 64**	51,095	711	2. 76	50,375	735	2. 94
Other Overseas [3]	**22,836**	**250**	**2. 21**	20,943	221	2. 09	23,129	203	1. 77
Total	**535,235**	**5,155**	**1. 94**	536,904	5,088	1. 88	538,448	5,212	1. 95
Other Interest Bearing Liabilities									
Australia	**174,996**	**2,511**	**2. 89**	165,685	2,214	2. 65	167,478	1,984	2. 39
New Zealand [3]	**25,321**	**404**	**3. 22**	24,276	399	3. 26	23,750	386	3. 28
Other Overseas [3]	**26,200**	**206**	**1. 59**	30,584	225	1. 46	34,450	211	1. 24
Total	**226,517**	**3,121**	**2. 78**	220,545	2,838	2. 55	225,678	2,581	2. 31

(1) Comparative information has been restated to conform to presentation in the current period.
(2) On 21 September 2017, CBA announced the sale of 100% of its Life Insurance businesses including CommInsure Life and Sovereign to AIA Group Limited ("AIA") and its 37.5% equity stake in BoComm Life. For 30 June 2018, $74 million of average Non-lending interest earning assets and $15,539 million of average Other assets have been reclassified to Assets held for sale. Assets held for sale also includes $46 million of average assets that reside outside the Group Life Insurance businesses as at 30 June 2018. For 30 June 2018, $871 million of average Other demand deposits and $14,031 million of average Non-interest bearing liabilities have been reclassified to Liabilities held for sale.
(3) The New Zealand and Other Overseas components comprise overseas branches of the group and overseas domiciled controlled entities. Overseas intragroup borrowings have been adjusted into the interest spread and margin calculations to more appropriately reflect the overseas cost of funds.

1.4 Interest Rate and Volume Analysis (continuing operations basis)

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

	Full Year Ended Jun 18 vs Jun 17 [1]			Full Year Ended Jun 17 vs Jun 16 [1]		
Interest Earning Assets [2]	**Volume $M**	**Rate $M**	**Total $M**	**Volume $M**	**Rate $M**	**Total $M**
Home loans	**707**	**116**	**823**	1,169	(1,452)	(283)
Consumer Finance	**(31)**	**(33)**	**(64)**	(25)	(40)	(65)
Business and corporate loans	**155**	**66**	**221**	401	(288)	113
Loans, bills discounted and other receivables	**894**	**86**	**980**	1,650	(1,885)	(235)
Cash and other liquid assets	**(25)**	**154**	**129**	42	1	43
Assets at fair value through Income Statement (excluding life insurance)	**(16)**	**27**	**11**	71	(157)	(86)
Available-for-sale investments	**56**	**66**	**122**	25	(265)	(240)
Non-lending interest earning assets	**(4)**	**266**	**262**	158	(441)	(283)
Total interest earning assets	**784**	**458**	**1,242**	1,825	(2,343)	(518)

	Full Year Ended Jun 18 vs Jun 17 [1]			Full Year Ended Jun 17 vs Jun 16 [1]		
Interest Bearing Liabilities [2]	**Volume $M**	**Rate $M**	**Total $M**	**Volume $M**	**Rate $M**	**Total $M**
Transaction deposits	**41**	**13**	**54**	(35)	(24)	(59)
Savings deposits	**(7)**	**(254)**	**(261)**	49	(1,028)	(979)
Investment deposits	**203**	**(166)**	**37**	424	(543)	(119)
Certificates of deposit and other	**(267)**	**162**	**(105)**	85	(174)	(89)
Total interest bearing deposits	**96**	**(371)**	**(275)**	367	(1,613)	(1,246)
Payables due to other financial institutions	**(43)**	**161**	**118**	(58)	81	23
Liabilities at fair value through Income Statement	**6**	**59**	**65**	35	(144)	(109)
Debt issues	**(45)**	**55**	**10**	173	(139)	34
Loan capital	**157**	**-**	**157**	116	(21)	95
Bank levy	**-**	**369**	**369**	-	-	-
Total interest bearing liabilities	**84**	**360**	**444**	481	(1,684)	(1,203)

	Full Year Ended [1]	
Change in Net Interest Income [3]	**Jun 18 vs Jun 17 Increase/(Decrease) $M**	**Jun 17 vs Jun 16 Increase/(Decrease) $M**
Due to changes in average volume of interest earning assets	415	935
Due to changes in interest margin	383	(250)
Due to variation in time period	-	-
Change in net interest income	798	685

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

1.4 Interest Rate and Volume Analysis (continuing operations basis) (continued)

Geographical Analysis of Key Categories (2)	Full Year Ended Jun 18 vs Jun 17 (1) Volume $M	Rate $M	Total $M	Full Year Ended Jun 17 vs Jun 16 (1) Volume $M	Rate $M	Total $M
Loans, Bills Discounted and Other Receivables						
Australia	**736**	**108**	**844**	1,253	(1,607)	(354)
New Zealand	**108**	**(92)**	**16**	441	(355)	86
Other Overseas	**42**	**78**	**120**	4	29	33
Total	**894**	**86**	**980**	1,650	(1,885)	(235)
Non-Lending Interest Earning Assets						
Australia	**1**	**114**	**115**	164	(367)	(203)
New Zealand	**44**	**(10)**	**34**	24	(53)	(29)
Other Overseas	**(19)**	**132**	**113**	2	(53)	(51)
Total	**(4)**	**266**	**262**	158	(441)	(283)
Total Interest Bearing Deposits						
Australia	**71**	**(392)**	**(321)**	205	(1,440)	(1,235)
New Zealand	**61**	**(110)**	**(49)**	106	(203)	(97)
Other Overseas	**(21)**	**116**	**95**	60	26	86
Total	**96**	**(371)**	**(275)**	367	(1,613)	(1,246)
Other Interest Bearing Liabilities						
Australia	**111**	**623**	**734**	30	(145)	(115)
New Zealand	**58**	**(57)**	**1**	255	(110)	145
Other Overseas	**(97)**	**81**	**(16)**	(40)	53	13
Total	**(24)**	**743**	**719**	109	(66)	43

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

(2) The volume and rate variances for Loans, bills discounted and other receivables, Non-lending interest earning assets, Total interest bearing deposits and Other interest bearing liabilities have been calculated separately (rather than being the sum of the individual categories).

1.4 Interest Rate and Volume Analysis (continuing operations basis) (continued)

Interest Earning Assets [2]	Half Year Ended Jun 18 vs Dec 17 [1] Volume $M	Rate $M	Total $M	Half Year Ended Jun 18 vs Jun 17 [1] Volume $M	Rate $M	Total $M
Home loans	168	(267)	(99)	321	82	403
Consumer Finance	14	(9)	5	(12)	(13)	(25)
Business and corporate loans	(64)	200	136	32	185	217
Loans, bills discounted and other receivables	107	(65)	42	365	230	595
Cash and other liquid assets	(1)	40	39	(50)	75	25
Assets at fair value through Income Statement (excluding life insurance)	2	31	33	(11)	18	7
Available-for-sale investments	7	60	67	33	81	114
Non-lending interest earning assets	7	132	139	(52)	198	146
Total interest earning assets	112	69	181	208	533	741

Interest Bearing Liabilities [2]	Half Year Ended Jun 18 vs Dec 17 [1] Volume $M	Rate $M	Total $M	Half Year Ended Jun 18 vs Jun 17 [1] Volume $M	Rate $M	Total $M
Transaction deposits	1	4	5	16	6	22
Savings deposits	(7)	(51)	(58)	(7)	(58)	(65)
Investment deposits	36	11	47	49	(39)	10
Certificates of deposit and other	(67)	140	73	(177)	153	(24)
Total interest bearing deposits	(16)	83	67	(31)	(26)	(57)
Payables due to other financial institutions	(26)	44	18	(38)	82	44
Liabilities at fair value through Income Statement	(4)	25	21	(2)	61	59
Debt issues	82	89	171	25	131	156
Loan capital	64	-	64	87	5	92
Bank levy	-	9	9	-	189	189
Total interest bearing liabilities	46	304	350	(25)	508	483

Change in Net Interest Income [3]	Half Year Ended [1] Jun 18 vs Dec 17 Increase/(Decrease) $M	Half Year Ended [1] Jun 18 vs Jun 17 Increase/(Decrease) $M
Due to changes in average volume of interest earning assets	59	110
Due to changes in interest margin	(77)	148
Due to variation in time periods	(151)	-
Change in net interest income	(169)	258

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

(2) The volume and rate variances for Total interest earning assets and Total interest bearing liabilities have been calculated separately (rather than being the sum of the individual categories).

(3) "Volume" reflects the change in net interest income over the period due to balance growth (assuming the average of the rates across the two periods), and "Rate" reflects the change due to movements in yield (assuming the average of the volumes across the two periods).

1.4 Interest Rate and Volume Analysis (continuing operations basis) (continued)

Geographical analysis of key categories [2]	Half Year Ended Jun 18 vs Dec 17 [1]			Half Year Ended Jun 18 vs Jun 17 [1]		
	Volume $M	Rate $M	Total $M	Volume $M	Rate $M	Total $M
Loans, Bills Discounted and Other Receivables						
Australia	35	(45)	(10)	269	232	501
New Zealand	75	(36)	39	74	(31)	43
Other Overseas	2	11	13	20	31	51
Total	107	(65)	42	365	230	595
Non-Lending Interest Earning Assets						
Australia	(53)	113	60	(68)	115	47
New Zealand	18	-	18	31	(1)	30
Other Overseas	19	42	61	(11)	80	69
Total	7	132	139	(52)	198	146
Total Interest Bearing Deposits						
Australia	(48)	106	58	(49)	(11)	(60)
New Zealand	24	(44)	(20)	34	(78)	(44)
Other Overseas	20	9	29	(3)	50	47
Total	(16)	83	67	(31)	(26)	(57)
Other Interest Bearing Liabilities						
Australia	129	168	297	98	429	527
New Zealand	17	(12)	5	25	(7)	18
Other Overseas	(33)	14	(19)	(58)	53	(5)
Total	80	203	283	11	529	540

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

(2) The volume and rate variances for Loans, bills discounted and other receivables, Non-lending interest earning assets, Total interest bearing deposits and Other interest bearing liabilities have been calculated separately (rather than being the sum of the individual categories).

1.5 Other Banking Income (continuing operations basis)

	Full Year Ended (1)			Half Year Ended (1)		
	30 Jun 18 $M	**30 Jun 17 $M**	**Jun 18 vs Jun 17 %**	30 Jun 18 $M	31 Dec 17 $M	Jun 18 vs Dec 17 %
Lending fees	**1,109**	1,078	3	**551**	558	(1)
Commissions (2)	**2,670**	2,561	4	**1,336**	1,334	-
Trading income	**1,025**	1,149	(11)	**469**	556	(16)
Net gain/(loss) on non-trading financial instruments (3) (4)	**62**	433	(86)	**(77)**	139	large
Net gain/(loss) on sale of property, plant and equipment	**(17)**	6	large	**(15)**	(2)	large
Net gain/(loss) from hedging ineffectiveness	**12**	62	(81)	**5**	7	(29)
Dividends	**10**	10	-	**7**	3	large
Share of profit of associates and joint ventures net of impairment	**323**	273	18	**138**	184	(25)
Other (2)	**196**	112	75	**87**	110	(21)
Total other banking income - "statutory basis"	**5,390**	5,684	(5)	**2,501**	2,889	(13)

(1) Comparative information has been restated to conform to presentation in the current period.
(2) The year ended 30 June 2018 includes an increase of $228 million in income 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 and an increase of $4 million in commissions from the acquisition of eChoice.
(3) Inclusive of non-trading derivatives that are held for risk management purposes.
(4) The half year ended 30 June 2017 included a $397 million gain on sale of the Group's remaining investment in Visa Inc.

Other Banking Income – Reconciliation of Cash and Statutory Basis

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

	Full Year Ended (1)			Half Year Ended (1)		
	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	**30 Jun 18 $M**	31 Dec 17 $M	Jun 18 vs Dec 17 %
Other banking income - "cash basis"	**5,182**	5,578	(7)	**2,495**	2,687	(7)
Revenue hedge of New Zealand operations - unrealised	**124**	35	large	**(23)**	147	large
Hedging and IFRS volatility	**19**	71	(73)	**29**	(10)	large
Gain/(loss) on disposal and acquisition of entities net of transaction costs	**65**	-	n/a	**-**	65	large
Other banking income - "statutory basis"	**5,390**	5,684	(5)	**2,501**	2,889	(13)

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

1.6 Operating Expenses (continuing operations basis)

	Full Year Ended (1)			Half Year Ended (1)		
	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	**30 Jun 18 $M**	31 Dec 17 $M	Jun 18 vs Dec 17 %
Staff Expenses						
Salaries and related on-costs (2)	**5,441**	5,264	3	**2,752**	2,689	2
Share-based compensation	**77**	120	(36)	**14**	63	(78)
Superannuation	**421**	481	(12)	**207**	214	(3)
Total staff expenses	**5,939**	5,865	1	**2,973**	2,966	-
Occupancy and Equipment Expenses						
Operating lease rentals	**660**	646	2	**329**	331	(1)
Depreciation of property, plant and equipment	**289**	278	4	**145**	144	1
Other occupancy expenses	**222**	186	19	**125**	97	29
Total occupancy and equipment expenses	**1,171**	1,110	5	**599**	572	5
Information Technology Services						
Application maintenance and development (2)	**709**	586	21	**369**	340	9
Data processing	**197**	200	(2)	**96**	101	(5)
Desktop	**154**	184	(16)	**72**	82	(12)
Communications	**173**	184	(6)	**99**	74	34
Amortisation of software assets (3)	**427**	762	(44)	**235**	192	22
Software write-offs	**71**	6	large	**61**	10	large
IT equipment depreciation	**68**	49	39	**37**	31	19
Total information technology services	**1,799**	1,971	(9)	**969**	830	17
Other Expenses						
Postage and stationery	**177**	183	(3)	**83**	94	(12)
Transaction processing and market data	**181**	185	(2)	**91**	90	1
Fees and commissions:						
Professional fees	**677**	386	75	**341**	336	1
Other	**135**	74	82	**57**	78	(27)
Advertising, marketing and loyalty	**482**	429	12	**241**	241	-
Amortisation of intangible assets (excluding software and merger related amortisation)	**13**	11	18	**10**	3	large
Non-lending losses (4)	**839**	124	large	**417**	422	(1)
Other	**186**	284	(35)	**82**	104	(21)
Total other expenses	**2,690**	1,676	61	**1,322**	1,368	(3)
Total operating expenses - "cash basis" (5)	**11,599**	10,622	9	**5,863**	5,736	2
Investment and Restructuring						
Integration expenses	**30**	-	n/a	**30**	-	n/a
Merger related amortisation (6)	**4**	4	-	**2**	2	-
Total investment and restructuring	**34**	4	large	**32**	2	large
Total operating expenses - "statutory basis"	**11,633**	10,626	9	**5,895**	5,738	3

(1) Comparative information has been restated to conform to presentation in the current period.
(2) During the year the Group restated staff expenses and IT expenses to more accurately reflect the underlying nature of each line item. The impact was a decrease in Salaries and related on-costs and an increase in Application maintenance and development expenses of $142 million for the full year ended 30 June 2017 and $76 million for the half year ended 31 December 2017.
(3) The year ended 30 June 2017 includes a $393 million one-off expense for acceleration of amortisation on certain software assets.
(4) The year ended 30 June 2018 includes $700 million for the AUSTRAC civil penalty ($325 million for the half year ended 30 June 2018 and $375 million for the half year ended 31 December 2017).
(5) The year ended 30 June 2018 includes a $190 million expense following the consolidation of AHL Holdings Pty Ltd (trading as Aussie Home Loans) as the Group acquired the remaining 20% share on 25 August 2017 and a $7 million expense following the acquisition of eChoice ($119 million AHL expense and $7 million eChoice expense for the half year ended 30 June 2018, and $71 million AHL expense for the half year ended 31 December 2017).
(6) Merger related amortisation relates to Bankwest core deposits and customer lists.

1.7 Financial Reporting by Segments

The principal activities of the Bank are carried out in the business segments below. These segments are based on the distribution channels through which the customer relationship is being managed. Business segments are managed on the basis of net profit after income tax ("cash basis"). During the year refinements have been made to the allocation of customer balances and associated revenue and expenses between business segments, including updated transfer pricing allocations. These include the impact of the announced migration of relationship managed customers outside Western Australia from Bankwest to Business and Private Banking. These changes have not impacted the Bank's cash net profit, but have resulted in changes to the presentation of the Income Statement and the Balance Sheet of the affected segments.

