Commonwealth Bank of Australia
U.S. Disclosure Document

For the half year ended 31 December 2014

Report for the half year ended 31 December 2014	$M	
Revenue from ordinary activities	22,849	Up 3%
Profit/(loss) from ordinary activities after tax attributable to Equity holders	4,535	Up 8%
Net profit/(loss) for the period attributable to Equity holders	4,535	Up 8%
Dividends (distributions)		
Interim Dividend - fully franked (cents per share)		198
Record date for determining entitlements to the dividend		19 February 2015

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

- The Commonwealth Bank of Australia Annual U.S. Disclosure Document – Year Ended 30 June 2014 (2014 Annual U.S. Disclosure Document);
- The Commonwealth Bank of Australia Financial Report (U.S. Version) – Year Ended 30 June 2014 which contains the Financial Statements for the years ended 30 June 2012, 2013 and 2014 and as of 30 June 2012, 2013 and 2014 (2014 Financial Report);
- The Commonwealth Bank of Australia Financial Report (U.S. Version) – Year Ended 30 June 2013 which contains the Financial Statements for the years ended 30 June 2011, 2012 and 2013 and as of 30 June 2011, 2012 and 2013 (2013 Financial Report);
- The Commonwealth Bank of Australia U.S. Investor Basel III Capital Disclosure as of 31 December 2014 (December 2014 Capital Disclosure Report);
- The Commonwealth Bank of Australia Recent Developments as of 24 November 2014 (Recent Developments Report) which includes the U.S. Investor Basel III Capital Disclosure as of 30 September 2014 (September 2014 Capital Disclosure Report); and
- The Commonwealth Bank of Australia Basel III Pillar 3 Capital Adequacy and Risk Disclosures as of 30 June 2014 (June 2014 Capital Disclosure Report, and together with the December 2014 Capital Disclosure Report and September 2014 Capital Disclosure Report, the Capital Disclosure Reports).

In each case, these are found on the U.S. Investor Website located at http:/www.commbank.com.au/usinvestors (U.S. Investor Website).

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

This Document, the 2014 Annual U.S. Disclosure Document, the 2014 Financial Report, the Recent Developments Report, the Capital Disclosure Reports and the 2013 Financial Report are each presented in Australian dollars unless stated otherwise.

The Group’s financial years end on June 30 of each year. References to the 2014 Financial Year are to the year ended 30 June 2014 and prior financial years are referred to in a similar manner.

Except where otherwise stated, all figures in this Document relate to the half year ended 31 December 2014. The term “prior comparative period” refers to the half year ended 31 December 2013, while the term “prior half” refers to the half year ended 30 June 2014 and the terms “current period” or “current half” refers to the half year ended 31 December 2014.

Except where otherwise indicated, references to “Notes” or a “Note” are to Notes or a Note, as the case may be, to the Financial Statements contained in this Document.

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Special Note Regarding Forward-Looking Statements

Certain statements under the captions “Highlights”, “Capital”, “Group Performance Analysis”, “Retail Banking Services”, “Business and Private Banking”, “Institutional Banking and Markets”, “Wealth Management”, “New Zealand”, “Bankwest”, “IFS and Other”, “Liquidity and Capital Resources” and elsewhere in this Document constitute “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking statements, including economic forecasts and assumptions and business and financial projections, involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such factors include changes in political, social, credit, liquidity, investor confidence and economic conditions in Australia, New Zealand and elsewhere where the Group or its customers operate or raise funds; the impact of changes in the value of the Australian dollar and the other currencies in which the Group or its customers operate or raise funds; the impact of natural disasters; demographic changes; technological changes; changes in competitive conditions in Australia, New Zealand, Asia, the United States or the United Kingdom; changes in the regulatory structure of the banking, life insurance and funds management industries in Australia, New Zealand, the United Kingdom or Asia; changes in global credit and equity market conditions including funding costs, credit ratings and access; regulatory proposals for reform of the banking, life insurance and funds management industries in Australia and other regions where the Group operates; and various other factors beyond the Group's control. Given these risks, uncertainties and other factors, potential investors are cautioned not to place undue reliance on such forward-looking statements.

Risk factors applicable to the Group are detailed on page 8 of this Document and pages 17 to 22 of the 2014 Annual U.S. Disclosure Report.

Financial Information Definitions

Basis of preparation

The consolidated Financial Statements of the Group for the half years ended 31 December 2014, 30 June 2014 and 31 December 2013 comply with International Financial Reporting Standards (IFRS).

The Financial Reports are presented in Australian dollars.

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

This Document does not include all notes of the type included in the 2014 Annual U.S. Disclosure Document and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the Group as that given by the 2014 Annual U.S. Disclosure Document. As a result, this Document should be read in conjunction with the 2014 Annual U.S. Disclosure Document, the 2014 Financial Report and the 2013 Financial Report.

Non-GAAP Financial Measures

In this Document, the Group presents its profit on a "statutory basis", which is calculated in accordance with IFRS.

In addition to its financial results reported in this Document, the 2014 Financial Report and the 2013 Financial Report in accordance with IFRS, the Group reports and describes in this Document certain "non-GAAP financial measures" (as defined in SEC Regulation G) of the financial performance and results of the Group. These non-GAAP financial measures are not calculated in accordance with IFRS. This Document contains reconciliations of these non-GAAP financial measures to the Group's financial results prepared in accordance with IFRS.

The non-GAAP financial measures included in this Document are:

- Cash basis – the Group presents its results on a cash net profit after tax basis. "Cash basis" is defined by management as net profit after tax and non-controlling interests, before Bankwest significant items, treasury shares valuation adjustment, unrealised gains and losses related to hedging and IFRS volatility, loss on disposal of controlled entities/investments and other non-cash one-off expenses. Management believes that "cash basis" is a meaningful measure of the Group's performance and provides a basis for the determination of the Bank's dividends. A reconciliation of the Group's net profit after tax from "statutory basis" to "cash basis" is set out on page 11 of and Appendix 11 to this Document.
- Earnings per share ("cash basis") – the Group presents its earnings per share on both a statutory and a cash basis. "Earnings per share ("cash basis")" is defined by management as cash net profit after tax as described above, divided by the weighted average of the Bank's ordinary shares outstanding over the relevant period.
- Funds Under Administration (FUA) represents funds administered by the Group and includes Assets Under Management (AUM) and funds managed externally. The Group derives funds management fees from FUA and AUM and management believes that the reporting of these measures assists investors in evaluating the Group's funds management operations.

The Group also presents its dividend payout ratio on a statutory and cash basis. The dividend payout ratio (statutory basis) is calculated by dividing the dividends paid on ordinary shares by the statutory net profit after tax, net of dividends on other equity instruments. The dividend payout ratio (cash basis) is calculated by dividing the dividends paid on ordinary shares by the cash net profit after tax, net of dividends on other equity instruments. Similarly, the Group presents "Dividend cover – statutory", which is statutory net profit after tax, net of dividends on other equity instruments divided by dividends on ordinary shares for the applicable period, and "Dividend cover – cash", which is cash net profit after tax net of dividends on other equity instruments divided by dividends on ordinary shares for the applicable period. These ratios are provided on both a statutory and cash basis since net profit after tax, the primary component of these ratios, is also presented on a statutory and cash basis, for the reasons described above.

Reclassification of certain Income Statement and Balance Sheet Information

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

- **Small Business** – the Group created a new Small Business customer channel within Retail Banking Services, to which all non-relationship managed business clients primarily from Business and Private Banking have been transferred. This re-segmentation will not impact the Group's results, but will result in changes to the presentation of the Profit and Loss and the Balance Sheet of the affected business segments.
- **Deposit reclassification** – deposit products have been reclassified to align more consistently with the changing nature of product usage by the customer. For example, the 'Business Online Saver' deposit product, which was previously classified as a transaction deposit due to its "at-call" nature, has been reclassified to savings deposits. This is a presentational change only and has no impact on regulatory treatment or market share statistics.
- **Other changes** – minor refinements have been made to the allocation of customer balances and associated revenue and expenses between business segments. These refinements will not impact the Group's results, but will result in changes to presentation of the Profit and Loss and the Balance Sheet of the affected business segments.

The affected comparatives throughout this Document are footnoted. The impact of these changes on each segment's cash net profit after tax, Balance Sheet and cost to income ratios for the comparative periods is set out in Appendix 16 to this Document.

Impact of Foreign Currency Movements

The Group's consolidated financial results are presented in Australian dollars. In order to prepare the Group's consolidated financial results, the financial results of any reporting entities of the Group with a functional currency other than Australian dollars are translated into Australian dollars for each reporting period. As foreign exchange rates are subject to change, the Group's financial results can be affected by the prevailing rate of the Australian dollar at the time of such translations. The effects of these translations on various segments of the Group's business are noted throughout this Document.

The movement of the Australian dollar against the following currencies is highlighted in the table below.

		As at		
Exchange Rates Utilised (1)	**Currency**	**31 Dec 14**	**30 Jun 14**	**31 Dec 13**
AUD 1.00 =	USD	**0. 8188**	0. 9405	0. 8939
	EUR	**0. 6738**	0. 6892	0. 6480
	GBP	**0. 5262**	0. 5525	0. 5424
	NZD	**1. 0450**	1. 0762	1. 0867
	JPY	**98. 0111**	95. 4517	93. 9090

(1) End of day, Sydney time

		Average rates		
Exchange Rates Utilised (1)	**Currency**	**31 Dec 14**	**30 Jun 14**	**31 Dec 13**
AUD 1.00 =	USD	**0. 8822**	0. 9160	0. 9135
	EUR	**0. 6924**	0. 6698	0. 6761
	GBP	**0. 5453**	0. 5474	0. 5730
	NZD	**1. 0973**	1. 0779	1. 1273
	JPY	**97. 4707**	93. 4957	91. 2570

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

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

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

The references to the weaker Australian dollar in this Document are to the weakening of the Australian dollar against the currencies disclosed in the table above.

Critical Accounting Policies and Estimates

The accounting policies followed in this Document are the same as those applied in the Group's 2014 Financial Report, except for the exceptions referred to in Note 1. Certain policies are considered to be more important in the determination of the Group's financial position, since they require management to make difficult, complex or subjective judgements, some of which may relate to matters that are inherently uncertain. These decisions are reviewed by the Board Audit Committee.

These policies include judgements as to levels of provisions for impairment for loan balances, actuarial assumptions in determining life insurance policy liabilities and pensions, and determining whether certain entities should be consolidated. An explanation of these policies and the related judgements and estimates involved is set out below.

Provisions for Impairment

Provisions for impairment are recognised where there is objective evidence of impairment and at an amount adequate to cover assessed credit related losses. In addition, provisions are raised where no objective evidence of impairment exists for an individually assessed financial asset, but for which a loss event has occurred which is likely to result in a loss within a group of financial assets.

Credit losses arise primarily from loans but also from other credit instruments such as bank acceptances, financial guarantees and commitments, contingent liabilities, financial instruments and investments and assets acquired through security enforcement.

Individually Assessed Provisions

Individually assessed provisions are raised where there is objective evidence of impairment and full recovery of principal is considered doubtful.

Individually assessed provisions are made against individual risk related credit facilities where a loss of $20,000 or more is expected. The provisions are established based primarily on estimates of the realisable (fair) value of collateral taken and are measured as the difference between the financial asset's carrying amount and the present value of the expected future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. Short term balances are not discounted.

Collective Provision

All other loans and advances 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 advances to their estimated recoverable amounts at the Balance Sheet date.

The evaluation process is subject to a series of estimates and judgements. In the credit risk rated segment, the risk rating system, including the frequency of default and loss given default rates, loss history, and the size, structure and diversity of individual credits are considered. Current developments in portfolios (industry, geographic and term) are reviewed.

In the statistically managed (retail) segment, the history of arrears and losses, and the size, structure and diversity of portfolios are considered.

In addition management considers overall indicators of portfolio performance, quality and economic conditions.

Changes in these estimates could have a direct impact on the level of provision determined.

The amount required to bring the collective provision to the level assessed is recognised as an expense as set out in Note 5.

Life Insurance Policyholder Liabilities

Life insurance policyholder liabilities are accounted for under AASB 1038: Life Insurance Business. A significant area of judgement is in the determination of policyholder liabilities, which involve actuarial assumptions. The areas of judgement where key actuarial assumptions are made in the determination of policyholder liabilities are:

- Business assumptions including:
  - Amount, timing and duration of claims/policy payments;
  - Policy lapse rates; and
  - Acquisition and long term maintenance expense levels;
- Long term economic assumptions for discount and interest rates, inflation rates and market earnings rates; and
- Selection of methodology, either projection or accumulation method. The selection of the method is generally governed by the product type.

The determination of assumptions relies on making judgements on variances from long-term assumptions. Where experience differs from long term assumptions:

- Recent results may be a statistical aberration; or
- There may be a commencement of a new paradigm requiring a change in long term assumptions.

Superannuation Obligations

The Group currently sponsors two defined benefit plans as described in Note 1(bb) and Note 37 of the 2014 Financial Report. For each of these plans, actuarial valuations of the plan's obligations and fair value measurements of the plan's assets are performed semi-annually in accordance with the requirements of AASB 119 'Employee Benefits'.

The actuarial valuation of plan obligations is dependent upon a series of assumptions, the key ones being price inflation, discount rates, earnings growth, mortality, morbidity and investment returns assumptions. Different assumptions could significantly alter the amount of the difference between plan assets and obligations, and the superannuation cost charged to the Income Statement.

Consolidation of Special Purpose Entities

The Group assesses, at inception and periodically, whether a special purpose entity should be consolidated based on the risks and rewards of each entity and whether the majority pass to the Group. Such assessments are predominately required in the context of the Group's securitisation program and structured transactions.

Disclosures

Risk Factors

Details of significant risk factors applicable to the Group are set forth under the section entitled “Risk Factors” on pages 17 to 22 of the 2014 Annual U.S. Disclosure Document. That section describes the principal risk factors that could materially affect the Group's businesses, its revenues, operating income, net income, net assets, liquidity and capital resources, which are in addition to, and should be read in conjunction with, the “Special Note Regarding Forward-Looking Statements” on page 4 of this Document and Appendices 5 and 6 to this Document. Appendix 5 to this Document provides details on how the Group manages its credit, market (traded and non-traded), funding and liquidity and operational risks in the course of carrying on its business. Appendix 6 to this Document provides details on the Group’s counterparty and other credit risk exposures. Also refer to Notes 33 – 36 of the 2014 Financial Report.

Contents

Highlights

Group Performance Highlights

	Half Year Ended ("statutory basis")			Half Year Ended ("cash basis")				
	31 Dec 14	31 Dec 13	Dec 14 vs Dec 13 %	31 Dec 14	30 Jun 14	31 Dec 13	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Net profit after tax ($M)	**4,535**	4,207	8	**4,623**	4,412	4,268	5	8
Return on equity (%)	**18. 4**	18. 5	(10)bpts	**18. 6**	18. 8	18. 7	(20)bpts	(10)bpts
Earnings per share - basic (cents)	**279. 1**	260. 5	7	**284. 1**	272. 0	263. 9	4	8
Dividends per share (cents)	**198**	183	8	**198**	218	183	(9)	8

These "Highlights" contain forward-looking statements. See "Special Note Regarding Forward-Looking Statements" on page 4 of this Document.

Financial Performance

The Group's statutory net profit after tax for the half year ended 31 December 2014 increased 8% on the prior comparative period to $4,535 million.

Return on equity ("statutory basis") was 18.4% and Earnings per share ("statutory basis") was 279.1 cents, an increase of 7% on the prior comparative period.

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

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

Operating income growth was positive across all businesses relative to both the prior comparative period and prior half.

Operating expenses increased relative to both the prior comparative period and prior half, reflecting underlying inflationary pressures and ongoing costs of regulatory change and compliance initiatives, partly offset by the incremental benefit generated from productivity initiatives.

Loan impairment expense decreased relative to both the prior comparative period and prior half, reflecting stable retail arrears experience and a benign commercial loan loss environment. Management believes that provisioning levels remain prudent, and there has been no change made to economic overlays.

Cash net profit after tax for the half year ended 31 December 2014 increased by 8% on the prior comparative period to $4,623 million. Cash earnings per share increased 8% to 284.1 cents per share.

Return on equity ("cash basis") for the half year ended 31 December 2014 was 18.6%, a decrease of ten basis points on the prior comparative period.

Capital

The Group continued to maintain its strong capital position under the Basel III regulatory capital framework. As at 31 December 2014, the Basel III Common Equity Tier 1 (CET1) ratio as measured on an APRA basis was 9.2%. This continues to place the Group in a strong position relative to our peers, and is well above the regulatory minimum levels.

Funding

The Group continued to maintain conservative balance sheet settings, with a significant portion of the Group's lending growth funded by growth in customer deposits, which increased to $458 billion as at 31 December 2014, up $32 billion on the prior comparative period. Customer deposits comprised 63% of the Group's total funding base at 31 December 2014, down 1% from 30 June 2014 and consistent with 31 December 2013.

Dividends

The interim dividend declared was $1.98 per share, an increase of 8% on the prior comparative period. This represents a dividend payout ratio ("cash basis") of 70%.

The interim dividend payment will be fully franked and is scheduled to be paid on 2 April 2015 to owners of ordinary shares at the close of business on 19 February 2015 (record date). Shares were quoted ex-dividend on 17 February 2015.

Outlook

The discussion below includes forward-looking statements. See "Special Note Regarding Forward-Looking Statements" on page 4 of this Document.

The Australian economy has many of the foundations necessary to make a successful transition from its dependence on resource investment. Population growth, a vibrant construction sector, some signs of increased business investment, greater trade access supported by a lower dollar and a strong banking sector are all positives for the Australian economy. However, the volatility of the global economy continues to undermine confidence, particularly the impact of low commodity prices on national revenue. Weak confidence is a significant economic threat. Businesses need the certainty to invest to create jobs, and households need a greater feeling of security. That requires implementation of a coherent long term plan that clearly addresses target government debt levels and timeframes, infrastructure priorities, foreign investment, business competitiveness policies and, above all, job creation. In terms of the Group specifically, it will continue to invest in its current strategy. The Group believes that if it continues to work hard in an increasingly competitive environment, its strategy will continue to benefit the Group's 15 million customers, its 52,000 employees, the 800,000 Australia households who own shares in the Group, and the broader communities in which it operates.

Group Performance Summary	31 Dec 14 $M	30 Jun 14 $M	31 Dec 13 $M	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %	31 Dec 14 $M ("statutory basis")	Dec 14 vs Dec 13 % ("statutory basis")
Net interest income	**7,891**	7,647	7,444	3	6	**7,888**	6
Other banking income	**2,370**	2,089	2,234	13	6	**2,314**	5
Total banking income	**10,261**	9,736	9,678	5	6	**10,202**	6
Funds management income	**970**	930	1,003	4	(3)	**974**	(7)
Insurance income	**416**	433	386	(4)	8	**535**	18
Total operating income	**11,647**	11,099	11,067	5	5	**11,711**	5
Investment experience	**80**	154	81	(48)	(1)	**n/a**	n/a
Total income	**11,727**	11,253	11,148	4	5	**11,711**	5
Operating expenses	**(4,914)**	(4,748)	(4,751)	3	3	**(4,951)**	3
Loan impairment expense	**(440)**	(496)	(457)	(11)	(4)	**(440)**	(4)
Net profit before tax	**6,373**	6,009	5,940	6	7	**6,320**	7
Corporate tax expense (1)	**(1,740)**	(1,588)	(1,662)	10	5	**(1,775)**	5
Non-controlling interests (2)	**(10)**	(9)	(10)	11	-	**(10)**	-
Net profit after tax ("cash basis")	**4,623**	4,412	4,268	5	8	**n/a**	n/a
Hedging and IFRS volatility (3)	**(42)**	11	(5)	large	large	**n/a**	n/a
Other non-cash items (3)	**(46)**	1	(56)	large	(18)	**n/a**	n/a
Net profit after tax ("statutory basis")	**4,535**	4,424	4,207	3	8	**4,535**	8
Represented by: (4)							
Retail Banking Services	**1,992**	1,894	1,784	5	12		
Business and Private Banking	**743**	635	686	17	8		
Institutional Banking and Markets	**653**	607	670	8	(3)		
Wealth Management	**327**	398	367	(18)	(11)		
New Zealand	**376**	412	340	(9)	11		
Bankwest	**352**	299	320	18	10		
IFS and Other	**92**	179	40	(49)	large		
Net profit after tax ("statutory basis")	**4,535**	4,424	4,207	3	8		

(1) For purposes of presentation, policyholder tax expense components of corporate tax expense are shown on a net basis (31 December 2014: $61 million; 30 June 2014: $66 million; 31 December 2013: $60 million).

(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 "Financial Information Definitions – Basis of preparation" on page 5 and Appendix 11 to this Document for further details.

(4) Comparative information has been restated to reflect the creation of a Small Business customer channel within Retail Banking Services, and minor refinements to the allocation of customer balances and associated revenue and expenses between business segments. Refer to "Financial Information Definitions – Reclassification of certain Income Statement and Balance Sheet Information" on pages 5 and Appendix 16 to this Document for further details.

Highlights

Key Performance Indicators [1]	31 Dec 14	30 Jun 14	31 Dec 13	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
	Half Year Ended				
Group					
Statutory net profit after tax ($M)	**4,535**	4,424	4,207	3	8
Net interest margin (%)	**2. 12**	2. 14	2. 14	(2)bpts	(2)bpts
Average interest earning assets ($M)	**738,648**	720,889	690,106	2	7
Average interest bearing liabilities ($M)	**695,400**	675,749	647,944	3	7
Statutory funds management income to average Funds Under Administration (FUA) (%)	**0. 70**	0. 75	0. 79	(5)bpts	(9)bpts
FUA - average ($M)	**274,923**	266,221	262,578	3	5
Statutory insurance income to average inforce premiums (%)	**32. 6**	37. 0	29. 5	(440)bpts	310 bpts
Average inforce premiums ($M)	**3,234**	3,152	3,057	3	6
Statutory operating expenses to total operating income (%)	**42. 3**	42.2	42. 9	10 bpts	(60)bpts
Statutory effective corporate tax rate (%)	**27. 4**	26. 3	28. 0	110 bpts	(60)bpts
Retail Banking Services					
Statutory net profit after tax ($M)	**1,992**	1,894	1,784	5	12
Statutory operating expenses to total banking income (%)	**34. 5**	34. 4	36. 1	10 bpts	(160)bpts
Business and Private Banking					
Statutory net profit after tax ($M)	**743**	635	686	17	8
Statutory operating expenses to total banking income (%)	**38. 2**	38. 8	38. 5	(60)bpts	(30)bpts
Institutional Banking and Markets					
Statutory net profit after tax ($M)	**653**	607	670	8	(3)
Statutory operating expenses to total banking income (%)	**33. 1**	37. 6	33. 2	(450)bpts	(10)bpts
Wealth Management					
Statutory net profit after tax ($M)	**327**	398	367	(18)	(11)
FUA - average ($M) [2]	**262,409**	247,645	235,678	6	11
Average inforce premiums ($M)	**2,345**	2,291	2,219	2	6
Statutory funds management income to average FUA (%) [2]	**0. 70**	0. 76	0. 78	(6)bpts	(8)bpts
Statutory insurance income to average inforce premiums (%)	**31. 8**	33. 8	30. 6	(200)bpts	120 bpts
Statutory operating expenses to net operating income (%) [2]	**60. 4**	59. 3	59. 3	110 bpts	110 bpts
New Zealand					
Statutory net profit after tax ($M)	**376**	412	340	(9)	11
FUA - average ($M)	**12,514**	11,507	10,263	9	22
Average inforce premiums ($M)	**656**	628	582	4	13
Statutory funds management income to average FUA (%) [3]	**0. 54**	0. 53	0. 58	1 bpt	(4)bpts
Statutory insurance income to average inforce premiums (%) [3]	**35. 4**	48. 5	29. 3	large	large
Statutory operating expenses to total operating income (%) [3]	**43. 9**	40. 4	45. 7	350 bpts	(180)bpts
Bankwest					
Statutory net profit after tax ($M)	**352**	299	320	18	10
Statutory operating expenses to total banking income (%)	**47. 6**	49. 9	49. 1	(230)bpts	(150)bpts
Capital (Basel III)					
Common Equity Tier 1 APRA (%)	**9. 2**	9. 3	8. 5	(10)bpts	70 bpts

(1) Comparative information has been restated to reflect the creation of a Small Business customer channel within Retail Banking Services, and minor refinements to the allocation of customer balances and associated revenue and expenses between business segments. Refer to "Financial Information Definitions – Reclassification of certain Income Statement and Balance Sheet Information" on page 5 of and Appendix 16 to this Document for further details.

(2) During the prior year the Group successfully completed the internalisation of the management of CFS Retail Property Group (CFX) and Kiwi Income Property Trust (KIP), and the Group has ceased to manage the Commonwealth Property Office Fund (CPA). The Group also sold its entire proprietary unit holding in CPA and KIP, and part of its proprietary unit holding in CFX. These transactions have been excluded from the calculation of affected comparative financial metrics and information where indicated throughout this Document.

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

Shareholder Summary	Half Year Ended 31 Dec 14	30 Jun 14	31 Dec 13	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Dividends per share - fully franked (cents)	**198**	218	183	(9)	8
Dividend cover - statutory (times)	**1. 4**	1. 2	1. 4	-	-
Dividend cover - cash (times)	**1. 4**	1. 2	1. 4	-	-
Earnings per share (cents) [1]					
Statutory basis - basic	**279. 1**	273. 3	260. 5	2	7
Statutory basis - fully diluted	**272. 1**	267. 0	253. 9	2	7
Cash basis - basic	**284. 1**	272. 0	263. 9	4	8
Cash basis - fully diluted	**276. 9**	265. 8	257. 1	4	8
Dividend payout ratio (%) [1]					
Statutory basis	**71. 2**	80. 3	70. 5	large	70 bpts
Cash basis	**69. 8**	80. 5	69. 5	large	30 bpts
Weighted average no. of shares ("statutory basis") - basic (M) [1] [2]	**1,616**	1,611	1,606	-	1
Weighted average no. of shares ("cash basis") - basic (M) [1] [2]	**1,619**	1,614	1,609	-	1
Return on equity ("statutory basis") (%) [1]	**18. 4**	19. 0	18. 5	(60)bpts	(10)bpts
Return on equity ("cash basis") (%) [1]	**18. 6**	18. 8	18. 7	(20)bpts	(10)bpts

(1) For definitions refer to Appendix 15.
(2) Diluted EPS and weighted average number of shares are disclosed in Appendix 12.

Market Share [1]	As at 31 Dec 14 [2] %	30 Jun 14 %	31 Dec 13 %	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Home loans	**25. 2**	25. 3	25. 3	(10)bpts	(10)bpts
Credit cards - RBA [3]	**25. 2**	24. 9	24. 7	30 bpts	50 bpts
Other household lending [4]	**18. 6**	18. 8	18. 2	(20)bpts	40 bpts
Household deposits [5]	**28. 8**	28. 7	28. 6	10 bpts	20 bpts
Business lending - RBA	**17. 2**	17. 7	17. 9	(50)bpts	(70)bpts
Business lending - APRA	**18. 6**	18. 8	19. 0	(20)bpts	(40)bpts
Business deposits - APRA	**20. 9**	21. 7	21. 0	(80)bpts	(10)bpts
Asset finance	**13. 4**	13. 2	13. 3	20 bpts	10 bpts
Equities trading	**5. 8**	5. 2	5. 1	60 bpts	70 bpts
Australian Retail - administrator view [6]	**15. 7**	15. 7	15. 6	-	10 bpts
FirstChoice Platform [6]	**11. 4**	11. 5	11. 4	(10)bpts	-
Australia life insurance (total risk) [6]	**12. 2**	12. 4	12. 9	(20)bpts	(70)bpts
Australia life insurance (individual risk) [6]	**12. 1**	12. 4	12. 6	(30)bpts	(50)bpts
NZ home loans	**21. 7**	21. 9	22. 1	(20)bpts	(40)bpts
NZ retail deposits	**20. 6**	20. 6	20. 4	-	20 bpts
NZ business lending	**11. 5**	11. 0	10. 6	50 bpts	90 bpts
NZ retail FUA	**16. 5**	16. 1	17. 0	40 bpts	(50)bpts
NZ annual inforce premiums	**29. 0**	29. 1	29. 4	(10)bpts	(40)bpts

(1) Prior periods have been restated in line with market updates.
(2) Market share percentage figures are as at 31 December 2014 unless otherwise stated.
(3) As at 30 November 2014.
(4) Other household lending market share includes personal loans, margin loans and other forms of lending to individuals.
(5) Comparatives have not been restated to include the impact of new market entrants in the current period.
(6) As at 30 September 2014.

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

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by an assigning rating agency. Ratings should be evaluated independently of any other information.

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Contents

Section 3 – Group Performance Analysis

Financial Performance and Business Review

This Group Performance Analysis contains certain forward-looking statements. See "Special Note Regarding Forward-Looking Statements" on page 4 of this Document.

December 2014 versus December 2013

The Group's statutory net profit after tax increased 8% on the prior comparative period to $4,535 million.

Earnings per share ("statutory basis") increased 7% on the prior comparative period to 279.1 cents per share, while return on equity ("statutory basis") decreased 10 basis points on the prior comparative period to 18.4%.

The key components of the Group result were:

- **Net interest income** increased 6% to $7,888 million, reflecting 7% growth in average interest earning assets, partly offset by a two basis point decrease in net interest margin;
- **Other banking income** increased 5% to $2,314 million due to volume driven growth in commissions, higher Markets income, a favourable counterparty fair value adjustment and increased share of profits from associates;
- **Funds management income** decreased 7% to $974 million. During the prior half the Group successfully completed the internalisation of the management of CFS Retail Property Group (CFX) and Kiwi Income Property Trust (KIP), and the Group ceased to manage the Commonwealth Property Office Fund (CPA). The Group also sold part of its proprietary unit holding in CFX. Excluding the impact of these transactions from comparative results, funds management income decreased 3%;
- **Insurance income** increased 18% to $535 million, primarily due to average inforce premium growth of 6% as a result of improved lapse rates, partly offset by a deterioration in claims experience. Management believes this increase includes a 1% benefit from the weaker Australian dollar;
- **Operating expenses** increased 3% to $4,951 million primarily due to higher staff costs from inflation-related salary increases and higher professional fees. This was partly offset by lower Information Technology (IT) expenses due to software write-offs in the prior comparative period, and the continued realisation of incremental benefits from productivity initiatives; and
- **Loan impairment expense** decreased 4% to $440 million primarily due to a reduction in individual provisioning requirements.