	Full Year Ended 30 June 2018							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	IFS and Other $M	Total $M
Net interest income	9,791	3,392	1,444	-	1,760	1,561	393	**18,341**
Other banking income	2,086	1,033	1,229	-	373	215	246	**5,182**
Total banking income	11,877	4,425	2,673	-	2,133	1,776	639	**23,523**
Funds management income	-	-	-	1,978	105	-	8	**2,091**
Insurance income	-	-	-	183	-	-	110	**293**
Total operating income	11,877	4,425	2,673	2,161	2,238	1,776	757	**25,907**
Investment experience (1)	-	-	-	26	-	-	(9)	**17**
Total income	11,877	4,425	2,673	2,187	2,238	1,776	748	**25,924**
Operating expenses	(3,745)	(1,596)	(1,142)	(1,440)	(811)	(748)	(2,117)	**(11,599)**
Loan impairment expense	(716)	(129)	(80)	-	(74)	(54)	(26)	**(1,079)**
Net profit before tax	7,416	2,700	1,451	747	1,353	974	(1,395)	**13,246**
Corporate tax (expense)/benefit	(2,223)	(812)	(330)	(184)	(378)	(293)	226	**(3,994)**
Non-controlling interests	-	-	-	-	-	-	(19)	**(19)**
Net profit after tax from continuing operations - "cash basis"	5,193	1,888	1,121	563	975	681	(1,188)	**9,233**
Net profit after tax from discontinued operations	-	-	-	160	96	-	(77)	**179**
Net profit after tax - "cash basis" (2)	5,193	1,888	1,121	723	1,071	681	(1,265)	**9,412**
(Loss)/gain on acquisition, disposal, closure and demerger of businesses	58	-	-	-	-	-	(241)	**(183)**
Hedging and IFRS volatility	-	-	-	-	87	-	14	**101**
Other non-cash items	-	-	-	2	-	(3)	-	**(1)**
Net profit after tax - "statutory basis"	5,251	1,888	1,121	725	1,158	678	(1,492)	**9,329**
Additional information								
Amortisation and depreciation	(239)	(113)	(118)	(29)	(78)	(26)	(198)	**(801)**
Balance Sheet								
Total assets	368,272	117,785	162,716	20,466	89,696	80,819	135,411	**975,165**
Total liabilities	260,508	89,745	153,895	25,202	82,976	53,775	241,204	**907,305**

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

(2) This balance excludes non-cash items, including unrealised gains and losses relating to hedging and IFRS volatility ($101 million gain), transaction and separation costs associated with the disposal of CommInsure Life and Sovereign ($136 million) and impairment due to the reclassification of TymeDigital as a discontinued operation ($91 million), demerger costs for NewCo ($21 million), a gain recognised on acquisition of AHL ($58 million), a gain on sale of County Banks ($11 million), a loss due to the dilution of the Bank's interest in Qilu Bank Co. Ltd ($4 million), Bankwest non-cash items ($3 million expense) and treasury shares valuation adjustment ($2 million gain).

1.7 Financial Reporting by Segments (continued)

	Full Year Ended 30 June 2017 [1]							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	IFS and Other $M	Total $M
Net interest income	9,208	3,246	1,523	-	1,642	1,473	451	**17,543**
Other banking income [2]	1,997	976	1,348	-	331	204	722	**5,578**
Total banking income	11,205	4,222	2,871	-	1,973	1,677	1,173	**23,121**
Funds management income	-	-	-	1,820	92	-	1	**1,913**
Insurance income	-	-	-	121	-	-	102	**223**
Total operating income	11,205	4,222	2,871	1,941	2,065	1,677	1,276	**25,257**
Investment experience [3]	-	-	-	26	-	-	(3)	**23**
Total income	11,205	4,222	2,871	1,967	2,065	1,677	1,273	**25,280**
Operating expenses [4]	(3,473)	(1,574)	(1,083)	(1,403)	(795)	(754)	(1,540)	**(10,622)**
Loan impairment expense	(702)	(62)	(64)	-	(65)	(99)	(103)	**(1,095)**
Net profit before tax	7,030	2,586	1,724	564	1,205	824	(370)	**13,563**
Corporate tax (expense)/benefit	(2,097)	(778)	(413)	(142)	(336)	(248)	167	**(3,847)**
Non-controlling interests	-	-	-	-	-	-	(20)	**(20)**
Net profit after tax from continuing operations - "cash basis"	4,933	1,808	1,311	422	869	576	(223)	**9,696**
Net profit after tax from discontinued operations	-	-	-	130	96	-	(41)	**185**
Net profit after tax - "cash basis" [5]	4,933	1,808	1,311	552	965	576	(264)	**9,881**
Hedging and IFRS volatility	-	-	-	-	27	-	46	**73**
Other non-cash items	-	-	-	(23)	-	(3)	-	**(26)**
Net profit after tax - "statutory basis"	4,933	1,808	1,311	529	992	573	(218)	**9,928**
Additional information								
Amortisation and depreciation	(220)	(114)	(109)	(13)	(78)	(27)	(543)	**(1,104)**
Balance Sheet								
Total assets	355,360	116,294	173,111	22,014	86,784	78,120	144,635	**976,318**
Total liabilities	252,308	84,925	162,112	27,455	80,625	55,482	249,751	**912,658**

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

Appendices

1.7 Financial Reporting by Segments (continued)

	Half Year Ended 30 June 2018							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	IFS and Other $M	Total $M
Net interest income	4,839	1,698	707	-	911	783	148	**9,086**
Other banking income	1,047	516	550	-	187	108	87	**2,495**
Total banking income	5,886	2,214	1,257	-	1,098	891	235	**11,581**
Funds management income	-	-	-	991	55	-	6	**1,052**
Insurance income	-	-	-	101	-	-	56	**157**
Total operating income	5,886	2,214	1,257	1,092	1,153	891	297	**12,790**
Investment experience (1)	-	-	-	15	-	-	(11)	**4**
Total income	5,886	2,214	1,257	1,107	1,153	891	286	**12,794**
Operating expenses	(1,899)	(807)	(600)	(733)	(420)	(380)	(1,024)	**(5,863)**
Loan impairment (expense)/benefit	(360)	(80)	25	-	(51)	(24)	7	**(483)**
Net profit before tax	3,627	1,327	682	374	682	487	(731)	**6,448**
Corporate tax (expense)/benefit	(1,087)	(399)	(152)	(92)	(190)	(145)	101	**(1,964)**
Non-controlling interests	-	-	-	-	-	-	(10)	**(10)**
Net profit after tax from continuing operations - "cash basis"	2,540	928	530	282	492	342	(640)	**4,474**
Net profit after tax from discontinued operations	-	-	-	66	47	-	(46)	**67**
Net profit after tax - "cash basis" (2)	2,540	928	530	348	539	342	(686)	**4,541**
(Loss)/gain on acquisition, disposal, closure and demerger of businesses	-	-	-	-	-	-	(126)	**(126)**
Hedging and IFRS volatility	-	-	-	-	(19)	-	24	**5**
Other non-cash items	-	-	-	5	-	(2)	-	**3**
Net profit after tax - "statutory basis"	2,540	928	530	353	520	340	(788)	**4,423**
Additional information								
Amortisation and depreciation	(134)	(61)	(59)	(16)	(42)	(13)	(104)	**(429)**
Balance Sheet								
Total assets	368,272	117,785	162,716	20,466	89,696	80,819	135,411	**975,165**
Total liabilities	260,508	89,745	153,895	25,202	82,976	53,775	241,204	**907,305**

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

(2) This balance excludes non-cash items, including unrealised gains and losses relating to hedging and IFRS volatility ($5 million gain), transaction and separation costs associated with the disposal of CommInsure Life and Sovereign ($14 million) and impairment due to the reclassification of TymeDigital as a discontinued operation ($91 million), demerger costs for NewCo ($21 million), Bankwest non-cash items ($2 million expense) and treasury shares valuation adjustment ($5 million gain).

1.7 Financial Reporting by Segments – Geographical Information

Geographical Information Financial Performance and Position	Full Year Ended [1] 30 Jun 18 $M	 30 Jun 18 %	 30 Jun 17 $M	 30 Jun 17 %
Income				
Australia	**22,161**	**84. 8**	21,625	85. 2
New Zealand	**2,297**	**8. 8**	2,191	8. 6
Other locations [2]	**1,674**	**6. 4**	1,570	6. 2
Total income	**26,132**	**100. 0**	25,386	100. 0
Non-Current Assets				
Australia	**13,473**	**93. 3**	15,301	91. 8
New Zealand	**581**	**4. 0**	1,045	6. 2
Other locations [2]	**387**	**2. 7**	329	2. 0
Total non-current assets [3]	**14,441**	**100. 0**	16,675	100. 0

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

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

1.8 Income Tax Expense

	Full Year Ended [1]		Half Year Ended [1]	
	30 Jun 18	30 Jun 17	**30 Jun 18**	31 Dec 17
	$M	$M	**$M**	$M
Profit before Income Tax - "statutory basis"	**13,420**	13,665	**6,422**	6,998
Prima facie income tax at 30%	**4,026**	4,100	**1,927**	2,099
Effect of amounts which are non-deductible/(assessable)				
in calculating taxable income:				
Taxation offsets and other dividend adjustments	**(7)**	(11)	**-**	(7)
Tax losses not previously brought to account	**-**	(56)	**-**	-
Offshore tax rate differential	**(66)**	(75)	**(32)**	(34)
Offshore banking unit	**(39)**	(42)	**(17)**	(22)
Effect of changes in tax rates	**15**	4	**-**	15
Income tax (over)/under provided in previous years	**(79)**	(65)	**(7)**	(72)
Non-deductible expense provision [2]	**210**	-	**98**	112
Other	**(34)**	24	**(13)**	(21)
Total income tax expense - "statutory basis"	**4,026**	3,879	**1,956**	2,070
Effective Tax Rate (%) - "statutory basis"	**30. 0**	28. 4	**30. 5**	29. 6

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Due to the $700 million relating to the AUSTRAC civil penalty which is non-deductible for tax purposes.

2) Our Lending Activities

Overview

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

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

2.1 Loans, Bills Discounted and Other Receivables

	As at		
	30 Jun 18 $M	31 Dec 17 $M	30 Jun 17 $M
Australia			
Overdrafts	**25,217**	25,575	24,385
Home loans (1) (3)	**451,367**	443,953	436,184
Credit card outstandings	**11,877**	12,215	12,073
Lease financing	**4,318**	4,500	4,302
Bills discounted (2)	**4,280**	5,830	7,486
Term loans and other lending	**147,028**	147,767	149,506
Total Australia	**644,087**	639,840	633,936
New Zealand			
Overdrafts	**1,123**	1,130	1,091
Home loans (1)	**49,425**	47,874	48,724
Credit card outstandings	**993**	1,006	960
Lease financing	**23**	25	28
Term loans and other lending	**27,303**	26,268	26,912
Total New Zealand	**78,867**	76,303	77,715
Other Overseas			
Overdrafts	**534**	468	454
Home loans (1)	**873**	861	949
Lease financing	**2**	4	8
Term loans and other lending	**23,666**	23,620	23,477
Total Other Overseas	**25,075**	24,953	24,888
Gross loans, bills discounted and other receivables	**748,029**	741,096	736,539
Less:			
Provisions for Loan Impairment:			
Collective provision	**(2,735)**	(2,749)	(2,722)
Individually assessed provisions	**(870)**	(974)	(971)
Unearned income:			
Term loans	**(692)**	(677)	(681)
Lease financing	**(367)**	(380)	(403)
	(4,664)	(4,780)	(4,777)
Net loans, bills discounted and other receivables	**743,365**	736,316	731,762

(1) Home loans balance includes residential mortgages that have been assigned to securitisation vehicles and covered bond trusts. Further detail on these residential mortgages is disclosed in Appendix 5.2.

(2) The Group measures bills discounted to be sold into the market at fair value and includes these within loans, bills discounted and other receivables to reflect the nature of the lending arrangement.

(3) These balances are presented gross of mortgage offset balances as required under accounting standards.

2.1 Loans, Bills Discounted and Other Receivables (continued)

Accounting Policy

Loans, bills discounted and other receivables are non-derivative financial assets, with fixed and determinable payments that are not quoted in an active market. Loans, bills discounted and other receivables include overdrafts, home loans, credit card and other personal lending, term loans, discounted bills and finance leases.

Loans and receivables are recognised on settlement date, when funding is advanced to the borrowers. The loans and receivables are initially recognised at their fair value plus directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method and are presented net of provisions for impairment. For the accounting policy for provisions for impairment, please refer to Appendix 2.2.

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

Finance leases, where the Group acts as lessor, are also included in Loans, Bills Discounted and Other Receivables. Finance leases are those where substantially all the risks and rewards of the lease asset have been transferred to the lessee. Lease receivables are recognised at an amount equal to the net investment in the lease. Finance lease income reflects a constant periodic return on this net investment and is recognised within interest income in the Income Statement.

Critical accounting judgments and estimates

When applying this effective interest method the Group has estimated the behavioural term of each loan portfolio by reference to historical prepayment rates and the contractual maturity.

2.2 Provisions for Impairment and Asset Quality

	As at 30 June 2018				
	Home Loans $M	Other Personal (1) $M	Asset Financing $M	Other Commercial Industrial $M	Total $M
Loans which were neither past due nor impaired					
Investment Grade	323,464	4,608	652	95,362	424,086
Pass Grade	156,698	15,407	7,859	109,263	289,227
Weak	8,455	4,045	243	3,713	16,456
Total loans which were neither past due nor impaired	488,617	24,060	8,754	208,338	729,769
Loans which were past due but not impaired					
Past due 1 - 29 days	5,930	755	159	1,438	8,282
Past due 30 - 59 days	1,932	224	42	206	2,404
Past due 60 - 89 days	1,068	140	12	101	1,321
Past due 90 - 179 days	1,455	14	4	155	1,628
Past due 180 days or more	1,318	9	-	261	1,588
Total loans past due but not impaired	11,703	1,142	217	2,161	15,223

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

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

2.2 Provisions for Impairment and Asset Quality (continued)

	Full Year Ended		Half Year Ended	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	31 Dec 17 $M
Movement in gross impaired assets				
Gross impaired assets - opening balance	**3,187**	3,116	**3,367**	3,187
New and increased	**2,136**	2,164	**882**	1,254
Balances written off	**(1,196)**	(1,225)	**(658)**	(538)
Returned to performing or repaid	**(1,666)**	(1,637)	**(799)**	(867)
Portfolio managed - new/increased/return to performing/repaid	**718**	769	**387**	331
Gross impaired assets - closing balance (1)	**3,179**	3,187	**3,179**	3,367

(1) Includes $3,037 million of loans and advances and $142 million of other financial assets (31 December 2017: $3,174 million of loans and advances and $193 million of other financial assets; 30 June 2017: $3,045 million of loans and advances and $142 million of other financial assets).

	As at	
	30 Jun 18 $M	30 Jun 17 $M
Impaired assets by size of asset		
Less than $1 million	**1,557**	1,452
$1 million to $10 million	**766**	926
Greater than $10 million	**856**	809
Gross impaired assets	**3,179**	3,187
Less total provisions for impaired assets (1)	**(1,068)**	(1,149)
Net impaired assets	**2,111**	2,038

(1) Includes $870 million of individually assessed provisions and $198 million of collective provisions (30 June 2017: $980 million of individually assessed provisions and $169 million of collective provisions).

2.2 Provisions for Impairment and Asset Quality (continued)

	Full Year Ended		Half Year Ended	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	31 Dec 17 $M
Provision for impairment losses				
Collective provision				
Opening balance	**2,747**	2,818	**2,772**	2,747
Net collective provision funding	**716**	617	**331**	385
Impairment losses written off	**(871)**	(894)	**(438)**	(433)
Impairment losses recovered	**201**	210	**97**	104
Other	**(30)**	(4)	**1**	(31)
Closing balance	**2,763**	2,747	**2,763**	2,772
Individually assessed provisions				
Opening balance	**980**	944	**978**	980
Net new and increased individual provisioning	**625**	670	**255**	370
Write-back of provisions no longer required	**(262)**	(192)	**(103)**	(159)
Discount unwind to interest income	**(25)**	(31)	**(11)**	(14)
Impairment losses written off	**(548)**	(454)	**(313)**	(235)
Other	**100**	43	**64**	36
Closing balance	**870**	980	**870**	978
Total provisions for impairment losses	**3,633**	3,727	**3,633**	3,750
Less: Provision for Off Balance Sheet exposures	**(28)**	(34)	**(28)**	(27)
Total provisions for loan impairment	**3,605**	3,693	**3,605**	3,723

	Full Year Ended		Half Year Ended	
	30 Jun 18 %	30 Jun 17 %	**30 Jun 18 %**	31 Dec 17 %
Provision ratios				
Total provisions for impaired assets as a % of gross impaired assets	**33. 60**	36. 05	**33. 60**	34. 45
Total provisions for impairment losses as a % of gross loans and acceptances	**0. 49**	0. 51	**0. 49**	0. 51

	Full Year Ended		Half Year Ended	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	31 Dec 17 $M
Loan impairment expense				
Net collective provisioning funding	**716**	617	**331**	385
Net new and increased individual provisioning	**625**	670	**255**	370
Write-back of individually assessed provisions	**(262)**	(192)	**(103)**	(159)
Total loan impairment expense	**1,079**	1,095	**483**	596

2.2 Provisions for Impairment and Asset Quality (continued)

Accounting Policy

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

Critical accounting judgements and estimates

Provisions for impairment of financial assets are raised to cover assessed credit related losses where there is objective evidence of impairment (where the Group does not expect to receive all of the cashflows contractually due). Financial assets are either individually or collectively assessed. Credit losses arise primarily from loans, but also from other credit instruments such as bank acceptances, contingent liabilities, guarantees and other financial instruments.

Individually Assessed Provisions

Individually assessed provisions are made against financial assets that are individually significant, or which have been individually assessed as impaired. The provisions are established based primarily on estimates of the realisable (fair) value of collateral taken and are measured as the difference between a financial asset's carrying amount and the present value of the expected future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. Short-term balances are not discounted.

Collective Provisions

Loans and receivables that do not have an individually assessed provision are assessed collectively for impairment. The collective provision is maintained to reduce the carrying amount of portfolios of similar loans and receivables to their estimated recoverable amounts at the Balance Sheet date. The evaluation process is subject to a series of estimates and judgements. In the risk rated segment, the risk rating system, including the frequency of default and loss given default rates, loss history, and the size, structure and diversity of individual borrowers are considered. Current developments in portfolios (industry, geographic and term) are reviewed. In the statistically managed (retail) segment, the history of defaults and losses, and the size, structure and diversity of portfolios are considered. Management also considers overall indicators of portfolio performance, quality and economic conditions. Changes in these estimates could have a direct impact on the level of provision determined.

Guarantees and other contingent liabilities are accounted for as off Balance Sheet items. Provisioning for these exposures is calculated under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'.

Loan assets under committed lending facilities are not recognised until the facilities are drawn upon. However, the Group has determined that it is appropriate to establish provisions in relation to such facilities where a customer has been downgraded. These provisions are disclosed as other liabilities in the Balance Sheet.

3) Our Deposits and Funding Activities

Overview

Stable and well diversified funding sources are critical to the Group's ability to fund its lending and investing activities, and support growing its business. Our main sources of funding include customer deposits, term funds raised in domestic and offshore wholesale markets via issuing debt securities and loan capital. The Group also uses repurchase agreements as a source of short-term wholesale funding. Refer to Note 9.4 of the 2018 Annual Report for the Group's management of liquidity and funding risk.

3.1 Deposits and Other Public Borrowings

	As at		
	30 Jun 18 $M	31 Dec 17 $M	30 Jun 17 $M
Australia			
Certificates of deposit	**31,405**	35,871	39,854
Term deposits	**149,924**	155,471	158,453
On-demand and short-term deposits	**300,607**	300,492	293,579
Deposits not bearing interest	**46,082**	43,929	41,787
Securities sold under agreements to repurchase	**14,696**	12,270	16,175
Total Australia	**542,714**	548,033	549,848
New Zealand			
Certificates of deposit	**2,339**	2,162	2,409
Term deposits	**29,580**	27,919	27,396
On-demand and short-term deposits	**20,629**	20,758	21,530
Deposits not bearing interest	**4,418**	4,244	3,847
Total New Zealand	**56,966**	55,083	55,182
Other Overseas			
Certificates of deposit	**6,170**	8,798	10,087
Term deposits	**14,316**	10,962	8,912
On-demand and short-term deposits	**2,011**	1,962	2,482
Deposits not bearing interest	**57**	59	49
Securities sold under agreements to repurchase	**-**	-	95
Total Other Overseas	**22,554**	21,781	21,625
Total deposits and other public borrowings	**622,234**	624,897	626,655

Accounting Policy

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

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

4) Our Capital, Equity and Reserves

Overview

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

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

4.1 Capital

The tables below show the APRA Basel III capital adequacy calculation at 30 June 2018 together with prior period comparatives.

Risk Weighted Capital Ratios	30 Jun 18 %	31 Dec 17 %	30 Jun 17 %
Common Equity Tier 1	**10. 1**	10. 4	10. 1
Tier 1	**12. 3**	12. 4	12. 1
Tier 2	**2. 7**	2. 4	2. 1
Total Capital	**15. 0**	14. 8	14. 2

	30 Jun 18 $M	31 Dec 17 $M	30 Jun 17 $M
Ordinary Share Capital and Treasury Shares			
Ordinary Share Capital	**37,270**	36,776	34,971
Treasury Shares (1)	**265**	226	295
Ordinary Share Capital and Treasury Shares	**37,535**	37,002	35,266
Reserves			
Reserves	**1,676**	1,494	1,869
Reserves related to non-consolidated subsidiaries (2)	**(80)**	(71)	(81)
Total Reserves	**1,596**	1,423	1,788
Retained Earnings and Current Period Profits			
Retained earnings and current period profits	**28,360**	27,267	26,274
Retained earnings adjustment from non-consolidated subsidiaries (3)	**(342)**	(411)	(537)
Net Retained Earnings	**28,018**	26,856	25,737
Non-controlling interests			
Non-controlling interests (4)	**554**	554	546
Less ASB perpetual preference shares	**(505)**	(505)	(505)
Less other non-controlling interests not eligible for inclusion in regulatory capital	**(49)**	(49)	(41)
Non-controlling interests	**-**	-	-
Common Equity Tier 1 Capital before regulatory adjustments	**67,149**	65,281	62,791

(1) Represents shares held by the Group's life insurance businesses ($85 million) and employee share scheme trusts ($180 million).

(2) Represents equity reserve balances associated with the insurance and funds management entities, and those entities through which securitisation of the Group's assets are conducted. These entities are classified as non-consolidated subsidiaries by APRA and are excluded from the Level 2 Regulatory Consolidated Banking Group.

(3) Cumulative current period profit and retained earnings adjustments for subsidiaries not consolidated for regulatory purposes.

(4) Non-controlling interests predominantly comprise ASB Perpetual Preference Shares of NZD505 million issued by a New Zealand subsidiary entity. These are non-redeemable and carry limited voting rights. These are classified as Additional Tier 1 Capital.

4.1 Capital (continued)

	30 Jun 18 $M	31 Dec 17 $M	30 Jun 17 $M
Common Equity Tier 1 regulatory adjustments			
Goodwill [1]	**(8,021)**	(8,051)	(7,620)
Other intangibles (including software) [2]	**(2,057)**	(2,212)	(2,144)
Capitalised costs and deferred fees	**(714)**	(652)	(707)
Defined benefit superannuation plan surplus [3]	**(407)**	(305)	(298)
General reserve for credit losses [4]	**(412)**	(388)	(412)
Deferred tax asset	**(1,911)**	(1,604)	(1,627)
Cash flow hedge reserve	**160**	151	107
Employee compensation reserve	**(145)**	(115)	(164)
Equity investments [5]	**(2,967)**	(2,683)	(2,626)
Equity investments in non-consolidated subsidiaries [6]	**(3,474)**	(2,999)	(2,673)
Shortfall of provisions to expected losses [7]	**(212)**	(99)	(218)
Gain due to changes in own credit risk on fair valued liabilities	**(116)**	(96)	(128)
Other	**(336)**	(286)	(122)
Common Equity Tier 1 regulatory adjustments	**(20,612)**	(19,339)	(18,632)
Common Equity Tier 1	**46,537**	45,942	44,159
Additional Tier 1 Capital			
Basel III complying instruments [8]	**9,455**	8,090	8,090
Basel III non-complying instruments net of transitional amortisation [9]	**640**	633	635
Holding of Additional Tier 1 Capital [10]	**(200)**	(200)	(200)
Additional Tier 1 Capital	**9,895**	8,523	8,525
Tier 1 Capital	**56,432**	54,465	52,684
Tier 2 Capital			
Basel III complying instruments [11]	**11,262**	9,255	7,744
Basel III non-complying instruments net of transitional amortisation [12]	**1,166**	1,213	1,495
Holding of Tier 2 Capital	**(25)**	(31)	(29)
Prudential general reserve for credit losses [13]	**176**	185	182
Total Tier 2 Capital	**12,579**	10,622	9,392
Total Capital	**69,011**	65,087	62,076

(1) Goodwill excludes $243 million which is included in equity investments in non-controlled subsidiaries. In addition, Goodwill also includes $1,323 million Goodwill from discontinued operations.
(2) Other intangibles (including capitalised software costs), net of any associated deferred tax liability. Other intangibles also includes $49 million other intangibles from discontinued operations.
(3) Represents the surplus in the Group's defined benefit superannuation fund, net of any deferred tax liability.
(4) Adjustment to ensure the Group has sufficient provisions and capital to cover credit losses estimated to arise over the full life of individual facilities, as required by APRA Prudential Standard APS 220.
(5) Represents the Group's non-controlling interest in other entities.
(6) Non-consolidated subsidiaries primarily represent the insurance and funds management companies operating in the Colonial Group. The Group's insurance and funds management operating entities held $1,161 million of capital in excess of minimal regulatory requirements at 30 June 2018.
(7) Regulatory Expected Loss (pre-tax) using stressed loss given default assumptions associated with the loan portfolio in excess of eligible credit provisions (pre-tax).
(8) As at 30 June 2018, comprises PERLS X $1.365 billion (April 2018), PERLS IX $1.64 billion (March 2017), PERLS VIII $1.45 billion (March 2016), PERLS VII $3 billion (October 2014) and PERLS VI $2 billion (October 2012).
(9) Represents APRA Basel III non-compliant Additional Tier 1 Capital Instruments that are eligible for Basel III transitional relief.
(10) Represents holdings of Additional Tier 1 capital instruments issued by the Colonial Mutual Life Assurance Society Limited.
(11) In the June 2018 full year, the Group issued USD 1.25 billion and EUR 1 billion subordinated notes that are Basel III compliant Tier 2 Capital.
(12) Includes both perpetual and term instruments subordinated to depositors and general creditors, having an original maturity of at least five years. APRA require these to be included as if they were unhedged. Term instruments are amortised 20% of the original amount during each of the last five years to maturity. These instruments are eligible for Basel III transitional relief.
(13) Represents the collective provision and general reserve for credit losses for exposures in the Group which are measured for capital purposes under the Standardised approach to credit risk.

4.1 Capital (continued)

Risk Weighted Assets	30 Jun 18 $M	31 Dec 17 $M	30 Jun 17 $M
Credit Risk			
Subject to AIRB approach [1]			
Corporate [2]	**68,479**	69,252	74,663
SME corporate [2]	**32,772**	33,521	33,067
SME retail	**4,709**	4,675	4,838
SME retail secured by residential mortgage	**2,458**	2,534	2,766
Sovereign	**2,509**	2,186	2,154
Bank	**11,097**	10,780	12,598
Residential mortgage	**139,203**	136,047	134,969
Qualifying revolving retail	**9,592**	8,524	9,414
Other retail	**15,750**	15,413	15,101
Total RWA subject to AIRB approach	**286,569**	282,932	289,570
Specialised lending exposures subject to slotting criteria	**55,893**	56,183	58,752
Subject to Standardised approach			
Corporate	**1,246**	1,250	1,202
SME corporate	**412**	279	510
SME retail	**5,856**	5,701	6,172
Sovereign	**222**	189	271
Bank	**79**	63	136
Residential mortgage	**5,627**	5,404	5,017
Other retail	**1,593**	2,717	2,925
Other assets	**5,241**	5,323	5,291
Total RWA subject to Standardised approach	**20,276**	20,926	21,524
Securitisation	**2,890**	1,622	1,584
Credit valuation adjustment [3]	**2,882**	4,498	4,958
Central counterparties	**1,018**	824	871
Total RWA for Credit Risk Exposures	**369,528**	366,985	377,259
Traded market risk	**8,255**	4,829	4,650
Interest rate risk in the banking book	**24,381**	27,944	21,404
Operational risk	**56,448**	41,078	33,750
Total risk weighted assets	**458,612**	440,836	437,063

(1) Pursuant to APRA requirements, RWA amounts derived from AIRB risk weight functions have been multiplied by a scaling factor of 1.06.
(2) Reclassification from AIRB SME Corporate (decrease $1,328 million) to AIRB Corporate (increase $1,879 million) due to changes in regulatory treatments.
(3) Adjustment in maturity treatments resulted in $1,050 million reduction.

4.2 Shareholders' Equity

	Full Year Ended		Half Year Ended	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	31 Dec 17 $M
Ordinary Share Capital				
Shares on issue:				
Opening balance	**35,266**	34,129	**37,002**	35,266
Issue of shares (net of issue costs) (1)	**164**	(6)	**-**	164
Dividend reinvestment plan (net of issue costs) (2)	**2,105**	1,143	**533**	1,572
	37,535	35,266	**37,535**	37,002
Less treasury shares:				
Opening balance	**(295)**	(284)	**(226)**	(295)
Purchase of treasury shares (3)	**(95)**	(92)	**(83)**	(12)
Sale and vesting of treasury shares (3)	**125**	81	**44**	81
	(265)	(295)	**(265)**	(226)
Closing balance	**37,270**	34,971	**37,270**	36,776
Retained Profits				
Opening balance (4)	**26,274**	23,379	**27,267**	26,274
Actuarial gains from defined benefit superannuation plans	**161**	175	**117**	44
Losses on liabilities at fair value due to changes in own credit risk	**(2)**	(3)	**(1)**	(1)
Realised gains and dividend income on treasury shares	**16**	26	**4**	12
Operating profit attributable to Equity holders of the Bank	**9,329**	9,928	**4,423**	4,906
Total available for appropriation	**35,778**	33,505	**31,810**	31,235
Transfers from general reserve	**47**	33	**42**	5
Transfers from asset revaluation reserve	**19**	(27)	**13**	6
Interim dividend - cash component	**(2,969)**	(2,871)	**(2,969)**	-
Interim dividend - dividend reinvestment plan (2)	**(536)**	(558)	**(536)**	-
Final dividend - cash component	**(2,406)**	(3,222)	**-**	(2,406)
Final dividend - dividend reinvestment plan (2)	**(1,573)**	(586)	**-**	(1,573)
Closing balance	**28,360**	26,274	**28,360**	27,267

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

(2) The determined dividend includes an amount attributable to the dividend reinvestment plan of $536 million (interim 2017/2018), $1,573 million (final 2016/2017), $558 million (interim 2016/2017) and $586 million (final 2015/2016). The value of shares issued under plans rules net of issue costs for the respective periods was $533 million, $1,572 million, $557 million and $586 million.

(3) Relates to the movements in treasury shares held within life insurance statutory funds and the employee share scheme trust.

(4) Comparative information has been restated to reflect the change in accounting policy to recognise deferred tax on Brand names with indefinite useful lives acquired by the Group detailed in Note 1.1 in the 2018 Annual Report.

4.2 Shareholders' Equity (continued)

	Full Year Ended		Half Year Ended	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	31 Dec 17 $M
Reserves				
General Reserve				
Opening balance	**906**	939	**901**	906
Appropriation to retained profits	**(47)**	(33)	**(42)**	(5)
Closing balance	**859**	906	**859**	901
Asset Revaluation Reserve				
Opening balance	**223**	173	**217**	223
Revaluation of properties	**35**	32	**35**	-
Transfer to retained profits	**(19)**	27	**(13)**	(6)
Income tax effect	**(4)**	(9)	**(4)**	-
Closing balance	**235**	223	**235**	217
Foreign Currency Translation Reserve				
Opening balance	**457**	739	**222**	457
Currency translation adjustments of foreign operations	**(9)**	(315)	**238**	(247)
Currency translation on net investment hedge	**15**	14	**(2)**	17
Income tax effect	**(15)**	19	**(10)**	(5)
Closing balance	**448**	457	**448**	222
Cash Flow Hedge Reserve				
Opening balance	**(107)**	473	**(151)**	(107)
Gains and losses on cash flow hedging instruments:				
Recognised in other comprehensive income	**(260)**	(1,282)	**(18)**	(242)
Transferred to Income Statement:				
Interest income	**(960)**	(1,241)	**(466)**	(494)
Interest expense	**1,160**	1,684	**485**	675
Income tax effect	**7**	259	**(10)**	17
Closing balance	**(160)**	(107)	**(160)**	(151)
Employee Compensation Reserve				
Opening balance	**164**	132	**115**	164
Current period movement	**(19)**	32	**30**	(49)
Closing balance	**145**	164	**145**	115
Available-for-sale Investments Reserve				
Opening balance	**226**	278	**190**	226
Net gains and (losses) on revaluation of available-for-sale investments	**(185)**	414	**(116)**	(69)
Net (gains) and losses on available-for-sale investments transferred to Income Statement on disposal	**87**	(464)	**67**	20
Income tax effect	**21**	(2)	**8**	13
Closing balance	**149**	226	**149**	190
Total Reserves	**1,676**	1,869	**1,676**	1,494
Shareholders' Equity attributable to Equity holders of the Bank (1)	**67,306**	63,114	**67,306**	65,537
Shareholders' Equity attributable to Non-controlling interests	**554**	546	**554**	554
Total Shareholders' Equity (1)	**67,860**	63,660	**67,860**	66,091

(1) Comparative information has been restated to reflect the change in accounting policy to recognise deferred tax on Brand names with indefinite useful lives acquired by the Group detailed in Note 1.1 in the 2018 Annual Report.

4.2 Shareholders’ Equity (continued)

Accounting Policy

Shareholder’s equity includes ordinary share capital, retained profits and reserves. Policies for each component are set out below:

Ordinary Share Capital:

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

Retained Profits:

Retained profits includes the accumulated profits for the Group including certain amounts recognised directly in retained profits less dividends paid.

Reserves:

General Reserve

The general reserve is derived from revenue profits and is available for dividend payments except for undistributable profits in respect of the group’s life insurance business.