December 2014 versus June 2014

The Group's statutory net profit after tax increased 3% on the prior half.

Earnings per share ("statutory basis") increased 2% on the prior half to 279.1 cents per share, while return on equity ("statutory basis") decreased 10 basis points to 18.4%.

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

- **Net interest income** increased 3%, reflecting 2% growth in average interest earning assets, partly offset by a two basis point decrease in net interest margin;
- **Other banking income** increased 10% due to volume driven growth in commissions, stronger Markets income, favourable counterparty fair value adjustments as well as the impact of the impairment of the investment in Vietnam International Bank (VIB) during the prior half;
- **Funds management income** decreased 2% to $974 million. Excluding the impact of the internalisation of the management of CFX and KIP, the cessation of management of CPA and the sale of the proprietary holding in CFX from comparative results, funds management income increased 2% on the prior half, largely due to a 6% increase in average FUA and a favourable change in business mix;
- **Insurance income** decreased 7% due to a deterioration in claims experience, partly offset by a 3% increase in average inforce premiums;
- **Operating expenses** increased 3% due to higher staff expenses from inflation-related salary increases and higher professional fees. This was partly offset by lower IT expenses due to increased amortisation in the prior half and the continued realisation of incremental benefits from productivity initiatives; and
- **Loan impairment expense** decreased 5%, reflecting lower individual provisions and stable portfolio quality.

More comprehensive disclosure of performance highlights by key business segments is contained on pages 37-58 of this Document.

Net Interest Income

	Half Year Ended				
	31 Dec 14 $M	30 Jun 14 $M	31 Dec 13 $M	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Net interest income ("cash basis")	7,891	7,647	7,444	3	6
Hedging and IFRS volatility	(3)	(1)	16	large	large
Bankwest non-cash items	-	1	(6)	large	large
Net interest income ("statutory basis")	7,888	7,647	7,454	3	6
Average interest earning assets					
Home loans	403,956	392,846	379,583	3	6
Personal loans	23,244	22,865	22,138	2	5
Business and corporate loans	185,637	180,528	174,024	3	7
Total average lending interest earning assets	612,837	596,239	575,745	3	6
Non-lending interest earning assets	125,811	124,650	114,361	1	10
Total average interest earning assets	738,648	720,889	690,106	2	7
Net interest margin ("statutory basis") (%)	2.12	2.14	2.14	(2)bpts	(2)bpts

December 2014 versus December 2013

Net interest income increased by 6% on the prior comparative period to $7,891 million. The result was driven by growth in average interest earning assets of 7%, partly offset by a two basis point decrease in net interest margin.

Average Interest Earning Assets

Average interest earning assets increased by $49 billion on the prior comparative period to $739 billion, reflecting a $37 billion increase in average lending interest earning assets and a $12 billion increase in average non-lending interest earning assets.

Home loan average balances increased by $24 billion or 6% on the prior comparative period to $404 billion. The growth in home loan balances was largely driven by growth in the Group's domestic banking businesses.

Average balances for business and corporate lending increased by $12 billion on the prior comparative period to $186 billion driven by a combination of growth in business banking and institutional lending.

Average non-lending interest earning assets increased $12 billion on the prior comparative period, due to higher average levels of liquid assets.

Net Interest Margin

The Group's net interest margin decreased two basis points on the prior comparative period to 2.12%. The key drivers of the movement were:

Asset pricing: Decreased margin of ten basis points, of which seven basis points related to home lending, reflecting competitive pricing and a change in mix with a shift in customer preference towards fixed rate home loans.

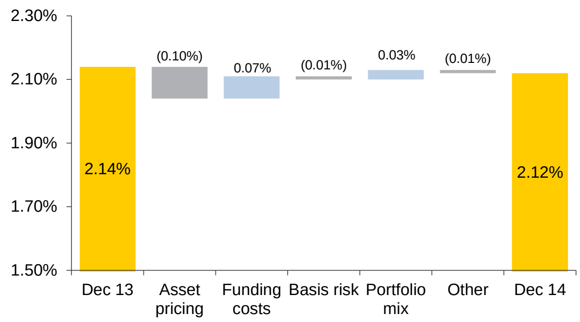
Funding costs: Increased margin of seven basis points, reflecting lower wholesale funding costs.

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

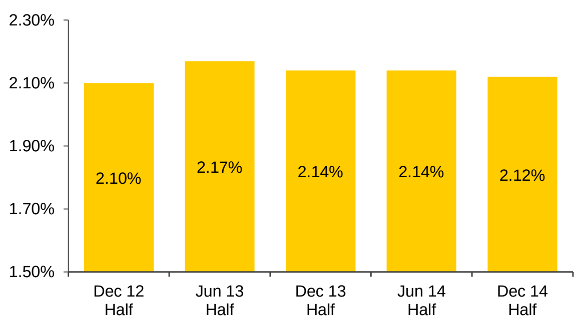
Portfolio mix: Increased margin of three basis points, reflecting the favourable change in funding mix from proportionately higher levels of transaction and savings deposits.

Other: Decreased margin of one basis point, driven by increased holdings of liquid assets.

NIM movement since December 2013



Group NIM (Half Year Ended)



Net Interest Income (continued)

December 2014 versus June 2014

Net interest income increased by 3% on the prior half, driven by growth in average interest earning assets of 2%, partly offset by a two basis point decline in net interest margin to 2.12%.

Average Interest Earning Assets

Average interest earning assets increased by $18 billion on the prior half to $739 billion, reflecting a $17 billion increase in average lending interest earning assets, and a $1 billion increase in average non-lending interest earning assets.

Home loan average balances increased by $11 billion or 3%, on the prior half to $404 billion, primarily driven by growth in the Group's domestic banking business.

Average balances for business and corporate lending increased by $5 billion on the prior half to $186 billion, primarily driven by a combination of growth in business banking and institutional lending.

Average non-lending interest earning assets increased $1 billion on the prior half from growth in liquid assets.

Net Interest Margin

The Group's net interest margin decreased two basis points on the prior half to 2.12%. The key drivers were:

Asset Pricing: Decreased margin of four basis points, of which three basis points related to home lending, reflecting competitive pricing and change in mix with a shift in customer preference towards fixed rate home loans.

Funding costs: Increased margin of two basis points, reflecting lower wholesale funding costs.

Basis risk: Margin decreased by one basis point as a result of an increase in the spread between the cash rate and the bank bill swap rate during the current half.

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

Other: Decreased margin of one basis point, driven by lower benefit from free equity funding.

Other Banking Income

	Half Year Ended				
	31 Dec 14 $M	30 Jun 14 $M	31 Dec 13 $M	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Commissions	**1,127**	1,049	1,081	7	4
Lending fees	**528**	546	537	(3)	(2)
Trading income	**513**	414	508	24	1
Other income	**202**	80	108	large	87
Other banking income ("cash basis")	**2,370**	2,089	2,234	13	6
Hedging and IFRS volatility	**(56)**	(3)	(24)	large	large
Gain on sale of management rights	**-**	26	(2)	large	large
Other banking income ("statutory basis")	**2,314**	2,112	2,208	10	5

December 2014 versus December 2013

Other banking income increased 5% on the prior comparative period to $2,314 million, driven by the following revenue items:

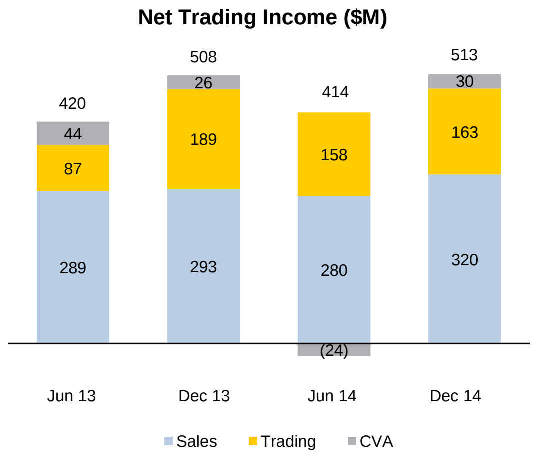
Commissions increased 4% on the prior comparative period to $1,127 million due to higher credit card interchange revenue and increased equities trading volumes;

Lending fees decreased 2% on the prior comparative period to $528 million driven by lower line fees, reflecting competitive pricing;

Trading income increased 1% on the prior comparative period to $513 million due to favourable revenue from the Markets business, with Rates and Fixed Income performing well in a volatile environment; and

Other income increased 87% on the prior comparative period to $202 million, driven by a reduced loss on the hedge of New Zealand operations, a higher contribution from investments in associates in China and Vietnam, and a gain on the sale of liquid assets.

Other Banking Income (continued)



December 2014 versus June 2014

Other banking income increased 10% on the prior half driven by the following revenue items:

Commissions increased 7% on the prior half mainly due to higher credit card interchange revenue and increased foreign exchange volumes;

Lending fees decreased 3% on the prior half driven by lower line fees, reflecting competitive pricing;

Trading income increased 24% on the prior half with a strong sales and trading performance in the Markets business and favourable counterparty fair value adjustments; and

Other income increased due to the non-recurrence of the impairment of the investment in VIB, a reduced loss on the hedge of New Zealand operations, and a gain on sale of liquid assets.

Funds Management Income

	Half Year Ended [(1) (2)]				
	31 Dec 14 $M	30 Jun 14 $M	31 Dec 13 $M	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Colonial First State [(3)]	**451**	407	421	11	7
CFS Global Asset Management (CFSGAM)	**402**	371	368	8	9
CommInsure	**64**	63	69	2	(7)
New Zealand	**34**	30	30	13	13
Property	**-**	37	100	large	large
Other	**19**	22	15	(14)	27
Funds management income ("cash basis")	**970**	930	1,003	4	(3)
Treasury shares valuation adjustment	**(18)**	(14)	(32)	29	(44)
Policyholder tax	**11**	17	42	(35)	(74)
Investment experience	**11**	58	30	(81)	(63)
Funds management income ("statutory basis")	**974**	991	1,043	(2)	(7)

(1) Comparative information has been reclassified to conform to presentation in the current period. Refer to "Financial Information Definitions – Reclassification of certain Income Statement and Balance Sheet Information" on page 5 of and Appendix 16 to this Document for further details.
(2) The the internalisation of the management of CFX and KIP, the cessation of management of CPA and the sale of the proprietary holding in CFX were completed during the 30 June 2014 financial year.
(3) Colonial First State incorporates the results of all financial planning businesses.

December 2014 versus December 2013

Funds management income decreased 7% on the prior year comparative period to $974 million. Excluding the internalisation of the management of CFX and KIP, the cessation of management of CPA and the sale of the proprietary holding in CFX from the comparative results, funds management income decreased 3% on the prior comparative period, driven by:

- A 12% increase in average FUA, reflecting investment market gains and strong investment performance;
- Positive net flows and the benefit from foreign sourced income as a result of the weaker Australian dollar; partly offset by
- Funds management margin decline of three basis points largely due to lower Advice revenue and the contraction of the legacy investment business, partly offset by an improvement in business and product mix.

December 2014 versus June 2014

Funds management income decreased 2% on the prior half. Excluding the internalisation of the management of CFX and KIP, the cessation of management of CPA and the sale of the proprietary holding in CFX from the comparative results, funds management income increased 2% on prior half, driven by:

- A 6% increase in average FUA due to growth in equity markets and ongoing investment outperformance, and continued strong growth in the ASB KiwiSaver scheme;
- The benefit from foreign sourced income as a result of the weaker Australian dollar; and
- Funds management margin being maintained with the benefit from improved mix, offset by a contraction in the legacy investment business.

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Insurance Income

	Half Year Ended				
	31 Dec 14 $M	30 Jun 14 $M	31 Dec 13 $M	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
CommInsure	**274**	294	281	(7)	(2)
New Zealand	**109**	115	87	(5)	25
IFS Asia	**21**	18	18	17	17
Other	**12**	6	-	large	large
Insurance income ("cash basis")	**416**	433	386	(4)	8
Policyholder tax	**50**	49	18	2	large
Investment experience	**69**	96	51	(28)	35
Insurance income ("statutory basis")	**535**	578	455	(7)	18

December 2014 versus December 2013

Insurance income increased by 18% on the prior comparative period to $535 million, driven by:

- An increase in average inforce premiums of 6% to $3,234 million, driven by new business sales and an improvement in lapse rates across CommInsure;
- Strong claims experience in New Zealand;
- The non-recurrence of reserve strengthening and improved pricing in CommInsure Wholesale Life; partly offset by
- The impact of the Brisbane hail storm in November 2014, higher working claims in CommInsure General Insurance and deterioration in claims experience in Retail Life and Wholesale Life.

December 2014 versus June 2014

Insurance income decreased by 7% on the prior half, driven by:

- The impact of the Brisbane hail storm in November 2014 and higher working claims in CommInsure General Insurance;
- Higher lapse rates in New Zealand against a strong prior half result; partly offset by
- Improved CommInsure Wholesale Life insurance income from repricing and lower reserving in the half.

Operating Expenses

	Half Year Ended				
	31 Dec 14 $M	30 Jun 14 $M	31 Dec 13 $M	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Staff expenses	**2,906**	2,757	2,785	5	4
Occupancy and equipment expenses	**539**	529	524	2	3
Information technology services expenses	**628**	659	678	(5)	(7)
Other expenses	**841**	803	764	5	10
Operating expenses ("cash basis")	**4,914**	4,748	4,751	3	3
Bankwest non-cash items	**37**	37	37	-	-
Operating expenses ("statutory basis")	**4,951**	4,785	4,788	3	3
Statutory operating expenses to total operating income (%)	**42. 3**	42. 2	42. 9	10 bpts	(60)bpts
Statutory banking expense to operating income (%)	**39. 7**	39. 9	40. 4	(20)bpts	(70)bpts

December 2014 versus December 2013

Operating expenses increased 3% on the prior comparative period to $4,951 million. The key drivers were:

Staff expenses increased by 4% to $2,906 million, driven by a 1% impact from the weaker Australian dollar, inflation-related salary increases and higher compliance project related costs;

Occupancy and equipment expenses increased by 3% to $539 million, primarily due to rental reviews;

Information technology services expenses decreased by 7% to $628 million, driven by the impact of software write-offs on the prior comparative period;

Other expenses increased by 10% to $841 million, driven by higher professional fees and compliance costs; and

Group expense to income ratio improved 60 basis points on the prior comparative period to 42.3%, reflecting higher revenues and the benefit of productivity initiatives. The banking expense to income ratio also improved 70 basis points on the prior comparative period to 39.7%.

December 2014 versus June 2014

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

Staff expenses increased by 5%, driven by inflation-related salary increases and higher compliance project related costs;

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

Information technology services expenses decreased by 5%, driven by the impact of increased software amortisation on the prior half;

Other expenses increased by 5%, driven by higher professional fees and non-lending losses; and

Group expense to income ratio weakened 10 basis points on the prior half to 42.3%. The banking expense to income ratio improved 10 basis points on the prior half.

Operating Expenses (continued)

Staff Numbers

	Half Year Ended		
Full-Time Equivalent Staff	31 Dec 14	30 Jun 14	31 Dec 13
Australia	34,489	34,312	34,582
Total	44,520	44,329	44,007

Investment Spend

	Half Year Ended				
	31 Dec 14	30 Jun 14	31 Dec 13	Dec 14 vs	Dec 14 vs
	$M	$M	$M	Jun 14 %	Dec 13 %
Expensed investment spend (1)	255	310	288	(18)	(11)
Capitalised investment spend	340	283	301	20	13
Investment spend	595	593	589	-	1
Comprising:					
Productivity and Growth	358	400	374	(11)	(4)
Risk and Compliance	167	141	139	18	20
Branch refurbishment and other	70	52	76	35	(8)
Investment spend	595	593	589	-	1

(1) Included within Operating Expense disclosure on page 20 of this Document.

December 2014 versus December 2013

The Group continued to invest strongly in the business, with $595 million incurred in the half year to 31 December 2014, an increase of 1% on the prior comparative period.

Investment has continued to focus on delivering productivity and growth initiatives, including further enhancements to the Group's digital channels and sales management capabilities.

Spend on risk and compliance projects continued to grow as systems are implemented to assist in satisfying various regulatory obligations. In addition, the Group has also invested in enhancing the Group's information security to assist with the mitigation of risks and to provide greater stability for our customers.

December 2014 versus June 2014

Investment spend remained flat on the prior half, largely due to higher spend on risk and compliance projects, offset by timing of project spend on productivity and growth initiatives.

Loan Impairment Expense

	Half Year Ended				
	31 Dec 14	30 Jun 14	31 Dec 13	Dec 14 vs	Dec 14 vs
	$M	$M	$M	Jun 14 %	Dec 13 %
Retail Banking Services	268	285	297	(6)	(10)
Business and Private Banking	63	157	80	(60)	(21)
Institutional Banking and Markets	97	5	21	large	large
New Zealand	34	33	18	3	89
Bankwest	(26)	6	5	large	large
IFS and Other	4	(25)	36	large	(89)
Loan impairment expense ("statutory basis")	440	461	457	(5)	(4)

(1) Comparative information has been reclassified to conform to presentation in the current period. Refer to "Financial Information Definitions – Reclassification of certain Income Statement and Balance Sheet Information" on page 5 of and Appendix 16 to this Document for further details.

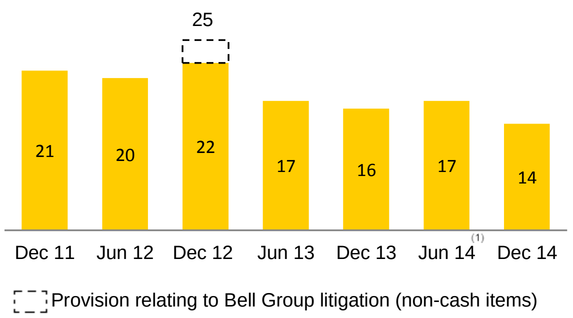
Loan Impairment Expense (continued)

December 2014 versus December 2013

Loan impairment expense decreased 4% on the prior comparative period to $440 million. The decrease was driven by:

- A reduction in Retail Banking Services impairments as a result of continued improvement in home loan credit quality and lower provision levels in personal loans;
- Increase in write-backs in Business and Private Banking;
- Continued run-off of troublesome loans and reduced individual provision requirements in Bankwest; partly offset by
- Increase in Institutional Banking and Markets impairments due to portfolio growth, lower write-backs and recoveries and certain legacy exposures; and
- Increased expense in New Zealand as a result of stabilisation of the portfolio resulting in lower provisions releases.

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



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

December 2014 versus June 2014

Loan impairment expense decreased 5% on the prior half, mainly driven by:

- Decreased impairment expense in Business and Private Banking, driven by the non-recurrence of a small number of large individual provisions in the prior half;
- Reduced individual provisioning requirements and continued run-off of non-core business lending in Bankwest;
- Reduced provision expense in Retail Banking Services, driven by improved performance in the personal loan portfolio; partly offset by
- Increase in Institutional Banking and Markets impairments, driven by portfolio growth and a small number of individual provisions.

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Taxation Expense

	Half Year Ended				
	31 Dec 14 $M	30 Jun 14 $M	31 Dec 13 $M	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Corporate tax expense ($M)	**1,775**	1,649	1,698	8	5
Effective tax rate (%)	**27. 4**	26. 3	28. 0	110 bpts	(60)bpts

	Half Year Ended				
Income Tax	31 Dec 14 $M	30 Jun 14 $M	31 Dec 13 $M	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Retail Banking Services	**851**	808	761	5	12
Business and Private Banking	**321**	268	295	20	9
Institutional Banking and Markets	**209**	194	216	8	(3)
Wealth Management	**124**	106	126	17	(2)
New Zealand	**151**	120	117	26	29
Bankwest	**163**	144	147	13	11
IFS and Other	**(79)**	(52)	-	52	-
Total income tax expense ("cash basis")	**1,740**	1,588	1,662	10	5
Non-cash tax expense	**35**	61	36	(43)	(3)
Total income tax expense ("statutory basis")	**1,775**	1,649	1,698	8	5

	Half Year Ended				
Effective Tax	31 Dec 14 %	30 Jun 14 %	31 Dec 13 %	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Retail Banking Services	**29. 9**	29. 9	29. 9	-	-
Business and Private Banking	**30. 2**	29. 7	30. 1	50 bpts	10 bpts
Institutional Banking and Markets	**24. 2**	25. 1	24. 4	(90)bpts	(20)bpts
Wealth Management	**27. 8**	22. 9	24. 0	490 bpts	380 bpts
New Zealand	**25. 1**	24. 4	24. 4	70 bpts	70 bpts
Bankwest	**30. 2**	30. 8	29. 5	(60)bpts	70 bpts
Total – corporate	**27. 4**	26. 3	28. 0	110 bpts	(60)bpts

December 2014 versus December 2013

Corporate tax expense for the half year ended 31 December 2014 increased 5% on the prior comparative period, representing a 27.4% effective tax rate.

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

December 2014 versus June 2014

Corporate tax expense for the half year ended 31 December 2014 increased 8% on the prior half representing a 27.4% effective tax rate.

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

Review of Group Assets and Liabilities

Total Group Assets and Liabilities	As at 31 Dec 14 $M	30 Jun 14 $M	31 Dec 13 $M	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Interest earning assets					
Home loans	**411,305**	399,685	387,021	3	6
Personal loans	**23,706**	23,058	22,636	3	5
Business and corporate loans	**191,203**	183,930	180,582	4	6
Loans, bills discounted and other receivables (1)	**626,214**	606,673	590,239	3	6
Non-lending interest earning assets	**127,312**	119,699	119,388	6	7
Total interest earning assets	**753,526**	726,372	709,627	4	6
Other assets (1)	**97,188**	65,079	72,674	49	34
Total assets	**850,714**	791,451	782,301	7	9
Interest bearing liabilities					
Transaction deposits (2)	**81,866**	76,947	71,698	6	14
Savings deposits (2)	**163,477**	155,142	144,973	5	13
Investment deposits (2)	**197,569**	192,956	197,113	2	-
Other demand deposits	**65,867**	60,832	59,759	8	10
Total interest bearing deposits	**508,779**	485,877	473,543	5	7
Debt issues	**155,275**	147,246	147,482	5	5
Other interest bearing liabilities	**52,638**	42,079	47,299	25	11
Total interest bearing liabilities	**716,692**	675,202	668,324	6	7
Non-interest bearing liabilities	**82,991**	66,901	66,940	24	24
Total liabilities	**799,683**	742,103	735,264	8	9

(1) Loans, bills discounted and other receivables exclude provisions for impairment which are included in Other assets.
(2) Comparatives have been restated to conform to presentation in the current period. Refer to "Financial Information Definitions – Reclassification of certain Income Statement and Balance Sheet Information" on page 5 of and Appendix 16 to this Document for further details.

December 2014 versus December 2013

Asset growth of $68 billion or 9% on the prior comparative period was due to increased home lending and business and corporate lending, an increase in derivative balances and higher cash and liquid asset balances.

Customer deposits continue to represent 63% of total funding (31 December 2013: 63%).

Total assets and total liabilities each include a 1% increase due to the lower Australian dollar.

Home loans

Home loan balances increased $24 billion to $411 billion, reflecting a 6% increase on the prior comparative period. This outcome reflected growth in Retail Banking Services, Bankwest and New Zealand.

Consumer finance

Personal loans, credit cards and margin lending increased 5% on the prior comparative period to $24 billion. This was driven by growth in credit cards and personal lending products in Retail Banking Services.

Business and corporate loans

Business and corporate loans increased $11 billion to $191 billion, a 6% increase on the prior comparative period. This includes a 1% increase due to the weaker Australian dollar. This was driven by strong growth in institutional and business lending in both Australia and offshore.

Non-lending interest earning assets

Non-lending interest earning assets increased $8 billion to $127 billion, reflecting a 7% increase on the prior comparative period. This includes a 2% increase due to the weaker Australian dollar. This was driven by higher liquid asset balances held as a result of balance sheet growth and new regulatory requirements.

Other assets

Other assets, including derivative assets, insurance assets and intangibles, increased $25 billion to $97 billion, a 34% increase on the prior comparative period, reflecting higher derivative balances driven by foreign exchange volatility.

Interest bearing deposits

Interest bearing deposits increased $35 billion to $509 billion, a 7% increase on the prior comparative period.

Targeted campaigns in a highly competitive market resulted in a $19 billion increase in savings deposits, a $10 billion increase in transaction deposits and a $6 billion increase in other demand deposits.

Debt issues

Debt issues increased $8 billion to $155 billion, a 5% increase on the prior comparative period. While deposits satisfied the majority of the Group's funding requirements, strong access was maintained to both domestic and international wholesale debt markets.

Refer to page 36 for further information on debt programs and issuance for the half year ended 31 December 2014.

Other interest bearing liabilities

Other interest bearing liabilities, including loan capital, liabilities at fair value through the income statement and amounts due to other financial institutions, increased $5 billion to $53 billion, an 11% increase on the prior comparative period. This includes a 3% increase due to the weaker Australian dollar.

Non-interest bearing liabilities

Non-interest bearing liabilities, including derivative liabilities and insurance policy liabilities, increased $16 billion to $83 billion, a 24% increase on the prior comparative period. This was predominantly driven by foreign exchange volatility impacting derivative liabilities held for trading purposes and for hedging term debt.

Review of Group Assets and Liabilities (continued)

December 2014 versus June 2014

Asset growth of $59 billion or 7% on the prior half was driven by increased home lending, business and corporate lending, liquid assets, derivative asset balances and trading assets.

Strong deposits growth allowed the Group to continue to satisfy a significant portion of its funding requirements through customer deposits. Customer deposits made up 63% of total funding as at 31 December 2014, down 1% from 64% in the prior half.

Total assets and total liabilities each include a 1% increase due to the weaker Australian dollar.

Home loans

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

Consumer finance

Personal loans, credit cards and margin lending increased 3% on the prior half, with strong credit card growth in Retail Banking Services.

Business and corporate loans

Business and corporate loans increased $7 billion, a 4% increase on the prior half. This includes a 1% increase due to the weaker Australian dollar. This was largely due to solid business and institutional lending growth both domestically and offshore.

Non-lending interest earning assets

Non-lending interest earning assets increased $8 billion, a 6% increase on the prior half. This includes a 2% increase due to the weaker Australian dollar. This was driven by higher cash and other liquid asset balances held as a result of balance sheet growth and regulatory requirements.

Other assets

Other assets, including derivative assets, insurance assets and intangibles, increased 49% on the prior half. This increase reflected higher derivative asset balances driven by volatility in foreign exchange and interest rate markets.

Interest bearing deposits

Interest bearing deposits increased $23 billion, reflecting a 5% increase on the prior half. This includes a 1% increase due to the weaker Australian dollar.

Targeted campaigns in a highly competitive market resulted in growth of $8 billion in savings deposits, a $5 billion increase in transaction deposits, a $5 billion increase in other demand deposits, and a $5 billion increase in investment deposits.

Debt issues

Debt issues increased $8 billion, reflecting a 5% increase on the prior half.

Refer to page 36 for further information on debt programs and issuance for the half year ended 31 December 2014.

Other interest bearing liabilities

Other interest bearing liabilities, including loan capital, liabilities at fair value through the income statement and amounts due to other financial institutions, increased 25% on the prior half. This includes a 5% increase due to the weaker Australian dollar. This was largely due to a net increase in cash collateral received from counterparties as a result of the weaker Australian dollar.

Non-interest bearing liabilities

Non-interest bearing liabilities, including derivative liabilities and insurance policy liabilities, increased 24% on the prior half. This includes a 2% increase due to the weaker Australian dollar. This was driven predominantly by foreign exchange volatility impacting both derivative liabilities held for trading purposes and for hedging term debt.

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Contents

Loan Impairment Provisions and Credit Quality

Provisions for Impairment

	As at				
	31 Dec 14 $M	30 Jun 14 $M	31 Dec 13 $M	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Provisions for impairment losses					
Collective provision	**2,763**	2,779	2,870	(1)	(4)
Individually assessed provisions	**1,116**	1,127	1,416	(1)	(21)
Total provisions for impairment losses	**3,879**	3,906	4,286	(1)	(9)
Less: Off balance sheet provisions	**(19)**	(40)	(24)	(53)	(21)
Total provisions for loan impairment	**3,860**	3,866	4,262	-	(9)

December 2014 versus December 2013

Total provisions for impairment losses decreased 9% on the prior comparative period to $3,879 million as of 31 December 2014. The movement in the level of provisioning reflects:

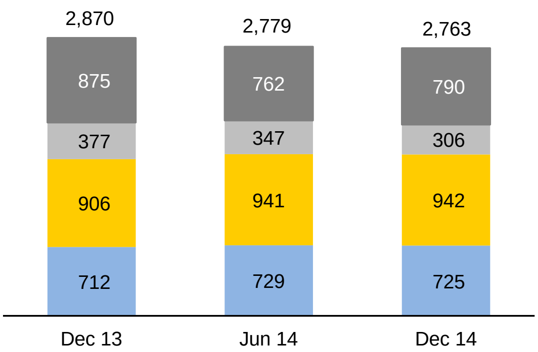
- The reduction in individual provisioning as impaired loans reduced;
- Reduced Bankwest collective provision, as a result of the continued run-off of troublesome loans, together with lower management overlays; offset by an increase in Consumer collective provision reflecting refinements to models; and
- Economic overlays remain unchanged on the prior comparative period.

December 2014 versus June 2014

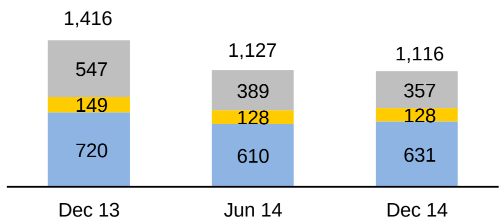
Total provisions for impairment losses decreased 1% on the prior half. The movement in the level of provisioning reflects:

- A reduction in collective and individually assessed provisions in Bankwest as a result of continued run-off of troublesome and impaired loans;
- A small number of individual provisions in the commercial portfolio;
- Management overlays increased reflecting amounts set aside for the annual review of factors and refinements to models; and
- Economic overlays remain unchanged on the prior half.

Collective Provisions ($M)



Individually Assessed Provisions ($M)



Overlay · Bankwest · Consumer · Commercial

Loan Impairment Provisions and Credit Quality (continued)

Credit Quality

Credit Quality Metrics	31 Dec 14	30 Jun 14	31 Dec 13	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
	Half Year Ended				
Gross loans and acceptances (GLAA) ($M)	**627,698**	608,127	591,775	3	6
Risk weighted assets (RWA) ($M) - Basel III	**353,048**	337,715	334,197	5	6
Credit RWA ($M) - Basel III	**311,524**	289,138	282,204	8	10
Gross impaired assets ($M)	**3,360**	3,367	3,939	-	(15)
Net impaired assets ($M)	**2,116**	2,101	2,400	1	(12)
Provision ratios					
Collective provision as a % of credit risk weighted assets - Basel III	**0. 89**	0. 96	1.02	(7)bpts	(13)bpts
Total provision as a % of credit risk weighted assets - Basel III	**1. 25**	1. 35	1.52	(10)bpts	(27)bpts
Total provisions for impaired assets as a % of gross impaired assets	**37. 02**	37. 60	39. 07	(58)bpts	(205)bpts
Total provisions for impairment losses as a % of GLAA's	**0. 62**	0. 64	0. 72	(2)bpts	(10)bpts
Asset quality ratios					
Gross impaired assets as a % of GLAA's	**0. 54**	0. 55	0. 67	(1)bpt	(13)bpts
Loans 90+ days past due but not impaired as a % of GLAA's	**0. 34**	0. 39	0. 44	(5)bpts	(10)bpts
Loan Impairment expense ("statutory basis") annualised as a % of average GLAA's	**0. 14**	0. 17	0. 16	(3)bpts	(2)bpts

Provision Ratios

Management believes the Group's provision coverage ratios remain strong. The impaired asset portfolio provision coverage is 37.02%.

Asset Quality

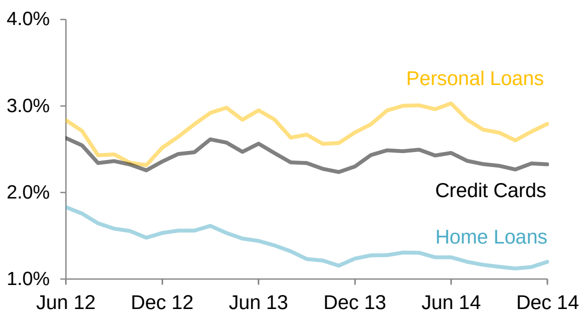
The low interest rate environment has resulted in the continued reduction of troublesome and impaired assets and the arrears rates for the retail portfolios remaining relatively low.

Retail Portfolios – Arrears Rates

Retail arrears across all products reduced during the current half, reflecting seasonal trends and the low interest rate environment.

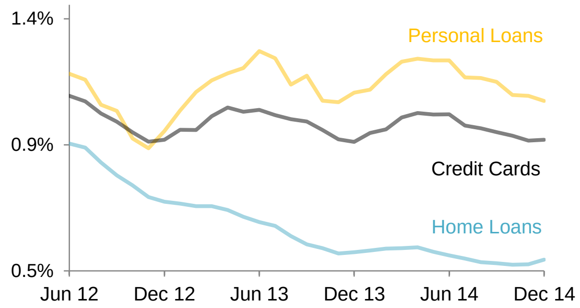
Home loan arrears reduced over the half, with 30+ day arrears decreasing from 1.25% to 1.20% and 90+ day arrears reducing from 0.50% to 0.49%. Unsecured retail arrears improved over the half, with credit card 30+ days arrears falling from 2.46% to 2.32% and 90+ days arrears reducing from 1.01% to 0.92%. Personal loan arrears also improved, with 30+ day arrears falling from 3.03% to 2.79% and 90+ days arrears falling from 1.20% to 1.06%.

30+ Days Arrears Ratios (%) (1)



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

90+ Days Arrears Ratios (%) (1)

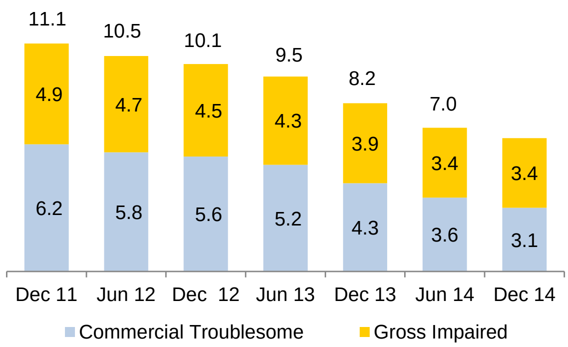


Troublesome and Impaired Assets

Commercial troublesome assets reduced 14% during the half to $3,128 million.

Gross impaired assets were flat on the prior half at $3,360 million. Gross impaired assets as a proportion of gross loans and acceptances was 0.54%, a 13 basis point decrease compared to the prior comparative period, reflecting the improving quality of the corporate portfolios.

Troublesome and Impaired Assets ($B)



Capital

Basel Regulatory Framework

Background

The Group adopted the Basel III measurement and monitoring of regulatory capital effective from 1 January 2013.

In December 2010, the Basel Committee on Banking Supervision (BCBS) published a discussion paper on banking reforms to address issues which led to the Global Financial Crisis and to position banks for future crises. The objectives of the capital reforms are to increase the quality, consistency and transparency of capital, to enhance the risk coverage framework, and to reduce systemic and pro-cyclical risk. The major reforms are being implemented on a phased approach to 1 January 2019.

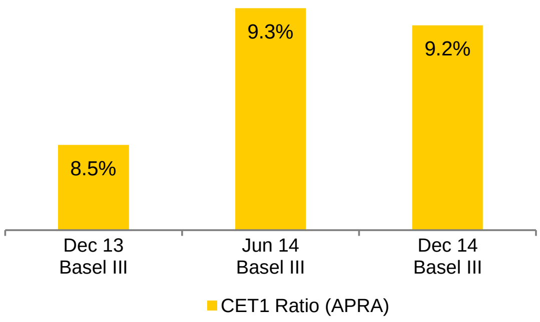
In September 2012, the Australian Prudential Regulation Authority (APRA) published final standards relating to the implementation of the Basel III capital reforms in Australia. APRA has adopted a more conservative approach than the minimum standards published by the BCBS and an accelerated timetable 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%, will be implemented on 1 January 2016, bringing the CET1 requirement for the Group to 8%.

Capital (continued)

Capital Position

The Group maintained a strong capital position with the capital ratios well in excess of regulatory minimum capital adequacy requirements at all times throughout the half year ended 31 December 2014.



The Group's Basel III CET1 ratio as measured on an APRA basis was 9.2% at 31 December 2014, compared with 9.3% at 30 June 2014. The relatively flat capital movement across the period was due in part to the neutralisation of the June 2014 final dividend. Further details on the Group's regulatory capital position are included in Appendix 7.

Capital Initiatives

In order to actively manage the Group's capital, the following significant initiatives were undertaken during the half year ended 31 December 2014:

- The Dividend Reinvestment Plan (DRP) in respect of the 2014 final dividend was satisfied in full by the on-market purchase of shares. The participation ratio for the DRP was 19.9%;
- In October 2014 the Bank issued $3 billion of CommBank PERLS VII Capital Notes (PERLS VII), a Basel III compliant Additional Tier 1 security, the proceeds of which were used to fund the Group's business. In turn, the Bank bought back and cancelled $2 billion of PERLS V issued in 2009; and
- In November 2014 the Group issued $1 billion of Basel III compliant Tier 2 subordinated notes.

Capital Disclosure

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

Other Regulatory Changes

Financial Systems Inquiry

On 7 December 2014, the Government released the final report of the Financial System Inquiry (FSI). The key recommendations from the report that may have an impact on regulatory capital include:

- Setting capital standards such that Australian Authorised Deposit-taking Institution (ADI) capital ratios are unquestionably strong;
- Raising the average Internal Ratings-Based (IRB) mortgage risk weight for ADI's using IRB risk-weight models;
- Implementing a framework for minimum loss absorbing and recapitalisation capacity in line with emerging international practice, sufficient to facilitate the orderly resolution of ADI's and minimise taxpayer support;
- Introducing a leverage ratio, in line with the Basel Committee, that acts as a backstop to the capital position of ADI's; and
- Improving the transparency of reporting by developing a reporting template for capital ratios that is transparent against the minimum Basel capital framework requirements.

The Government will consult on the Inquiry's recommendations before making any decision. This consultation is expected to occur up to 31 March 2015.

Composition of Level 2 ADI Groups

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

APRA granted the Group transition arrangements with regard to the impact on capital ratios in line with the maturity profile of the Colonial Group's debt.

Given the transitional arrangements and the maturity profile of the debt, there is no immediate effect on the Group's capital ratios. The impact on future periods is expected to be minimal given the Group's strong capital generation capabilities.

Conglomerate Groups

APRA is extending its current prudential supervision framework to Conglomerate Groups that have material operations in more than one APRA regulated industry and/or have one or more material unregulated entities.

APRA released revised conglomerate standards in August 2014. However, a decision on the implementation date has been deferred until after the Federal Government's response to the FSI. APRA have confirmed that a minimum transition period of 12 months will apply once the implementation date is established.

Leverage Ratio

In January 2014, the BCBS endorsed the leverage ratio framework and disclosure requirements. The ratio is defined as Tier 1 Capital as a percentage of exposures, with a proposed minimum of 3%.

The BCBS has advised that any final adjustments to the definition and calibration of the ratio will be made by 2017. Migration to a Pillar 1 (minimum capital requirement) is expected from 1 January 2018.

In September 2014, APRA approved the approach adopted by the BCBS, with public disclosure of the leverage ratio to commence from 1 April 2015.

Group Operations and Business Settings

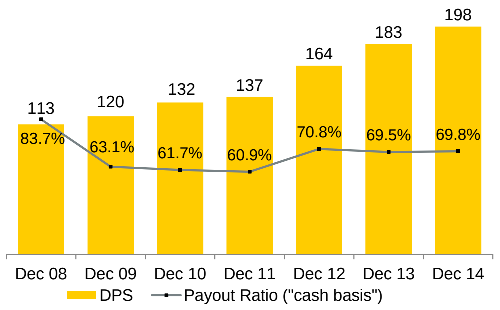
Dividends

Interim Dividend for the Half Year Ended 31 December 2014

An interim dividend of $1.98 per share was determined, an increase of 8% on the prior comparative period. The dividend payout ratio ("cash basis") for the half year to 31 December 2014 was approximately 70%.

The interim dividend will be fully franked and is scheduled to be paid on 2 April 2015 to owners of ordinary shares at the close of business on 19 February 2015 (record date). Shares were quoted ex-dividend on 17 February 2015.

Interim Dividend History (cents per share)



Dividend Reinvestment Plan (DRP)

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

Dividend Policy

The Group will seek to:

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

Liquidity

	As at				
	31 Dec 14 $M	30 Jun 14 $M	31 Dec 13 $M	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Internal RMBS	**51,779**	51,864	53,107	-	(3)
Bank, NCD, Bills, RMBS, Supra, Covered Bonds	**36,116**	30,932	29,867	17	21
Cash, Government and Semi-Government Bonds	**62,673**	56,621	53,596	11	17
Liquid Assets (1)	**150,568**	139,417	136,570	8	10

(1) Liquids are reported net of applicable regulatory haircuts.

December 2014 versus December 2013

The Group holds what it believes to be a well-diversified high quality liquid asset portfolio to meet balance sheet liquidity needs and regulatory requirements.

Liquid assets increased by $14 billion to $151 billion on the prior comparative period, a 10% increase, which was broadly in line with overall balance sheet growth. Excluding internal Residential Mortgage Backed Securities (RMBS), the Group held $99 billion of liquid assets, well above the regulatory minimum requirement of $82 billion.

Liquid assets in the form of cash, government and semi-government securities grew by $9 billion, as other forms of liquid assets, namely bank issued debt securities increased by $6 billion. Internal RMBS remained stable.

December 2014 versus June 2014

In the half year to December 2014, liquid assets increased by $11 billion, an increase of 8%. Excluding internal RMBS, the Group held $99 billion of liquid assets, well above the regulatory minimum requirement of $82 billion.

Liquidity and Capital Resources

Liquidity and Funding Arrangements

Overview

The Group's liquidity and funding policies are designed to ensure it will meet its obligations as and when they fall due, by ensuring it is able to borrow funds on an unsecured basis, or has sufficient quality assets to borrow against on a secured basis, or has sufficient quality liquid assets to sell to raise immediate funds without adversely affecting the Group's net asset value.

The Group's funding policies and risk management framework are designed to complement the Group's liquidity policies by providing for an optimal liability structure to finance the Group's businesses. The long-term stability and security of the Group's funding is also designed to protect its liquidity position in the event of a crisis specific to the Group.

The Group's liquidity policies are designed to ensure it maintains sufficient cash balances and liquid asset holdings to meet its obligations to customers, in both ordinary market conditions and during periods of extreme stress. These policies are intended to protect the value of the Group's operations across its Retail Banking Services, Business and Private Banking, Institutional Banking and Markets, Wealth Management, New Zealand, Bankwest, and Asian businesses, during periods of unfavourable market conditions.

The Group's funding policies are designed to achieve diversified sources of funding by product, term, maturity date, investor type, investor location, jurisdiction, currency and concentration, on a cost effective basis. This objective applies to the Group's wholesale and retail funding activities. More information regarding the Group's liquidity and debt maturity profile can be found in Appendix 5 to this Document

The Risk Management Framework for Liquidity and Funding

The Group's liquidity and funding policies are approved by the Board and agreed with APRA. The Group has an Asset and Liability Committee whose charter includes reviewing the management of assets and liabilities, reviewing liquidity and funding policies and strategies, as well as regularly monitoring compliance with those policies across the Group. The Group Treasury division manages the Group's liquidity and funding positions in accordance with the Group's liquidity policy; including monitoring and satisfying the liquidity needs of the Group and its subsidiaries.

Subsidiaries within the Colonial Group apply their own liquidity and funding methods to address their specific needs. The Group's New Zealand banking subsidiary, ASB Bank, manages its own domestic liquidity and funding needs in accordance with its own liquidity policies and the policies of the Group. ASB's liquidity policy is also overseen by the Reserve Bank of New Zealand. The Group also has a relatively small banking subsidiary in Indonesia that manages its own liquidity and funding on a similar basis.

The Group's Risk Management division provide oversight of the Group's liquidity and funding risk and manage the Group's relationship with prudential regulators.

More information regarding the Group's liquidity and funding policies and management can be found in Appendix 5 to this Document.

	Half Year Ended		
	31 Dec 14	30 Jun 14	31 Dec 13
Debt Issues	**$M**	**$M**	**$M**
Total short term debt issues	**59,426**	53,280	59,087
Total long term debt issues	**93,823**	88,939	83,588
Total debt issues	**153,249**	142,219	142,675

	Half Year Ended		
	31 Dec 14	30 Jun 14	31 Dec 13
Debt Issues	**$M**	**$M**	**$M**
Maturity Distribution of Debt Issues (1)			
Less than three months	**19,262**	14,666	17,661
Between three and twelve months	**40,164**	38,614	41,426
Between one and five years	**69,526**	65,649	61,116
Greater than five years	**24,297**	23,290	22,472
Total debt issues	**153,249**	142,219	142,675

(1) Represents the contractual maturity of the underlying instruments; other than for RMBS which is based on expected life.

Group Operations and Business Settings

Liquidity and Capital Resources (continued)

Access in a timely and flexible manner to a diverse range of debt markets and investors is provided by the following programmes as at 31 December 2014.

Debt Programmes and Issuing Shelves

Programme/Issue Shelf	Programme/Issuing Shelf Type
Australia	
Unlimited	Domestic Debt Issuance Programme
Unlimited	CHCL Debt Issuance Programme
Euro Market	
€7 billion	ASB Covered Bond Programme
US$4 billion	ASB Euro Commercial Paper Programme
US$20 billion	CBA Euro Commercial Paper Programme
US$70 billion	Euro Medium Term Note Programme (1)(2)
Asia	
¥500 billion	Uridashi Shelf (2)
New Zealand	
Unlimited	ASB Domestic Medium Term Note Programme
Unlimited	ASB Registered Certificate of Deposit Programme
Unlimited	CBA Domestic Medium Term Note Programme
United States	
US$7 billion	ASB Commercial Paper Programme
US$35 billion	CBA Commercial Paper Programme
US$50 billion	U.S. Rule 144A / Regulation S Medium Term Note Programme
US$30 billion	CBA Covered Bond Programme
US$25 billion	CBA 3(a)(2) Medium Term Note Programme

(1) ASB Finance Limited, unconditionally and irrevocable guaranteed by ASB Bank Limited, is also an issuer under this programme.
(2) Amounts are also reflected under the $70 billion Euro Medium Term Note Programme.

In addition to the debt programmes listed above, the Group has made certain contractual and commercial commitments to make expenditures. The contractual obligations profile of the Group is presented under Note 32 of the 2014 Financial Report. Except as noted in Note 11, the Group is not aware of any material changes to this profile since 30 June 2014.

For more information on the Group's funding programs and liquidity and capital resources, see Note 36 of the 2014 Financial Report.

Details of the Group's regulatory capital position and capital management activities are disclosed in Appendix 7 to this Document and Note 27 of the 2014 Financial Report.

Recent Market Environment

The Group's wholesale funding costs generally improved over the course of calendar year 2014 as relatively high levels of global liquidity and a generally improved economic global outlook combined to lower credit spreads in domestic and international debt capital markets. The Group has managed its debt portfolio to avoid concentrations such as dependence on single sources of funding, by type or by investor, and continues to maintain a diversified funding base and significant funding capacity in the domestic and global unsecured and covered bond debt markets.

Details of the Group's regulatory capital position and capital management activities are disclosed on pages 30 to 31 of this Document.

Off-Balance Sheet Arrangements

For further details regarding the Group's off-balance sheet arrangements, please see "Off-Balance Sheet Arrangements" beginning on page 97 of the 2014 Annual U.S. Disclosure Document.

Corporate Governance

Changes to Executive Team

Simon Blair, Group Executive International Financial Services stepped down from his role and the Executive Committee, on 31 October 2014. He will continue in full time employment with the Group, primarily by representing the CBA Group on boards in China, New Zealand and the United Kingdom. Mr Blair commenced with the Group in 2006 as CEO of Sovereign Insurance and joined the Executive Committee in 2009 to lead the CBA Group's Asian businesses.

Rob Jesudason, Group Executive Group Strategic Development assumed the role of Group Executive International Financial Services from 1 November 2014. Mr Jesudason will also initially retain responsibility for Group Strategic Development.

On 8 August 2014 Graham Petersen, Group Executive Business and Private Banking, gave his notice of his intention to retire at the end of 2014, after nearly 35 years with the CBA Group. Mr Petersen joined as a graduate in the Rural Bank of NSW, and for the past 10 years has been a member of the Group Executive Committee in three different leadership roles. Mr Petersen will remain on some Group subsidiary boards following his retirement.

Adam Bennett was appointed as the new Group Executive, Business and Private Banking on 1 December 2014. Mr Bennett will commence in his new role on 12 January 2015.

Mr Bennett joined the Commonwealth Bank's Group Technology unit in 2004 and was the Chief Information Officer for the Retail Banking and Business Banking divisions during the Core Banking Modernisation project. He joined the Business and Private Banking Leadership Team in 2009 and became the Executive General Manager of the Local Business Banking business in 2012.

Prior to joining the Commonwealth Bank, he was principal at strategic consulting practice A.T. Kearney, working across industries in Australia, New Zealand, Asia and Europe.

Changes to Board of Directors

On 10 June 2014 Sir David Higgins was appointed as an independent Non-Executive Director of the bank. Sir David joined the board on 1 September 2014.

Sir David Higgins is currently the chairman of High Speed Two (HS2) Ltd, the company responsible for developing and promoting the UK's new high speed rail network. Prior to that, he was Chief Executive of Network Rail Infrastructure Ltd in London which is involved in the maintenance and development of railway infrastructure throughout the UK.

From 2006 until 2011, he was Chief Executive of the Olympic Delivery Authority where he oversaw the creation of the London 2012 Olympic Games venues, the Olympic Village and transport projects. Prior to December 2005, he was Chief Executive of English Partnerships, the UK Government's national housing and regeneration agency for three years. In 1985, he joined Lend Lease and in 1995, he was appointed Managing Director and Chief Executive Officer of Lend Lease.

Sir David holds a Bachelor of Engineering (Civil) degree and a diploma from the Securities Institute of Australia. He was knighted in the 2011 Queen's Birthday Honours list for services to regeneration.

Funding

Group Funding (1)	31 Dec 14 $M	30 Jun 14 $M	31 Dec 13 $M	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
	As at				
Customer deposits	458,428	438,890	426,407	4	8
Short term wholesale funding	124,945	109,318	113,716	14	10
Short sales	3,584	4,103	4,517	(13)	(21)
Long term wholesale funding - less than or equal to one year residual maturity	28,302	30,892	35,054	(8)	(19)
Long term wholesale funding - more than one year residual maturity (2)	105,888	102,163	95,739	4	11
IFRS MTM and derivative FX revaluations	10,403	3,251	5,722	large	82
Total wholesale funding	273,122	249,727	254,748	9	7
Total funding	731,550	688,617	681,155	6	7

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

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

December 2014 versus December 2013

Customer Deposits

Customer deposits accounted for 63% of total funding at 31 December 2014, in line with the prior comparative period. Strong deposit growth has seen the Group satisfy a significant proportion of its funding requirements from retail, business and institutional customer deposits. The remaining 37% of total funding comprised various wholesale debt issuances.

Short Term Wholesale Funding

Short term wholesale funding includes debt with an original maturity or call date of less than 12 months, and consists of Certificates of Deposit and Bank Acceptances, as well as debt issued under domestic, Euro and US commercial paper programs by Commonwealth Bank of Australia and ASB. Short term funding (including short sales) accounted for 47% of total wholesale funding at 31 December 2014, up from 46% in the prior comparative period. The increase in short term wholesale funding was driven largely by the impact of the weaker Australian dollar.

Long Term Wholesale Funding

Long term wholesale funding includes debt with an original maturity or call date of greater than 12 months. Cost of new long term wholesale funding was largely unchanged compared to the prior comparative period. During the half, the Group issued $18 billion of long term wholesale debt transactions in multiple currencies, including AUD, USD, EUR, and GBP. Most issuance was in senior unsecured format, although the Group used its covered bond and RMBS programs to provide cost, tenor and diversification benefits. The Group also issued its first Basel III compliant Tier 2 capital offering in the domestic market during this half. The Weighted Average Maturity (WAM) of new long term wholesale debt issued in the year to December 2014 was 5.1 years. The WAM of outstanding long term wholesale debt was 3.9 years at 31 December 2014.

Long term wholesale debt (including adjustment for IFRS MTM and derivative FX revaluations) accounted for 53% of total wholesale funding at 31 December 2014, compared to 54% in the prior comparative period.

December 2014 versus June 2014

Customer Deposits

Customer deposits accounted for 63% of total funding at 31 December 2014, down from 64% in the prior half. The remaining 37% of total funding comprised various wholesale debt issuances.

Short Term Wholesale Funding

Short term funding (including short sales) accounted for 47% of total wholesale funding at 31 December 2014, compared to 45% in the prior half. The increase in short term wholesale funding was driven largely by the impact of the weaker Australian dollar.

Long Term Wholesale Funding

Cost of new long term wholesale funding increased slightly during the half as ongoing macroeconomic uncertainty, particularly in Europe and Japan, weighed on markets. Long term wholesale debt (including adjustment for IFRS MTM and derivative FX revaluations) accounted for 53% of total wholesale funding at 31 December 2014, compared to 55% in the prior half.

The WAM of new long term wholesale debt issued in the six months to December 2014 was 3.9 years.

For further information on funding risk, please refer to Appendix 5 to this Document.

Contents

Section 5 – Divisional Performance

Retail Banking Services

	Half Year Ended				
	31 Dec 14 $M	30 Jun 14 [1] $M	31 Dec 13 [1] $M	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Net interest income	**3,858**	3,709	3,598	4	7
Other banking income	**888**	843	852	5	4
Total banking income	**4,746**	4,552	4,450	4	7
Operating expenses	**(1,635)**	(1,565)	(1,608)	4	2
Loan impairment expense	**(268)**	(285)	(297)	(6)	(10)
Net profit before tax	**2,843**	2,702	2,545	5	12
Corporate tax expense	**(851)**	(808)	(761)	5	12
Cash net profit after tax	**1,992**	1,894	1,784	5	12
Statutory net profit after tax	**1,992**	1,894	1,784	5	12
Income analysis:					
Net interest income					
Home loans	**1,763**	1,738	1,727	1	2
Consumer finance [2]	**920**	906	876	2	5
Retail deposits	**1,137**	1,022	942	11	21
Other [3]	**38**	43	53	(12)	(28)
Total net interest income	**3,858**	3,709	3,598	4	7
Other banking income					
Home loans	**112**	102	109	10	3
Consumer finance [2]	**299**	267	278	12	8
Retail deposits	**228**	233	222	(2)	3
Distribution [4]	**201**	198	195	2	3
Other [3]	**48**	43	48	12	-
Total other banking income	**888**	843	852	5	4
Total banking income	**4,746**	4,552	4,450	4	7

	As at				
Balance Sheet	31 Dec 14 $M	30 Jun 14 [1] $M	31 Dec 13 [1] $M	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Home loans	**279,877**	271,244	263,052	3	6
Consumer finance [2]	**16,910**	16,387	16,066	3	5
Other interest earning assets	**2,256**	2,303	2,905	(2)	(22)
Total interest earning assets	**299,043**	289,934	282,023	3	6
Other assets	**883**	839	860	5	3
Total assets	**299,926**	290,773	282,883	3	6
Transaction deposits	**23,436**	18,750	17,945	25	31
Savings deposits	**99,374**	88,434	84,265	12	18
Investment deposits and other	**86,186**	88,978	91,313	(3)	(6)
Total interest bearing deposits	**208,996**	196,162	193,523	7	8
Non-interest bearing liabilities	**7,481**	7,222	6,987	4	7
Total liabilities	**216,477**	203,384	200,510	6	8

	Half Year Ended				
Key Financial Metrics	31 Dec 14	30 Jun 14 [1]	31 Dec 13 [1]	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Performance indicators					
Return on assets (%)	**1. 3**	1. 3	1. 3	-	-
Statutory impairment expense annualised as a % of average GLAA's (%)	**0. 18**	0. 20	0. 21	(2)bpts	(3)bpts
Statutory operating expenses to total banking income (%)	**34. 5**	34. 4	36. 1	10 bpts	(160)bpts
Other asset/liability information					
Average interest earning assets ($M)	**294,126**	285,449	277,966	3	6
Average interest bearing liabilities ($M)	**202,721**	194,891	188,890	4	7

(1) Comparative information has been reclassified to conform to presentation in the current period. Refer to "Financial Information Definitions – Reclassification of certain Income Statement and Balance Sheet Information" on page 5 of and Appendix 16 to this Document for further details.
(2) Consumer Finance includes personal loans and credit cards.
(3) Other includes asset finance, merchants and business lending.
(4) Distribution includes income associated with the sale of foreign exchange products, and commissions received from the distribution of wealth management products through the retail network.

Financial Performance and Business Review

This Retail Banking Services analysis contains forward-looking statements. See "Special Note Regarding Forward-Looking Statements" on page 4 of this Document.

December 2014 versus December 2013

Retail Banking Services statutory net profit after tax for the half year ended 31 December 2014 was $1,992 million, an increase of 12% on the prior comparative period. The result was driven by continued strong growth in both net interest income and other banking income, supported by expense discipline and lower loan impairment expenses.

Net Interest Income

Net interest income was $3,858 million, an increase of 7% on the prior comparative period. This was supported by strong volume growth across all key products, together with an improved net interest margin.

Balance sheet growth included:

- Home loan growth of 6%, which was achieved through focusing on profitable growth in a competitive market, with solid new business volumes balanced by higher repayment activity;
- Consumer finance balance growth of 5%, with growth in both credit cards and personal lending; and
- Deposit balance growth of 8%, resulting from strong growth in transaction and savings balances.

Net interest margin increased, reflecting:

- Improving margins for deposits, in particular for investment deposits; partly offset by
- A decrease in lending margins, driven by competitive pressures in home lending and consumer finance.

Other Banking Income

Other banking income was $888 million, an increase of 4% on the prior comparative period, reflecting:

- Higher home loan fee income, resulting from new business volume growth;
- Growth in consumer finance revenue as a result of higher credit card interchange income; and
- An increase in deposit fees, driven by higher EFTPOS volumes.

Operating Expenses

Operating expenses for the half year were $1,635 million, up 2% compared to the prior comparative period. The key drivers were inflation and volume-related increases, as well as investment in digital capabilities, partly offset by productivity savings.

The operating expense to total banking income ratio was 34.5%, an improvement of 160 basis points on the prior comparative period.

Loan Impairment Expense

Loan impairment expense for the half year was $268 million, a decrease of 10% on the prior comparative period.

The result was driven by the strong housing market and continued improvement in home loan credit quality, and improved performance in personal loans due to more conservative policy settings and lower portfolio growth.

December 2014 versus June 2014

Statutory net profit after tax increased by 5% compared to the prior half. The result was primarily driven by strong revenue growth and reduced loan impairment expense, partly offset by inflation-related staff expense growth and continued investment.