Capital Reserve

The capital reserve held by the Bank relates to historic internal Group restructuring performed at fair value. The capital reserve is eliminated on consolidation.

Asset Revaluation Reserve

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

Foreign Currency Translation Reserve

Exchange differences arising on translation of the Group’s foreign operations are accumulated in the foreign currency translation reserve. The cumulative amount is reclassified to profit or loss when the foreign investment is disposed of or wound up.

Cash Flow Hedge Reserve

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

Employee Compensation Reserve

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

Available-for-Sale Investment Reserve

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

Appendices

4.3 Share Capital

Shares on Issue	Full Year Ended 30 Jun 18 Number	 30 Jun 17 Number	Half Year Ended 30 Jun 18 Number	 31 Dec 17 Number
Opening balance (excluding Treasury Shares deduction)	**1,729,868,161**	1,715,142,177	**1,752,728,198**	1,729,868,161
Issue of shares (1)	**2,087,604**	-	**-**	2,087,604
Dividend reinvestment plan issues:				
2015/2016 Final dividend fully paid ordinary shares $72.95	**-**	8,036,332	**-**	-
2016/2017 Interim dividend fully paid ordinary shares $83.21	**-**	6,689,652	**-**	-
2016/2017 Final dividend fully paid ordinary shares $75.73	**20,772,433**	-	**-**	20,772,433
2017/2018 Interim dividend fully paid ordinary shares $75.38	**7,114,732**	-	**7,114,732**	-
Closing balance (excluding Treasury Shares deduction)	**1,759,842,930**	1,729,868,161	**1,759,842,930**	1,752,728,198
Less: Treasury Shares (2)	**(3,225,310)**	(3,854,763)	**(3,225,310)**	(2,841,980)
Closing balance	**1,756,617,620**	1,726,013,398	**1,756,617,620**	1,749,886,218

(2) During the period the number of shares issued relates to the acquisition of the remaining 20% interest in AHL Holdings Pty Limited.
(3) Relates to Treasury shares held within the life insurance statutory funds and the employee share scheme trust.

Dividend Franking Account

After fully franking the final dividend to be paid for the full year, the amount of credits available at the 30% tax rate as at 30 June 2018 to frank dividends for subsequent financial years is $1,464 million (December 2017: $1,242 million June 2017: $1,067 million). This figure is based on the franking accounts of the Bank at 30 June 2018, adjusted for franking credits that will arise from the payment of income tax payable on profits for the year, franking debits that will arise from the payment of dividends proposed, and franking credits that the Bank may be prevented from distributing in subsequent financial periods.

The Bank expects that future tax payments will generate sufficient franking credits for the Bank to be able to continue to fully frank future dividend payments. These calculations have been based on the taxation law as at 30 June 2018.

Dividends

The Directors have declared a fully franked final dividend of 231 cents per share amounting to $4,065 million. There is no foreign conduit income attributed to the final dividend. The dividend will be payable on 28 September 2018 to shareholders on the register at 5:00pm AEST on 16 August 2018.

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

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

Dividend Reinvestment Plan

The Group has a Dividend Reinvestment Plan (DRP) that is available to shareholders in Australia and certain other jurisdictions. Shareholders can elect to participate to acquire fully paid ordinary shares instead of receiving a cash dividend payment. The DRP generally allocates shares for the equivalent dividend based on the average of the daily volume weighted average price of all shares sold during the ten trading days commencing on the second trading day following the relevant record date. Shares issued under DRP rank equally with ordinary shares on issue. The DRP participation rate for the distribution for the half year ended 31 December 2017 (based on issued capital) was 15.3% with no discount applied. For the full year ended 30 June 2017 it was 39.5% with a 1.5% discount, and 16.3% for the half year ended 31 December 2016 with no discount applied.

Record Date

The register closes for determination of dividend entitlement at 5:00pm AEST on 16 August 2018. The deadline for notifying participation in the DRP is 5:00pm AEST on 17 August 2018.

Ex-Dividend Date

The ex-dividend date is 15 August 2018.

Appendices

5) Risk Management

Overview

The Group faces a number of risks arising from its business operations and the assets and liabilities it holds. The management and mitigation of these risks varies depending on risk type and is covered more broadly by the Group's Risk Management framework, governance, culture, policies and procedures, and infrastructure. The Group's key risk types are credit, market, liquidity, funding, operational, and compliance which cover a significant proportion of total risk faced by the Group.

5.1 Integrated Risk Management (Excludes Insurance and Funds Management)

The Group's approach to risk management is described in the Notes to the Financial Statements in the 30 June 2018 Annual Report. Further disclosures in respect of capital adequacy and risk are provided in the Group's annual Pillar 3 document.

Credit Risk

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

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

	As at		
By Industry (1)	**30 Jun 18 %**	31 Dec 17 %	30 Jun 17 %
Agriculture, forestry and fishing	**2. 0**	2. 0	2. 0
Banks	**5. 5**	5. 2	6. 1
Business services	**1. 2**	1. 3	1. 3
Construction	**0. 7**	0. 8	0. 7
Consumer	**57. 4**	56. 6	55. 4
Culture and recreational services	**0. 6**	0. 7	0. 7
Energy	**1. 0**	1. 1	1. 1
Finance - Other	**5. 2**	5. 1	5. 0
Health and community service	**0. 9**	0. 9	0. 8
Manufacturing	**1. 4**	1. 4	1. 6
Mining	**1. 3**	1. 3	1. 4
Property	**6. 2**	6. 3	6. 4
Retail trade and wholesale trade	**2. 0**	2. 1	2. 2
Sovereign	**9. 3**	9. 7	9. 7
Transport and storage	**1. 4**	1. 5	1. 6
Other	**3. 9**	4. 0	4. 0
	100. 0	100. 0	100. 0

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

5.1 Integrated Risk Management (Excludes Insurance and Funds Management) (continued)

By Region (1)	30 Jun 18 %	31 Dec 17 %	30 Jun 17 %
	As at		
Australia	**77. 6**	77. 7	76. 9
New Zealand	**10. 0**	9. 9	9. 7
Europe	**4. 7**	4. 9	5. 5
Americas	**4. 6**	4. 2	4. 2
Asia	**2. 9**	3. 1	3. 5
Other	**0. 2**	0. 2	0. 2
	100. 0	100. 0	100. 0

Commercial Portfolio Quality (1)	30 Jun 18 %	31 Dec 17 %	30 Jun 17 %
	As at		
AAA/AA	**32. 7**	32. 7	32. 8
A	**17. 5**	16. 7	17. 4
BBB	**17. 7**	18. 6	19. 0
Other	**32. 1**	32. 0	30. 8
	100. 0	100. 0	100. 0

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

As a measure of individually risk-rated commercial portfolio exposure (including finance and insurance), the Group has 67.9% (December 2017: 68.0%; June 2017: 69.2%) of commercial exposures at investment grade quality.

5.1 Integrated Risk Management (Excludes Insurance and Funds Management) (continued)

Market Risk

Market risk in the Balance Sheet is discussed within Note 9.3 of the 2018 Annual Report.

Value at Risk (VaR)

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

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

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

	Average VaR			
Traded Market Risk [1]	**30 Jun 18 $M**	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M
Risk Type				
Interest rate risk [2]	**11. 8**	5. 2	6. 0	12. 0
Foreign exchange risk	**2. 7**	1. 5	1. 3	2. 3
Equities risk	**0. 1**	0. 3	0. 4	0. 6
Commodities risk	**3. 3**	3. 0	3. 2	2. 7
Credit spread risk	**1. 8**	2. 2	3. 0	3. 6
Diversification benefit	**(8. 9)**	(6. 3)	(7. 7)	(11. 1)
Total general market risk	**10. 8**	5. 9	6. 2	10. 1
Undiversified risk	**2. 5**	2. 5	2. 2	2. 2
ASB	**0. 2**	0. 3	0. 2	0. 2
Total	**13. 5**	8. 7	8. 6	12. 5

(1) Average VaR is at 1 day 97.5% confidence, and is calculated for each six month period.
(2) The increase in traded market risk VaR was mainly driven by a conservative measurement approach for some interest rate products. The measurement approach is under review.

	Average VaR [1]			
Non-Traded VaR in Australian Life Insurance Business (20 day 97.5% confidence)	**30 Jun 18 $M**	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M
Shareholder funds [2]	**0. 9**	1. 2	1. 3	1. 3
Guarantees (to Policyholders) [3]	**23. 9**	23. 2	23. 1	21. 6

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

Non-Traded Equity

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

	As at			
Non-Traded Equity Risk VaR (20 day 97.5% confidence)	**30 Jun 18 $M**	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M
VaR	**21. 2**	22. 7	26. 0	26. 9

5.1 Integrated Risk Management (Excludes Insurance and Funds Management) (continued)

Interest Rate Risk in the Banking Book

Interest Rate Risk in the Banking Book is discussed within Note 9.3 of the 2018 Annual Report.

(a) Next 12 Months' Earnings

The potential unfavourable change to the Group's net interest earnings based on 100 basis point parallel rate shock is as follows:

Net Interest Earnings at Risk (2)		30 Jun 18 (1) $M	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M
Average monthly exposure	AUD	**208. 4**	249. 9	284. 6	284. 9
	NZD	**8. 9**	37. 7	23. 0	27. 9
High month exposure	AUD	**257. 3**	311. 5	352. 3	309. 7
	NZD	**18. 1**	44. 3	31. 9	33. 5
Low month exposure	AUD	**120. 2**	152. 3	248. 9	260. 7
	NZD	**4. 3**	31. 2	17. 4	21. 4

(1) Exposures over a 6 month period. NZD exposures are presented in NZD.
(2) Net interest earnings at risk for NZD decreased during the period due to an update to products classified as sensitive to interest rate changes.

(b) Economic Value

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

	Average VaR (1)			
Non-Traded Interest Rate Risk (20 day 97.5% confidence)	**30 Jun 18 $M**	31 Dec 17 $M	30 Jun 17 $M	31 Dec 16 $M
AUD Interest rate risk (2)	**169. 6**	215. 8	252. 4	263. 4
NZD Interest rate risk (3)	**2. 6**	4. 0	4. 4	4. 7

(1) Exposures over a 6 month period. NZD exposures are presented in NZD.
(2) The scope of the internal model for AUD Non-Traded Interest Rate Risk has been broadened to include a measurement of the risk of the change in spreads between swap rates and bond yields for Debt Securities held in the Banking Book. Prior periods have been restated to reflect this change in scope. NZD numbers remain unchanged.
(3) Relates specifically to ASB data as at month end.

5.1 Integrated Risk Management (Excludes Insurance and Funds Management) (continued)

Funding Sources

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

	As at				
	30 Jun 18 $M	31 Dec 17 $M	30 Jun 17 $M	Jun 18 vs Dec 17 %	Jun 18 vs Jun 17 %
Transaction deposits	**109,181**	106,407	98,884	3	10
Savings deposits	**187,587**	189,709	191,245	(1)	(2)
Investment deposits	**216,852**	219,251	220,530	(1)	(2)
Other customer deposits (1)	**56,226**	52,933	50,259	6	12
Total customer deposits	**569,846**	568,300	560,918	-	2
Wholesale funding					
Short-term					
Certificates of deposit (2)	**34,612**	39,774	43,584	(13)	(21)
Euro commercial paper programme	**211**	200	536	6	(61)
US commercial paper programme	**26,792**	30,888	28,652	(13)	(6)
Euro medium-term note programme	**5,088**	3,866	10,320	32	(51)
Central Bank deposits	**14,672**	16,721	21,125	(12)	(31)
Other (3)	**3,985**	4,449	2,598	(10)	53
Total short-term wholesale funding	**85,360**	95,898	106,815	(11)	(20)
Net collateral received	**823**	1,397	974	(41)	(16)
Internal RMBS sold under agreement to repurchase with RBA	**5,370**	5,317	5,161	1	4
Total short-term collateral deposits	**6,193**	6,714	6,135	(8)	1
Total long-term wholesale funding - less than or equal to one year residual maturity (4)	**33,564**	29,182	25,330	15	33
Long-term - greater than one year residual maturity					
Domestic debt program	**18,560**	18,939	18,666	(2)	(1)
Euro medium-term note programme	**25,522**	25,458	25,770	-	(1)
US medium-term note programme (5)	**33,044**	30,397	28,472	9	16
Covered bond programme	**25,741**	25,127	26,572	2	(3)
Securitisation	**10,795**	11,385	10,725	(5)	1
Loan capital	**20,344**	17,439	18,040	17	13
Other	**3,130**	2,810	3,705	11	(16)
Total long-term wholesale funding - greater than one year residual maturity	**137,136**	131,555	131,950	4	4
IFRS MTM and derivative FX revaluations	**(165)**	646	1,150	large	large
Total funding	**831,934**	832,295	832,298	-	-
Reported as					
Deposits and other public borrowings	**622,234**	624,897	626,655	-	(1)
Payables due to other financial institutions	**20,899**	24,466	28,432	(15)	(26)
Liabilities at fair value through Income Statement	**10,247**	9,350	10,392	10	(1)
Bank acceptances	**379**	222	463	71	(18)
Debt issues	**172,294**	166,510	167,571	3	3
Loan capital	**22,992**	20,184	18,726	14	23
Loans and other receivables - collateral posted	**(1,599)**	(1,356)	(968)	18	65
Receivables due from other financial institutions - collateral posted	**(4,462)**	(3,293)	(5,338)	35	(16)
Securities purchased under agreements to resell	**(11,050)**	(8,685)	(13,635)	27	(19)
Total funding	**831,934**	832,295	832,298	-	-

(1) Other customer deposits primarily consist of non-interest bearing deposits and deposits held at fair value through the Income Statement.
(2) Includes Bank acceptances.
(3) Includes net securities sold under agreement to repurchase and purchased under agreement to resell and interbank borrowings.
(4) Residual maturity of long-term wholesale funding (included in Debt issues and Loan capital) is the earlier of the next call date or final maturity.
(5) Includes notes issued under the Bank's 3(a)(2) program.

5.1 Integrated Risk Management (Excludes Insurance and Funds Management) (continued)

Liquidity and Funding Policies and Management

The Bank recognises the critical nature of managing liquidity and funding risks to be able to meet financial obligations as they fall due in all market conditions.

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

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

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

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

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

The Bank's key liquidity risk management measures include:

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

The Bank's funding sources include:

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

5.2 Counterparty and Other Credit Risk Exposures

Securitisation Vehicles

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

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

Asset-backed Securities

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

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

Special Purpose Vehicles

The Bank invests in or establishes SPVs in the ordinary course of business, primarily to provide funding and financial services for its customers. These SPVs are consolidated in the Financial Statements whenever they meet the criteria of control as outlined in Note 4.4 to the Financial Statements of the 2018 Annual Report. The definition of control depends upon substance rather than form and accordingly, determination of the existence of control involves management judgement. The Bank assesses, at inception and periodically, whether an SPV should be consolidated based on the power the Bank has over relevant activities of the entity, and the significance of the Bank's exposure to variable returns of the structured entity.

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

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

Other Exposures

Leveraged Finance

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

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

Hedge Funds

There were no material movements in exposures to hedge funds since 30 June 2017 and these exposures are not considered to be material.