Net Interest Income

Net interest income increased by 4% on the prior half, reflecting solid balance growth across key products, slightly offset by lower net interest margin.

Balance sheet growth included:

- Home loan balance growth of 3%, marginally below system growth but with seasonally higher new business volumes;
- Consumer finance balances increased 3%, reflecting strong credit card growth; and
- Deposit balances increased by 7% on the prior half, primarily driven by growth in transaction accounts and savings balances.

Net interest margin declined, reflecting:

- Lower lending margins, primarily as a result of competitive pricing in home loans and consumer finance; partly offset by
- Improving net interest margins across the deposit portfolio.

Other Banking Income

Other banking income increased by 5% on the prior half. Key factors driving this result included:

- Higher home loan package fee income, driven by seasonally higher new business volumes; and
- Consumer finance fees increased by 12%, reflecting higher credit card interchange income, increased cash advance fees and higher international purchases; partly offset by
- Reduced deposit fee income on the prior half due to lower transaction account fees.

Operating Expenses

Operating expenses increased by 4% compared to the prior half. This was mainly due to inflation-related salary increases, seasonally higher credit card loyalty redemption activity and ongoing investment in distribution infrastructure, including digital and frontline capabilities.

Loan Impairment Expense

Loan impairment expense decreased by 6% compared to the prior half. This was driven by seasonal trends and improvements in the personal loans portfolio.

Business and Private Banking

	Half Year Ended				
	31 Dec 14 $M	30 Jun 14 (1) $M	31 Dec 13 (1) $M	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Net interest income	**1,418**	1,354	1,341	5	6
Other banking income	**406**	379	385	7	5
Total banking income	**1,824**	1,733	1,726	5	6
Operating expenses	**(697)**	(673)	(665)	4	5
Loan impairment expense	**(63)**	(157)	(80)	(60)	(21)
Net profit before tax	**1,064**	903	981	18	8
Corporate tax expense	**(321)**	(268)	(295)	20	9
Cash net profit after tax	**743**	635	686	17	8
Statutory net profit after tax	**743**	635	686	17	8
Income analysis:					
Net interest income					
Corporate Financial Services	**496**	469	456	6	9
Regional & Agribusiness	**281**	275	275	2	2
Local Business Banking	**435**	416	415	5	5
Private Bank	**131**	123	121	7	8
Equities and Margin Lending	**75**	71	74	6	1
Total net interest income	**1,418**	1,354	1,341	5	6
Other banking income					-
Corporate Financial Services	**148**	139	143	6	3
Regional & Agribusiness	**47**	44	44	7	7
Local Business Banking	**85**	87	90	(2)	(6)
Private Bank	**30**	27	25	11	20
Equities and Margin Lending	**96**	82	83	17	16
Total other banking income	**406**	379	385	7	5
Total banking income	**1,824**	1,733	1,726	5	6
Income by product:					
Business Products	**1,085**	1,048	1,045	4	4
Retail Products	**488**	463	455	5	7
Equities and Margin Lending	**156**	137	140	14	11
Markets	**69**	56	67	23	3
Other	**26**	29	19	(10)	37
Total banking income	**1,824**	1,733	1,726	5	6

	As at				
Balance Sheet	31 Dec 14 $M	30 Jun 14 (1) $M	31 Dec 13 (1) $M	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Home loans	**31,008**	31,238	30,522	(1)	2
Consumer finance	**762**	722	738	6	3
Business loans	**60,597**	59,414	57,700	2	5
Margin loans	**2,706**	2,714	2,719	-	-
Total interest earning assets	**95,073**	94,088	91,679	1	4
Non-lending interest earning assets	**265**	176	350	51	(24)
Other assets (2)	**106**	191	3	(45)	large
Total assets	**95,444**	94,455	92,032	1	4
Transaction deposits	**11,324**	10,795	9,973	5	14
Savings deposits	**25,104**	23,693	22,797	6	10
Investment deposits and other	**24,725**	22,566	22,633	10	9
Total interest bearing deposits	**61,153**	57,054	55,403	7	10
Non-interest bearing liabilities (2)	**5,253**	5,081	4,761	3	10
Total liabilities	**66,406**	62,135	60,164	7	10

(1) Comparative information has been reclassified to conform to presentation in the current period. Refer to "Financial Information Definitions – Reclassification of certain Income Statement and Balance Sheet Information" on page 5 of and Appendix 16 to this Document for further details.

(2) Other assets include intangible assets and non-interest bearing liabilities include non-interest bearing deposits.

Key Financial Metrics	31 Dec 14	30 Jun 14 (1)	31 Dec 13 (1)	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
	Half Year Ended				
Performance indicators					
Return on assets (%)	**1. 6**	1. 4	1. 5	20 bpts	10 bpts
Statutory impairment expense annualised as a % of average GLAA's (%)	**0. 13**	0. 35	0. 17	(22)bpts	(4)bpts
Statutory operating expenses to total banking income (%)	**38. 2**	38. 8	38. 5	(60)bpts	(30)bpts
Other asset/liability information					
Average interest earning assets ($M)	**95,059**	92,832	90,982	2	4
Average interest bearing liabilities ($M)	**60,379**	57,617	54,045	5	12

(1) Comparative information has been reclassified to conform to presentation in the current year. Refer to "Financial Information Definitions – Reclassification of certain Income Statement and Balance Sheet Information" on page 5 of and Appendix 16 to this Document for further details.

Financial Performance and Business Review

This Business and Private Banking analysis contains forward-looking statements. See "Special Note Regarding Forward-Looking Statements" on page 4 of this Document.

December 2014 versus December 2013

Business and Private Banking achieved a statutory net profit after tax of $743 million for the half year ended 31 December 2014, an increase of 8% on the prior comparative period. The result was driven by strong growth in net interest income and other banking income, reflecting growth in key product lines and an improved net interest margin. Expense growth reflected investments in frontline capacity and technology related initiatives, partly offset by continued productivity benefits. Loan impairment expense decreased, reflecting increased write-backs and stable underlying portfolio quality.

Net Interest Income

Net interest income of $1,418 million increased 6% on the prior comparative period. This reflected strong growth in both business lending and deposit balances and an increased net interest margin. Balance sheet growth reflected a continued focus on new customer acquisition and meeting more customer needs.

Balance sheet growth included:

- An increase of 10% in customer deposits, driven by strong growth across all product lines;
- Business lending growth of 5%, reflecting continued customer demand for market rate linked products; and
- Home loan growth of 2%, with new business volume growth partly offset by higher levels of repayment activity.

Net interest margin increased, reflecting improving investment deposit margins, partly offset by the impact of a lower average cash rate.

Other Banking Income

Other banking income of $406 million increased 5% on the prior comparative period due to:

- Higher income from the sale of interest rate risk management related products;
- Higher revenue from increased activity in equity capital markets; and
- An increase of 5% in equities trading volumes.

Operating Expenses

Operating expenses of $697 million increased 5% on the prior comparative period, reflecting investment in technology-related initiatives, expansion in frontline capacity, and inflation-related staff expenses, partly offset by continued productivity benefits.

Loan Impairment Expense

Loan impairment expense of $63 million decreased 21% on the prior comparative period, reflecting increased write-backs. The quality of the underlying portfolio is stable due in part to a low interest rate environment.

Loan impairment expense as a percentage of average gross loans and acceptances decreased by four basis points to 13 basis points.

December 2014 versus June 2014

Statutory net profit after tax increased by 17% on the prior half. The result was driven by growth in business lending and deposit income. Expense growth of 4% reflected investment in frontline capacity and technology-related initiatives. Loan impairment expense decreased 60% on the prior half, largely due to fewer individual provisions.

Net Interest Income

Net interest income increased 5% on the prior half. This reflected strong growth in deposit balances and modest lending balance growth in addition to a slight increase in net interest margin.

Balance sheet growth included:

- Growth in customer deposits of 7%, particularly in investment products; and
- A 2% increase in business lending, reflecting a subdued credit growth environment.

Net interest margin increased, reflecting improving deposit margins.

Other Banking Income

Other banking income increased 7% on the prior half due to:

- Higher income from the sale of interest rate risk management related products;
- An increase of 6% in equities trading volumes; and
- Higher revenue from increased activity in equity capital markets.

Operating Expenses

Operating expenses increased 4% on the prior half due to continued investment in technology-related initiatives, productivity and the expansion of frontline capacity.

Loan Impairment Expense

Loan impairment expense decreased 60% on the prior half. This was driven by the non-recurrence of a small number of large individual provisions experienced in the prior period.

Institutional Banking and Markets

	Half Year Ended				
	31 Dec 14 $M	30 Jun 14 (1) $M	31 Dec 13 (1) $M	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Net interest income	**710**	713	691	-	3
Other banking income	**724**	595	667	22	9
Total banking income	**1,434**	1,308	1,358	10	6
Operating expenses	**(475)**	(492)	(451)	(3)	5
Loan impairment expense	**(97)**	(40)	(21)	large	large
Net profit before tax	**862**	776	886	11	(3)
Corporate tax expense	**(209)**	(194)	(216)	8	(3)
Cash net profit after tax	**653**	582	670	12	(3)
Bell Group litigation (after tax)	**-**	25	-	large	-
Statutory net profit after tax	**653**	607	670	8	(3)
Income analysis:					
Net interest income					
Institutional Banking	**632**	638	610	(1)	4
Markets	**78**	75	81	4	(4)
Total net interest income	**710**	713	691	-	3
Other banking income					
Institutional Banking	**401**	388	394	3	2
Markets	**323**	207	273	56	18
Total other banking income	**724**	595	667	22	9
Total banking income	**1,434**	1,308	1,358	10	6
Income by product:					
Institutional products	**857**	876	865	(2)	(1)
Asset leasing	**124**	126	112	(2)	11
Markets	**401**	282	354	42	13
Other	**52**	24	27	large	93
Total banking income	**1,434**	1,308	1,358	10	6

	As at				
Balance Sheet	31 Dec 14 $M	30 Jun 14 (1) $M	31 Dec 13 (1) $M	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Interest earning lending assets	**92,547**	87,882	85,339	5	8
Non-lending interest earning assets	**46,700**	43,348	47,600	8	(2)
Other assets (2)	**40,389**	18,270	19,361	large	large
Total assets	**179,636**	149,500	152,300	20	18
Transaction deposits	**34,031**	35,517	32,954	(4)	3
Savings Deposits	**6,832**	10,624	7,264	(36)	(6)
Investment deposits	**36,139**	35,194	38,451	3	(6)
Certificates of deposit and other	**15,659**	12,495	15,212	25	3
Total interest bearing deposits	**92,661**	93,830	93,881	(1)	(1)
Due to other financial institutions	**20,141**	19,835	19,877	2	1
Debt issues and other (3)	**7,455**	11,076	11,888	(33)	(37)
Non-interest bearing liabilities (2)	**36,856**	21,741	25,033	70	47
Total liabilities	**157,113**	146,482	150,679	7	4

	Half Year Ended				
Key Financial Metrics	31 Dec 14	30 Jun 14 (1)	31 Dec 13 (1)	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Performance indicators					
Return on assets (%)	**0. 7**	0. 8	0. 9	(10)bpts	(20)bpts
Impairment expense annualised as a % of average GLAA's (%)	**0. 22**	0. 10	0. 05	12 bpts	17 bpts
Statutory operating expenses to total banking income (%)	**33. 1**	37. 6	33. 2	(450)bpts	(10)bpts
Other asset/liability information					
Average interest earning assets ($M)	**135,425**	134,437	121,180	1	12
Average interest bearing liabilities ($M)	**124,386**	127,960	121,730	(3)	2

(1) Comparative information has been reclassified to conform to presentation in the current period. Refer to “Financial Information Definitions – Reclassification of certain Income Statement and Balance Sheet Information” on page 5 of and Appendix 16 to this Document for further details.

(2) Other assets include intangible assets and derivative assets. Non-interest bearing liabilities include derivative liabilities.

(3) Debt issues and other includes bank acceptances, liabilities at fair value and loan capital.

Financial Performance and Business Review

This Institutional Banking and Markets analysis contains forward-looking statements. See "Special Note Regarding Forward-Looking Statements" on page 4 of this Document.

December 2014 versus December 2013

Institutional Banking and Markets achieved a statutory net profit after tax of $653 million for the half year ended 31 December 2014, which represented a 3% decrease on the prior comparative period. The decrease was driven by higher loan impairment expense following substantially lower loan impairment expense in the prior comparative period. This was partly offset by solid operating performance, driven by positive sales performance in Markets and growth in average lending and transaction deposit balances.

Net Interest Income

Net interest income increased 3% on the prior comparative period to $710 million, driven by strong lending growth, partly offset by lower margins.

Average balance growth included:

- A 10% increase in average lending balances, particularly in the strategic focus industries of Natural Resources, Utilities and Financial Institutions;
- Average asset leasing balance growth of 15% mainly in the Transport industry; and
- Average transaction deposit balance growth of 19%.

Net interest margin decreased, reflecting:

- A decline in lending margins driven by increased competition;
- Lower amortisation of deferred fees; and
- Reduced deposit margins driven by the lower cash rate environment and competition for deposits.

Other Banking Income

Other banking income was $724 million, an increase of 9% on the prior comparative period, reflecting:

- Strong Markets sales flows, particularly within Rates and Fixed Income with a 20% increase on the prior comparative period; and
- Favourable counterparty fair value adjustments of $34 million compared to $23 million in the prior comparative period.

Operating Expenses

Operating expenses increased 5% on the prior comparative period to $475 million. Excluding the impact of the weaker Australian dollar, operating expenses increased by 4%.

The increase reflects investment in technology and people in targeted industry and product areas.

Loan Impairment Expense

Loan impairment expense of $97 million represents an increase of $76 million on the prior comparative period.

This was driven by an increase in provisions related to certain legacy balances, lower write backs and an increase in the collective provision in line with growth in client exposures.

Corporate Tax Expense

The corporate tax expense for the half year ended 31 December 2014 was $209 million. The effective tax rate of 24.2% remained relatively stable.

December 2014 versus June 2014

Statutory net profit after tax of $653 million for the half year ended 31 December 2014 represented a 8% increase on the prior half. The result was driven by positive sales and trading performance in Markets, growth in average lending balances and favourable counterparty fair value adjustments. This was partly offset by higher loan impairment expense.

Net Interest Income

Net interest income remained in line with the prior half at $710 million, driven by:

- An increase in average lending balances of 2% and higher average transaction deposit balances; offset by
- Lower lending and deposit margins; and
- Lower amortisation of deferred fees.

Other Banking Income

Other banking income increased 22% on the prior half due to:

- A strong sales and trading performance in Markets, particularly in Rates.
- Favourable counterparty fair value adjustments of $34 million, compared to $24 million unfavourable in the prior half; and
- Growth in strategic focus product area of Global Trade and Transaction Services.

Operating Expenses

Operating expenses decreased 3% on the prior half. Excluding the impact of the weaker Australian dollar and non-recurring expenses, operating expenses increased by 2%.

The increase is driven by investment in strategic focus areas of the business, partly offset by a continued focus on productivity and reduced project amortisation.

Loan Impairment Expense

Loan impairment expense increased by $57 million on the prior half.

This was driven by an increase in overall client exposures and a small number of individual provisions related to certain legacy balances.

Corporate Tax Expense

The corporate tax expense for the half year ended 31 December 2014 was $209 million. The effective tax rate of 24.2% was lower than the prior half as a result of a higher proportion of profit earned by offshore jurisdictions that have lower corporate tax rates.

Wealth Management

	Half Year Ended				
	31 Dec 14	**30 Jun 14** (1)	**31 Dec 13** (1)	**Dec 14 vs**	**Dec 14 vs**
	$M	**$M**	**$M**	**Jun 14 %**	**Dec 13 %**
Funds management income	**917**	841	858	9	7
Insurance income	**274**	294	281	(7)	(2)
Total operating income	**1,191**	1,135	1,139	5	5
Operating expenses	**(783)**	(778)	(744)	1	5
Net profit before tax	**408**	357	395	14	3
Corporate tax expense	**(106)**	(90)	(92)	18	15
Underlying profit after tax	**302**	267	303	13	-
Investment experience after tax	**45**	77	41	(42)	10
Cash net profit after tax (excluding property)	**347**	344	344	1	1
Property net profit after tax	**-**	52	49	large	large
Cash net profit after tax (including property)	**347**	396	393	(12)	(12)
Other non-cash items	**(20)**	2	(26)	large	(23)
Statutory net profit after tax	**327**	398	367	(18)	(11)
Represented by:					
CFS Global Asset Management	**112**	111	127	1	(12)
Colonial First State (2)	**110**	79	105	39	5
CommInsure	**163**	199	175	(18)	(7)
Property	**-**	52	49	large	large
Other	**(58)**	(43)	(89)	35	(35)
Statutory net profit after tax	**327**	398	367	(18)	(11)

	Half Year Ended				
				Dec 14 vs	**Dec 14 vs**
Key Financial Metrics	**31 Dec 14**	**30 Jun 14** (1)	**31 Dec 13** (1)	**Jun 14 %**	**Dec 13 %**
Performance indicators					
Statutory funds management income to average FUA (%) (3)	**0. 70**	0. 76	0. 78	(6)bpts	(8)bpts
Statutory insurance income to average inforce premiums (%)	**31. 8**	33. 8	30. 60	(200)bpts	120 bpts
Statutory operating expenses to total operating income (%)	**60. 4**	59. 3	59. 3	110 bpts	110 bpts
FUA - average ($M)	**262,409**	247,645	235,678	6	11
FUA - spot ($M)	**270,266**	253,483	244,996	7	10
Assets under management - average ($M) (3)	**187,216**	176,809	170,371	6	10
Assets under management - spot ($M)	**191,606**	180,848	175,833	6	9
Retail net funds flows (Australian Retail) ($M)	**1,845**	1,637	1,551	13	19
Annual inforce premiums - average ($M)	**2,345**	2,291	2,219	2	6
Annual inforce premiums - spot ($M)	**2,381**	2,309	2,273	3	5

	Half Year Ended (1)											
	CFS Global Asset Management			**Colonial First State** (2)			**CommInsure**			**Other**		
	Dec 14	**Jun 14**	**Dec 13**	**Dec 14**	**Jun 14**	**Dec 13**	**Dec 14**	**Jun 14**	**Dec 13**	**Dec 14**	**Jun 14**	**Dec 13**
	$M	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Gross funds management income	**500**	457	462	**532**	505	498	**79**	82	83	**-**	-	-
Volume expenses	**(98)**	(86)	(94)	**(81)**	(98)	(77)	**(15)**	(19)	(14)	**-**	-	-
Funds management income	**402**	371	368	**451**	407	421	**64**	63	69	**-**	-	-
Gross insurance income	**-**	-	-	**-**	-	-	**355**	367	358	**-**	-	-
Volume expenses	**-**	-	-	**-**	-	-	**(81)**	(73)	(77)	**-**	-	-
Insurance income	**-**	-	-	**-**	-	-	**274**	294	281	**-**	-	-
Total operating income	**402**	371	368	**451**	407	421	**338**	357	350	**-**	-	-
Operating expenses	**(257)**	(241)	(227)	**(295)**	(318)	(272)	**(162)**	(156)	(158)	**(69)**	(63)	(87)
Net profit before tax	**145**	130	141	**156**	89	149	**176**	201	192	**(69)**	(63)	(87)
Corporate tax expense	**(31)**	(21)	(21)	**(48)**	(23)	(45)	**(52)**	(61)	(50)	**25**	15	24
Underlying profit after tax	**114**	109	120	**108**	66	104	**124**	140	142	**(44)**	(48)	(63)
Investment experience after tax	**(2)**	2	7	**2**	13	1	**39**	59	33	**6**	3	-
Cash net profit after tax	**112**	111	127	**110**	79	105	**163**	199	175	**(38)**	(45)	(63)
Other non-cash items	**-**	-	-	**-**	-	-	**-**	-	-	**(20)**	2	(26)
Statutory net profit after tax	**112**	111	127	**110**	79	105	**163**	199	175	**(58)**	(43)	(89)

(1) Comparative information has been restated to conform to presentation in the current period. Refer to "Financial Information Definitions – Reclassification of certain Income Statement and Balance Sheet Information" on page 5 of and Appendix 16 to this Document for further details.
(2) Colonial First State incorporates the results of all financial planning businesses including Commonwealth Financial Planning.
(3) AUM and FUA include Realindex Investments and do not include the Group's interest in the China Cinda JV.

Financial Performance and Business Review

This Wealth Management analysis contains forward-looking statements. See "Special Note Regarding Forward-Looking Statements" on page 4 of this Document.

December 2014 versus December 2013(1)

Statutory net profit after tax for the half year ended 31 December 2014 was $327 million, an 11% decrease on the prior comparative period. Excluding the contribution from the internalisation of the management of CFX and KIP, the cessation of management of CPA and the sale of the proprietary holding in CFX, each of which was completed in the prior period, statutory net profit after tax for the half year increased 3% due to investment market gains and continued solid investment performance, partially offset by lower insurance income, higher operating expenses and the impact of a lower effective tax rate in the prior comparative period, arising from tax free revenue. Total operating income increased 5% on the prior comparative period, with FUA increasing 10% to $270 billion and insurance inforce premiums increasing 5% to $2.4 billion.

The Group commenced the Open Advice Review program in July 2014 and has made good progress including the establishment of an Independent Review Panel and the appointment of Experts and Independent Customer Advocates. For more information on the Open Advice Review program, see Note 12 and page 107 of the 2014 Annual U.S. Disclosure Document.

Funds Management Income

Funds management income was $917 million, an increase of 7% on the prior comparative period.

Average AUM increased 10% to $187 billion (offshore average AUM increased 10%), driven by investment market gains and continued solid investment performance, with 85% of assets outperforming their three year benchmarks, and the benefit from a weaker Australian dollar. Net flows benefited from momentum in the infrastructure business and renewed inflows in emerging markets, compared to the prior comparative period.

Australian Retail Average FUA grew 11% to $110 billion, with Custom Solutions continuing its momentum with a 20% increase in Average FUA to $19 billion. Colonial First State FirstChoice and Custom Solutions platforms achieved positive net flows of $1.9 billion.

Funds management margin declined three basis points, largely due to lower Advice revenue and the contraction of the legacy investment business, partially offset by an improvement in business and product mix.

Insurance Income

Insurance income was $274 million, a 2% decrease on the prior comparative period.

Retail Life Insurance income decreased 5%. Poorer claims experience and lower sales were partially offset by the benefit from lower lapse rates following the implementation of retention initiatives.

Wholesale Life income benefited from improved pricing and the non-recurrence of significant reserve strengthening in the prior comparative period, but was offset by deteriorating claims experience.

General Insurance income decreased 36% with the result impacted by the Brisbane hail storm in November 2014 exceeding $30 million and increased working claims in the current half, partially offset by increased inforce premiums.

Operating Expenses

Operating expenses increased 5% on the prior comparative period attributable to inflation-related salary increases, performance related incentives and a weaker Australian dollar. The business continued its investment in technology and distribution capabilities, as well as its delivery of compliance and regulatory change programs.

The business benefited from productivity initiatives implemented in the prior periods and initiatives to streamline Call Centre and Investment Operations processes, which provide an enhanced customer experience.

Investment Experience

Investment experience after tax increased 10% as a result of higher fixed interest returns from falling bond yields, partially offset by a decline in the assets backing the annuity portfolio from a narrowing of credit spreads in the prior comparative period.

December 2014 versus June 2014(1)

Statutory net profit after tax decreased by 18% on the prior half. Excluding the internalisation of the management of CFX and KIP, the cessation of management of CPA and the sale of the proprietary holding in CFX, statutory net profit after tax was 5% lower compared to the prior half.

Total operating income increased 5% on the prior half while FUA increased 7% and insurance inforce premiums increased 3%.

Funds Management Income

Funds management income increased by 9% on the prior half.

Average AUM increased 6% (offshore average AUM increased 8%) due to growth in equity markets and ongoing investment outperformance, as well as the benefit from a weaker Australian dollar.

Average Australian Retail FUA grew 5% during the half, largely driven by strong investment performance of 4% (compared to average ASX200 growth of 1%). FirstChoice maintained the number one market share position for the 5th consecutive year.(2)

Funds management margin was maintained in comparison to the prior half, benefiting from improved funding mix, partially offset by a contraction in the legacy investment business.

Insurance Income

Insurance income decreased 7% on the prior half.

Retail Life Insurance income was flat compared to the prior half. Declining new business sales were offset by improved claims experience.

Wholesale Life Insurance income increased from repricing and lower reserving in the half.

General Insurance income decreased 45% due to the Brisbane hail storm in November 2014 and higher working claims in the current half.

Operating Expenses

Operating expenses increased 1% on the prior half, mainly from inflation-related salary increases and performance related incentives.

Investment Experience

Investment experience was lower compared to the prior half largely due to the benefit from changes to economic assumptions and trust distributions received in the prior half.

(1) Unless otherwise stated, the commentary excludes the contribution from the internalisation of the management of CFX and KIP, the cessation of management of CPA and the sale of the proprietary holding in CFX transactions in the prior periods.

(2) Plan for Life quarterly release.

	Half Year Ended				
	31 Dec 14	30 Jun 14	31 Dec 13	Dec 14 vs	Dec 14 vs
Assets Under Management (AUM) [1]	$M	$M	$M	Jun 14 %	Dec 13 %
Australian equities	**28,535**	28,247	27,448	1	4
Global equities	**84,884**	75,297	76,952	13	10
Cash and fixed interest	**70,171**	69,612	64,708	1	8
Property and Infrastructure [2]	**8,016**	7,692	6,725	4	19
Total Wealth Management (excluding Property)	**191,606**	180,848	175,833	6	9
Property	**-**	-	15,405	-	large
Total Wealth Management (including Property)	**191,606**	180,848	191,238	6	-

	Half Year Ended				
	31 Dec 14	30 Jun 14 [3]	31 Dec 13 [3]	Dec 14 vs	Dec 14 vs
Sources of Profit from CommInsure	$M	$M	$M	Jun 14 %	Dec 13 %
Life insurance operating margins					
Planned profit margins	**98**	79	77	24	27
Experience variations	**(30)**	(25)	(15)	20	large
Funds management operating margins	**42**	45	44	(7)	(5)
General insurance operating margins	**14**	41	36	(66)	(61)
Operating margins	**124**	140	142	(11)	(13)
Investment experience after tax	**39**	59	33	(34)	18
Cash net profit after tax	**163**	199	175	(18)	(7)
Statutory net profit after tax	**163**	199	175	(18)	(7)

	Half Year Ended 31 December 2014			
	Opening Balance 30 Jun 14	Sales/New Business	Lapses	Closing Balance 31 Dec 14
Annual Inforce Premiums - Risk Business	$M	$M	$M	$M
Retail life	895	82	(86)	891
Wholesale life	757	103	(52)	808
General insurance	657	78	(53)	682
Total	2,309	263	(191)	2,381

	Half Year Ended 30 June 2014			
	Opening Balance 31 Dec 13	Sales/New Business	Lapses	Closing Balance 30 Jun 14
Annual Inforce Premiums - Risk Business	$M	$M	$M	$M
Retail life	887	92	(84)	895
Wholesale life	736	53	(32)	757
General insurance	650	80	(73)	657
Total	2,273	225	(189)	2,309

	Half Year Ended 31 December 2013			
	Opening Balance 30 Jun 12	Sales/New Business	Lapses	Closing Balance 31 Dec 13
Annual Inforce Premiums - Risk Business	$M	$M	$M	$M
Retail life	875	103	(91)	887
Wholesale life	692	84	(40)	736
General insurance	598	88	(36)	650
Total	2,165	275	(167)	2,273

(1) AUM and FUA include Realindex Investments and do not include the Group's interest in the China Cinda JV.

(2) This asset class includes listed and wholesale property trusts, and Australian and global property securities funds.

(3) Comparatives have been restated to conform to presentation in the current period. Refer to "Financial Information Definitions – Reclassification of certain Income Statement and Balance Sheet Information" on page 5 of and Appendix 16 to this Document for further details.