Collateralised Debt Obligations (CDOs) and Credit Linked Notes

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

5.2 Counterparty and Other Credit Risk Exposures (continued)

Securitisation and Covered Bond Vehicles

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

	Covered Bonds		Securitisation	
	30 Jun 18 $M	30 Jun 17 $M	30 Jun 18 $M	30 Jun 17 $M
Carrying amount of transferred assets	37,012	31,796	14,661	15,108
Carrying amount of associated liabilities	32,758	28,984	13,089	13,771
Net position	4,254	2,812	1,572	1,337

Asset-backed Securities

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

	Carrying Amount	
Summary of Asset-backed Securities	30 Jun 18 $M	30 Jun 17 $M
Commercial mortgage-backed securities	108	76
Residential mortgage-backed securities	7,251	6,830
Other asset-backed securities	545	624
Total	7,904	7,530

Asset-backed Securities by Underlying Asset

	Trading Portfolio		AFS Portfolio [1]		Other		Total	
	30 Jun 18 $M	30 Jun 17 $M	30 Jun 18 $M	30 Jun 17 $M	30 Jun 18 $M	30 Jun 17 $M	30 Jun 18 $M	30 Jun 17 $M
Sub-prime	-	-	-	-	-	-	-	-
Non-conforming	-	-	337	351	-	-	337	351
Prime mortgages	22	10	6,892	6,469	-	-	6,914	6,479
Consumer receivables	-	-	-	-	-	-	-	-
Other assets	-	-	653	700	-	-	653	700
Total	22	10	7,882	7,520	-	-	7,904	7,530

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

Asset-backed Securities by Credit Rating and Geography

	AAA & AA		A		BBB		BB and below including not rated		Total	
	30 Jun 18 $M	30 Jun 17 $M	30 Jun 18 $M	30 Jun 17 $M	30 Jun 18 $M	30 Jun 17 $M	30 Jun 18 $M	30 Jun 17 $M	30 Jun 18 $M	30 Jun 17 $M
Australia	7,889	7,484	-	1	3	3	12	13	7,904	7,501
UK	-	-	-	29	-	-	-	-	-	29
Total	7,889	7,484	-	30	3	3	12	13	7,904	7,530

5.2 Counterparty and Other Credit Risk Exposures (continued)

Warehousing Financing Facilities	Funded Commitments 30 Jun 18 $M	Funded Commitments 30 Jun 17 $M	Unfunded Commitments 30 Jun 18 $M	Unfunded Commitments 30 Jun 17 $M	Total 30 Jun 18 $M	Total 30 Jun 17 $M
Australia	**3,986**	3,544	**2,358**	1,696	**6,344**	5,240
New Zealand	**476**	387	**75**	1,147	**551**	1,534
UK	**178**	232	**69**	71	**247**	303
Total	**4,640**	4,163	**2,502**	2,914	**7,142**	7,077

6) Other Information

6.1 CommInsure and Sovereign Sources of Profit

Sources of Profit from CommInsure	Full Year Ended 30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	Half Year Ended 30 Jun 18 $M	31 Dec 17 $M	Jun 18 vs Dec 17 %
General insurance operating margins	**97**	56	73	**54**	43	26
Investment experience after tax	**5**	6	(17)	**2**	3	(33)
Cash net profit after tax	**102**	62	65	**56**	46	22

Life Insurance Business Discontinued Operations

Sources of Profit from CommInsure Life Business (discontinued operations)	Full Year Ended 30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	Half Year Ended 30 Jun 18 $M	31 Dec 17 $M	Jun 18 vs Dec 17 %
Life insurance operating margins:						
Planned profit margins	**147**	164	(10)	**67**	80	(16)
Experience variations	**(94)**	(137)	(31)	**(54)**	(40)	35
Funds management operating margins	**59**	73	(19)	**32**	27	19
Operating margins	**112**	100	12	**45**	67	(33)
Investment experience after tax	**48**	34	41	**21**	27	(22)
Non-controlling interests	**-**	(4)	large	**-**	-	-
Cash net profit after tax	**160**	130	23	**66**	94	(30)

Sources of Profit from Sovereign	Full Year Ended 30 Jun 18 NZ$M	30 Jun 17 NZ$M	Jun 18 vs Jun 17 %	Half Year Ended 30 Jun 18 NZ$M	31 Dec 17 NZ$M	Jun 18 vs Dec 17 %
Planned profit margins	**89**	92	(3)	**44**	45	(2)
Experience variations	**9**	13	(31)	**8**	1	large
Operating margins	**98**	105	(7)	**52**	46	13
Investment experience after tax	**8**	(3)	large	**1**	7	(86)
Cash net profit after tax	**106**	102	4	**53**	53	-

6.2 Intangible Assets (continuing operations basis)

	As at		
	30 Jun 18 $M	31 Dec 17 $M	30 Jun 17 $M
Goodwill			
Purchased goodwill at cost	**6,941**	6,868	7,872
Closing balance	**6,941**	6,868	7,872
Computer Software Costs			
Cost	**4,633**	4,438	4,329
Accumulated amortisation	**(2,814)**	(2,542)	(2,395)
Closing balance	**1,819**	1,896	1,934
Brand Names (1)			
Cost	**206**	206	190
Accumulated amortisation	**(1)**	(1)	(1)
Closing balance	**205**	205	189
Other Intangibles (2)			
Cost	**195**	195	154
Accumulated amortisation	**(137)**	(126)	(125)
Closing balance	**58**	69	29
Total Intangible assets	**9,023**	9,038	10,024

(1) Brand names predominantly represent the value of royalty costs foregone by the Bank through acquiring the Bankwest brand name. The royalty costs that would have been incurred by an entity using the Bankwest brand name are based on an annual percentage of income generated by Bankwest. The Bankwest brand name has an indefinite useful life as there is no foreseeable limit to the period over which the brand name is expected to generate cash flows. It is not subject to amortisation, but is subject to annual impairment testing. No impairment was required as a result of this test. The balance also includes the Aussie brand name ($16 million) which has an indefinite useful life and Count Financial brand name ($4 million) that is amortised over the estimated useful life of 20 years.

(2) Other intangibles include the value of customer and credit card relationships acquired from Bankwest, Aussie and Count Financial franchise relationships. This value represents future net income generated from the relationships that existed at Balance Sheet date. The assets have a useful life of between 6 and 10 years based on the attrition rates of customers.

6.3 ASX Appendix 4E

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

As at 30 June 2018	Ownership Interest Held (%)
Aegis Correctional Partnership Pty Limited	50%
Aegis Correctional Partnership Trust	50%
Aegis Securitisation Nominees Pty Limited	50%
Aegis Securitisation Trust	50%
equigroup Holdings Pty Limited	50%
First State Cinda Fund Management Co., Ltd.	46%
BoCommLife Insurance Company Limited	38%
Countplus Limited	36%
Digital Wallet Pty Ltd	33%
BPAY Group Limited	25%
Paymark Limited	25%
Vietnam International Commercial Joint Stock Bank	20%
Payments NZ Limited	19%
Silicon Quantum Computing Investment	19%
Qilu Bank Co., Ltd.	18%
Bank of Hangzhou Co., Ltd.	18%
Property Exchange Australia Limited	13%
First State European Diversified Infrastructure Fund FCP-SIF	3%
First State European Diversified Infrastructure Fund II	3%

6.3 ASX Appendix 4E (continued)

Details of entities over which control was gained and lost during the period (Rule 4.3A Item No. 10)

The Group has gained control over AHL Holdings Pty Limited on 25 August 2017 and eChoice on 23 February 2018.

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

The Bank expects the DRP for the final dividend for the year ended 30 June 2018 will be satisfied by the issue of shares of approximately $622 million.

Completion of sale of New Zealand Life Insurance Business (Sovereign)

During the 2018 financial year the Group announced the sale of 100% of its life insurance businesses in Australia ("CommInsure Life") and New Zealand ("Sovereign") to AIA Group Limited ("AIA") for $3.8 billion.

The sale agreement includes a 20-year partnership with AIA for the provision of life insurance products to customers in Australia and New Zealand. The sale of Sovereign completed on 2 July 2018, resulting in a total post tax gain of $102 million (inclusive of separation costs and subject to final tax calculations and purchase price adjustments).

Sale of Commonwealth Bank of South Africa (Holding Company) Limited ("TymeDigital")

The CBA Board has approved the sale of Commonwealth Bank of South Africa (Holding Company) Limited ("TymeDigital") to the minority shareholder, African Rainbow Capital. The sale is subject to regulatory approval and potential sale price adjustments. As a result, the financial effect of the sale currently cannot be reliably estimated, however it is not expected to have a material impact on the Group's results.

The Directors are not aware of any other matter or circumstance that has occurred since the end of the financial year that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Litigation, investigations and reviews

Litigation

The Group is party to legal proceedings and the subject of investigations and reviews, these include the matters outlined below as at 30 June 2018.

AUSTRAC Civil Proceedings

On 3 August 2017, the Australian Transaction Reports and Analysis Centre (AUSTRAC) commenced civil penalty proceedings in the Federal Court of Australia against CBA. The AUSTRAC statement of claim alleged past and ongoing contraventions of four provisions of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (AML/CTF Act).

On 4 June 2018 CBA announced that it had entered into an agreement with AUSTRAC to resolve the civil proceedings. The agreement followed the Court-ordered mediation between CBA and AUSTRAC. As part of the agreement:

- CBA agreed to pay a civil penalty of $700 million together with AUSTRAC's legal costs.
- AUSTRAC's civil proceedings otherwise be dismissed.

The proposed settlement was approved on 20 June 2018 by the Federal Court. Accordingly, CBA recognised a $700 million expense during the year.

CBA is committed to build on the significant changes made in recent years as part of a comprehensive program to improve operational risk management and compliance at the bank. CBA continues to make significant investment in AML/CTF compliance, including upgrading and enhancing its AML/CTF technology, updating its process documentation, investing in further resourcing and strengthening training of its personnel.

CBA has acted to strengthen financial crime capabilities, and has invested significantly recognising the crucial role that it plays, including through its Program of Action with coverage across all aspects of financial crime (including AML/CTF, sanctions and anti-bribery and corruption) and all business units.

The Program of Action is uplifting the Bank's processes for monitoring, managing, reporting and controlling financial crime across all of its operations, including how the Bank engages with and informs AUSTRAC and other regulators, and the operating model of the Bank which relates specifically to financial crime to ensure increased confidence in managing this area of risk.

The Group has provided for certain costs of running the Program of Action.

ASIC's investigation

On 11 August 2017, following the commencement of the civil proceedings against CBA by AUSTRAC, ASIC confirmed it would investigate the Group's disclosure in respect of the allegations raised in connection with the AUSTRAC proceedings. ASIC is investigating, among other things, whether the officers and Directors at CBA complied with their continuous disclosure obligations under the Corporations Act 2001 (Cth). CBA continues to engage with ASIC in respect of the investigation and respond to requests made by ASIC. It is currently not possible to predict the ultimate outcome of this investigation, if any, on the Group. The Group has provided for the legal costs expected to be incurred in relation to this investigation.

6.3 ASX Appendix 4E (continued)

Litigation, investigations and reviews

Litigation

Shareholder Class Actions

In October 2017 CBA was served with a shareholder class action proceeding filed in the Federal Court of Australia alleging breaches of CBA's continuous disclosure obligations and misleading and deceptive conduct in relation to the subject matter of the AUSTRAC civil proceedings. It is alleged that CBA shareholders who acquired an interest in CBA shares between 1 July 2015 and 3 August 2017 suffered loss caused by the alleged conduct. In July 2018 a similar second shareholder class action in relation to the subject matter of the AUSTRAC civil proceedings was served on CBA on behalf of certain CBA shareholders who acquired an interest in CBA shares between 16 June 2014 and 3 August 2017. It is currently not possible to determine the ultimate impact of these claims, if any, on the Group. The Group denies the allegations and intends to vigorously defend both claims. The Group has provided for legal costs expected to be incurred to defend these claims.

ASIC Bank Bill Swap Rate

On 30 January 2018, as part of the industry wide review into the trading activities of participants in the bank bill market, ASIC filed a claim against CBA alleging that on six occasions between 31 January 2012 and 31 October 2012, CBA's bills traders had engaged in market manipulation and unconscionable conduct. On 9 May 2018, CBA and ASIC agreed to settle the proceedings. The terms of settlement included an admission by CBA that its traders had attempted to engage in unconscionable conduct on 5 occasions in 2012 and that CBA's systems, training, policies and controls were inadequate to prevent the conduct from occurring. CBA agreed to a civil penalty of $5 million (which required the approval of the Federal Court) and to pay ASIC's costs of the investigation and legal costs in a combined amount of $5 million, and to make a community benefit payment of $15 million to Financial Literacy Australia. The agreed settlement was approved on 21 June 2018 by the Federal Court. CBA has also entered into an Enforceable Undertaking with ASIC to ensure that CBA's systems, training, policies and controls are strengthened to prevent a recurrence of the conduct. The Group recognised an expense during the year for the settlement.

Investigations and reviews

APRA's Prudential Inquiry into CBA

On 28 August 2017, APRA announced it would establish an independent prudential inquiry (the "Inquiry") into the Group with the goal of identifying shortcomings in the governance, culture and accountability frameworks. The Inquiry considered, amongst other things, whether the Group's organisational structure, governance, financial objectives, remuneration and accountability frameworks conflicted with sound risk management and compliance outcomes. A Panel was appointed on 8 September 2017 to conduct the Inquiry, comprising of Dr John Laker AO, Jillian Broadbent AO and Professor Graeme Samuel AC (the "Panel").

The Panel published a progress report on 1 February 2018 and its final report on 1 May 2018 ("Final Report"). The Final Report makes a number of findings regarding the complex interplay of organisational and cultural factors within the Group and the need for enhanced management of non-financial risks. In response to the Final Report, the Group has acknowledged that it will implement all of the recommendations and has agreed to adjust its minimum operational risk capital requirements by an additional $1 billion (risk weighted assets $12.5 billion) until such time as the recommendations are implemented to APRA's satisfaction.

CBA has entered into an Enforceable Undertaking under which CBA's remedial action in response to the Final Report would be agreed and monitored regularly by APRA. On 29 June 2018 CBA announced that APRA had endorsed CBA's Remedial Action Plan, which details CBA's response to the 35 recommendations of the Prudential Inquiry, released on 1 May 2018. The Remedial Action Plan provides a detailed program of change outlining how CBA will improve the way it runs its business, manages risk, and works with regulators. The Remedial Action Plan provides a comprehensive assurance framework, with Promontory Financial Group having been appointed as the independent reviewer. The Group has provided for costs expected to be incurred in relation to the conduct of the Inquiry.

The Royal Commission

On 30 November 2017, the Australian Government announced the establishment of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. The former High Court Judge, the Honourable Kenneth Hayne AC QC was appointed as the Commissioner.

The purpose of the Royal Commission is to inquire into the conduct of banks, insurers, superannuation funds and other financial services institutions, and to assess the effectiveness of existing regulatory frameworks and mechanisms for customer redress. A final report is due by 1 February 2019, with an interim report due by 30 September 2018. The Commissioner's report is expected to outline his findings and recommendations, which may form the basis of regulatory changes.

The Royal Commission is conducting rounds of public hearings, focusing on key elements of the financial services industry, including consumer lending, financial advice, lending to small and medium enterprises, superannuation, general and life insurance, and experiences with financial services entities in regional and remote communities.

6.3 ASX Appendix 4E (continued)

Litigation, investigations and reviews

Investigations and Reviews

The Royal Commission is playing an important role in highlighting misconduct and conduct below community standards and expectations, demonstrating that the industry hasn't always done the right thing by customers, and it will continue to highlight cases where we have made mistakes.

The Group is engaging openly and transparently with the Royal Commission and carefully considering the issues specific to the Group and the broader issues the Royal Commission, customers, regulators and other stakeholders are raising around how the financial services industry operates.

The Group's Royal Commission Project team leads our engagement with the Royal Commission and manages the various requirements, including providing requested documents, supporting our witnesses, attending hearings, and preparing submissions. As at 30 June 2018, the Group had responded to 106 notices to produce documents from the Royal Commission, provided 47 witness statements and 10 submissions. In addition, Group executives had provided in-hearing evidence to the Royal Commission on 12 occasions. The Group provided for costs expected to be incurred in relation to the conduct of the Royal Commission.

Foreign Entities (Rule 4.3A Item No. 13)

Not applicable.

Compliance Statement

This preliminary final report for the year ended 30 June 2018 is prepared in accordance with the ASX listing rules. It should be read in conjunction with any announcements to the market made by the Group during the year.

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

PricewaterhouseCoopers has audited the financial statements contained within the Commonwealth Bank of Australia Annual Report and has issued an unmodified audit report. The Annual Report has been published together with the preliminary report. This preliminary final report has not been subject to audit by PricewaterhouseCoopers. The preceding financial information contained in the Financial Statements section of this preliminary final report includes financial information extracted from the audited financial statements together with financial information that has not been audited.

Taryn Morton Company Secretary 7 August 2018

6.4 Profit Reconciliation

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

	Full Year Ended 30 June 2018						
Profit Reconciliation	**Net profit after tax "cash basis" $M**	(Loss)/gain on acquisition, disposal, closure and demerger of businesses [1] $M	Hedging and IFRS volatility $M	Bankwest non-cash items [2] $M	Treasury shares valuation adjustment $M	Investment experience $M	**Net profit after tax "statutory basis" $M**
Group							
Interest income	**34,543**	-	-	-	-	-	**34,543**
Interest expense	**(16,202)**	-	-	-	-	-	**(16,202)**
Net interest income	**18,341**	-	-	-	-	-	**18,341**
Other banking income	**5,182**	65	143	-	-	-	**5,390**
Total banking income	**23,523**	65	143	-	-	-	**23,731**
Funds management income	**2,091**	-	-	-	-	8	**2,099**
Insurance income	**293**	-	-	-	-	9	**302**
Total operating income	**25,907**	65	143	-	-	17	**26,132**
Investment experience	**17**	-	-	-	-	(17)	**-**
Total income	**25,924**	65	143	-	-	-	**26,132**
Operating expenses	**(11,599)**	(30)	-	(4)	-	-	**(11,633)**
Loan impairment expense	**(1,079)**	-	-	-	-	-	**(1,079)**
Net profit before tax	**13,246**	35	143	(4)	-	-	**13,420**
Corporate tax (expense)/benefit	**(3,994)**	9	(42)	1	-	-	**(4,026)**
Non-controlling interests	**(19)**	-	-	-	-	-	**(19)**
Net profit after income tax from continuing operations	**9,233**	44	101	(3)	-	-	**9,375**
Net profit after income tax from discontinued operations [3]	**179**	(227)	-	-	2	-	**(46)**
Net profit after income tax	**9,412**	(183)	101	(3)	2	-	**9,329**

(1) Includes transaction and separation costs (net of tax) associated with the disposal of CommInsure Life and Sovereign ($136 million) and impairment due to the reclassification of TymeDigital as a discontinued operation ($91 million), demerger costs for NewCo ($21 million), a gain recognised on acquisition of AHL ($58 million), a gain on sale of County Banks ($11 million), and a loss due to the dilution of the Group's interest in Qilu Bank Co. Ltd ($4 million).

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

(3) Statutory net profit after income tax from discontinued operations is presented net of non-controlling interests.