Funds Under Administration	Half Year Ended 31 December 2014 Opening Balance 30 Jun 14 $M	Inflows $M	Outflows $M	Net Flows $M	Investment Income & Other [1] $M	Closing Balance 31 Dec 14 $M
FirstChoice	67,481	10,035	(9,220)	815	2,663	70,959
Custom Solutions [2]	18,070	3,392	(2,277)	1,115	741	19,926
Standalone (including Legacy) [3]	20,725	4,049	(4,078)	(29)	533	21,229
Retail products [4]	106,276	17,476	(15,575)	1,901	3,937	112,114
Other retail [5]	990	12	(68)	(56)	38	972
Australian retail	107,266	17,488	(15,643)	1,845	3,975	113,086
Wholesale	72,427	11,261	(11,997)	(736)	2,381	74,072
Property	3,771	70	-	70	16	3,857
Other [6]	3,697	11	(67)	(56)	157	3,798
Domestically sourced	187,161	28,830	(27,707)	1,123	6,529	194,813
Internationally sourced	66,322	16,077	(15,733)	344	8,787	75,453
Total Wealth Management (excluding Property)	253,483	44,907	(43,440)	1,467	15,316	270,266
Property	-	-	-	-	-	-
Total Wealth Management (including Property)	253,483	44,907	(43,440)	1,467	15,316	270,266

Funds Under Administration	Half Year Ended 30 June 2014 Opening Balance 31 Dec 13 $M	Inflows $M	Outflows $M	Net Flows $M	Investment Income & Other [1] $M	Closing Balance 30 Jun 14 $M
FirstChoice	64,448	8,145	(6,916)	1,229	1,804	67,481
Custom Solutions [2]	16,789	2,551	(1,695)	856	425	18,070
Standalone (including Legacy) [3]	20,691	3,726	(4,109)	(383)	417	20,725
Retail products [4]	101,928	14,422	(12,720)	1,702	2,646	106,276
Other retail [5]	1,032	17	(82)	(65)	23	990
Australian retail	102,960	14,439	(12,802)	1,637	2,669	107,266
Wholesale	67,255	13,977	(10,284)	3,693	1,479	72,427
Property	2,963	1,161	(314)	847	(39)	3,771
Other [6]	3,603	12	(65)	(53)	147	3,697
Domestically sourced	176,781	29,589	(23,465)	6,124	4,256	187,161
Internationally sourced	68,215	10,544	(13,358)	(2,814)	921	66,322
Total Wealth Management (excluding Property)	244,996	40,133	(36,823)	3,310	5,177	253,483
Property	15,424	315	(48)	267	(15,691)	-
Total Wealth Management (including Property)	260,420	40,448	(36,871)	3,577	(10,514)	253,483

Wealth Management

Funds Under Administration	Half Year Ended 31 December 2013 [7]					
	Opening Balance 30 Jun 11 $M	Inflows $M	Outflows $M	Net Flows $M	Investment Income & Other [1] $M	Closing Balance 31 Dec 13 $M
FirstChoice	58,787	7,444	(6,584)	860	4,801	64,448
Custom Solutions [2]	14,464	2,749	(1,618)	1,131	1,194	16,789
Standalone (including Legacy) [3]	19,684	3,637	(4,026)	(389)	1,396	20,691
Retail products [4]	92,935	13,830	(12,228)	1,602	7,391	101,928
Other retail [5]	1,007	13	(64)	(51)	76	1,032
Australian retail	93,942	13,843	(12,292)	1,551	7,467	102,960
Wholesale	60,675	15,277	(12,318)	2,959	3,621	67,255
Property	2,693	6	(25)	(19)	289	2,963
Other [6]	3,529	12	(70)	(58)	132	3,603
Domestically sourced	160,839	29,138	(24,705)	4,433	11,509	176,781
Internationally sourced	62,668	14,628	(16,103)	(1,475)	7,022	68,215
Total Wealth Management (excluding Property)	223,507	43,766	(40,808)	2,958	18,531	244,996
Property	16,845	69	(4)	65	(1,486)	15,424
Total Wealth Management (including Property)	240,352	43,835	(40,812)	3,023	17,045	260,420

(1) Includes foreign exchange gains and losses from translation of internationally sourced business.
(2) Custom Solutions includes the FirstWrap product.
(3) Includes cash management trusts.
(4) Retail funds that align to Plan for Life market share releases.
(5) Includes regular premium plans. These retail products are not reported in market share data.
(6) Includes life company assets sourced from retail investors but not attributable to a funds management product.
(7) Comparative information has been restated to conform to presentation in the current period. Refer to "Financial Information Definitions – Reclassification of certain Income Statement and Balance Sheet Information" on page 5 of and Appendix 16 to this Document for further details.

	Half Year Ended				
	31 Dec 14 A$M	30 Jun 14 (1) A$M	31 Dec 13 (1) A$M	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Net interest income	**759**	714	664	6	14
Other banking income (2)	**130**	90	102	44	27
Total banking income	**889**	804	766	11	16
Funds management income	**34**	30	30	13	13
Insurance income	**109**	115	87	(5)	25
Total operating income	**1,032**	949	883	9	17
Operating expenses	**(420)**	(412)	(393)	2	7
Loan impairment expense	**(34)**	(33)	(18)	3	89
Net profit before tax	**578**	504	472	15	22
Corporate tax expense	**(147)**	(120)	(117)	23	26
Underlying profit after tax	**431**	384	355	12	21
Investment experience after tax	**4**	3	-	33	large
Cash net profit after tax	**435**	387	355	12	23
Hedging and IFRS volatility (after tax)	**(59)**	25	(15)	large	large
Statutory net profit after tax	**376**	412	340	(9)	11

	Half Year Ended				
	31 Dec 14 NZ$M	30 Jun 14 (1) NZ$M	31 Dec 13 (1) NZ$M	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Net interest income	**831**	769	748	8	11
Other banking income	**153**	145	162	6	(6)
Total banking income	**984**	914	910	8	8
Funds management income	**38**	33	34	15	12
Insurance income	**119**	125	97	(5)	23
Total operating income	**1,141**	1,072	1,041	6	10
Operating expenses	**(461)**	(445)	(443)	4	4
Loan impairment expense	**(37)**	(35)	(21)	6	76
Net profit before tax	**643**	592	577	9	11
Corporate tax expense	**(163)**	(145)	(144)	12	13
Underlying profit after tax	**480**	447	433	7	11
Investment experience after tax	**5**	4	-	25	large
Cash net profit after tax	**485**	451	433	8	12
Hedging and IFRS volatility (after tax)	**(5)**	2	1	large	large
Statutory net profit after tax	**480**	453	434	6	11
Represented by :					
ASB	**424**	383	393	11	8
Sovereign	**57**	63	40	(10)	43
Other (3)	**(1)**	5	-	large	large
Statutory net profit after tax	**480**	451	433	6	11

Key Financial Metrics	Half Year Ended				
	31 Dec 14	30 Jun 14 (1)	31 Dec 13 (1)	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Performance indicators					
Statutory funds management income to average FUA (%)	**0. 54**	0. 53	0. 58	1 bpt	(4)bpts
Statutory insurance income to average inforce premiums (%)	**35. 4**	48. 5	29. 3	large	large
Statutory operating expenses to total operating income (%)	**43. 9**	40. 4	45. 7	350 bpts	(180)bpts

(1) Comparative information has been reclassified to conform to presentation in the current period. Refer to “Financial Information Definitions – Reclassification of certain Income Statement and Balance Sheet Information” on page 5 of and Appendix 16 to this Document for further details.
(2) Other banking income disclosed in AUD includes realised gains or losses associated with the hedge of the New Zealand operations.
(3) Other includes ASB and Sovereign funding entities and elimination entries between Sovereign and ASB.

New Zealand

Financial Performance and Business Review

This New Zealand analysis contains forward-looking statements. See "Special Note Regarding Forward-Looking Statements" on page 4 of this Document.

December 2014 versus December 2013

New Zealand[1] statutory net profit after tax[2] for the half year ended 31 December 2014 increased 11% on the prior comparative period to NZD480 million. The result was driven by a strong performance from both ASB Bank and Sovereign. ASB experienced improved deposit margins, strong business and rural lending growth and an increase in funds management income. Sovereign profit increased on the prior comparative period with strong claims experience and inforce premium growth.

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

December 2014 versus June 2014

New Zealand statutory net profit after tax increased 6% on the prior half. The result was driven by the strong performance from ASB Bank, reflecting improved deposit margins and higher other banking income and funds management income. Sovereign profit decreased on the prior half driven by adverse persistency experience.

(1) The New Zealand result incorporates ASB Bank and Sovereign Insurance businesses. The CBA Branch results relating to the Institutional Banking and Markets business in New Zealand are not included.

(2) Includes allocated capital charges and other CBA costs

	Half Year Ended				
	31 Dec 14	30 Jun 14 [1]	31 Dec 13 [1]	Dec 14 vs	Dec 14 vs
ASB Bank	NZ$M	NZ$M	NZ$M	Jun 14 %	Dec 13 %
Net interest income	**827**	755	743	10	11
Other banking income	**169**	160	177	6	(5)
Total banking income	**996**	915	920	9	8
Funds management income	**36**	33	31	9	16
Total operating income	**1,032**	948	951	9	9
Operating expenses	**(399)**	(383)	(386)	4	3
Loan impairment expense	**(37)**	(35)	(21)	6	76
Net profit before tax	**596**	530	544	12	10
Corporate tax expense	**(167)**	(147)	(151)	14	11
Underlying profit after tax	**429**	383	393	12	9
Cash net profit after tax	**429**	383	393	12	9
Hedging and IFRS volatility (after tax)	**(5)**	2	1	large	large
Statutory net profit after tax	**424**	385	394	10	8

	As at				
	31 Dec 14	30 Jun 14 [1]	31 Dec 13 [1]	Dec 14 vs	Dec 14 vs
Balance Sheet	NZ$M	NZ$M	NZ$M	Jun 14 %	Dec 13 %
Home loans	**42,184**	41,581	40,981	1	3
Business and rural lending	**18,761**	17,556	16,873	7	11
Other interest earning assets	**1,747**	1,641	1,597	6	9
Total interest earning assets	**62,692**	60,778	59,451	3	5
Non-lending interest earning assets	**5,907**	5,599	6,040	6	(2)
Other assets	**1,783**	1,918	1,994	(7)	(11)
Total assets	**70,382**	68,295	67,485	3	4
Customer deposits	**42,727**	40,152	39,226	6	9
Debt issues	**10,307**	9,612	8,750	7	18
Other interest bearing liabilities [2]	**5,977**	7,302	8,039	(18)	(26)
Total interest bearing liabilities	**59,011**	57,066	56,015	3	5
Non-interest bearing liabilities	**4,377**	4,246	4,183	3	5
Total liabilities	**63,388**	61,312	60,198	3	5

Key Financial Metrics	Half Year Ended 31 Dec 14	30 Jun 14 (1)	31 Dec 13 (1)	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Performance indicators					
Return on assets (%)	**1. 2**	1. 1	1.2	10 bpts	-
Statutory impairment expense annualised as a % of average GLAA's (%)	**0. 12**	0. 11	0.07	1 bpt	5 bpts
Statutory funds management income to average FUA (%)	**0. 54**	0. 53	0.58	1 bpt	(4)bpts
Statutory operating expenses to total operating income (%)	**38. 9**	40. 3	40.5	(140)bpts	(160)bpts
Other asset/liability information					
Average interest earning assets (NZ$M)	**67,956**	66,360	65,241	2	4
Average interest bearing liabilities (NZ$M)	**58,276**	56,437	55,972	3	4

New Zealand - Funds Under Administration	Half Year Ended 31 Dec 14 NZ$M	30 Jun 14 NZ$M	31 Dec 13 NZ$M	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Opening balance	**13,003**	11,937	11,080	9	17
Inflows	**1,924**	1,645	1,891	17	2
Outflows	**(1,413)**	(965)	(1,577)	46	(10)
Net flows	**511**	680	314	(25)	63
Investment income and other	**712**	386	543	84	31
Closing balance	**14,226**	13,003	11,937	9	19

(1) Comparative information has been reclassified to conform to presentation in the current period. Refer to "Financial Information Definitions – Reclassification of certain Income Statement and Balance Sheet Information" on page 5 of and Appendix 16 to this Document for further details.

(2) Includes NZ$2.7 billion due to Group companies (30 June 2014: NZ$4.1 billion; 31 December 2013: NZ$4.1 billion).

New Zealand

December 2014 versus December 2013

ASB Bank statutory net profit after tax for the half year ended 31 December 2014 increased 8% on the prior comparative period to NZD424 million. Operating income growth of 9% was driven by retail deposit margin improvement and strong business and rural lending growth, partly offset by home loan margin compression and an increase in operating expenses and impairment expense.

Net Interest Income

Net interest income was NZD827 million, an increase of 11% with improved retail deposit margins and strong volume growth in key portfolios.

Balance sheet growth included:

- Home loan growth of 3% in a competitive market, with customers continuing to prefer fixed rate lending;
- Business and rural loan growth of 11% due to continued investment in these businesses; and
- Growth in customer deposits of 9%, driven by strong demand across the retail deposit portfolio.

Net interest margin increased, reflecting favourable funding conditions, partly offset by a reduction in home lending margins as a result of the continued customer preference for lower margin fixed rate mortgages in a highly competitive market.

Other Banking and Funds Management Income

Other banking income decreased 5% to NZD169 million due to non-recurrence of property sales and lower Markets trading performance, partly offset by higher lending fee income as a result of business lending growth. Funds management income increased 16% as a result of strong FUA growth and market performance.

Operating Expenses

Operating expenses increased 3% to NZD399 million. This increase was driven by higher staff expenses, due to inflationary related salary increases and continued investment in frontline capability, and higher amortisation costs associated with ongoing technology investment.

The cash expense to income ratio for ASB Bank was 38.7%, an improvement of 190 basis points, reflecting a continued focus on productivity across the Bank.

Loan Impairment Expense

Loan impairment expense increased 76% to NZD37 million, primarily due to continuing growth across all lending portfolios and stabilising home loan arrears rates compared with decreases in the comparative period. This was partly offset by lower impairment expense in the business and rural lending portfolio.

December 2014 versus June 2014

ASB Bank statutory net profit after tax increased 10% on the prior half. This result was driven by 9% growth in operating income due to improvements in retail deposit margins and strong business and rural lending growth, partly offset by home loan margin compression.

Net Interest Income

Net interest income increased 10%, driven by retail deposit margin improvement and volume growth.

Balance sheet growth included:

- Home loan growth of 1%, with customers preferring fixed rate lending;
- Business and rural loans increased 7%; and
- Customer deposit growth of 6%, with retail deposits continuing to perform strongly.

Net interest margin increased, reflecting continued favourable funding conditions, partly offset by ongoing pressure on home lending margins as a result of price competition and customer preference for fixed rate lending.

Other Banking and Funds Management Income

Other banking income increased 6%, driven by higher card fees, lending fees and insurance income due to higher transaction volumes. Funds management income continued to grow strongly at 9%, principally due to the performance of the ASB KiwiSaver scheme.

Operating Expenses

Operating expenses increased 4% due to inflation-related staff expense increases and continued investment in frontline capability and technology.

The cash expense to income ratio for ASB Bank was 38.7%, an improvement of 170 basis points.

Loan Impairment Expense

Loan impairment expense increased 6%, primarily due to continuing growth in all lending portfolios and stabilising home loan expense.

Sovereign	31 Dec 14 NZ$M	30 Jun 14 [1] NZ$M	31 Dec 13 [1] NZ$M	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
	Half Year Ended				
Insurance income	**107**	113	88	(5)	22
Operating expenses	**(62)**	(62)	(57)	-	9
Net profit before tax	**45**	51	31	(12)	45
Corporate tax benefit	**3**	5	5	(40)	(40)
Underlying profit after tax	**48**	56	36	(14)	33
Investment experience after tax	**9**	7	4	29	large
Cash net profit after tax	**57**	63	40	(10)	43
Statutory net profit after tax	**57**	63	40	(10)	43
Sources of profit represented by:					
The margin on services profit from ordinary activities after income tax is represented by:					
Planned profit margins	**43**	43	41	-	5
Experience variations	**5**	13	(5)	(62)	large
Operating margins	**48**	56	36	(14)	33
Investment experience after tax	**9**	7	4	29	large
Statutory net profit after tax	**57**	63	40	(10)	43

Key Financial Metrics	31 Dec 14	30 Jun 14 [1]	31 Dec 13 [1]	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
	Half Year Ended				
Performance indicators					
Statutory insurance income to average inforce premiums (%)	**35.4**	35. 2	29. 3	20 bpts	large
Average inforce premiums (NZ$M)	**698**	679	664	3	5

New Zealand - Annual Inforce Premiums	31 Dec 14 NZ$M	30 Jun 14 NZ$M	31 Dec 13 NZ$M	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
	Half Year Ended				
Opening balance	**684**	674	654	1	5
Sales/new business	**58**	46	57	26	2
Lapses	**(39)**	(36)	(37)	8	5
Closing balance	**703**	684	674	3	4

(1) Comparative information has been reclassified to conform to presentation in the current year. Refer to "Financial Information Definitions – Reclassification of certain Income Statement and Balance Sheet Information" on page 5 of and Appendix 16 to this Document for further details.

Financial Performance and Business Review

December 2014 versus December 2013

Sovereign statutory net profit after tax for the half year ended 31 December 2014 increased 43% on the prior comparative period to NZD57 million. The increase was driven by strong claims experience and inforce growth.

Insurance Income

Insurance income was NZD107 million, an increase of 22%, with growth in annual inforce premium income of 5% and strong claims experience. Claims experience was positive compared with historically high claims in the prior comparative period. Sovereign risk and health lapse rate continued to be amongst the best in the industry.

Operating Expenses

Operating expenses increased 9% to NZD62 million, driven by restructuring costs and rebranding expenses.

December 2014 versus June 2014

Sovereign statutory net profit after tax decreased 10% on the prior half, reflecting higher lapse rates, partly offset by inforce growth.

Insurance Income

Insurance income decreased 5% due to higher lapse rates, partly offset by positive claims experience and continued growth in inforce premiums.

Operating Expenses

Operating expenses remained at the same levels as the prior half.

Bankwest

	Half Year Ended				
	31 Dec 14 $M	30 Jun 14 $M	31 Dec 13 $M	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Net interest income	**803**	773	804	4	-
Other banking income	**109**	103	103	6	6
Total banking income	**912**	876	907	4	1
Operating expenses	**(397)**	(401)	(405)	(1)	(2)
Loan impairment expense	**26**	(6)	(5)	large	large
Net profit before tax	**541**	469	497	15	9
Corporate tax expense	**(163)**	(144)	(147)	13	11
Cash net profit after tax	**378**	325	350	16	8
Other non-cash items	**(26)**	(26)	(30)	-	(13)
Statutory net profit after tax	**352**	299	320	18	10

	As at				
Balance Sheet	31 Dec 14 $M	30 Jun 14 (1) $M	31 Dec 13 (1) $M	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Home loans	**59,658**	58,251	55,401	2	8
Other interest earning assets	**17,655**	18,112	19,245	(3)	(8)
Non-lending interest earning assets	**3**	11	7	(73)	(57)
Total interest earning assets	**77,316**	76,374	74,653	1	4
Other assets	**175**	421	250	(58)	(30)
Total assets	**77,491**	76,795	74,903	1	3
Transaction deposits	**9,932**	9,037	8,578	10	16
Savings deposits	**10,181**	10,463	9,696	(3)	5
Investment deposits	**25,724**	25,052	23,358	3	10
Certificates of deposit and other	**31**	40	33	(23)	(6)
Total interest bearing deposits	**45,868**	44,592	41,665	3	10
Other interest bearing liabilities	**24**	103	109	(77)	(78)
Non-interest bearing liabilities	**791**	976	856	(19)	(8)
Total liabilities	**46,683**	45,671	42,630	2	10

	Half Year Ended				
Key Financial Metrics	31 Dec 14	30 Jun 14	31 Dec 13	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Performance indicators					
Return on assets (%)	**1. 0**	0. 8	0. 9	20 bpts	10 bpts
Statutory impairment expense annualised as a % of average GLAA's (%)	**(0. 07)**	0. 02	0. 01	(9)bpts	(8)bpts
Statutory operating expenses to total banking income (%)	**47. 6**	49. 9	49. 1	(230)bpts	(150)bpts
Other asset/liability information					
Average interest earning assets ($M)	**76,840**	75,408	73,741	2	4
Average interest earning liabilities ($M)	**45,215**	43,713	41,521	3	9

(1) Comparative information has been reclassified to conform to presentation in the current period. Refer to "Financial Information Definitions – Reclassification of certain Income Statement and Balance Sheet Information" on page 5 of and Appendix 16 to this Document for further details.

Financial Performance and Business Review

This Bankwest analysis contains forward-looking statements. See "Special Note Regarding Forward-Looking Statements" on page 4 of this Document.

December 2014 versus December 2013

Bankwest statutory net profit after tax for the half year ended 31 December 2014 was $352 million, an increase of 10% on the prior comparative period.

The result was driven by growth in Other banking income, lower operating expenses and a net write-back of loan impairment.

Net Interest Income

Net interest income was $803 million, in line with the prior comparative period, with solid balance sheet growth in most product lines being offset by a reduction in net interest margin.

Balance sheet growth included:

- Home loan growth of 8%, reflecting a focus on select customer segments;
- Strong growth of 16% in transaction deposits as a result of targeted marketing campaigns;
- A 5% increase in savings deposits, driven by growth in online products;
- Modest growth in core business lending volumes, driven by growth in the property and commercial segments; and
- A decrease in higher risk non-core business lending.

Net interest margin decreased on the prior comparative period due to lower home loan margins, resulting from competitive market pressures and run-off in higher margin legacy products, partly offset by the benefit of selective repricing in investment deposit products.

Other Banking Income

Other banking income was $109 million, an increase of 6% on the prior comparative period, due to volume growth in deposit products, partly offset by lower retail lending fees.

Operating Expenses

Operating expenses for the half were $397 million, a decrease of 2% on the prior comparative period, attributable to lower salary related expenses, a strong focus on productivity and disciplined expense management.

The cash expense to income ratio was 43.5%, an improvement of 120 basis points on the prior comparative period.

Loan Impairment Expense

Loan impairment expense decreased $31 million on the prior comparative period. This was due to continued run-off of troublesome and impaired business loans, a reduction in individual provision charges and increased write-backs relating to the run-off of the non-core business lending portfolio.

December 2014 versus June 2014

Statutory net profit after tax for the half year increased by 18% on the prior half.

The result was driven by solid growth in total banking income, lower operating expenses and a net write-back in loan impairment within the current period.

Net Interest Income

Net interest income increased 4% on the prior half, reflecting modest growth across most products and a marginal improvement in net interest margin.

Balance sheet growth included:

- Home loan growth of 2%, driven by solid lending growth within a competitive market environment;
- An increase of 10% in transaction deposits, reflecting a focus on growing main financial institution customers;
- A 3% increase in investment deposits, reflecting a competitive customer value proposition;
- Modest growth in the core business lending portfolio; partly offset by
- A decrease in higher risk non-core business lending; and
- A decrease in savings balances as a result of a targeted repositioning of key products.

Net interest margin increased marginally on the prior half, with the benefit of improved investment deposit account margins partly offset by lower lending margins.

Other Banking Income

Other banking income increased 6% on the prior half, reflecting fee income related to growth in volumes and increased sales of risk management related products.

Operating Expenses

Operating expenses decreased 1% on the prior half with the benefit of productivity initiatives and disciplined expense management, partly offset by a one-off adjustment to property related expenses.

The cash expense to income ratio of 43.5% decreased 230 basis points on the prior half.

Loan Impairment Expense

Loan impairment expense decreased $32 million on the prior half, resulting in a write-back. This was driven by reductions in non-core business lending exposures and lower individual provision charges as troublesome loans were refinanced or repaid.

IFS and Other

	Half Year Ended				
	31 Dec 14 $M	30 Jun 14 [(1)] $M	31 Dec 13 [(1)] $M	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
IFS Asia	**55**	20	61	large	(10)
Corporate Centre	**(62)**	37	32	large	large
Eliminations/Unallocated	**82**	136	(63)	(40)	large
Cash net profit after tax	**75**	193	30	(61)	large
Hedging and IFRS volatility (after tax)	**17**	(14)	10	large	70
Statutory net profit after tax	**92**	179	40	(49)	large

	Half Year Ended				
IFS Asia [(2)]	31 Dec 14 $M	30 Jun 14 [(1)] $M	31 Dec 13 [(1)] $M	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Net interest income	**65**	58	58	12	12
Other banking income	**113**	68	105	66	8
Total banking income	**178**	126	163	41	9
Insurance income	**21**	18	18	17	17
Total operating income	**199**	144	181	38	10
Operating expenses	**(121)**	(108)	(107)	12	13
Loan impairment expense	**(6)**	(4)	(3)	50	large
Net profit before tax	**72**	32	71	large	1
Corporate tax expense	**(17)**	(13)	(9)	31	89
Non-controlling interests	**(2)**	(2)	(3)	-	(33)
Underlying profit after tax	**53**	17	59	large	(10)
Investment experience after tax	**2**	3	2	(33)	-
Cash net profit after tax	**55**	20	61	large	(10)
Statutory net profit after tax	**55**	20	61	large	(10)

(1) Comparative information has been reclassified to conform to presentation in the current period. Refer to "Financial Information Definitions – Reclassification of certain Income Statement and Balance Sheet Information" on page 5 of and Appendix 16 to this Document for further details.

(2) International Financial Services Asia (IFS Asia) incorporates the Asian retail and Small Medium Enterprises (SME) banking operations (Indonesia, China, Vietnam and India), investments in Chinese and Vietnamese banks, the joint venture Chinese life insurance business and the life insurance 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.

Financial Performance and Business Review

This analysis contains forward-looking statements. See "Special Note Regarding Forward-Looking Statements" on page 4 of this Document.

December 2014 versus December 2013

International Financial Services Asia (IFS Asia) statutory net profit after tax for the half year ended 31 December 2014 was $55 million, a decrease of 10% on the prior comparative period. The result was driven by solid banking and insurance income, partly offset by higher operating expenses from business expansion, investment in key infrastructure with higher corporate tax and loan impairment expense.

The expansion in Asia continued. The total number of direct customers in Asia grew by 14% to over 444,000.

The IFS Asia head office is scheduled to be relocated to Hong Kong in the quarter ending 30 June 2015.

Net Interest Income

Net interest income was $65 million, an increase of 12% on the prior comparative period. This reflected solid growth in both lending and deposit balances despite the slowdown of the Indonesian and Chinese economies.

Balance sheet growth included:

- Strong growth in business and consumer lending balances of 27% and 24%, respectively;
- Growth in the average monthly lending and deposit balance in China County Banks of 45% and 84%, respectively; and
- Continued growth in the proprietary banking businesses in India and Vietnam in line with expectations.

Net interest margin decreased slightly as a result of higher funding costs in Indonesia and China, driven by competitive pressure for deposits and a change in funding mix.

Other Banking Income

Other banking income was $113 million, an increase of 8% on the prior comparative period, driven by the performance of our investments in associates across China and Vietnam. The increase in income reflects the solid performance of their underlying businesses with low levels of Non-Performing Loans (NPL's) despite the slowdown in the Chinese economy. This was partially offset by lower other trading income from Indonesia due to adverse economic conditions.

Insurance Income

Insurance income was $21 million, a 17% increase on the prior comparative period, principally due to higher premium income with an increase in new business sales across all distribution channels.

BoCommLife in China continued to grow, with steady new business and improved investment return.

Operating Expenses

Operating expenses for the half were $121 million, an increase of 13% on the prior comparative period, reflecting continued investment in key strategic initiatives, expansion in China, growth in the proprietary businesses and relocation of the IFS Asia head office.

December 2014 versus June 2014

IFS Asia statutory net profit after tax increased by 175% over the prior half. Excluding the $50 million provision for impairment of the investment in VIB in the prior half, cash net profit after tax decreased by 21%. The result was driven by growth in operating income, partly offset by higher corporate tax expense and continued investments in key infrastructure.

Over the prior half the total number of direct customers in Asia grew steadily by 6% and the total number of proprietary customers outside Indonesia grew by 27%.

Net Interest Income

Net interest income increased by 12% on the prior half due to growth in lending balances, partly offset by higher cost of funding as a result of competitive pressure, regulatory and funding mix changes.

Balance sheet growth included:

- Continued growth in business lending and consumer balances of 16% and 14%, respectively; and
- Moderate growth in deposits over the prior half, reflecting ongoing regulatory changes and drive to source local funding.

Other Banking Income

Other banking income increased by 66% on the prior half. Excluding the provision for impairment of the investment in VIB, other banking income decreased by 4% due to lower earnings from the investment in associates in China. The performance of our investments reflected solid underlying results with low levels of NPL's in difficult market conditions.

Trading income and sales across wealth management and foreign exchange products improved compared with the prior half, driven by the early signs of improvement in the investment market.

Insurance Income

Insurance income increased by 17% on the prior half, due to higher premium and investment income, with increased new business sales.

Operating Expenses

Operating expenses increased by 12% on the prior half, reflecting business footprint expansion and further investment in IT platforms, people capability and relocation expenses.

	Half Year Ended				
	31 Dec 14	30 Jun 14 (1)	31 Dec 13 (1)	Dec 14 vs	Dec 14 vs
Corporate Centre (2)	$M	$M	$M	Jun 14 %	Dec 13 %
Net interest income	**272**	277	278	(2)	(2)
Other banking income	**57**	65	85	(12)	(33)
Total operating income	**329**	342	363	(4)	(9)
Operating expenses	**(386)**	(297)	(329)	30	17
Net profit before tax	**(57)**	45	34	large	large
Corporate tax expense	**(5)**	(8)	(2)	(38)	large
Cash net profit after tax	**(62)**	37	32	large	large
Hedging and IFRS volatility	**17**	(12)	8	large	large
Statutory net profit after tax	**(45)**	25	40	large	large

(1) Comparative information has been reclassified to conform to presentation in the current period. Refer to "Financial Information Definitions – Reclassification of certain Income Statement and Balance Sheet Information" on page 5 of and Appendix 16 to this Document for further details.

(2) Corporate Centre includes the results of unallocated Group support functions such as Investor Relations, Group Strategy, Marketing, Digital Channels, Secretariat and Treasury.

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

The Treasury function includes:

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

December 2014 versus December 2013

Corporate Centre statutory net profit after tax for the half year ended 31 December 2014 decreased $85 million on the prior comparative period to a loss of $45 million.

Total operating income decreased 9% to $329 million reflecting lower Treasury income.

Operating expenses increased 17% to $386 million, primarily driven by increased costs related to various compliance-related projects and an increase in long term provisions due to lower bond yields.

December 2014 versus June 2014

Corporate Centre statutory net profit after tax for the half year ended 31 December 2014 decreased $70 million on the prior half.

Total operating income decreased 4% to $329 million reflecting lower other banking income, driven by lower Treasury income.

Operating expenses increased 30%, primarily driven by increased costs related to various compliance-related projects and an increase in long term provisions due to lower bond yields.

IFS and Other

Eliminations/Unallocated (2)	Half Year Ended 31 Dec 14 $M	30 Jun 14 (1) $M	31 Dec 13 (1) $M	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Net interest income	**6**	49	10	(88)	(40)
Other banking income	**(57)**	(54)	(65)	6	(12)
Total banking income	**(51)**	(5)	(55)	large	(7)
Funds management income	**19**	22	15	(14)	27
Insurance income	**12**	6	-	large	large
Total operating income	**(20)**	23	(40)	large	(50)
Loan impairment expense	**2**	29	(33)	(93)	large
Net profit before tax	**(18)**	52	(73)	large	(75)
Corporate tax expense	**103**	80	11	29	large
Non-controlling interests	**(8)**	(7)	(7)	14	14
Underlying profit after tax	**77**	125	(69)	(38)	large
Investment experience after tax	**5**	11	6	(55)	(17)
Cash net profit after tax	**82**	136	(63)	(40)	large
Hedging and IFRS volatility	**-**	(2)	2	large	large
Statutory net profit after tax	**82**	134	(61)	(39)	large

(1) Comparative information has been reclassified to conform to presentation in the current period. Refer to “Financial Information Definitions – Reclassification of certain Income Statement and Balance Sheet Information” on page 5 of and Appendix 16 to this Document for further details.

(2) Group wide Eliminations/Unallocated includes intra-group elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses.

December 2014 versus December 2013

Eliminations/Unallocated statutory net profit after tax for the half year ended 31 December 2014 increased $143 million on the prior comparative period to $82 million. This was primarily driven by timing of recognition of unallocated revenue items and centrally held provisions.

December 2014 versus June 2014

Eliminations/Unallocated statutory net profit after tax for the half year ended 31 December 2014 decreased $52 million on the prior half. This was primarily driven by centrally held provisions and timing of recognition of unallocated reserve items.

Contents

Section 6 – Directors' Report and Financial Statements

Directors' Report

The Directors of the Commonwealth Bank of Australia submit their report together with the financial statements of the Commonwealth Bank of Australia and its controlled entities (collectively referred to as "the Group") for the half year ended 31 December 2014.

Directors

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

David Turner	Chairman
Ian Narev	Managing Director and Chief Executive Officer
Sir John Anderson	Director
Shirish Apte	Director
Jane Hemstritch	Director
Sir David Higgins	Director (Appointed 1 September 2014)
Launa Inman	Director
Carolyn Kay	Director
Brian Long	Director
Andrew Mohl	Director
Harrison Young	Director

Review and Results of Operations

The Group earned a consolidated statutory net profit after tax of $4,535 million for the half year ended 31 December 2014, compared with $4,207 million for the prior comparative period, an increase of 8%. The result was driven by strong revenue growth in retail and business banking, wealth management and New Zealand.

The statutory net profit after tax from Retail Banking Services was $1,992 million (December 2013: $1,784 million) reflecting strong volume growth, supported by disciplined expense management and lower loan impairment expense.

The statutory net profit after tax from Business and Private Banking was $743 million (December 2013: $686 million), driven by growth in business lending and deposit balances and lower loan impairment expense, partly offset by higher expenses driven by technology investment and expansion in frontline capacity.

The statutory net profit after tax from Institutional Banking and Markets was $653 million (December 2013: $670 million), impacted by a higher loan impairment expense and increased investment spend, partly offset by positive Markets income and strong lending growth.

The statutory net profit after tax from Wealth Management was $327 million (December 2013: $367 million), reflecting the exit from the Property businesses in the prior half.

The statutory net profit after tax from New Zealand was $376 million (December 2013: $340 million), driven by a strong performance from ASB Bank with improved deposit margins, volume growth and an increase in funds management income, partly offset by higher operating expenses and hedging and IFRS volatility due to the appreciation of the New Zealand dollar.

The statutory net profit after tax for Bankwest was $352 million (December 2013: $320 million). The result was driven by improved banking income, disciplined expense management and lower loan impairment expense.

Signed in accordance with a resolution of the Directors.

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

The Chief Executive Officer and the Chief Financial Officer have provided the Board with a written statement that the accompanying financial statements and notes are in accordance with the Corporations Act 2001, they represent a true and fair view, in all material respects, of the Group's financial position as at 31 December 2014 and of its performance for the half year ended on that date and also that they are prepared in accordance with relevant accounting standards and any further requirements in the Corporations Act 2001.

We have obtained the following independence declaration from the Group's auditors, PricewaterhouseCoopers:

pwc

Auditor's Independence Declaration

As lead auditor for the review of Commonwealth Bank of Australia for the half year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been:

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

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

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

M. Laithwaite

Marcus Laithwaite
Partner
PricewaterhouseCoopers

Sydney
10 February 2015

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David Turner
Chairman
10 February 2015

Ian Narev
Managing Director and Chief Executive Officer
10 February 2015

Consolidated Income Statement

For the half year ended 31 December 2014

		Half Year Ended		
		31 Dec 14	30 Jun 14 (1)	31 Dec 13 (1)
	Notes	$M	$M	$M
Interest income	2	**17,295**	16,806	16,839
Interest expense	2	**(9,407)**	(9,159)	(9,385)
Net interest income		**7,888**	7,647	7,454
Other banking income		**2,314**	2,112	2,208
Net banking operating income		**10,202**	9,759	9,662
Funds management income		**1,151**	1,164	1,192
Investment revenue		**342**	255	585
Claims and policyholder liability expense		**(519)**	(428)	(734)
Net funds management operating income		**974**	991	1,043
Premiums from insurance contracts		**1,373**	1,314	1,290
Investment revenue		**374**	374	173
Claims and policyholder liability expense from insurance contracts		**(1,212)**	(1,110)	(1,008)
Net insurance operating income		**535**	578	455
Total net operating income before impairment and operating expenses		**11,711**	11,328	11,160
Impairment expense	5	**(440)**	(461)	(457)
Operating expenses	2	**(4,951)**	(4,785)	(4,788)
Net profit before income tax		**6,320**	6,082	5,915
Corporate tax expense	3	**(1,714)**	(1,583)	(1,638)
Policyholder tax expense	3	**(61)**	(66)	(60)
Net profit after income tax		**4,545**	4,433	4,217
Non-controlling interests		**(10)**	(9)	(10)
Net profit attributable to Equity holders of the Bank		**4,535**	4,424	4,207

	Half Year Ended		
	31 Dec 14	30 Jun 14	31 Dec 13
	Cents per Share		
Earnings per share:			
Basic	**279. 1**	273. 3	260. 5
Diluted	**272. 1**	267. 0	253. 9

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

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2014

	Half Year Ended		
	31 Dec 14 $M	30 Jun 14 [1] $M	31 Dec 13 [1] $M
Net profit after income tax for the period	**4,545**	4,433	4,217
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit or loss:			
Gains and losses on cash flow hedging instruments:			
Recognised in equity	**436**	592	(254)
Transferred to Income Statement	**(99)**	(517)	(79)
Gains and losses on available-for-sale investments:			
Recognised in equity	**172**	184	325
Transferred to Income Statement on disposal	**(55)**	(8)	(4)
Foreign currency translation reserve	**388**	(48)	447
Income tax on items transferred directly to/from equity:			
Cash flow hedge reserve	**(102)**	(20)	134
Available-for-sale investments revaluation reserve	**(26)**	(63)	(96)
Foreign currency translation reserve	**-**	(1)	(13)
Total of items that may be reclassified	**714**	119	460
Items that will not be reclassified to profit or loss:			
Actuarial gains and losses from defined benefit superannuation plans net of tax	**(16)**	(65)	107
Gains and losses on liabilities at fair value due to changes in own credit risk net of tax	**(1)**	6	-
Revaluation of properties	**-**	28	-
Income tax on revaluation of properties	**-**	(2)	-
Total of items that will not be reclassified	**(17)**	(33)	107
Other comprehensive income/(expense) net of income tax	**697**	86	567
Total comprehensive income for the period	**5,242**	4,519	4,784
Total comprehensive income for the period is attributable to:			
Equity holders of the Bank	**5,232**	4,510	4,774
Non-controlling interests	**10**	9	10
Total comprehensive income for the period	**5,242**	4,519	4,784

(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 notes.

	Half Year Ended		
	31 Dec 14	30 Jun 14	31 Dec 13
	Cents per Share		
Dividends per share attributable to shareholders of the Bank:			
Ordinary shares	**198**	218	183
Trust preferred securities	**3,440**	3,263	3,235

Consolidated Balance Sheet

As at 31 December 2014

		As at		
		31 Dec 14	30 Jun 14	31 Dec 13
Assets	Notes	$M	$M	$M
Cash and liquid assets		**30,047**	26,409	31,051
Receivables due from other financial institutions		**8,488**	8,065	7,599
Assets at fair value through Income Statement:				
Trading		**29,931**	21,459	18,855
Insurance		**14,418**	15,142	14,559
Other		**624**	760	645
Derivative assets		**53,489**	29,247	37,181
Available-for-sale investments		**69,591**	66,137	64,042
Loans, bills discounted and other receivables	4	**620,328**	597,781	581,170
Bank acceptances of customers		**2,026**	5,027	4,807
Property, plant and equipment		**2,689**	2,816	2,801
Investment in associates and joint ventures		**2,102**	1,844	2,220
Intangible assets		**9,881**	9,792	9,942
Deferred tax assets (1)		**418**	586	824
Other assets		**6,682**	6,386	6,015
		850,714	791,451	781,711
Assets held for sale		**-**	-	590
Total assets		**850,714**	791,451	782,301
Liabilities				
Deposits and other public borrowings	6	**522,563**	498,352	485,436
Payables due to other financial institutions		**33,957**	24,978	29,585
Liabilities at fair value through Income Statement		**7,246**	7,508	8,330
Derivative liabilities		**43,162**	27,259	29,393
Bank acceptances		**2,026**	5,027	4,807
Current tax liabilities		**524**	688	1,492
Deferred tax liabilities		**385**	366	518
Other provisions		**1,375**	1,265	1,252
Insurance policy liabilities		**13,177**	13,166	13,140
Debt issues		**153,249**	142,219	142,675
Managed funds units on issue		**1,058**	1,214	932
Bills payable and other liabilities (1)		**9,391**	10,467	8,321
		788,113	732,509	725,881
Loan capital		**11,570**	9,594	9,383
Total liabilities		**799,683**	742,103	735,264
Net assets		**51,031**	49,348	47,037
Shareholders' Equity				
Share capital:				
Ordinary share capital	8	**27,039**	27,036	26,327
Other equity instruments	8	**939**	939	939
Reserves	8	**2,674**	2,009	1,780
Retained profits (1)	8	**19,823**	18,827	17,455
Shareholders' equity attributable to Equity holders of the Bank		**50,475**	48,811	46,501
Non-controlling interests	8	**556**	537	536
Total Shareholders' equity		**51,031**	49,348	47,037

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

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

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2014

	Ordinary share capital $M	Other equity instruments $M	Reserves $M	Retained profits $M	Shareholders' equity attributable to Equity holders of the Bank $M	Non-controlling interests $M	Total Shareholders' equity $M
As at 30 June 2013 (1)	26,323	939	1,333	16,405	**45,000**	537	**45,537**
Net profit after income tax (1)	-	-	-	4,207	**4,207**	10	**4,217**
Net other comprehensive income (1)	-	-	460	107	**567**	-	**567**
Total comprehensive income for the period	-	-	460	4,314	**4,774**	10	**4,784**
Transactions with Equity holders in their capacity as Equity holders:							
Dividends paid on ordinary shares	-	-	-	(3,224)	**(3,224)**	-	**(3,224)**
Dividends paid on other equity instruments	-	-	-	(16)	**(16)**	-	**(16)**
Dividend reinvestment plan (net of issue costs)	-	-	-	-	**-**	-	**-**
Other equity movements:							
Share based payments	-	-	(53)	-	**(53)**	-	**(53)**
Purchase of treasury shares	(804)	-	-	-	**(804)**	-	**(804)**
Sale and vesting of treasury shares	808	-	-	-	**808**	-	**808**
Other changes	-	-	40	(24)	**16**	(11)	**5**
As at 31 Decemeber 2013 (1)	26,327	939	1,780	17,455	**46,501**	536	**47,037**
Net profit after income tax (1)	-	-	-	4,424	**4,424**	9	**4,433**
Net other comprehensive income (1)	-	-	145	(59)	**86**	-	**86**
Total comprehensive income for the period	-	-	145	4,365	**4,510**	9	**4,519**
Transactions with Equity holders in their capacity as Equity holders:							
Dividends paid on ordinary shares	-	-	-	(2,950)	**(2,950)**	-	**(2,950)**
Dividends paid on other equity instruments	-	-	-	(16)	**(16)**	-	**(16)**
Dividend reinvestment plan (net of issue costs)	707	-	-	-	**707**	-	**707**
Other equity movements:							
Share based payments	-	-	46	-	**46**	-	**46**
Purchase of treasury shares	(9)	-	-	-	**(9)**	-	**(9)**
Sale and vesting of treasury shares	11	-	-	-	**11**	-	**11**
Other changes	-	-	38	(27)	**11**	(8)	**3**
As at 30 June 2014	27,036	939	2,009	18,827	**48,811**	537	**49,348**
Net profit after income tax	-	-	-	4,535	**4,535**	10	**4,545**
Net other comprehensive income	-	-	714	(17)	**697**	-	**697**
Total comprehensive income for the period	-	-	714	4,518	**5,232**	10	**5,242**
Transactions with Equity holders in their capacity as Equity holders:							
Dividends paid on ordinary shares	-	-	-	(3,534)	**(3,534)**	-	**(3,534)**
Dividends paid on other equity instruments	-	-	-	(17)	**(17)**	-	**(17)**
Dividend reinvestment plan (net of issue costs)	-	-	-	-	**-**	-	**-**
Other equity movements:							
Share based payments	-	-	(46)	-	**(46)**	-	**(46)**
Purchase of treasury shares	(727)	-	-	-	**(727)**	-	**(727)**
Sale and vesting of treasury shares	730	-	-	-	**730**	-	**730**
Other changes	-	-	(3)	29	**26**	9	**35**
As at 31 December 2014	27,039	939	2,674	19,823	**50,475**	556	**51,031**

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

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

Consolidated Statement of Cash Flows [1]

For the half year ended 31 December 2014

		Half Year Ended		
		31 Dec 14	30 Jun 14	31 Dec 13
	Notes	$M	$M	$M
Cash flows from operating activities				
Interest received		**17,231**	16,823	16,800
Interest paid		**(8,939)**	(8,517)	(9,643)
Other operating income received		**2,932**	2,246	2,892
Expenses paid		**(4,805)**	(3,955)	(4,422)
Income taxes paid		**(1,793)**	(2,197)	(1,566)
Net cash inflows/(outflows) from assets at fair value through Income Statement (excluding life insurance)		**(7,221)**	(1,242)	6,430
Net cash inflows/(outflows) from liabilities at fair value through Income Statement:				
Life insurance:				
Investment income		**126**	(397)	791
Premiums received [2]		**1,434**	1,771	1,128
Policy payments [2]		**(1,679)**	(1,504)	(1,576)
Other liabilities at fair value through Income Statement		**(539)**	(376)	(1,243)
Cash flows from operating activities before changes in operating assets and liabilities		**(3,253)**	2,652	9,591
Changes in operating assets and liabilities arising from cash flow movements				
Movement in available-for-sale investments:				
Purchases		**(29,062)**	(27,772)	(21,696)
Proceeds		**27,230**	26,341	17,789
Net change in deposits with regulatory authorities		**(23)**	(7)	(41)
Net increase in loans, bills discounted and other receivables		**(18,870)**	(17,051)	(19,744)
Net decrease in receivables due from other financial institutions [3]		**40**	(593)	396
Net decrease/(increase) in securities purchased under agreements to resell		**768**	717	402
Life insurance business:				
Purchase of insurance assets at fair value through Income Statement		**(1,274)**	(1,587)	(1,569)
Proceeds from sale/maturity of insurance assets at fair value through Income Statement		**2,575**	1,803	2,001
Net (increase)/decrease in other assets		**(773)**	360	(62)
Net increase in deposits and other public borrowings		**22,040**	12,914	16,505
Net decrease in payables due to other financial institutions [3]		**7,152**	(3,791)	1,979
Net increase/(decrease) in securities sold under agreements to repurchase		**(894)**	(672)	5,061
Net (decrease)/increase in other liabilities		**(686)**	864	(827)
Changes in operating assets and liabilities arising from cash flow movements		**8,223**	(8,474)	194
Net cash provided by operating activities	10(a)	**4,970**	(5,822)	9,785
Cash flows from investing activities				
Net proceeds from disposal of controlled entities		**-**	468	63
Net proceeds from disposal of entities and businesses (net of cash disposals)		**-**	475	6
Dividends received		**16**	50	20
Proceeds from sale of property, plant and equipment		**27**	38	23
Purchases of property, plant and equipment		**(218)**	(237)	(276)
Payments for acquisitions of investments in associates/joint ventures		**(163)**	(22)	(14)
Purchase of intangible assets		**(276)**	(177)	(223)
Sale of assets held for sale		**-**	7	-
Net cash used in investing activities		**(614)**	602	(401)

(1) It should be noted that the Group does not use this accounting Statement of Cash Flows in the internal management of its liquidity positions.
(2) Represents gross premiums and policy payments before splitting between policyholders and shareholders.
(3) Cash and cash equivalents has been redefined to no longer include at call deposits with other financial institutions and settlement account balances with other banks. Comparatives have been restated to conform to presentation in the current period.

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

Consolidated Statement of Cash Flows [1] (continued)

For the half year ended 31 December 2014

		Half Year Ended		
		31 Dec 14	30 Jun 14	31 Dec 13
	Notes	$M	$M	$M
Cash flows from financing activities				
Proceeds from the issue of shares (net of issue costs)		**-**	-	-
Dividends paid (excluding Dividend Reinvestment Plan)		**(3,546)**	(2,256)	(3,235)
Proceeds from issuance of debt securities		**65,776**	46,175	41,379
Redemption of issued debt securities		**(65,230)**	(42,232)	(37,544)
Purchase of treasury shares		**(727)**	(9)	(804)
Sale of treasury shares		**683**	9	751
Issue of loan capital		**3,967**	358	-
Redemption of loan capital		**(2,277)**	-	(500)
Other [2]		**(157)**	(124)	(33)
Net cash used in financing activities		**(1,511)**	1,921	14
Net increase/(decrease) in cash and cash equivalents		**2,845**	(3,299)	9,398
Effect of exchange rates on cash and cash equivalents [2]		**1,389**	(593)	1,004
Cash and cash equivalents at beginning of period		**19,128**	23,020	12,618
Cash and cash equivalents at end of period	**10(b)**	**23,362**	19,128	23,020

(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) Cash and cash equivalents has been redefined to no longer include at call deposits with other financial institutions and settlement account balances with other banks. Comparatives have been restated to conform to presentation in the current period.

Note 1 Accounting Policies

General Information

The Financial Statements of the Commonwealth Bank of Australia (the Bank) and its subsidiaries (the Group) for the half year ended 31 December 2014, were approved and authorised for issue by the Board of Directors on 10 February 2015. The Directors have the power to amend and reissue the Financial Statements.

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

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

Basis of accounting

This Interim Financial Report for the half year ended 31 December 2014 has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 'Interim Financial Reporting' which ensures compliance with IAS 34 'Interim Financial Reporting'. The Group is a for-profit entity for the purpose of preparing this report.

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

As a result, this report should be read in conjunction with the 30 June 2014 Annual Financial Report of the Group and any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

The amounts contained in this Financial Report and the Financial Statements are presented in Australian dollars and rounded to the nearest million dollars unless otherwise stated, under the option available under ASIC Class Order 98/100 (as amended by ASIC Class Order 04/667).

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

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Annual Financial Report for the year ended 30 June 2014. Certain comparatives have been restated for consistency in presentation at 31 December 2014. The affected comparatives are footnoted. Aside from changes to the presentation of segment information as disclosed in Note 7, the restatements are not considered to have a material impact.

The following amendments to Australian Accounting Standards have been adopted during the period but do not have a material impact on the Group:

- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities';
- AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets';
- AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting';
- AASB 2013-7 'Amendments to AASB 1038 arising from AASB 10 in relation to Consolidation and Interests of Policyholders'; and
- Parts A – C of AASB 2014-1 'Amendments to Australian Accounting Standards'.

Future Accounting Developments

AASB 9 'Financial Instruments' contains new accounting requirements for financial assets and liabilities, including classification and measurement and general hedge accounting.

The IASB finalised the modifications to classification and measurement requirements and the new expected credit loss impairment model in July 2014. The AASB approved the amendments to AASB 9 in December 2014.

The standard is not mandatory until 1 July 2018 for the Group. Other than the own credit requirements of the standard which were early adopted in the 30 June 2014 Annual Financial Report, the Group does not intend to early adopt the standard.

AASB 15 'Revenue from Contracts with Customers' contains new requirements for the recognition of revenue. The standard will also include additional disclosures about revenue. The standard is not mandatory until 1 July 2017 for the Group.

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

Notes to the Financial Statements

Note 2 Profit

	Half Year Ended		
	31 Dec 14	30 Jun 14	31 Dec 13
	$M	$M	$M
	$M	$M	$M
Interest Income			
Loans and bills discounted	**15,913**	15,527	15,627
Other financial institutions	**35**	39	30
Cash and liquid assets	**137**	149	102
Assets at fair value through Income Statement	**287**	227	220
Available-for-sale investments	**923**	864	860
Total interest income	**17,295**	16,806	16,839
Interest Expense			
Deposits	**6,672**	6,542	6,796
Other financial institutions	**102**	108	120
Liabilities at fair value through Income Statement	**103**	102	104
Debt issues	**2,255**	2,185	2,158
Loan capital	**275**	222	207
Total interest expense	**9,407**	9,159	9,385
Net interest income	**7,888**	7,647	7,454
Other Operating Income			
Lending fees	**528**	546	537
Commissions	**1,127**	1,049	1,081
Trading income	**513**	414	508
Net gain on disposal of available-for-sale investments	**55**	8	4
Net gain/(loss) on other non-fair valued financial instruments	**-**	18	18
Net hedging ineffectiveness	**(18)**	(7)	(14)
Net gain/(loss) on sale of property, plant and equipment	**(2)**	(9)	(3)
Net gain/(loss) on other fair valued financial instruments:			
Fair value through Income Statement [1]	**3**	(2)	(4)
Non-trading derivatives [1]	**(48)**	(42)	(49)
Dividends - Other	**5**	7	5
Funds management and investment contract income:			
Fees receivable on trust and other fiduciary activities	**944**	885	914
Other [2]	**30**	106	129
Insurance contracts income [2]	**535**	578	455
Share of profit of associates and joint ventures	**104**	62	88
Other [2] [3]	**47**	68	37
Total other operating income	**3,823**	3,681	3,706
Total net operating income before impairment and operating expense	**11,711**	11,328	11,160
Impairment Expense			
Loan impairment expense	**440**	461	457
Total impairment expense (Note 5)	**440**	461	457

(1) Non-trading derivatives are held for risk management purposes.
(2) Comparative information has been restated to conform to presentation in the current period (refer to Note 1).
(3) Includes depreciation expense of $41 million (30 June 2014: $40 million; 31 December 2013: $37 million) and rental income of $72 million (30 June 2014: $71 million; 31 December 2013: $68 million) in relation to operating leases where the Group is the lessor.

Note 2 Profit (continued)

	Half Year Ended		
	2014	2013	2012
	$M	$M	$M
Staff Expenses			
Salaries and wages	**2,310**	2,260	2,230
Share-based compensation	**133**	123	121
Superannuation	**199**	170	184
Provisions for employee entitlements	**87**	12	69
Payroll tax	**128**	119	120
Fringe benefits tax	**22**	16	20
Other staff expenses	**27**	57	41
Total staff expenses	**2,906**	2,757	2,785
Occupancy and Equipment Expenses			
Operating lease rentals	**309**	303	304
Depreciation of property, plant and equipment (1)	**136**	124	120
Repairs and maintenance	**45**	50	44
Other	**49**	52	56
Total occupancy and equipment expenses	**539**	529	524
Information Technology Services			
Application, maintenance and development	**197**	204	208
Data processing (1)	**89**	84	91
Desktop	**58**	54	47
Communications	**100**	86	103
Amortisation of software assets	**143**	198	130
Software write offs	**10**	2	68
IT equipment depreciation	**31**	31	31
Total information technology services	**628**	659	678
Other Expenses			
Postage	**58**	59	59
Stationery	**39**	34	36
Transaction processing and market data (1)	**77**	79	77
Fees and commissions:			
Professional fees	**152**	138	119
Other (1)	**49**	48	51
Advertising, marketing and loyalty	**247**	233	244
Amortisation of intangible assets (excluding software and merger related amortisation)	**9**	10	9
Non-lending losses	**54**	58	39
Other (1)	**156**	144	130
Total other expenses	**841**	803	764
Total expenses	**4,914**	4,748	4,751
Investment and Restructuring			
Merger related amortisation (2)	**37**	37	37
Total investment and restructuring	**37**	37	37
Total operating expenses	**4,951**	4,785	4,788
Profit before income tax	**6,320**	6,082	5,915
Gain/(loss) on fair value hedges:			
Hedging instruments	**235**	(82)	141
Hedged items	**(242)**	77	(148)
Cash flow hedge ineffectiveness	**(11)**	(2)	(7)
Net hedging ineffectiveness	**(18)**	(7)	(14)

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Merger related amortisation relates to Bankwest core deposits and customer lists.

Note 3 Income Tax Expense

	Half Year Ended		
	31 Dec 14	30 Jun 14	31 Dec 13
	$M	$M	$M
Profit before Income Tax [1]	**6,320**	6,082	5,915
Prima facie income tax at 30% [1]	**1,896**	1,824	1,775
Effect of amounts which are non-deductible/(assessable) in calculating taxable income:			
Taxation offsets and other dividend adjustments	**(2)**	(4)	(2)
Tax adjustment referable to policyholder income	**43**	47	42
Tax losses not previously brought to account	**(6)**	(12)	(9)
Offshore tax rate differential	**(55)**	(47)	(52)
Offshore banking unit	**(18)**	(17)	(13)
Effect of changes in tax rates	**2**	3	-
Income tax (over)/under provided in previous years	**(97)**	(115)	(6)
Other	**12**	(30)	(37)
Total income tax expense	**1,775**	1,649	1,698
Corporate tax expense	**1,714**	1,583	1,638
Policyholder tax expense	**61**	66	60
Total income tax expense	**1,775**	1,649	1,698
Effective Tax Rate [1]	**%**	%	%
Total – corporate	**27. 4**	26. 3	28. 0
Retail Banking Services – corporate	**29. 9**	29. 9	29. 9
Business and Private Banking – corporate	**30. 2**	29. 7	30. 1
Institutional Banking and Markets – corporate	**24. 2**	25. 1	24. 4
Wealth Management – corporate	**27. 8**	22. 9	24. 0
New Zealand – corporate	**25. 1**	24. 4	24. 4
Bankwest – corporate	**30. 2**	30. 8	29. 5

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

Note 4 Loans, Bills Discounted and Other Receivables

	As at		
	31 Dec 14	30 Jun 14	31 Dec 13
	$M	$M	$M
Australia			
Overdrafts	**21,565**	23,350	21,627
Home loans	**370,043**	360,218	348,486
Credit card outstandings	**12,189**	11,736	11,736
Lease financing	**4,612**	4,162	4,251
Bills discounted	**17,890**	19,244	22,348
Term loans	**115,075**	107,380	103,201
Other lending	**618**	348	183
Total Australia	**541,992**	526,438	511,832
New Zealand			
Overdrafts	**1,022**	894	847
Home loans	**40,368**	38,637	37,712
Credit card outstandings	**888**	803	801
Lease financing	**296**	282	307
Term loans	**20,669**	18,907	18,443
Total New Zealand	**63,243**	59,523	58,110
Other Overseas			
Overdrafts	**426**	336	300
Home loans	**894**	830	823
Lease financing	**53**	57	66
Term loans	**19,064**	15,916	15,837
Total Other Overseas	**20,437**	17,139	17,026
Gross loans, bills discounted and other receivables	**625,672**	603,100	586,968
Less:			
Provisions for Loan Impairment:			
Collective provision	**(2,744)**	(2,739)	(2,846)
Individually assessed provisions	**(1,116)**	(1,127)	(1,416)
Unearned income:			
Term loans	**(790)**	(802)	(841)
Lease financing	**(694)**	(651)	(695)
	(5,344)	(5,319)	(5,798)
Net loans, bills discounted and other receivables	**620,328**	597,781	581,170

Note 5 Provisions for Impairment and Asset Quality

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

	As at 30 June 2014				
	Home Loans $M	Other Personal $M	Asset Financing $M	Other Commercial Industrial $M	Total $M
Loans which were neither past due nor impaired (2)					
Investment Grade	248,306	4,367	609	110,476	363,758
Pass Grade	129,123	14,385	7,360	54,703	205,571
Weak	9,374	3,845	219	1,575	15,013
Total loans which were neither past due nor impaired	386,803	22,597	8,188	166,754	584,342
Loans which were past due but not impaired (1) (2)					
Past due 1 - 29 days	7,468	875	75	1,082	9,500
Past due 30 - 59 days	1,985	224	41	265	2,515
Past due 60 - 89 days	925	133	12	150	1,220
Past due 90 - 179 days	917	15	1	279	1,212
Past due 180 days or more	703	17	-	421	1,141
Total loans past due but not impaired	11,998	1,264	129	2,197	15,588

	As at 31 Decemeber 2013				
	Home Loans $M	Other Personal $M	Asset Financing $M	Other Commercial Industrial $M	Total $M
Loans which were neither past due nor impaired					
Investment Grade	246,134	4,265	676	110,256	361,331
Pass Grade	119,401	13,517	7,539	52,039	192,496
Weak	9,387	3,455	170	1,369	14,381
Total loans which were neither past due nor impaired	374,922	21,237	8,385	163,664	568,208
Loans which were past due but not impaired (1) (2)					
Past due 1 - 29 days	6,810	831	87	1,149	8,877
Past due 30 - 59 days	1,874	199	31	368	2,472
Past due 60 - 89 days	758	114	9	185	1,066
Past due 90 - 179 days	844	13	2	431	1,290
Past due 180 days or more	764	18	1	539	1,322
Total loans past due but not impaired	11,050	1,175	130	2,672	15,027

(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 the loans are classified as impaired.
(2) Comparative information has been restated to conform to presentation in the current period.