6.4 Profit Reconciliation (continued)

(Loss)/Gain on acquisition, disposal, closure and demerger of businesses

Losses and gains on these transactions are inclusive of foreign exchange impacts, impairments, restructuring, separation and transactions costs and cover both controlled businesses and associates.

Hedging and IFRS volatility

Hedging and IFRS volatility represents timing differences between fair value movements on qualifying economic hedges and the underlying exposure. They do not affect the Group's performance over the life of the hedge relationship and are recognised over the life of the hedged transaction. To qualify as an economic hedge the terms and/ or risk profile must match or be substantially the same as the underlying exposure.

Bankwest non-cash items

The acquisition of Bankwest resulted in the recognition of assets at fair value, some of which have been amortising over their useful life. The transaction was considered one-off in nature. Bankwest customer lists are the only asset still being amortised.

Treasury shares valuation adjustment

These valuation adjustments represent the elimination of gains and losses on CBA shares held through funds in the Wealth Management business.

Investment experience

Investment experience includes returns on shareholder capital invested and revaluations in the wealth management businesses. It also includes changes in economic assumptions impacting the insurance businesses and investment profits on the annuity portfolio. This item is classified separately within cash profit.

6.4 Profit Reconciliation (continued)

	Full Year Ended 30 June 2017 [1]						
Profit Reconciliation	**Net profit after tax "cash basis" $M**	(Loss)/gain on acquisition, disposal, closure and demerger of businesses $M	Hedging and IFRS volatility $M	Bankwest non-cash items [2] $M	Treasury shares valuation adjustment $M	Investment experience $M	**Net profit after tax "statutory basis" $M**
Group							
Interest income	**33,301**	-	-	-	-	-	**33,301**
Interest expense	**(15,758)**	-	-	-	-	-	**(15,758)**
Net interest income	**17,543**	-	-	-	-	-	**17,543**
Other banking income	**5,578**	-	106	-	-	-	**5,684**
Total banking income	**23,121**	-	106	-	-	-	**23,227**
Funds management income	**1,913**	-	-	-	-	15	**1,928**
Insurance income	**223**	-	-	-	-	8	**231**
Total operating income	**25,257**	-	106	-	-	23	**25,386**
Investment experience	**23**	-	-	-	-	(23)	**-**
Total income	**25,280**	-	106	-	-	-	**25,386**
Operating expenses	**(10,622)**	-	-	(4)	-	-	**(10,626)**
Loan impairment expense	**(1,095)**	-	-	-	-	-	**(1,095)**
Net profit before tax	**13,563**	-	106	(4)	-	-	**13,665**
Corporate tax (expense)/benefit	**(3,847)**	-	(33)	1	-	-	**(3,879)**
Non-controlling interests	**(20)**	-	-	-	-	-	**(20)**
Net profit after income tax from continuing operations	**9,696**	-	73	(3)	-	-	**9,766**
Net profit after income tax from discontinued operations [3]	**185**	-	-	-	(23)	-	**162**
Net profit after income tax	**9,881**	-	73	(3)	(23)	-	**9,928**

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Includes merger related amortisation through operating expenses of $4 million, and an income tax benefit of $1 million.
(3) Statutory net profit after income tax from discontinued operations is presented net of non-controlling interests.

6.4 Profit Reconciliation (continued)

Profit Reconciliation	Net profit after tax "cash basis" $M	(Loss)/gain on acquisition, disposal, closure and demerger of businesses [1] $M	Hedging and IFRS volatility $M	Bankwest non-cash items [2] $M	Treasury shares valuation adjustment $M	Investment experience $M	Net profit after tax "statutory basis" $M
	Half Year Ended 30 June 2018						
Group							
Interest income	**17,362**	-	-	-	-	-	**17,362**
Interest expense	**(8,276)**	-	-	-	-	-	**(8,276)**
Net interest income	**9,086**	-	-	-	-	-	**9,086**
Other banking income	**2,495**	-	6	-	-	-	**2,501**
Total banking income	**11,581**	-	6	-	-	-	**11,587**
Funds management income	**1,052**	-	-	-	-	-	**1,052**
Insurance income	**157**	-	-	-	-	4	**161**
Total operating income	**12,790**	-	6	-	-	4	**12,800**
Investment experience	**4**	-	-	-	-	(4)	**-**
Total income	**12,794**	-	6	-	-	-	**12,800**
Operating expenses	**(5,863)**	(30)	-	(2)	-	-	**(5,895)**
Loan impairment expense	**(483)**	-	-	-	-	-	**(483)**
Net profit before tax	**6,448**	(30)	6	(2)	-	-	**6,422**
Corporate tax (expense)/benefit	**(1,964)**	9	(1)	-	-	-	**(1,956)**
Non-controlling interests	**(10)**	-	-	-	-	-	**(10)**
Net profit after income tax from continuing operations	**4,474**	(21)	5	(2)	-	-	**4,456**
Net profit after income tax from discontinued operations [3]	**67**	(105)	-	-	5	-	**(33)**
Net profit after income tax	**4,541**	(126)	5	(2)	5	-	**4,423**

(1) Includes transaction and separation costs (net of tax) associated with the disposal of CommInsure Life and Sovereign ($14 million) and impairment due to the reclassification of TymeDigital as a discontinued operation ($91 million) and demerger costs for NewCo ($21 million).

(2) Includes merger related amortisation through operating expenses of $2 million.

(3) Statutory net profit after income tax from discontinued operations is presented net of non-controlling interests.

6.5 Notes to the Statement of Cash Flows

(a) Reconciliation of Net profit after Income Tax to Net Cash provided by/(used in) Operating Activities

	Full Year Ended	
	30 Jun 18 $M	30 Jun 17 $M
Net profit after income tax	**9,348**	9,952
Increase in interest receivable	**(62)**	(14)
Increase/(decrease) in interest payable	**112**	(26)
Net decrease in assets at fair value through Income Statement (excluding life insurance)	**1,536**	2,788
Net loss/(gain) on sale of controlled entities and associates	**184**	(2)
Net movement in derivative assets/liabilities	**3,381**	(492)
Net loss/(gain) on sale of property, plant and equipment	**17**	(6)
Equity accounting profit	**(287)**	(292)
Loan impairment expense	**1,079**	1,095
Depreciation and amortisation (including asset write downs)	**968**	1,229
(Decrease)/increase in liabilities at fair value through Income Statement (excluding life insurance)	**(258)**	121
Increase in other provisions	**156**	114
(Decrease)/increase in income taxes payable	**(461)**	603
Increase/(decrease) in deferred tax liabilities	**400**	(14)
Increase in deferred tax assets	**(538)**	(573)
Decrease/(increase) in accrued fees/reimbursements receivable	**20**	(238)
Increase in accrued fees and other items payable	**631**	18
Decrease in life insurance contract policy liabilities	**(836)**	(1,240)
Cash flow hedge ineffectiveness	**(4)**	(20)
(Gains)/loss on changes in fair value of hedged items	**(765)**	799
Changes in operating assets and liabilities arising from cash flow movements	**(15,461)**	(15,228)
Other	**1,949**	619
Net cash provided by/(used in) operating activities	**1,109**	(807)

(b) Reconciliation of Cash after Income Tax to Net Cash used in Operating Activities [1]

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

	As at	
	30 Jun 18 $M	30 Jun 17 $M
Notes, coins and cash at banks	**17,110**	14,836
Other short term liquid assets	**5,895**	8,281
Cash and cash equivalents at end of year	**23,005**	23,117

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

(c) Non-Cash Financing and Investing Activities

	Full Year Ended	
	30 Jun 18 $M	30 Jun 17 $M
Shares issued under the Dividend Reinvestment Plan	**2,105**	1,143

6.5 Notes to the Statement of Cash Flows (continued)

(d) Acquisition of Controlled Entities

On 25 August 2017, the Group acquired the remaining 20% of the issued share capital of AHL Holdings Pty Limited (“AHL”) for $164 million purchase consideration in the form of CBA shares. Following acquisition of the remaining 20% issued share capital of AHL, the Group controls and consolidates AHL.

AHL is the parent of the “Aussie” group of entities. Aussie predominantly operates as a mortgage broker and originator. The acquisition of AHL will expand the Group’s distribution network through its access to the mortgage broker channels.

On 23 February 2018, the Group completed the acquisition of eChoice’s operating assets and intellectual property for $5 million. The fair value of the identifiable assets acquired and liabilities assumed as at the acquisition date for both AHL and eChoice are as follows:

	Full Year Ended	
	30 Jun 18 $M	30 Jun 17 $M
Net identifiable assets at fair value (1)	**55**	16
Add: Goodwill	**446**	16
Less: Fair value of previously held interests (2)	**(332)**	-
Purchase consideration	**169**	32
Less: Cash and cash equivalents acquired	**(31)**	(1)
Less: Non-cash consideration	**(164)**	-
Net cash (inflow)/outflow on acquisition for cash flow statement (3)	**(26)**	31

(1) This balance includes $67 million of acquired intangible assets in the form of Aussie customer-broker relationships and the Aussie Brand name, $19 million of deferred tax liabilities relating to intangible assets, $4 million of software related to eChoice and $7 million of tangible assets related to Aussie. The Aussie Brand has an indefinite useful life. The carrying value of all acquired net tangible assets approximate their fair values.

(2) As a result of remeasuring its equity interest in AHL to fair value, the Group recognised a gain of $58 million calculated as the difference between the carrying value of the 80% investment ($274 million) and the fair value ($332 million) of this previously held interest.

(3) For the purpose of the Statement of Cash Flow, presentation of inflows will be positive and outflows negative.

6.6 Analysis Template (continuing operations basis)

Profit Summary - Input Schedule	Full Year Ended (1) 30 Jun 18 $M	30 Jun 17 $M	Half Year Ended (1) 30 Jun 18 $M	31 Dec 17 $M
Net interest income	**18,341**	17,543	**9,086**	9,255
Other banking income	**5,182**	5,578	**2,495**	2,687
Total banking income	**23,523**	23,121	**11,581**	11,942
Funds management income	**2,091**	1,913	**1,052**	1,039
Insurance income	**293**	223	**157**	136
Total operating income	**25,907**	25,257	**12,790**	13,117
Investment experience	**17**	23	**4**	13
Total income	**25,924**	25,280	**12,794**	13,130
Operating Expenses				
Retail Banking Services	**(3,745)**	(3,473)	**(1,899)**	(1,846)
Business and Private Banking	**(1,596)**	(1,574)	**(807)**	(789)
Institutional Banking and Markets	**(1,142)**	(1,083)	**(600)**	(542)
Wealth Management	**(1,440)**	(1,403)	**(733)**	(707)
New Zealand	**(811)**	(795)	**(420)**	(391)
Bankwest	**(748)**	(754)	**(380)**	(368)
IFS and Other	**(2,117)**	(1,540)	**(1,024)**	(1,093)
Total operating expenses	**(11,599)**	(10,622)	**(5,863)**	(5,736)
Profit before loan impairment expense	**14,325**	14,658	**6,931**	7,394
Loan impairment expense	**(1,079)**	(1,095)	**(483)**	(596)
Net profit before income tax	**13,246**	13,563	**6,448**	6,798
Corporate tax expense	**(3,994)**	(3,847)	**(1,964)**	(2,030)
Operating profit after tax	**9,252**	9,716	**4,484**	4,768
Non-controlling interests	**(19)**	(20)	**(10)**	(9)
Net profit after tax from continuing operations ("cash basis")	**9,233**	9,696	**4,474**	4,759
Net profit after tax from discontinued operations	**179**	185	**67**	112
Net profit after tax ("cash basis")	**9,412**	9,881	**4,541**	4,871
Net profit after tax from continuing operations ("cash basis")	**9,233**	9,696	**4,474**	4,759
Hedging and IFRS volatility (after tax)	**101**	73	**5**	96
Bankwest non-cash items (after tax)	**(3)**	(3)	**(2)**	(1)
Gain/(loss) on acquisition, disposal, closure and demerger of businesses (2)	**44**	-	**(21)**	65
Net profit after tax from continuing operations ("statutory basis")	**9,375**	9,766	**4,456**	4,919
Net profit after tax from discontinued operations ("statutory basis")	**(46)**	162	**(33)**	(13)
Net profit after tax ("statutory basis")	**9,329**	9,928	**4,423**	4,906
Total Operating Income				
Retail Banking Services	**11,877**	11,205	**5,886**	5,991
Business and Private Banking	**4,425**	4,222	**2,214**	2,211
Institutional Banking and Markets	**2,673**	2,871	**1,257**	1,416
Wealth Management	**2,161**	1,941	**1,092**	1,069
New Zealand	**2,238**	2,065	**1,153**	1,085
Bankwest	**1,776**	1,677	**891**	885
IFS and Other	**757**	1,276	**297**	460

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Includes demerger costs for NewCo ($21 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 Bank's interest in Qilu Bank Co. Ltd ($4 million).

6.6 Analysis Template (continuing operations basis) (continued)

Profit Summary - Input Schedule	Full Year Ended (1) 30 Jun 18 $M	30 Jun 17 $M	Half Year Ended (1) 30 Jun 18 $M	31 Dec 17 $M
Other Data				
Net interest income	**18,341**	17,543	**9,086**	9,255
Average interest earning assets (2)	**854,264**	834,741	**857,050**	851,522
Average net assets (3)	**65,870**	61,975	**66,976**	64,876
Average non-controlling interests (3)	**543**	548	**540**	545
Average treasury shares (3)	**(261)**	(277)	**(245)**	(260)
Interest expense (after tax) - PERLS VI	**83**	83	**42**	41
Interest expense (after tax) - PERLS VII	**71**	71	**36**	35
Interest expense (after tax) - PERLS VIII	**52**	52	**26**	26
Interest expense (after tax) - PERLS IX	**48**	12	**24**	24
Interest expense (after tax) - PERLS X	**13**	-	**13**	-
Weighted average number of shares - statutory basic (M)	**1,746**	1,720	**1,753**	1,739
Weighted average number of shares - statutory diluted (M)	**1,852**	1,816	**1,866**	1,842
Weighted average number of shares - cash basic (M)	**1,747**	1,721	**1,754**	1,740
Weighted average number of shares - cash diluted (M)	**1,853**	1,817	**1,867**	1,843
Weighted average number of shares - PERLS VI (M)	**25**	27	**25**	25
Weighted average number of shares - PERLS VII (M)	**37**	41	**38**	37
Weighted average number of shares - PERLS VIII (M)	**18**	20	**18**	18
Weighted average number of shares - PERLS IX (M)	**20**	5	**21**	20
Weighted average number of shares - PERLS X (M)	**4**	-	**9**	-
Weighted average number of shares - Employee share plans (M)	**2**	3	**2**	3
Dividends per share (cents) - fully franked	**431**	429	**231**	200
No. of shares at end of period excluding Treasury shares deduction (M)	**1,760**	1,730	**1,760**	1,753
Funds Under Administration (FUA) - average	**153,810**	141,146	**156,896**	151,008
Assets Under Management (AUM) - average	**220,764**	210,295	**217,298**	224,560
Average inforce premiums	**1,050**	1,016	**1,058**	1,043
Net assets	**67,860**	63,660	**67,860**	66,091
Total intangible assets	**9,023**	8,588	**9,023**	9,038
Non-controlling interests	**540**	549	**540**	540

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

6.6 Analysis Template (continued)

Ratios - Output Summary (continuing operations basis)	Full Year Ended (1) (2) 30 Jun 18 $M	30 Jun 17 $M	Half Year Ended (2) 30 Jun 18 $M	31 Dec 17 $M
Earnings Per Share (EPS)				
Net profit after tax - "cash basis"	**9,233**	9,696	**4,474**	4,759
Average number of shares (M) - "cash basis"	**1,747**	1,721	**1,754**	1,740
Earnings Per Share basic - "cash basis" (cents)	**528. 6**	563. 4	**255. 0**	273. 6
Net profit after tax - "statutory basis"	**9,375**	9,766	**4,456**	4,919
Average number of shares (M) - "statutory basis"	**1,746**	1,720	**1,753**	1,739
Earnings Per Share basic - "statutory basis" (cents)	**536. 9**	567. 9	**254. 1**	283. 0
Interest expense (after tax) - PERLS VI	**83**	83	**42**	41
Interest expense (after tax) - PERLS VII	**71**	71	**36**	35
Interest expense (after tax) - PERLS VIII	**52**	52	**26**	26
Interest expense (after tax) - PERLS IX	**48**	12	**24**	24
Interest expense (after tax) - PERLS X	**13**	-	**13**	-
Profit impact of assumed conversions (after tax)	**267**	218	**141**	126
Weighted average number of shares - PERLS VI (M)	**25**	27	**25**	25
Weighted average number of shares - PERLS VII (M)	**37**	41	**38**	37
Weighted average number of shares - PERLS VIII (M)	**18**	20	**18**	18
Weighted average number of shares - PERLS IX (M)	**20**	5	**21**	20
Weighted average number of shares - PERLS X (M)	**4**	-	**9**	-
Weighted average number of shares - Employee share plans (M)	**2**	3	**2**	3
Weighted average number of shares - dilutive securities (M)	**106**	96	**113**	103
Net profit after tax - "cash basis"	**9,233**	9,696	**4,474**	4,759
Add back profit impact of assumed conversions (after tax)	**267**	218	**141**	126
Adjusted diluted profit for EPS calculation	**9,500**	9,914	**4,615**	4,885
Average number of shares (M) - "cash basis"	**1,747**	1,721	**1,754**	1,740
Add back weighted average number of shares (M)	**106**	96	**113**	103
Diluted average number of shares (M)	**1,853**	1,817	**1,867**	1,843
Earnings Per Share diluted - "cash basis" (cents)	**512. 4**	545. 6	**247. 0**	265. 0
Net profit after tax - "statutory basis"	**9,375**	9,766	**4,456**	4,919
Add back profit impact of assumed conversions (after tax)	**267**	218	**141**	126
Adjusted diluted profit for EPS calculation	**9,642**	9,984	**4,597**	5,045
Average number of shares (M) - "statutory basis"	**1,746**	1,720	**1,753**	1,739
Add back weighted average number of shares (M)	**106**	96	**113**	103
Diluted average number of shares (M)	**1,852**	1,816	**1,866**	1,842
Earnings Per Share diluted - "statutory basis" (cents)	**520. 2**	549. 9	**246. 2**	273. 9

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

6.6 Analysis Template (continued)

Ratios - Output Summary (including discontinued operations)	Full Year Ended (1) (2) 30 Jun 18 $M	30 Jun 17 $M	Half Year Ended (2) 30 Jun 18 $M	31 Dec 17 $M
Earnings Per Share (EPS)				
Net profit after tax - "cash basis"	**9,412**	9,881	**4,541**	4,871
Average number of shares (M) - "cash basis"	**1,747**	1,721	**1,754**	1,740
Earnings Per Share basic - "cash basis" (cents)	**538. 8**	574. 1	**258. 8**	280. 0
Net profit after tax - "statutory basis"	**9,329**	9,928	**4,423**	4,906
Average number of shares (M) - "statutory basis"	**1,746**	1,720	**1,753**	1,739
Earnings Per Share basic - "statutory basis" (cents)	**534. 3**	577. 3	**252. 2**	282. 2
Interest expense (after tax) - PERLS VI	**83**	83	**42**	41
Interest expense (after tax) - PERLS VII	**71**	71	**36**	35
Interest expense (after tax) - PERLS VIII	**52**	52	**26**	26
Interest expense (after tax) - PERLS IX	**48**	12	**24**	24
Interest expense (after tax) - PERLS X	**13**	-	**13**	-
Profit impact of assumed conversions (after tax)	**267**	218	**141**	126
Weighted average number of shares - PERLS VI (M)	**25**	27	**25**	25
Weighted average number of shares - PERLS VII (M)	**37**	41	**38**	37
Weighted average number of shares - PERLS VIII (M)	**18**	20	**18**	18
Weighted average number of shares - PERLS IX (M)	**20**	5	**21**	20
Weighted average number of shares - PERLS X (M)	**4**	-	**9**	-
Weighted average number of shares - Employee share plans (M)	**2**	3	**2**	3
Weighted average number of shares - dilutive securities (M)	**106**	96	**113**	103
Net profit after tax - "cash basis"	**9,412**	9,881	**4,541**	4,871
Add back profit impact of assumed conversions (after tax)	**267**	218	**141**	126
Adjusted diluted profit for EPS calculation	**9,679**	10,099	**4,682**	4,997
Average number of shares (M) - "cash basis"	**1,747**	1,721	**1,754**	1,740
Add back weighted average number of shares (M)	**106**	96	**113**	103
Diluted average number of shares (M)	**1,853**	1,817	**1,867**	1,843
Earnings Per Share diluted - "cash basis" (cents)	**522. 0**	555. 8	**250. 6**	271. 1
Net profit after tax - "statutory basis"	**9,329**	9,928	**4,423**	4,906
Add back profit impact of assumed conversions (after tax)	**267**	218	**141**	126
Adjusted diluted profit for EPS calculation	**9,596**	10,146	**4,564**	5,032
Average number of shares (M) - "statutory basis"	**1,746**	1,720	**1,753**	1,739
Add back weighted average number of shares (M)	**106**	96	**113**	103
Diluted average number of shares (M)	**1,852**	1,816	**1,866**	1,842
Earnings Per Share diluted - "statutory basis" (cents)	**517. 7**	558. 8	**244. 4**	273. 2

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

6.6 Analysis Template (continued)

Dividends Per Share (DPS) Dividends (including discontinued operations)	Full Year Ended [1] 30 Jun 18 $M	 30 Jun 17 $M	Half Year Ended [1] 30 Jun 18 $M	 31 Dec 17 $M
Dividends per share (cents) - fully franked	**431**	429	**231**	200
No. of shares at end of period excluding Treasury shares deduction (M)	**1,760**	1,730	**1,760**	1,753
Total dividends	**7,570**	7,408	**4,065**	3,505
Dividend payout ratio - "cash basis"				
Net profit after tax - attributable to ordinary shareholders	**9,412**	9,881	**4,541**	4,871
Total dividends	**7,570**	7,408	**4,065**	3,505
Payout ratio - "cash basis" (%)	**80. 4**	75. 0	**89. 5**	72. 0
Dividend cover				
Net profit after tax - attributable to ordinary shareholders	**9,412**	9,881	**4,541**	4,871
Total dividends	**7,570**	7,408	**4,065**	3,505
Dividend cover - "cash basis" (times)	**1. 2**	1. 3	**1. 1**	1. 4

(1) Calculations are based on actual numbers prior to rounding to the nearest million.

6.6 Analysis Template (continued)

Ratios - Output Summary (continuing operations basis)	Full Year Ended (1) (2) 30 Jun 18 $M	30 Jun 17 $M	Half Year Ended (1) 30 Jun 18 $M	31 Dec 17 $M
Return on Equity (ROE)				
Return on Equity - "cash basis"				
Average net assets	**65,870**	61,975	**66,976**	64,876
Less:				
Average non-controlling interests	**(543)**	(548)	**(540)**	(545)
Average equity	**65,327**	61,427	**66,436**	64,331
Add average treasury shares	**261**	277	**245**	260
Net average equity	**65,588**	61,704	**66,681**	64,591
Net profit after tax - "cash basis"	**9,233**	9,696	**4,474**	4,759
ROE - "cash basis" (%)	**14. 1**	15. 7	**13. 5**	14. 6
Return on Equity - "statutory basis"				
Average net assets	**65,870**	61,975	**66,976**	64,876
Average non-controlling interests	**(543)**	(548)	**(540)**	(545)
Average equity	**65,327**	61,427	**66,436**	64,331
Net profit after tax - "statutory basis"	**9,375**	9,766	**4,456**	4,919
ROE - "statutory basis" (%)	**14. 4**	15. 9	**13. 5**	15. 2
Net Tangible Assets per share				
Net assets	**67,860**	63,660	**67,860**	66,091
Less:				
Intangible assets	**(9,023)**	(8,588)	**(9,023)**	(9,038)
Non-controlling interests	**(540)**	(549)	**(540)**	(540)
Total net tangible assets	**58,297**	54,523	**58,297**	56,513
No. of shares at end of period excluding Treasury shares deduction (M)	**1,760**	1,730	**1,760**	1,753
Net Tangible Assets per share ($)	**33. 13**	31. 52	**33. 13**	32. 24

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

6.6 Analysis Template (continued)

Ratios - Output Summary (including discontinued operations)	Full Year Ended [1] [2] 30 Jun 18 $M	30 Jun 17 $M	Half Year Ended [1] 30 Jun 18 $M	31 Dec 17 $M
Return on Equity (ROE)				
Return on Equity - "cash basis"				
Average net assets	**65,870**	61,975	**66,976**	64,876
Less:				
Average non-controlling interests	**(551)**	(549)	**(554)**	(550)
Average equity	**65,319**	61,426	**66,422**	64,326
Add average treasury shares	**261**	277	**245**	260
Net average equity	**65,580**	61,703	**66,667**	64,586
Net profit after tax - "cash basis"	**9,412**	9,881	**4,541**	4,871
ROE - "cash basis" (%)	**14. 4**	16. 0	**13. 7**	15. 0
Return on Equity - "statutory basis"				
Average net assets	**65,870**	61,975	**66,976**	64,876
Average non-controlling interests	**(551)**	(549)	**(554)**	(550)
Average equity	**65,319**	61,426	**66,422**	64,326
Net profit after tax - "statutory basis"	**9,329**	9,928	**4,423**	4,906
ROE - "statutory basis" (%)	**14. 3**	16. 2	**13. 4**	15. 1
Net Tangible Assets per share				
Net assets	**67,860**	63,660	**67,860**	66,091
Less:				
Intangible assets	**(10,395)**	(10,024)	**(10,395)**	(10,511)
Non-controlling interests	**(554)**	(546)	**(554)**	(554)
Total net tangible assets	**56,911**	53,090	**56,911**	55,026
No. of shares at end of period excluding Treasury shares deduction (M)	**1,760**	1,730	**1,760**	1,753
Net Tangible Assets per share ($)	**32. 34**	30. 69	**32. 34**	31. 39

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

6.7 Summary (continuing operations basis)

		Full Year Ended (1)			Half Year Ended (1)		
Group		**30 Jun 18**	30 Jun 17	Jun 18 vs Jun 17 %	**30 Jun 18**	31 Dec 17	Jun 18 vs Dec 17 %
Net profit after tax - "cash basis"	$M	**9,233**	9,696	(5)	**4,474**	4,759	(6)
Hedging and IFRS volatility (after tax)	$M	**101**	73	38	**5**	96	(95)
Bankwest non-cash items (after tax)	$M	**(3)**	(3)	-	**(2)**	(1)	large
Gain/(loss) on acquisition, disposal, closure and demerger of businesses (2)	$M	**44**	-	n/a	**(21)**	65	large
Net profit after tax - "statutory basis"	$M	**9,375**	9,766	(4)	**4,456**	4,919	(9)
Earnings per share basic - "cash basis"	cents	**528. 6**	563. 4	(6)	**255. 0**	273. 6	(7)
Spot number of full-time equivalent staff (FTE)	No.	**43,771**	43,620	-	**43,771**	42,563	3
Average number of full-time equivalent staff (FTE)	No.	**43,315**	43,352	-	**43,097**	43,427	(1)
Return on equity - "cash basis"	%	**14. 1**	15. 7	(160)bpts	**13. 5**	14. 6	(110)bpts
Return on equity - "statutory basis"	%	**14. 4**	15. 9	(150)bpts	**13. 5**	15. 2	(170)bpts
Net tangible assets per share	$	**33. 13**	31. 52	5	**33. 13**	32. 24	3
Net interest income - "cash basis"	$M	**18,341**	17,543	5	**9,086**	9,255	(2)
Net interest margin	%	**2. 15**	2. 10	5 bpts	**2. 14**	2. 16	(2)bpts
Net interest margin excluding Treasury and Markets	%	**2. 13**	2. 08	5 bpts	**2. 12**	2. 14	(2)bpts
Other banking income - "cash basis"	$M	**5,182**	5,578	(7)	**2,495**	2,687	(7)
Other banking income to total banking income - "cash basis"	%	**22. 0**	24. 1	(210)bpts	**21. 5**	22. 5	(100)bpts
Operating expenses to total operating income - "cash basis"	%	**44. 8**	42. 1	270 bpts	**45. 8**	43. 7	210 bpts
Jaws - "cash basis"	%	**(6. 6)**	n/a	n/a	**n/a**	n/a	n/a
Average interest earning assets (3)	$M	**854,264**	834,741	2	**857,050**	851,522	1
Average interest bearing liabilities	$M	**759,583**	755,612	1	**761,752**	757,449	1

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

(2) Includes demerger costs for NewCo ($21 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 Bank's interest in Qilu Bank Co. Ltd ($4 million).

(3) Net of average mortgage offset balances.

6.7 Summary (including discontinued operations)

Group		Full Year Ended [1]			Half Year Ended		
		30 Jun 18	30 Jun 17	Jun 18 vs Jun 17 %	30 Jun 18	31 Dec 17	Jun 18 vs Dec 17 %
Net profit after tax - "cash basis"	$M	**9,412**	9,881	(5)	**4,541**	4,871	(7)
Treasury shares valuation adjustment (after tax)	$M	**2**	(23)	large	**5**	(3)	large
Hedging and IFRS volatility (after tax)	$M	**101**	73	38	**5**	96	(95)
Bankwest non-cash items (after tax)	$M	**(3)**	(3)	-	**(2)**	(1)	large
Loss on acquisition, disposal, closure and demerger of businesses [2]	$M	**(183)**	-	n/a	**(126)**	(57)	large
Net profit after tax - "statutory basis"	$M	**9,329**	9,928	(6)	**4,423**	4,906	(10)
Earnings per share basic - "cash basis"	cents	**538. 8**	574. 1	(6)	**258. 8**	280. 0	(8)
Dividends per share (fully franked)	cents	**431**	429	-	**231**	200	16
Dividend payout ratio - "cash basis"	%	**80. 4**	75. 0	large	**89. 5**	72. 0	large
Common Equity Tier 1 (Internationally comparable) - Basel III [3]	%	**15. 5**	15. 6	(10)bpts	**15. 5**	16. 3	(80)bpts
Common Equity Tier 1 (APRA) - Basel III	%	**10. 1**	10. 1	-	**10. 1**	10. 4	(30)bpts
Leverage ratio (Internationally comparable) [4]	%	**6. 3**	5. 8	50 bpts	**6. 3**	6. 1	20 bpts
Leverage ratio (APRA)	%	**5. 5**	5. 1	40 bpts	**5. 5**	5. 4	10 bpts
Spot number of full-time equivalent staff (FTE)	No.	**45,753**	45,614	-	**45,753**	44,458	3
Average number of full-time equivalent staff (FTE)	No.	**45,263**	45,339	-	**45,038**	45,373	(1)
Return on equity - "cash basis"	%	**14. 4**	16. 0	(160)bpts	**13. 7**	15. 0	(130)bpts
Return on equity - "statutory basis"	%	**14. 3**	16. 2	(190)bpts	**13. 4**	15. 1	(170)bpts
Weighted average no. of shares - "statutory basis" - basic	M	**1,746**	1,720	2	**1,753**	1,739	1
Net interest income - "cash basis"	$M	**18,409**	17,600	5	**9,123**	9,286	(2)
Net interest margin	%	**2. 15**	2. 11	4 bpts	**2. 15**	2. 16	(1)bpt
Net interest margin excluding Treasury and Markets	%	**2. 13**	2. 09	4 bpts	**2. 13**	2. 14	(1)bpt
Other banking income - "cash basis"	$M	**5,130**	5,520	(7)	**2,468**	2,662	(7)
Other banking income to total banking income - "cash basis"	%	**21. 8**	23. 9	(210)bpts	**21. 3**	22. 3	(100)bpts
Operating expenses to total operating income - "cash basis"	%	**45. 4**	42. 7	270 bpts	**46. 6**	44. 2	240 bpts
Jaws - "cash basis"	%	**(6. 4)**	n/a	n/a	**n/a**	n/a	n/a
Average interest earning assets [5]	$M	**854,343**	834,741	2	**857,124**	851,606	1
Average interest bearing liabilities	$M	**760,450**	755,612	1	**762,623**	758,312	1
Loan impairment expense - "cash basis"	$M	**1,079**	1,095	(1)	**483**	596	(19)
Loan impairment expense - "cash basis" annualised as a % of average gross loans and acceptances	%	**0. 15**	0. 15	-	**0. 13**	0. 16	(3)bpts
Total provisions for impaired assets as a % of gross impaired assets	%	**33. 60**	36. 05	(245)bpts	**33. 60**	34. 45	(85)bpts
Net write-offs annualised as a % of GLAAs	%	**0. 16**	0. 16	-	**0. 18**	0. 15	3 bpts
Risk weighted assets (APRA) - Basel III	$M	**458,612**	437,063	5	**458,612**	440,836	4

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Includes transaction and separation costs associated with the disposal of CommInsure Life and Sovereign ($136 million) and impairment due to the reclassification of TymeDigital as a discontinued operation ($91 million), demerger costs for NewCo ($21 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 Bank's interest in Qilu Bank Co. Ltd ($4 million).
(3) Analysis aligns with the 13 July 2015 APRA study titled "International capital comparison study".
(4) The Tier 1 Capital included in the calculation of the internationally comparable leverage ratio aligns with the 13 July 2015 APRA study titled "International capital comparison study" and includes Basel III non-compliant Tier 1 instruments that are currently subject to transitional rules.
(5) Net of average mortgage offset balances.