Note 5 Provisions for Impairment and Asset Quality (continued)

	Half Year Ended		
	31 Dec 14	30 Jun 14	31 Dec 13 [1]
	$M	$M	$M
Movement in impaired asset quality			
Gross impaired assets - opening balance	**3,367**	3,939	4,330
New and increased	**990**	1,077	1,316
Balances written off	**(505)**	(902)	(795)
Returned to performing or repaid	**(739)**	(1,095)	(1,208)
Portfolio managed - new/increased/return to performing/repaid	**247**	348	296
Gross impaired assets - closing balance [2]	**3,360**	3,367	3,939

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Includes $3,228 million of loans and advances and $132 million of other financial assets (30 June 2014: $3,170 million of loans and advances and $197 million of other financial assets; 31 December 2013: $3,732 million of loans and advances and $207 million of other financial assets).

	As at		
	31 Dec 14	30 Jun 14	31 Dec 13 [1]
	$M	$M	$M
Impaired assets by size of asset			
Less than $1 million [1]	**1,284**	1,363	1,450
$1 million to $10 million	**970**	1,027	1,156
Greater than $10 million	**1,106**	977	1,333
Gross impaired assets	**3,360**	3,367	3,939
Less total provisions for impaired assets	**(1,244)**	(1,266)	(1,539)
Net impaired assets	**2,116**	2,101	2,400

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

	As at		
	31 Dec 14	30 Jun 14	31 Dec 13
	%	%	%
Asset quality ratios			
Gross impaired assets as a % of gross loans and acceptances	**0. 54**	0. 55	0. 67
Loans 90 or more days past due but not impaired as a % of gross loans and acceptances [1]	**0. 34**	0. 39	0. 44

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

Note 5 Provisions for Impairment and Asset Quality (continued)

Provisioning Policy

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

For loans and receivables the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and then individually or collectively for financial assets that are not individually significant. If there is objective evidence of impairment, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the expected future cash flows discounted at the financial asset's original effective interest rate. Short term balances are not discounted.

	Half Year Ended		
	31 Dec 14	30 Jun 14	31 Dec 13
	$M	$M	$M
Provision for impairment losses			
Collective provision			
Opening balance	**2,779**	2,870	2,858
Net collective provision funding	**264**	219	278
Impairment losses written off	**(383)**	(384)	(369)
Impairment losses recovered	**98**	74	91
Other	**5**	-	12
Closing balance	**2,763**	2,779	2,870
Individually assessed provisions			
Opening balance	**1,127**	1,416	1,628
Net new and increased individual provisioning	**297**	390	336
Write-back of provisions no longer required	**(121)**	(148)	(157)
Discount unwind to interest income	**(18)**	(21)	(30)
Impairment losses written off	**(229)**	(581)	(479)
Other	**60**	71	118
Closing balance	**1,116**	1,127	1,416
Total provisions for impairment losses	**3,879**	3,906	4,286
Less: Off balance sheet provisions	**(19)**	(40)	(24)
Total provisions for loan impairment	**3,860**	3,866	4,262

	As at		
	31 Dec 14	30 Jun 14	31 Dec 13
	%	%	%
Provision ratios			
Collective provision as a % of credit risk weighted assets - Basel III	**0. 89**	0. 96	n/a
Total provisions as a % of credit risk weighted assets - Basel III	**1. 25**	1. 35	n/a
Collective provision as a % of credit risk weighted assets - Basel 2.5	**n/a**	n/a	1. 02
Total provisions as a % of credit risk weighted assets - Basel 2.5	**n/a**	n/a	1. 52
Total provisions for impaired assets as a % of gross impaired assets	**37. 02**	37. 60	39. 07
Total provisions for impairment losses as a % of gross loans and acceptances	**0. 62**	0. 64	0. 72

	Half Year Ended		
	31 Dec 14	30 Jun 14	31 Dec 13
	$M	$M	$M
Loan impairment expense			
Net collective provisioning funding	**264**	219	278
Net new and increased individual provisioning	**297**	390	336
Write-back of individually assessed provisions	**(121)**	(148)	(157)
Total impairment expense	**440**	461	457

Note 6 Deposits and Other Public Borrowings

	As at		
	31 Dec 14	30 Jun 14	31 Dec 13
	$M	$M	$M
Australia			
Certificates of deposit	**45,307**	43,912	39,878
Term deposits	**149,057**	150,406	155,450
On demand and short term deposits	**243,362**	227,555	213,872
Deposits not bearing interest	**10,970**	9,971	9,197
Securities sold under agreements to repurchase	**9,015**	9,925	10,547
Total Australia	**457,711**	441,769	428,944
New Zealand			
Certificates of deposit	**759**	211	77
Term deposits	**22,043**	20,125	19,805
On demand and short term deposits	**19,509**	18,121	17,271
Deposits not bearing interest	**2,768**	2,427	2,465
Securities sold under agreements to repurchase	**52**	36	87
Total New Zealand	**45,131**	40,920	39,705
Other Overseas			
Certificates of deposit	**10,040**	6,075	8,480
Term deposits	**7,600**	8,578	7,129
On demand and short term deposits	**2,035**	933	947
Deposits not bearing interest	**46**	77	231
Total Other Overseas	**19,721**	15,663	16,787
Total deposits and other public borrowings	**522,563**	498,352	485,436

Note 7 Financial Reporting by Segments

The principal activities of the Group are carried out in the below business segments. These segments are based on where the customer relationship is being managed. A detailed description of each segment is disclosed in Note 28 of the Group's annual financial statements for the year ended 30 June 2014.

	Half Year Ended 31 Decemeber 2014							
	Retail Banking Services	Business and Private Banking	Institutional Banking and Markets	Wealth Management	New Zealand	Bankwest	IFS and Other	Total
	$M	$M	$M	$M	$M	$M	$M	$M
Net interest income	3,858	1,418	710	-	759	803	343	**7,891**
Other banking income	888	406	724	-	130	109	113	**2,370**
Total banking income	4,746	1,824	1,434	-	889	912	456	**10,261**
Funds management income	-	-	-	917	34	-	19	**970**
Insurance income	-	-	-	274	109	-	33	**416**
Total operating income	4,746	1,824	1,434	1,191	1,032	912	508	**11,647**
Investment experience (1)	-	-	-	63	8	-	9	**80**
Total income	4,746	1,824	1,434	1,254	1,040	912	517	**11,727**
Operating expenses	(1,635)	(697)	(475)	(783)	(420)	(397)	(507)	**(4,914)**
Loan impairment expense	(268)	(63)	(97)	-	(34)	26	(4)	**(440)**
Net profit before tax	2,843	1,064	862	471	586	541	6	**6,373**
Corporate tax expense	(851)	(321)	(209)	(124)	(151)	(163)	79	**(1,740)**
Non-controlling interests	-	-	-	-	-	-	(10)	**(10)**
Net profit after tax ("cash basis") (2)	1,992	743	653	347	435	378	75	**4,623**
Hedging and IFRS volatility	-	-	-	-	(59)	-	17	**(42)**
Other non-cash items	-	-	-	(20)	-	(26)	-	**(46)**
Net profit after tax ("statutory basis")	1,992	743	653	327	376	352	92	**4,535**
Additional information								
Intangible asset amortisation	(5)	(12)	(16)	(11)	(20)	(38)	(87)	**(189)**
Depreciation	(4)	-	(8)	(2)	(18)	(26)	(109)	**(167)**
Balance Sheet								
Total assets	299,926	95,444	179,636	20,475	69,842	77,491	107,900	**850,714**
Total liabilities	216,477	66,406	157,113	24,192	62,509	46,683	226,303	**799,683**

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

(2) 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 not considered representative of the Group's ongoing financial performance. The items for the period are treasury shares valuation adjustment ($20 million expense), unrealised gains and losses relating to hedging and IFRS volatility ($42 million expense) and Bankwest non-cash items ($26 million expense).

Note 7 Financial Reporting by Segments (continued)

	Half Year Ended 31 Decemeber 2013 [1]							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	IFS and Other $M	Total $M
Net interest income	3,598	1,341	691	-	664	804	346	**7,444**
Other banking income	852	385	667	-	102	103	125	**2,234**
Total banking income	4,450	1,726	1,358	-	766	907	471	**9,678**
Funds management income	-	-	-	958	30	-	15	**1,003**
Insurance income	-	-	-	281	87	-	18	**386**
Total operating income	4,450	1,726	1,358	1,239	883	907	504	**11,067**
Investment experience [2]	-	-	-	72	-	-	9	**81**
Total income	4,450	1,726	1,358	1,311	883	907	513	**11,148**
Operating expenses	(1,608)	(665)	(451)	(793)	(393)	(405)	(436)	**(4,751)**
Loan impairment expense	(297)	(80)	(21)	-	(18)	(5)	(36)	**(457)**
Net profit before tax	2,545	981	886	518	472	497	41	**5,940**
Corporate tax expense	(761)	(295)	(216)	(125)	(117)	(147)	(1)	**(1,662)**
Non-controlling interests	-	-	-	-	-	-	(10)	**(10)**
Net profit after tax ("cash basis") [3]	1,784	686	670	393	355	350	30	**4,268**
Hedging and IFRS volatility	-	-	-	-	(15)	-	10	**(5)**
Other non-cash items	-	-	-	(26)	-	(30)	-	**(56)**
Net profit after tax ("statutory basis")	1,784	686	670	367	340	320	40	**4,207**
Additional information								
Intangible asset amortisation	(15)	(13)	(18)	(10)	(18)	(38)	(64)	**(176)**
Depreciation	(3)	-	(8)	(1)	(19)	(15)	(105)	**(151)**
Balance Sheet								
Total assets	282,883	92,032	152,300	20,796	64,212	74,903	95,175	**782,301**
Total liabilities	200,510	60,164	150,679	23,358	56,414	42,630	201,509	**735,264**

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Investment experience is presented on a pre-tax basis.
(3) 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 not considered representative of the Group's ongoing financial performance. The items for the period are treasury shares valuation adjustment ($28 million expense), unrealised gains and losses relating to hedging and IFRS volatility ($5 million expense), Bankwest non-cash items ($30 million expense) and gain on sale of management rights ($2 million gain).

Note 7 Financial Reporting by Segments (continued)

Geographical Information Financial Performance and Position	Half Year Ended 31 Dec 14 $M	31 Dec 14 %	31 Dec 13 (1) $M	31 Dec 13 (1) %
Income				
Australia	**19,256**	**84. 3**	19,012	85. 3
New Zealand	**2,524**	**11. 0**	2,274	10. 2
Other locations (2)	**1,069**	**4. 7**	1,001	4. 5
Total Income	**22,849**	**100.0**	22,287	100. 0
Non-Current Assets				
Australia	**13,364**	**91. 1**	13,721	91. 7
New Zealand	**1,078**	**7. 3**	1,045	7. 0
Other locations (2)	**230**	**1. 6**	197	1. 3
Total non-current assets (3)	**14,672**	**100.0**	14,963	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, India and Vietnam.
(3) Non-current assets includes property, plant and equipment, investments in associates and joint ventures and intangibles.

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

Note 8 Shareholders' Equity

	Half Year Ended		
	31 Dec 14	30 Jun 14	31 Dec 13
	$M	$M	$M
Ordinary share capital			
Opening balance	**27,036**	26,327	26,323
Dividend reinvestment plan (net of issue costs) [1]	**-**	707	-
Purchase of treasury shares [2]	**(727)**	(9)	(804)
Sale/(purchase) and vesting of treasury shares [2]	**730**	11	808
Closing balance	**27,039**	27,036	26,327
Other equity instruments			
Opening balance	**939**	939	939
Closing balance	**939**	939	939
Retained profits			
Opening balance	**18,827**	17,455	16,405
Actuarial gains/(losses) from defined benefit superannuation plans	**(16)**	(65)	107
Gains and losses on liabilities at fair value due to changes in own credit risk	**(1)**	6	-
Realised gains and dividend income on treasury shares	**26**	11	16
Operating profit attributable to Equity holders of the Bank	**4,535**	4,424	4,207
Total available for appropriation	**23,371**	21,831	20,735
Transfers from/(to) general reserve	**(9)**	(49)	(52)
Transfers from asset revaluation reserve	**12**	11	12
Interim dividend - cash component	**-**	(2,243)	-
Interim dividend - dividend reinvestment plan [1]	**-**	(707)	-
Final dividend - cash component	**(3,534)**	-	(3,224)
Other dividends [3]	**(17)**	(16)	(16)
Closing balance	**19,823**	18,827	17,455

(1) The determined dividend includes an amount attributable to DRP of $707 million (interim 2013/2014) with $707 million ordinary shares being issued under plan rules, which include the carry forward of DRP balance from previous dividends.

(2) Relates to the on market purchase and transfer of shares to shareholders participating in the DRP, the movements in treasury shares held within Life Insurance Statutory Funds and the employee share scheme trust.

(3) Dividends relating to equity instruments on issue other than ordinary shares.

Note 8 Shareholders' Equity (continued)

	Half Year Ended		
	31 Dec 14	30 Jun 14	31 Dec 13
	$M	$M	$M
Reserves			
General reserve			
Opening balance	**866**	817	765
Appropriation (to)/from retained profits	**9**	49	52
Closing balance	**875**	866	817
Asset revaluation reserve			
Opening balance	**197**	182	194
Revaluation of properties	**-**	28	-
Tax on revaluation of properties	**-**	(2)	-
Transfer to retained profits	**(12)**	(11)	(12)
Closing balance	**185**	197	182
Foreign currency translation reserve			
Opening balance	**(42)**	7	(427)
Currency translation adjustments of foreign operations	**395**	(53)	458
Currency translation on net investment hedge	**(7)**	5	(11)
Tax on translation adjustments	**-**	(1)	(13)
Closing balance	**346**	(42)	7
Cash flow hedge reserve			
Opening balance	**224**	169	368
Gains and losses on cash flow hedging instruments:			
Recognised in equity	**436**	592	(254)
Transferred to Income Statement:			
Interest income	**(551)**	(612)	(682)
Interest expense	**452**	95	603
Tax on cash flow hedging instruments	**(102)**	(20)	134
Closing balance	**459**	224	169
Employee compensation reserve			
Opening balance	**125**	79	132
Current period movement	**(46)**	46	(53)
Closing balance	**79**	125	79
Available-for-sale investments reserve			
Opening balance	**639**	526	301
Net gains and losses on revaluation of available-for-sale investments	**172**	184	325
Net gains and losses on available-for-sale investments transferred to	**(55)**	(8)	(4)
Tax on available-for-sale investments	**(26)**	(63)	(96)
Closing balance	**730**	639	526
Total reserves	**2,674**	2,009	1,780
Shareholders' equity attributable to equity holders of the Bank	**50,475**	48,811	46,501
Shareholders' equity attributable to non-controlling interests	**556**	537	536
Total Shareholders' equity	**51,031**	49,348	47,037

The balances disclosed above include a share of associates and joint ventures' other comprehensive income of: $2 million for December 2014, $nil million for June 2014, and $1 for December 2013.

Note 9 Fair Value of Financial Instruments Disclosures

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

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

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

The estimated fair values of the Group’s financial instruments not measured at fair value as at 31 December 2014 are presented below. The disclosure does not cover assets or liabilities that are not considered to be financial instruments from an accounting perspective.

				Group
	31 Dec 2014		30 June 2014	
	Carrying value	Fair value	Carrying value	Fair value
	Total	Total	Total	Total
	$M	$M	$M	$M
Assets				
Cash and liquid assets	**30,047**	**30,047**	26,409	26,409
Receivables due from other financial institutions	**8,488**	**8,488**	8,065	8,065
Loans and other receivables	**602,438**	**602,904**	578,537	579,070
Bank acceptances of customers	**2,026**	**2,026**	5,027	5,027
Other assets	**4,152**	**4,152**	4,745	4,745
Liabilities				
Deposits and other public borrowings	**522,563**	**523,255**	498,352	499,563
Payables due to other financial institutions	**33,957**	**33,957**	24,978	24,978
Bank acceptances	**2,026**	**2,026**	5,027	5,027
Debt issues	**153,249**	**154,912**	142,219	143,375
Managed funds units on issue	**1,058**	**1,058**	1,214	1,214
Bills payable and other liabilities	**7,061**	**7,061**	7,888	7,888
Loan capital	**11,570**	**11,607**	9,594	9,824

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

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

Note 9 Fair Value of Financial Instruments Disclosures (continued)

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

Loans and Other Receivables

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

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

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

Deposits and Other Public Borrowings

Fair value of non-interest bearing, call and variable rate deposits, and fixed rate deposits repricing within six months, approximate their carrying value as they are short term in nature or payable on demand.

Fair value of term deposits are estimated using discounted cash flows, applying market rates offered for deposits of similar remaining maturities.

Debt Issues and Loan Capital

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

Other Financial Assets and Liabilities

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

(b) Valuation Methodology

A significant number of financial instruments are carried on balance sheet at fair value.

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

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

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

Valuation Inputs

Quoted Prices in Active Markets – Level 1

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

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

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

Valuation Technique Using Observable Inputs – Level 2

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

Financial instruments included in this category are commercial papers, mortgaged backed securities and Over-the-Counter (OTC) derivatives including interest rate swaps, cross currency swaps and FX options.

Valuation Technique Using Significant Unobservable Inputs – Level 3

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

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

Note 9 Fair Value of Financial Instruments Disclosures (continued)

	Fair Value as at 30 June 2014				Fair Value as at 30 June 2013			
	Level 1 $M	Level 2 $M	Level 3 $M	Total $M	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Assets								
Assets at fair value through Income Statement:								
Trading [1]	20,413	9,518	-	29,931	15,785	5,674	-	21,459
Insurance	5,569	8,849	-	14,418	5,451	9,691	-	15,142
Other	96	528	-	624	192	568	-	760
Derivative assets	18	53,357	114	53,489	19	29,093	135	29,247
Available-for-sale investments	59,745	9,732	114	69,591	58,033	8,007	97	66,137
Bills discounted [1]	17,891	4	-	17,895	19,244	-	-	19,244
Total assets carried at fair value	103,732	81,988	228	185,948	98,724	53,033	232	151,989
Liabilities								
Liabilities at fair value through Income Statement [1]	4,150	3,096	-	7,246	4,612	2,896	-	7,508
Derivative liabilities	-	43,107	55	43,162	-	27,245	14	27,259
Life investment contracts	-	9,412	-	9,412	-	9,536	-	9,536
Total liabilities carried at fair value	4,150	55,615	55	59,820	4,612	39,677	14	44,303

(1) The Group has included both current year and comparative balances for bills discounted on the basis they are measured at fair value using quoted prices. These balances are included within loans, bills discounted and other receivables on the face of the Balance Sheet.

Level 3 Movement Analysis for the half year ended 31 December 2014

	Derivative Assets $M	Available for Sale Investments $M	Derivative Liabilities $M	Total $M
As at 1 July 2014	135	97	(14)	218
Purchases	-	-	-	-
Sales/Settlements	(60)	(10)	1	(69)
Gains/(losses) in the period:				
Recognised in the Income Statement	(14)	2	(32)	(44)
Recognised in the Statement of Comprehensive Income	-	-	-	-
Transfers in	55	25	(14)	66
Transfers out	(2)	-	4	2
As at 31 December 2014	114	114	(55)	173
Gains/(losses) recognised in the Income Statement for financial instruments held as at 31 December 2014	(1)	2	(32)	(31)

Transfers in and out of Level 3 are due to changes in the observability of the inputs.

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

Note 10 Notes to the Statement of Cash Flows

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

	Half Year Ended		
	31 Dec 14	30 Jun 14	31 Dec 13
	$M	$M	$M
Net profit after income tax	**4,545**	4,434	4,216
(Increase)/decrease in interest receivable	**(130)**	17	(39)
(Decrease)/increase in interest payable	**36**	(37)	(258)
Net decrease/(increase) in assets at fair value through Income Statement (excluding life insurance)	**(7,746)**	(2,695)	1,679
Net gain on sale of controlled entities and associates	**-**	(54)	(6)
Net movement in derivative assets/(liabilities)	**(347)**	1,690	3,685
Net loss/(gain) on sale of property, plant and equipment	**2**	9	3
Equity accounting profit	**(107)**	(87)	(106)
Loan impairment expense	**440**	461	457
Depreciation and amortisation (including asset write downs)	**407**	479	395
(Decrease)/increase in liabilities at fair value through Income Statement (excluding life insurance)	**(369)**	(901)	(773)
(Decrease)/increase in other provisions	**105**	9	(2)
Increase/(decrease) in income taxes payable	**(208)**	(659)	42
Increase in deferred tax liabilities	**19**	(151)	47
Decrease/(increase) in deferred tax assets	**218**	273	90
Decrease/(Increase) in accrued fees/reimbursements receivable	**249**	(237)	79
(Decrease)/Increase in accrued fees and other items payable	**(480)**	289	(195)
Increase/(decrease) in life insurance contract policy liabilities	**(632)**	(1,203)	121
Increase in cash flow hedge reserve	**11**	2	7
Increase/(decrease) in fair value on hedged items	**242**	(78)	149
Changes in operating assets and liabilities arising from cash flow movements (1)	**8,223**	(8,474)	194
Other	**492**	1,095	(1)
Net cash provided by/(used in) operating activities	**4,970**	(5,818)	9,784

(1) Cash and cash equivalents has been redefined to no longer include at call deposits with other financial institutions and settlement account balances with other banks. Comparatives have been restated to conform to presentation in the current period.

(b) Reconciliation of Cash

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

	As at		
	31 Dec 14	30 Jun 14	31 Dec 13 (1)
	$M	$M	$M
Notes, coins and cash at banks	**15,342**	12,490	14,384
Other short term liquid assets	**8,019**	6,638	8,637
Cash and cash equivalents at end of period (1)	**23,361**	19,128	23,021

(1) Cash and cash equivalents has been redefined to no longer include at call deposits with other financial institutions and settlement account balances with other banks. Comparatives have been restated to conform to presentation in the current period.

(c) Non-cash Financing and Investing Activities

	Half Year Ended		
	31 Dec 14	30 Jun 14	31 Dec 13
	$M	$M	$M
Shares issued under the Dividend Reinvestment Plan (DRP)	**-**	707	-

Note 11 Events Subsequent to Balance Date

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

Note 12 Contingent Liabilities and Commitment

Details of contingent liabilities, provisions and off balance sheet business are presented below. The face (contract) value represents the maximum potential amount that could be lost if the counterparty fails to meet its financial obligations. The credit equivalent amount is a regulatory measure of off balance sheet exposures used to determine the Group's capital requirements.

				Group
	Face Value		Credit Equivalent	
	31 Dec 14	31 Dec 13	31 Dec 14	31 Dec 13
Credit risk related instruments	$M	$M	$M	$M
Guarantees (1)	**6,385**	6,121	**6,385**	6,121
Standby letters of credit (2)	**176**	171	**176**	171
Bill endorsements (3)	**11**	16	**11**	16
Documentary letters of credit (4)	**2,101**	4,729	**2,088**	4,546
Performance related contingents (5)	**1,561**	1,585	**1,372**	1,409
Commitments to provide credit (6)	**162,966**	151,135	**154,119**	143,270
Other commitments (7)	**2,352**	2,175	**1,669**	1,714
Total credit risk related instruments	**175,552**	165,932	**165,820**	157,247

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

Other than outlined below, there has been no material change in contingent liabilities since those disclosed in the Financial Statements for the year ended 30 June 2014. Refer to Note 32 of the Group's Annual Financial Statements for the year ended 30 June 2014.

Storm Financial

The Australian Securities and Investments Commission (ASIC) commenced legal proceedings against the Bank in relation to Storm Financial, a Queensland-based financial planning firm that collapsed and went into receivership in March 2009. These proceedings were settled in September 2012 with Commonwealth Bank of Australia agreeing, without admission of liability, to pay affected investors up to approximately $136 million (in addition to payments under the Bank's resolution scheme). Class action proceedings have been commenced against the Group in relation to Storm Financial. At this stage only the damages sought on behalf of the four lead applicants have been quantified on a number of alternate bases, thus quantification of the claims of all group members is not possible. The hearing of the proceedings concluded in November 2013 and judgment is reserved. The Group believes that appropriate provisions are held to cover the proposed settlement of the class action referred to above.

Exception Fee Class Actions

In May 2011, Maurice Blackburn announced that it intended to sue 12 Australian banks with respect to exception fees. Proceedings were issued against Commonwealth Bank of Australia in December 2011 and against Bankwest in April 2012. Neither claim has been progressed and both have been stayed since issue and currently until June 2015 pending the outcome of similar proceedings against another bank. The Group denies the claims and the financial impact is not anticipated to have a material impact on the Group.

Open Advice Review Program

On 3 July 2014, the Group announced an Open Advice Review program for customers of Commonwealth Financial Planning Limited (CFPL) and Financial Wisdom Limited (FWL), who received advice between 1 September 2003 and 1 July 2012.

The Group appointed Promontory Financial Group ('Promontory') as an Independent Expert to oversee the Open Advice Review program. Promontory delivered their initial public report in December 2014.

On 8 August 2014, variations to CFPL's and FWL's Australian Financial Services Licences (AFSL) were finalised. ASIC subsequently appointed KordaMentha Forensic as the compliance expert under the varied AFSL conditions to produce three reports, the first being the Comparison Report which will compare the process steps undertaken in previous remediation programs. After receipt of this report, the affected customers will be contacted and provided with a copy of the original assessment of their financial advice from an earlier review, as well as an invitation to seek independent advice to the value of $5,000 to be met by the Group.

The Group considers that provisions held are adequate and represents our best estimate of the anticipated future costs. Key assumptions in determining the provision are customer registrations, remediation rates and amounts, and associated program costs. The Group will re-evaluate these assumptions at each reporting date as more information becomes available.

Directors' Declaration

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

(a) The consolidated financial statements for the half year ended on 31 December 2014 and notes, as set out on pages 61 to 85, are in accordance with the Corporations Act 2001, including:

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

(b) There are reasonable grounds to believe that the Commonwealth Bank of Australia will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

David Turner
Chairman
10 February 2015

Ian Narev
Managing Director and Chief Executive Officer
10 February 2015

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

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of Commonwealth Bank of Australia, which comprises the consolidated balance sheet as at 31 December 2014, the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, selected explanatory notes and the directors' declaration for Commonwealth Bank of Australia Group (the consolidated entity). The consolidated entity comprises Commonwealth Bank of Australia and the entities it controlled during that half year.

Directors' responsibility for the half year financial report

The directors of Commonwealth Bank of Australia are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Commonwealth Bank of Australia, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half year ended on that date;

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

PricewaterhouseCoopers

Marcus Laithwaite
Partner

Sydney
10 February 2015

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Contents

Section 7 - Appendices

1. Net Interest Margin

	Half Year Ended		
	31 Dec 14	30 Jun 14	31 Dec 13
	%	%	%
Australia			
Interest spread (1)	**2. 04**	2. 05	2. 03
Benefit of interest-free liabilities, provisions and equity (2)	**0. 13**	0. 14	0. 15
Net interest margin (3)	**2. 17**	2. 19	2. 18
New Zealand			
Interest spread (1)	**1. 91**	1. 86	1. 89
Benefit of interest-free liabilities, provisions and equity (2)	**0. 47**	0. 47	0. 40
Net interest margin (3)	**2. 38**	2. 33	2. 29
Other Overseas			
Interest spread (1)	**0. 93**	1. 00	1. 12
Benefit of interest-free liabilities, provisions and equity (2)	**0. 05**	0. 05	0. 05
Net interest margin (3)	**0. 98**	1. 05	1. 17
Total Group			
Interest spread (1)	**1. 97**	1. 97	1. 97
Benefit of interest-free liabilities, provisions and equity (2)	**0. 15**	0. 17	0. 17
Net interest margin (3)	**2. 12**	2. 14	2. 14

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

(2) 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.

(3) Net interest income divided by average interest earning assets for the half year annualised.

2. Average Balances and Related Interest

The following table lists the major categories of interest earning assets and interest bearing liabilities of the Group together with the respective interest earned or paid and the average interest rate for each of the half years ending 31 December 2014, 30 June 2014 and 31 December 2013. Averages used were predominantly daily averages. Interest is accounted for based on product yield.

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

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

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

The official cash rate in Australia remained unchanged during the half year while rates in New Zealand increased by 25 basis points.

	Half Year Ended 31 Dec 14			Half Year Ended 30 Jun 14			Half Year Ended 31 Dec 13		
	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
Interest Earning Assets	$M	$M	%	$M	$M	%	$M	$M	%
Home loans	**403,956**	**9,943**	**4. 88**	392,846	9,632	4. 94	379,583	9,684	5. 06
Personal loans [1]	**23,244**	**1,435**	**12. 25**	22,865	1,420	12. 52	22,138	1,404	12. 58
Business and corporate loans	**185,637**	**4,534**	**4. 84**	180,528	4,473	5. 00	174,024	4,529	5. 16
Loans, bills discounted and other receivables	**612,837**	**15,912**	**5. 15**	596,239	15,525	5. 25	575,745	15,617	5. 38
Cash and other liquid assets	**37,804**	**172**	**0. 90**	38,140	188	0. 99	32,750	132	0. 80
Assets at fair value through Income Statement (excluding life insurance)	**22,268**	**287**	**2. 56**	22,774	227	2. 01	21,858	220	2. 00
Available-for-sale investments	**65,739**	**926**	**2. 79**	63,736	865	2. 74	59,753	860	2. 86
Non-lending interest earning assets	**125,811**	**1,385**	**2. 18**	124,650	1,280	2. 07	114,361	1,212	2. 10
Total interest earning assets [2]	**738,648**	**17,297**	**4. 65**	720,889	16,805	4. 70	690,106	16,829	4. 84
Non-interest earning assets	**66,098**			76,043			74,516		
Total average assets	**804,746**			796,932			764,622		

	Half Year Ended 31 Dec 14			Half Year Ended 30 Jun 14			Half Year Ended 31 Dec 13		
Interest Bearing	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
Liabilities	$M	$M	%	$M	$M	%	$M	$M	%
Transaction deposits [3]	**75,794**	**309**	**0. 81**	69,333	266	0. 77	65,118	252	0. 77
Savings deposits [3]	**158,607**	**1,926**	**2. 41**	151,326	1,822	2. 43	139,816	1,764	2. 50
Investment deposits [3]	**197,603**	**3,247**	**3. 26**	198,952	3,283	3. 33	199,671	3,553	3. 53
Certificates of deposit and other	**66,881**	**1,189**	**3. 53**	64,376	1,170	3. 67	57,957	1,223	4. 19
Total interest bearing deposits	**498,885**	**6,671**	**2. 65**	483,987	6,541	2. 73	462,562	6,792	2. 91
Payables due to other financial institutions	**28,447**	**102**	**0. 71**	27,253	108	0. 80	25,459	120	0. 94
Liabilities at fair value through Income Statement	**8,011**	**103**	**2. 55**	8,135	102	2. 53	8,683	104	2. 38
Debt issues	**149,488**	**2,255**	**2. 99**	146,853	2,185	3. 00	141,755	2,158	3. 02
Loan capital	**10,569**	**275**	**5. 16**	9,521	222	4. 70	9,485	211	4. 41
Total interest bearing liabilities	**695,400**	**9,406**	**2. 68**	675,749	9,158	2. 73	647,944	9,385	2. 87
Non-interest bearing liabilities	**59,157**			72,838			70,390		
Total average liabilities	**754,557**			748,587			718,334		

(1) Personal loans include consumer finance, credit cards and margin loans.
(2) Used for calculating Net interest margin.
(3) Comparatives have been reclassified to conform to presentation in the current period.