6.7 Summary (continued)

		Full Year Ended (1)			Half Year Ended		
		30 Jun 18	30 Jun 17	Jun 18 vs Jun 17 %	30 Jun 18	31 Dec 17	Jun 18 vs Dec 17 %
Retail Banking Services							
Cash net profit after tax	$M	**5,193**	4,933	5	**2,540**	2,653	(4)
Net interest margin	%	**2. 98**	2. 90	8 bpts	**2. 94**	3. 01	(7)bpts
Average interest earning assets (AIEA) (2)	$M	**328,851**	317,052	4	**331,490**	326,256	2
Operating expenses to total banking income (3) (4)	%	**30. 5**	31. 0	(50)bpts	**30. 9**	30. 1	80 bpts
Effective tax rate - "cash basis"	%	**30. 0**	29. 8	20 bpts	**30. 0**	30. 0	-
Risk weighted assets	$M	**146,511**	134,937	9	**146,511**	140,715	4
Business and Private Banking							
Cash net profit after tax	$M	**1,888**	1,808	4	**928**	960	(3)
Net interest margin	%	**3. 05**	2. 98	7 bpts	**3. 08**	3. 03	5 bpts
Average interest earning assets (AIEA) (2)	$M	**111,136**	109,091	2	**111,307**	110,969	-
Operating expenses to total banking income (3)	%	**36. 1**	37. 3	(120)bpts	**36. 4**	35. 7	70 bpts
Effective tax rate - "cash basis"	%	**30. 1**	30. 1	-	**30. 1**	30. 1	-
Risk weighted assets	$M	**96,329**	87,654	10	**96,329**	89,449	8
Institutional Banking and Markets							
Cash net profit after tax	$M	**1,121**	1,311	(14)	**530**	591	(10)
Net interest margin	%	**1. 04**	1. 10	(6)bpts	**1. 05**	1. 03	2 bpts
Average interest earning assets (AIEA)	$M	**139,050**	138,613	-	**135,628**	142,416	(5)
Operating expenses to total banking income (3)	%	**42. 7**	37. 7	large	**47. 7**	38. 3	large
Effective tax rate - "cash basis"	%	**22. 7**	24. 0	(130)bpts	**22. 3**	23. 1	(80)bpts
Risk weighted assets	$M	**96,190**	102,242	(6)	**96,190**	97,732	(2)
Wealth Management (5)							
Cash net profit after tax	$M	**563**	422	33	**282**	281	-
Underlying profit after tax	$M	**542**	404	34	**270**	272	(1)
Investment experience after tax	$M	**21**	18	17	**12**	9	33
FUA - average	$M	**141,726**	129,152	10	**144,625**	139,104	4
FUA - spot	$M	**147,999**	135,447	9	**147,999**	143,668	3
AUM - average	$M	**215,768**	205,910	5	**212,324**	219,558	(3)
AUM - spot	$M	**213,242**	219,427	(3)	**213,242**	218,191	(2)
CommInsure Inforce Premiums - average	$M	**799**	762	5	**804**	795	1
CommInsure Inforce Premiums - spot	$M	**797**	783	2	**797**	801	-
Operating expenses to total operating income (3)	%	**66. 6**	72. 3	large	**67. 1**	66. 1	100 bpts
Effective tax rate - "cash basis"	%	**24. 6**	25. 2	(60)bpts	**24. 6**	24. 7	(10)bpts

(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") and eChoice.
(5) Restated on a continuing operations basis.

6.7 Summary (continued)

		Full Year Ended (1)			Half Year Ended		
		30 Jun 18	30 Jun 17	Jun 18 vs Jun 17 %	30 Jun 18	31 Dec 17	Jun 18 vs Dec 17 %
New Zealand (2)							
Cash net profit after tax	$M	**975**	869	12	**492**	483	2
Net interest margin (3)	%	**2. 24**	2. 17	7 bpts	**2. 27**	2. 20	7 bpts
Average interest earning assets (AIEA)	NZ$M	**89,774**	84,091	7	**91,054**	88,525	3
FUA - average (ASB)	NZ$M	**13,110**	12,665	4	**13,280**	12,971	2
FUA - spot (ASB)	NZ$M	**13,525**	12,826	5	**13,525**	13,325	2
AUM - average (ASB)	NZ$M	**4,965**	4,631	7	**4,931**	4,976	(1)
AUM - spot (ASB)	NZ$M	**5,125**	4,954	3	**5,125**	4,809	7
Operating expenses to total operating income (ASB) (3) (4)	%	**34. 6**	35. 9	(130)bpts	**35. 1**	34. 1	100 bpts
Effective tax rate - "cash basis" (ASB) (3)	%	**27. 9**	27. 9	-	**27. 8**	27. 9	(10)bpts
Risk weighted assets - APRA basis (5)	$M	**49,884**	48,807	2	**49,884**	47,489	5
Bankwest							
Cash net profit after tax	$M	**681**	576	18	**342**	339	1
Net interest margin	%	**2. 10**	2. 07	3 bpts	**2. 11**	2. 09	2 bpts
Average interest earning assets (AIEA) (6)	$M	**74,162**	71,192	4	**74,661**	73,670	1
Operating expenses to total banking income (4)	%	**42. 1**	45. 0	(290)bpts	**42. 6**	41. 6	100 bpts
Effective tax rate - "cash basis"	%	**30. 1**	30. 1	-	**29. 8**	30. 4	(60)bpts
Risk weighted assets	$M	**42,897**	37,803	13	**42,897**	40,468	6

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

6.8 Foreign Exchange Rates

Exchange Rates Utilised (1)	Currency	As at 30 Jun 18	31 Dec 17	30 Jun 17
AUD 1.00 =	USD	**0. 7387**	0. 7799	0. 7684
	EUR	**0. 6350**	0. 6532	0. 6720
	GBP	**0. 5635**	0. 5797	0. 5903
	NZD	**1. 0909**	1. 0983	1. 0493
	JPY	**81. 7215**	87. 9780	86. 1110

(1) End of day, Sydney time.

6.9 Definitions

Glossary of Terms

Term	Description
Assets Under Management	Assets Under Management (AUM) represents the market value of assets for which the Bank acts as appointed manager. Growth and volatility in this balance is a key performance indicator for the Wealth Management business.
Bankwest	Bankwest is active in all domestic market segments, with lending diversified between housing and personal markets, including a full range of deposit products. Bankwest also provide business and rural relationship managed products and services to Western Australia based customers.
Business and Private Banking	Business & Private Banking serves the banking needs of business, corporate and agribusiness customers across the full range of financial services solutions, as well as providing banking and advisory services for high net worth individuals. We also provide Australia's leading equities trading and margin loan services through our CommSec business.
Corporate Centre (including eliminations)	Corporate Centre includes the results of unallocated Bank support functions such as Treasury, Investor Relations, Group Strategy, Marketing and Secretariat. It also includes Bank wide elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses.
Corporations Act	Corporations Act 2001 (Cth)
Net Promoter Score (NPS)	This is an industry standard metric that measures a customer's willingness to recommend a brand's product and services to their friends, family and colleagues. In Consumer Atlas, Advocacy is measured on a scale of 0 to 10, with 0 being "Not at all likely" and 10 being "Extremely likely" to recommend. Net Promoter Score (NPS) is a derived measure by subtracting Detractors (those who selected 0-6) from Promoters (9-10). Those who have selected 7-8 are known as Passives. In Roy Morgan advocacy measures the likelihood of individual retail customers who identified CBA as their main financial institution, recommending CBA to others. It is based on a scale of 1 to 10, with 1 being 'very unlikely' to recommend and 10 being 'very likely' to recommend. The Net Promoter Score (NPS) is calculated by subtracting the percentage of 'Detractors' (score 1-6) from the percentage of 'Promoters' (score 9-10). The metric is reported as a 6 month rolling average, based on the Australian population aged 14 and over, surveyed by Roy Morgan. ®Net Promoter Score (NPS) is a trademark of Bain and Company, Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld. Last year, we introduced the Net Promoter Score as our way of measuring more than just customer satisfaction, but also looking at customer advocacy. NPS helps us understand our customers experiences, positive or negative. It helps us to identify and focus on the root cause of those perceptions, giving us the opportunity to directly address issues and continue to build on strengths.
Dividend payout ratio ("cash basis")	Dividends paid on ordinary shares divided by net profit after tax ("cash basis").
Dividend payout ratio ("statutory basis")	Dividends paid on ordinary shares divided by net profit after tax ("statutory basis").
DRP	Dividend reinvestment plan.
DRP participation	The percentage of total issued capital participating in the dividend reinvestment plan.
Earnings per share (basic)	Basic earnings per share is the net profit attributable to ordinary equity holders of the Bank, divided by the weighted average number of ordinary shares on issue during the period, per the requirements of relevant accounting standards.
Earnings per share (diluted)	Diluted earnings per share adjusts the net profit attributable to ordinary equity holders of the Bank and the weighted average number of ordinary shares on issue used in the calculation of basic earnings per share, for the effects of dilutive potential ordinary shares.
Expense to income ratio	Represents operating expenses as a percentage of total operating income. The ratio is a key efficiency measure.
Full-time equivalent staff	Includes all permanent full-time staff, part-time staff equivalents and external contractors employed through third-party agencies.
Funds Under Administration	Funds Under Administration (FUA) represents the market value of funds administered by the Bank and excludes AUM. Growth and volatility in this balance is a key performance indicator for the Wealth Management business.
IFS	International Financial Services incorporates the Asian retail and business banking operations (Indonesia, China and Vietnam), investments in Chinese and Vietnamese banks, the joint venture Chinese life insurance business, the life insurance operations in Indonesia and a financial services technology business in South Africa. It does not include the Business and Private Banking, Institutional Banking and Markets and Colonial First State Global Asset Management businesses in Asia.
Institutional Banking and Markets	Institutional Banking and Markets serves the commercial and wholesale banking needs of large corporate, institutional and government clients across a full range of financial services solutions including access to debt capital markets, transaction banking, working capital and risk management through dedicated product and industry specialists. Institutional Banking and Markets has international operations in London, New York, Houston, Japan, Singapore, Malta, Hong Kong, New Zealand, Beijing and Shanghai.

Glossary of Terms (continued)

Term	Description
Interest Rate Risk in the Banking Book (IRRBB)	Interest Rate Risk in the Banking Book is the risk that the Bank's profit derived from Net Interest Income (interest earned less interest paid), in current and future periods, is adversely impacted from changes in interest rates. This is measured from two perspectives: firstly by quantifying the change in the net present value of the Balance Sheet's future earnings potential, and secondly as the anticipated change to the Net Interest Income earned over 12 months. This calculation is driven by APRA regulations with further detail outlined in the Bank's Basel III Pillar 3 report.
Jaws (%)	The Bank 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. The Jaws ratio is an efficiency and profitability indicator for the Bank.
Net profit after tax ("cash basis")	Represents net profit after tax and non-controlling interests before non-cash items including, hedging and IFRS volatility, Bankwest non-cash items, treasury shares valuation adjustment, and losses or gains on acquisitions, disposal, closure and demerger of businesses. This is Management's preferred measure of the Bank's financial performance.
Net profit after tax ("statutory basis")	Represents net profit after tax and non-controlling interests, calculated in accordance with Australian Accounting Standards. This is equivalent to the statutory item "Net profit attributable to Equity holders of the Bank".
Net tangible assets per share	Net assets excluding intangible assets, non-controlling interests, and other equity instruments divided by ordinary shares on issue at the end of the period (excluding Treasury Shares deduction).
New Zealand	New Zealand includes the banking, funds management and insurance businesses operating in New Zealand (excluding Institutional Banking and Markets), under the ASB and Sovereign brands. On 2 July 2018, CBA completed the sale of Sovereign.
Net Stable Funding Ratio (NSFR)	The NSFR more closely aligns the behaviour term of assets and liabilities. It is the ratio of the amount of available stable funding (ASF) to the amount of required stable funding (RSF). ASF is the portion of an Authorised Deposit-taking Institutions (ADI) capital and liabilities expected to be a reliable source of funds over a one year time horizon. RSF is a function of the liquidity characteristics and residual maturities of an ADI's assets and off-balance sheet activities.
Profit after capital charge (PACC)	The Bank uses PACC, a risk-adjusted measure, as a key measure of financial performance. It takes into account the profit achieved, the risk to capital that was taken to achieve it, and other adjustments.
Other Overseas	Represents amounts booked in branches and controlled entities outside Australia and New Zealand.
Retail Banking Services	Retail Banking Services provides home loan, consumer finance and retail deposit products and servicing to all retail bank customers and non-relationship managed small business customers, under the CBA and Aussie brands. In addition, commission is received for the distribution of Wealth Management products through the retail distribution network.
Return on equity ("cash basis")	Based on cash net profit after tax and non-controlling interests less other equity instruments' distributions applied to average shareholders' equity, excluding non-controlling interests, other equity instruments and the treasury shares deduction. Return on equity is a performance metric that indicates shareholder return on investment for the period excluding capital growth.
Return on equity ("statutory basis")	Based on net profit after tax ("statutory basis") less other equity instruments' distributions applied to average shareholders' equity, excluding non-controlling interests and other equity instruments.
Total Committed Exposure (TCE)	Total Committed Exposure is defined as the balance outstanding and undrawn components of committed facility limits. It is calculated before collateralisation and excludes gross settlement exposures on derivatives.
Wealth Management	Wealth Management provides superannuation, investment, retirement and insurance products and services including financial planning which help to improve the financial wellbeing of more than 2.1 million customers. In addition, as a global asset management business, we manage investments on behalf of institutional investors and pension funds, wholesale distributors and platforms, financial advisers and their clients.
Weighted average number of shares ("cash basis")	The calculation incorporates the bonus element of any rights issue, discount element of any DRP and excludes "Treasury Shares" related to investment in the Bank's shares held by the employee share scheme trust.
Weighted average number of shares ("statutory basis")	The calculation incorporates the bonus element of any rights issue, discount element of any DRP and excludes "Treasury Shares" related to investments in the Bank's shares held by both the life insurance statutory funds and by the employee share scheme trust.

Market Share Definitions

Retail Banking

Home loans	CBA Loans to individuals that are Owner Occupied and Investment Home Loans + Securitised Housing Loans as per APRA monthly Banking Statistics + separately reported subsidiaries: Wallaby Trust, Residential Group Mortgage Group P/L and Homepath P/L.
	RBA Total Housing Loans (includes Banks, Non-Banks and Securitisation).
Credit cards (APRA)	CBA Personal Credit Card Lending (APRA).
	Loans to Households: Credit Cards (APRA Monthly Banking Statistics back series).
Consumer finance (other household lending)	CBA Lending to Individuals which includes: Personal Loans, Margin Lending, Personal Leasing, Revolving Credit, Overdrafts, and Home Loans for personal purposes.
	Loans to Households: Other (APRA Monthly Banking Statistics back series).
Household deposits	Total CBA transaction and non-transaction account deposit balances from residents as reported under APRA definitions for Households (individuals) excluding Self-Managed Super Funds (as per deposit balances submitted to APRA in ARF 320.0 Statement of Financial Position).
	Deposits from Households (APRA Monthly Banking Statistics back series).

Business Banking

Business lending (APRA)	CBA Total loans to residents as reported under APRA definitions for the Non-Financial Corporations sector (as per lending balances submitted to APRA in ARF 320.0 Statement of Financial Position) (this includes some Housing Loans to Business).
	Loans to Non-Financial Corporations (APRA Monthly Banking statistics back series).
Business lending (RBA)	CBA business lending and credit: specific "business lending" categories in lodged APRA returns – ARF 320.0 Statement of Financial Position Domestic Book, ARF 320.1 Debt Securities Held and ARF 320.4 Accepted and Endorsed Bills, excluding sub-categories of Banks, ADIs and RFCs and Governments.
	RBA Total business lending (seasonally adjusted).
Business deposits (APRA)	Total CBA transaction and non-transaction account deposit balances from residents as reported under APRA definitions for the non-financial corporation's sector (as per deposit balances submitted to APRA in ARF 320.0).
	Loans to Non-Financial Corporations (from APRA Monthly Banking Statistics back series).
Equities trading	Twelve months rolling average of total value of equities trades as measured by ASX.
	Twelve months rolling average of total value of equities market trades as measured by ASX.

Wealth Management

Australian Retail	Total funds in CBA Wealth Management retail investment products (including WM products badged by other parties).
	Total funds in retail investment products market (from Strategic Insight).
FirstChoice Platform	Total funds in FirstChoice platform.
	Total funds in platform/masterfund market (from Strategic Insight).
Australia life insurance (total risk)	Total risk inforce premium of all CBA Group Australian life insurance companies.
	Total risk inforce premium for all Australian life insurance companies (from Strategic Insight).
Australia life insurance (individual risk)	(Individual lump sum + individual risk income) inforce premium of all CBA Group Australian life insurance companies.
	Individual risk inforce premium for all Australian life insurance companies (from Strategic insight).

Appendices

Market Share Definitions (continued)

New Zealand

Home Loans	All ASB residential mortgages for owner occupier and residential investor property use.
	Total New Zealand residential mortgages for owner occupier and residential investor property use of all New Zealand registered banks (from RBNZ).
Customer Deposits	All resident and non-resident deposits on ASB Balance Sheet.
	Total resident and non-resident deposits of all New Zealand registered banks (from RBNZ).
Business Lending	All New Zealand dollar loans for business use on ASB Balance Sheet excluding agriculture loans.
	Total New Zealand dollar loans for business use of all New Zealand registered banks excluding agriculture loans (from RBNZ).
Retail AUM (1)	Total ASB AUM.
	Total Market net Retail AUM (from Fund Source Research Limited).
Annual inforce premiums (2)	Total Sovereign inforce premiums excluding health (opening inforce annual premium income + new business - exits - other).
	Total inforce premium for New Zealand (from Financial Services Council of New Zealand statistics).

(1) Presented on a continuing operations basis.
(2) Discontinued operations.