2. Average Balances and Related Interest (continued)

Net Interest Margin	Half Year Ended 31 Dec 14			Half Year Ended 30 Jun 14			Half Year Ended 31 Dec 13		
	Avg Bal $M	Interest $M	Yield %	Avg Bal $M	Interest $M	Yield %	Avg Bal $M	Interest $M	Yield %
Total interest earning assets	738,648	17,297	4. 65	720,889	16,805	4. 70	690,106	16,829	4. 84
Total interest bearing liabilities	695,400	9,406	2. 68	675,749	9,158	2. 73	647,944	9,385	2. 87
Net interest income and interest spread		7,891	1. 97		7,647	1. 97		7,444	1. 97
Benefit of free funds			0. 15			0. 17			0. 17
Net interest margin			2. 12			2. 14			2. 14

Geographical Analysis of Key Categories

Geographical analysis of key categories	Half Year Ended 31 Dec 14			Half Year Ended 30 Jun 14			Half Year Ended 31 Dec 13		
	Avg Bal $M	Interest $M	Yield %	Avg Bal $M	Interest $M	Yield %	Avg Bal $M	Interest $M	Yield %
Loans, Bills Discounted and Other Receivables									
Australia	534,095	13,795	5. 12	519,881	13,567	5. 26	506,021	13,792	5. 41
New Zealand (1)	59,457	1,821	6. 08	58,937	1,688	5. 78	55,034	1,580	5. 70
Other Overseas (1)	19,285	296	3. 04	17,421	270	3. 13	14,690	245	3. 31
Total	612,837	15,912	5. 15	596,239	15,525	5. 25	575,745	15,617	5. 38
Non-Lending Interest Earning Assets									
Australia	86,764	1,197	2. 74	87,407	1,112	2. 57	79,724	1,075	2. 67
New Zealand (1)	6,058	117	3. 83	6,519	99	3. 06	6,121	85	2. 75
Other Overseas (1)	32,989	71	0. 43	30,724	69	0. 45	28,516	52	0. 36
Total	125,811	1,385	2. 18	124,650	1,280	2. 07	114,361	1,212	2. 10
Total Interest Bearing Deposits									
Australia	441,672	5,886	2. 64	427,446	5,803	2. 74	410,194	6,109	2. 95
New Zealand (1)	39,396	732	3. 69	38,369	677	3. 56	35,394	639	3. 58
Other Overseas (1)	17,817	53	0. 59	18,172	61	0. 68	16,974	44	0. 51
Total	498,885	6,671	2. 65	483,987	6,541	2. 73	462,562	6,792	2. 91
Other Interest Bearing Liabilities									
Australia	151,946	2,266	2. 96	150,576	2,220	2. 97	147,221	2,260	3. 05
New Zealand (1)	14,646	359	4. 86	13,510	297	4. 43	13,948	262	3. 73
Other Overseas (1)	29,923	110	0. 73	27,676	100	0. 73	24,213	71	0. 58
Total	196,515	2,735	2. 76	191,762	2,617	2. 75	185,382	2,593	2. 77

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

3. Interest Rate and Volume Analysis

Interest Earning Assets [1]	Half Year Ended Dec 14 vs Jun 14 Volume $M	Rate $M	Total $M	Half Year Ended Dec 14 vs Dec 13 Volume $M	Rate $M	Total $M
Home loans	273	38	311	611	(352)	259
Personal loans	23	(8)	15	69	(38)	31
Business and corporate loans	126	(65)	61	293	(288)	5
Loans, bills discounted and other receivables	432	(45)	387	985	(690)	295
Cash and liquid assets	(2)	(14)	(16)	22	18	40
Assets at fair value through Income Statement (excluding life insurance)	(6)	66	60	5	62	67
Available-for-sale investments	28	33	61	85	(19)	66
Non-lending interest earning assets	12	93	105	124	49	173
Total interest earning assets	415	77	492	1,160	(692)	468

Interest Bearing Liabilities [1]	Half Year Ended Dec 14 vs Jun 14 Volume $M	Rate $M	Total $M	Half Year Ended Dec 14 vs Dec 13 Volume $M	Rate $M	Total $M
Transaction deposits	26	17	43	42	15	57
Savings deposits	88	16	104	233	(71)	162
Investment deposits	(22)	(14)	(36)	(35)	(271)	(306)
Certificates of deposit and other	45	(26)	19	173	(207)	(34)
Total interest bearing deposits	200	(70)	130	510	(631)	(121)
Payables due to other financial institutions	5	(11)	(6)	12	(30)	(18)
Liabilities at fair value through Income Statement	(2)	3	1	(8)	7	(1)
Debt issues	39	31	70	117	(20)	97
Loan capital	26	27	53	26	38	64
Total interest bearing liabilities	266	(18)	248	665	(644)	21

Change in Net Interest Income [2]	Half Year Ended Dec 14 vs Jun 14 Increase/(Decrease) $M	Dec 14 vs Dec 13 Increase/(Decrease) $M
Due to changes in average volume of interest earning assets	191	521
Due to changes in interest margin	(73)	(74)
Due to variation in time period	126	-
Change in net interest income	244	447

(1) The volume and rate variances for total interest earning assets and total interest bearing liabilities have been calculated separately (rather than being the sum of the individual categories).

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

3. Interest Rate and Volume Analysis (continued)

Geographical Analysis of Key Categories (1)	Half Year Ended Dec 14 vs Jun 14 Volume $M	Rate $M	Total $M	Half Year Ended Dec 14 vs Dec 13 Volume $M	Rate $M	Total $M
Loans, Bills Discounted and Other Receivables						
Australia	369	(141)	228	745	(742)	3
New Zealand	15	118	133	131	110	241
Other Overseas	29	(3)	26	74	(23)	51
Total	432	(45)	387	985	(690)	295
Non-Lending Interest Earning Assets						
Australia	(9)	94	85	96	26	122
New Zealand	(8)	26	18	(1)	33	32
Other Overseas	5	(3)	2	9	10	19
Total	12	93	105	124	49	173
Total Interest Bearing Deposits						
Australia	191	(108)	83	444	(667)	(223)
New Zealand	19	36	55	73	20	93
Other Overseas	(1)	(7)	(8)	2	7	9
Total	200	(70)	130	510	(631)	(121)
Other Interest Bearing Liabilities						
Australia	20	26	46	71	(65)	6
New Zealand	26	36	62	15	82	97
Other Overseas	8	2	10	19	20	39
Total	66	52	118	155	(13)	142

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

4. Other Banking Income

	Half Year Ended 31 Dec 14 $M	30 Jun 14 $M	31 Dec 13 $M	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Lending fees	**528**	546	537	(3)	(2)
Commissions	**1,127**	1,049	1,081	7	4
Trading income	**513**	414	508	24	1
Net gain on disposal of available-for-sale investments	**55**	8	4	large	large
Net gain on disposal of other non-fair valued financial instruments	**-**	18	18	large	large
Net loss on sale of property, plant and equipment	**(2)**	(9)	(3)	(78)	(33)
Net hedging ineffectiveness	**(18)**	(7)	(14)	large	29
Net gain/(loss) on other fair valued financial instruments:					
Fair value through Income Statement	**3**	(2)	(4)	large	large
Non-trading derivatives	**(48)**	(42)	(49)	14	(2)
Dividends	**5**	7	5	(29)	-
Share of profit of associates and joint ventures	**104**	62	88	68	18
Other	**47**	68	37	(31)	27
Total other banking income	**2,314**	2,112	2,208	10	5

Other banking income – reconciliation of cash and statutory basis

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

	Half Year Ended 31 Dec 14 $M	30 Jun 14 $M	31 Dec 13 $M
Other banking income ("cash basis")	**2,370**	2,089	2,234
Revenue hedge of New Zealand operations - unrealised	**(78)**	34	(24)
Hedging and IFRS volatility	**22**	(37)	-
Gain on sale of management rights	**-**	26	(2)
Other banking income ("statutory basis")	**2,314**	2,112	2,208

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

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

The Group's approach to risk management including governance, management, material business risks, and policies and procedures are described in the Notes to the 2014 Financial Report. Further disclosures in respect of capital adequacy and risk are provided in the Group's Capital Disclosure Reports.

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.

By Industry (1)	31 Dec 14 %	30 Jun 14 %	31 Dec 13 %
Agriculture, forestry and fishing	**1. 9**	2. 0	2. 0
Banks	**8. 3**	9. 0	9. 4
Business services	**1. 2**	1. 2	1. 2
Construction	**0. 9**	0. 8	0. 7
Consumer	**54. 2**	55. 8	54. 9
Culture and recreational services	**0. 8**	0. 9	0. 8
Energy	**1. 0**	1. 0	0. 8
Finance - Other	**4. 5**	3. 4	3. 4
Health and community service	**0. 7**	0. 6	0. 7
Manufacturing	**1. 6**	1. 8	1. 8
Mining	**1. 9**	1. 5	1. 6
Property	**6. 1**	6. 4	6. 2
Retail trade and wholesale trade	**2. 3**	2. 2	2. 2
Sovereign	**8. 8**	7. 8	8. 6
Transport and storage	**1. 5**	1. 5	1. 6
Other	**4. 3**	4. 1	4. 1
	100. 0	100. 0	100. 0

By Region (1)	31 Dec 14 %	30 Jun 14 %	31 Dec 13 %
Australia	**76. 7**	78. 4	77. 6
New Zealand	**8. 8**	8. 9	8. 9
Europe	**6. 1**	5. 0	5. 5
Americas	**4. 6**	4. 3	4. 5
Asia	**3. 6**	3. 2	3. 3
Other	**0. 2**	0. 2	0. 2
	100. 0	100. 0	100. 0

Commercial Portfolio Quality (1)	31 Dec 14 %	30 Jun 14 %	31 Dec 13 %
AAA/AA	**32. 2**	29. 5	31. 7
A	**20. 0**	21. 1	20. 0
BBB	**17. 6**	17. 7	17. 1
Other	**30. 2**	31. 7	31. 2
	100. 0	100. 0	100. 0

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

As a measure of individually risk-rated commercial portfolio exposure (including finance and insurance), the Group has 69.8% (June 2014: 68.3%; December 2013: 68.8%) of commercial exposures at investment grade quality.

Included in the Group's European exposures is $1,607 million (June 2014: $1,515 million; December 2013: $1,546 million) of exposure to Spain, Ireland and Italy. The exposure comprises $306 million Italian and Spanish sovereign (Government), $278 million Italian and Spanish banks (primarily short term deposits and trade finance related) and $1,023 million of predominantly Irish and Spanish corporate counterparties (primarily secured by residential and other security).

5. Integrated Risk Management (continued)

Market Risk

Market risk in the Balance Sheet is discussed within Note 35 of the 2014 Financial Report.

Value at Risk (VaR)

The Group uses Value at Risk (VaR) as one of the measures of Traded and Non-Traded Market Risk. VaR measures potential loss using historically observed market volatility and correlation between different markets.

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

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

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	Average VaR		
	31 Dec 14	30 Jun 14	31 Dec 13
Traded Market Risk (1)	$M	$M	$M
Risk Type			
Interest rate risk	**5. 7**	4. 9	5. 9
Foreign exchange risk	**1. 9**	1. 8	1. 2
Equities risk	**0. 9**	1. 3	1. 1
Commodities risk	**1. 1**	2. 2	2. 4
Credit spread risk	**2. 6**	1. 9	1. 7
Diversification benefit	**(7. 4)**	(6. 2)	(6. 4)
Total general market risk	**4. 8**	5. 9	5. 9
Undiversified risk	**3. 5**	4. 2	5. 5
ASB Bank	**0. 2**	0. 2	0. 1
Total	**8. 5**	10. 3	11. 5

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

	Average VaR (1)		
Non-Traded VaR in Australian Life Insurance Business	31 Dec 14	30 Jun 14	31 Dec 13
(20 day 97.5% Confidence)	$M	$M	$M
Shareholder funds (2)	**14. 5**	15. 6	22. 2
Guarantees (to Policyholders) (3)	**16. 8**	14. 2	16. 2

(1) VaR in relation to the investment of Shareholder Funds.
(2) 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).
(3) For the half year ended.

Non-Traded Equity

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

	As at		
	VaR	VaR	VaR
	31 Dec 14	30 Jun 14	31 Dec 13
Non-Traded Equity Risk VaR (20 day 97.5% Confidence)	$M	$M	$M
VaR	**69. 0**	70. 0	102. 0

5. Integrated Risk Management (continued)

Interest Rate Risk in the Banking Book

Interest rate risk in the banking book is discussed within Note 35 of the 2014 Financial Report.

(a) Next 12 months' Earnings

The potential unfavourable change to the Group's net interest earnings based on 100 basis point parallel rate shock (decrease) is as follows:

Net Interest Earnings at Risk [1]		31 Dec 14 $M	30 Jun 14 $M	31 Dec 13 $M
Average monthly exposure	AUD	**250. 9**	102. 3	78. 1
	NZD	**23. 4**	25. 0	17. 1
High month exposure	AUD	**298. 2**	134. 0	119. 0
	NZD	**27. 4**	29. 6	24. 2
Low month exposure	AUD	**200. 4**	70. 4	43. 6
	NZD	**19. 4**	20. 0	12. 3

(1) Half year ended.

(b) Economic Value

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

	Average VaR [1]		
Non-Traded Interest Rate Risk [2]	31 Dec 14 $M	30 Jun 14 $M	31 Dec 13 $M
AUD Interest rate risk	**84. 8**	57. 2	49. 2
NZD Interest rate risk [3]	**3. 6**	2. 5	1. 6

(1) VaR is at 20 day 97.5% confidence.
(2) Relates specifically to ASB data as at month end.
(3) Half year ended.

5. Integrated Risk Management (continued)

Funding Sources

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

	As at				
	31 Dec 14 $M	30 Jun 14 $M	31 Dec 13 $M	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Transaction deposits	81,866	76,947	71,698	6	14
Savings deposits	163,477	155,142	144,973	5	13
Investment deposits	197,569	192,956	197,113	2	-
Other customer deposits (1)	15,516	13,845	12,623	12	23
Total customer deposits	458,428	438,890	426,407	4	8
Wholesale funding					
Short term					
Certificates of deposit	39,671	34,021	32,871	17	21
Bank acceptances	2,026	5,027	4,807	(60)	(58)
ECP commercial paper program	1,691	2,118	2,390	(20)	(29)
US commercial paper program	37,072	32,007	32,277	16	15
Securities sold under agreements to repurchase	9,067	9,961	10,634	(9)	(15)
Other (2)	35,418	26,184	30,737	35	15
Total short term funding	124,945	109,318	113,716	14	10
Short sales	3,584	4,103	4,517	(13)	(21)
Total Long term funding - less than or equal to one year residual maturity (3)	28,302	30,892	35,054	(8)	(19)
Long term - greater than one year residual maturity (3)					
Transferable certificates of deposit (4)	11,336	12,068	12,636	(6)	(10)
Euro medium term note program	27,981	30,599	25,518	(9)	10
US medium term note program	9,204	10,521	11,403	(13)	(19)
Covered bond programs	24,640	23,248	19,213	6	28
Other debt issues (5)	11,988	10,024	10,918	20	10
Securitisation	9,303	7,989	7,982	16	17
Loan capital	10,455	6,737	7,018	55	49
Other	981	977	1,051	-	(7)
Total long term funding - greater than one year residual maturity	105,888	102,163	95,739	4	11
IFRS MTM and derivative FX revaluations	10,403	3,251	5,722	large	82
Total wholesale funding	273,122	249,727	254,748	9	7
Total funding	731,550	688,617	681,155	6	7
Reported as					
Deposits and other public borrowings	522,563	498,352	485,436	5	8
Payables due to other financial institutions	33,957	24,978	29,585	36	15
Liabilities at fair value through income statement	7,246	7,508	8,330	(3)	(13)
Bank acceptances	2,026	5,027	4,807	(60)	(58)
Debt issues	153,249	142,219	142,675	8	7
Loan capital	11,570	9,594	9,383	21	23
Share capital - other equity interests	939	939	939	-	-
Total funding	731,550	688,617	681,155	6	7

(1) Other customer deposits primarily consist of non-interest bearing deposits and deposits held at fair value through the Income Statement.
(2) Includes short sales, due to other financial institutions, debt issues with original maturity/call date less than one year.
(3) Residual maturity of long term wholesale funding included in Debt issues, Loan capital and Share capital – other equity instruments, is the earlier of the next call date or final maturity.
(4) Includes long term domestic debt program (included within certificates of deposit, refer to Note 6).
(5) Includes debt included in liabilities at fair value through Income Statement.

5. Integrated Risk Management (continued)

Liquidity and Funding Policies and Management

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

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

From 1 January 2015 Australian Authorised Deposit-taking Institutions (ADI's) became subject to the Liquidity Coverage Ratio (LCR), implemented by APRA in ADI Prudential Standard 210 (APS 210) as part of the Basel III liquidity reforms. The LCR requires locally-incorporated ADI's to maintain liquid assets to cover at least 100% of net cash outflows forecast to occur over a prescribed 30 day liquidity stress scenario. Cash flow assumptions and liquid assets in the LCR are defined in APS 210; liquid assets are defined as High Quality Liquid Assets (HQLA) and include cash and government and semi-government debt.

As a shortfall in HQLA exists in Australia relative to the aggregate LCR requirement, the RBA has provided eligible ADI's with a Committed Liquidity Facility (CLF). Under the CLF, the RBA has committed to provide crisis funding secured against approved securities, up to an amount set annually by APRA, for each participating ADI. CBA has executed a CLF agreement with the RBA and pays a commitment fee of 0.15% of the face value of the facility size.

The Group has the requisite policies and has actively managed its LCR position ahead of the new liquidity requirements and maintains a buffer over them.

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

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

The Group's key liquidity risk management measures include:

- An LCR model incorporating the APRA defined behaviour of cash flows in a prescribed liquidity crisis over 30 days. The model calculates the LCR and is used to monitor the buffer over the regulatory requirement;
- A going concern model that is used to analyse and forecast liquidity needs over the medium term;
- Supplementary stress tests used to validate management buffers contained in the liquidity and funding policies; and
- A detailed and robust CFP defining the approach to a liquidity shock on a location-specific and Group-wide basis, crisis management plans, roles and responsibilities, early warning signals, contingent sources of liquidity and funding, crisis reporting and operational guidelines. The CFP is tested and updated annually.

The Group's funding sources include:

- Its consumer retail funding base, which includes a wide range of retail transaction accounts, investment accounts and retirement style accounts for individual consumers;
- Its small business and institutional deposit base;
- Its wholesale international and domestic funding programs that include its: Australian dollar Negotiable Certificates of Deposit; Australian dollar bank bills; Asian Transferable Certificates of Deposit program; Australian, U.S. and Euro Commercial Paper programs; U.S. Extendible Notes program; Australian dollar Domestic Debt program; U.S. Medium Term Note Program; Euro Medium Term Note program, multi jurisdiction Covered Bonds program and its Medallion securitisation program; and
- Various contingent funding sources including access to central bank repurchase agreement facilities such as the CLF, providing the Group with the ability to borrow funds on a secured basis, even when normal markets are not available.

6. Counterparty and Other Credit Risk Exposures

Securitisation Vehicles

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

Control factors – The Group manages these securitisation vehicles, services assets in the SPE, provide hedging, or provide other facilities such as liquidity facilities. The Group retains the risks associated with the provision of these services. The Group is also entitled to any residual income from the SPEs 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 SPE which may consist of residential mortgages, commercial mortgages or other types of receivables. The Group has acquired asset-backed securities primarily as part of its trading activities (classified as Trading assets), liquidity management (classified as Available-for-sale investments), or through investments in SPEs.

The primary source of repayment of the debt instruments is the cash flows from the underlying assets. Investors in the debt instruments have no recourse to the general assets of the issuer. The majority of the Group's asset-backed securities portfolio consists of notes rated AAA that are carried at fair value on the Balance Sheet.

Special Purpose Entities

The Group invests in or establishes SPEs in the ordinary course of business, primarily to provide funding and financial services for its customers. These SPEs are consolidated in the Financial Statements whenever they meet the criteria of control as outlined in Note 1 to the 2014 Financial Report. The definition of control depends upon substance rather than form and, accordingly, determination of the existence of control involves management judgement. The Group assesses, at inception and periodically, whether an SPE should be consolidated based on the power the Group has over relevant activities of the entity, and the significance of the Group's exposure to variable returns of the structured entity.

This includes structured and finance entities established to assist the Group's Structured Finance function with the structuring of client or group financing. The resulting lending and investment arrangements are entered into under the Group's approved lending criteria and are subject to appropriate credit approval processes. The assets arising from these financing activities are generally included in receivables due from other financial institutions, available-for-sale investments or loans, bills discounted and other receivables. Exposures in the form of guarantees or undrawn credit lines are included within contingent liabilities and credit related commitments.

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

Other Exposures

Leveraged Finance

The Group provides a modest amount of debt financing to companies acquired by private equity firms. These acquisitions are typically highly leveraged. Target businesses are those with operations in Australia and New Zealand with stable and established earnings and the ability to reduce borrowing levels.

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

Hedge Funds

There were no material movements in exposures to hedge funds since 30 June 2014 and these exposures are not considered to be material.

Collateralised Debt Obligations (CDOs) and Credit Linked Notes

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

Monoline Insurers

The two underlying debt instruments that have been wrapped by monoline insurers are Australian domiciled and have stand-alone ratings of AA/A2 and A-/A3 by S&P/Moody's respectively. As at 31 December 2014, the Group had $47 million in exposures to these instruments (June 2014: $47 million).

6. Counterparty and Other Credit Risk Exposures (continued)

Securitisation Vehicles

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

	Covered Bonds		Securitisation	
	31 Dec 14	30 Jun 14	31 Dec 14	30 Jun 14
	$M	$M	$M	$M
Carrying amount of transferred assets	30,664	34,147	14,629	12,982
Carrying amount of associated liabilities	28,971	25,280	13,048	11,426
Net position	1,693	8,867	1,581	1,556

Asset-backed Securities

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

	Carrying Amount	
	31 Dec 14	30 Jun 14
Summary of Asset-backed Securities	$M	$M
Commercial mortgage backed securities	45	50
Residential mortgage backed securities	6,727	5,261
Other asset-backed securities	843	629
Total	7,615	5,940

Asset-backed Securities by Underlying Asset

	Trading Portfolio		AFS Portfolio (1)		Other		Total	
	31 Dec 14	30 Jun 14	31 Dec 14	30 Jun 14	31 Dec 14	30 Jun 14	31 Dec 14	30 Jun 14
	$M	$M	$M	$M	$M	$M	$M	$M
Sub-prime	-	-	-	-	-	-	-	-
Non-conforming (Alt-A)	-	-	288	150	-	-	288	150
Prime mortgages	36	82	6,109	4,735	294	294	6,439	5,111
Other assets	-	-	888	679	-	-	888	679
Total	36	82	7,285	5,564	294	294	7,615	5,940

(1) Available-For-Sale investments (AFS).

Asset-backed Securities by Credit Rating and Geography

	AAA & AA		A		BBB		BB and below including not rated		Total	
	31 Dec 14	30 Jun 14	31 Dec 14	30 Jun 14	31 Dec 14	30 Jun 14	31 Dec 14	30 Jun 14	31 Dec 14	30 Jun 14
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Australia	7,238	5,499	11	64	5	5	22	28	7,276	5,596
Europe	-	-	-	-	-	-	294	294	294	294
UK	-	-	45	50	-	-	-	-	45	50
Total	7,238	5,499	56	114	5	5	316	322	7,615	5,940

	Funded Commitments		Unfunded Commitments		Total	
	31 Dec 14	30 Jun 14	31 Dec 14	30 Jun 14	31 Dec 14	30 Jun 14
Warehousing Financing Facilities	$M	$M	$M	$M	$M	$M
Australia	2,189	2,541	1,342	995	3,531	3,536
New Zealand	121	427	28	57	149	484
Europe	-	389	286	-	286	389
Total	2,310	3,357	1,656	1,052	3,966	4,409

7. Capital

The tables below show the APRA Basel III capital adequacy calculation at 31 December 2014 together with prior period comparatives.

Risk Weighted Capital Ratios	31 Dec 14 %	30 Jun 14 %	31 Dec 13 %
Common Equity Tier 1	**9. 2**	9. 3	8. 5
Tier 1	**11. 6**	11. 1	10. 6
Tier 2	**1. 1**	0. 9	0. 8
Total Capital	**12. 7**	12. 0	11. 4

	31 Dec 14 $M	30 Jun 14 $M	31 Dec 13 $M
Ordinary Share Capital and Treasury Shares			
Ordinary Share Capital	**27,039**	27,036	26,327
Treasury Shares (1)	**287**	291	293
Ordinary Share Capital and Treasury Shares	**27,326**	27,327	26,620
Reserves			
Reserves	**2,674**	2,009	1,780
Reserves related to non-consolidated subsidiaries (2)	**(126)**	(47)	(59)
Total Reserves	**2,548**	1,962	1,721
Retained Earnings and Current Period Profits			
Retained earnings and current period profits	**19,823**	18,827	17,455
Retained earnings adjustment from non-consolidated subsidiaries (3)	**(377)**	(368)	(472)
Net Retained Earnings	**19,446**	18,459	16,983
Non-controlling interest			
Non-controlling interest (4)	**556**	537	536
Less ASB perpetual preference shares	**(505)**	(505)	(505)
Less other non-controlling interests not eligible for inclusion in regulatory capital	**(51)**	(32)	(31)
Minority Interest	**-**	-	-
Common Equity Tier 1 Capital before regulatory adjustments	**49,320**	47,748	45,324

(1) Represents shares held by the Group's life insurance operations ($118 million) and employee share scheme trusts ($169 million).
(2) Reserve balances associated with the Insurance and Funds Management entities and those entities through which securitisation of the Group's assets are conducted. These entities are classified as non-consolidated subsidiaries by APRA and are excluded from the Level 2 Regulatory Consolidated Banking Group.
(3) Cumulative current year profit and retained earnings adjustments for subsidiaries not consolidated for regulatory purposes.
(4) Non-controlling interests predominantly comprise ASB Perpetual Preference Shares of NZD550 million issued by a New Zealand subsidiary entity. These are non-redeemable and carry limited voting rights. These are classified as Additional Tier 1 Capital.

7. Capital (continued)

	31 Dec 14 $M	30 Jun 14 $M	31 Dec 13 $M
Common Equity Tier 1 regulatory adjustments			
Goodwill	**(7,576)**	(7,566)	(7,694)
Other intangibles (excluding software) [1]	**(225)**	(295)	(644)
Capitalised costs	**(341)**	(285)	(275)
Capitalised software	**(1,979)**	(1,854)	(1,950)
General reserve for credit losses [2]	**(225)**	(214)	(198)
Deferred tax asset [3]	**(1,024)**	(1,164)	(1,248)
Cash flow hedge reserve [4]	**(459)**	(224)	(169)
Employee compensation reserve [4]	**(79)**	(125)	(79)
Equity investments [5]	**(2,990)**	(2,589)	(2,924)
Equity investments in non-consolidated subsidiaries [6]	**(1,307)**	(1,219)	(1,218)
Shortfall of provisions to expected losses [7]	**(102)**	(502)	(236)
Deferred fees	**(145)**	(103)	7
Gain due to changes in own credit risk on fair valued liabilities	**(113)**	(48)	(6)
Other	**(170)**	(148)	(152)
Common Equity Tier 1 regulatory adjustments	**(16,735)**	(16,336)	(16,786)
Common Equity Tier 1	**32,585**	31,412	28,538
Additional Tier 1 Capital			
Basel III complying instruments [8]	**5,000**	2,000	2,000
Basel III non-complying instruments net of transitional amortisation [9]	**3,413**	4,196	4,720
Additional Tier 1 Capital	**8,413**	6,196	6,720
Tier 1 Capital	**40,998**	37,608	35,258
Tier 2 Capital			
Basel III complying instruments [10]	**1,254**	234	-
Basel III non-complying instruments net of transitional amortisation [11]	**2,493**	2,530	2,728
Holding of Tier 2 Capital	**(30)**	-	-
Prudential general reserve for credit losses [12]	**186**	171	194
Total Tier 2 Capital	**3,903**	2,935	2,922
Total Capital	**44,901**	40,543	38,180

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

(2) 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.

(3) Deferred tax assets net of deferred tax liabilities.

(4) Cash flow Hedge Reserve and Employee Compensation Reserve balances are ineligible for inclusion in CET1.

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

(6) Represents the net tangible assets within the non-consolidated subsidiaries (primarily the insurance and funds management businesses operating within the Colonial Group). The adjustment is net of $1,250 million in non-recourse debt (30 June 2014: $1,250 million, 31 December 2013: $1,215 million) and $1,000 million in Colonial Group Subordinated Notes (30 June 2014: $1,000 million, 31 December 2013: $1,000 million). The Group's Insurance and fund management companies held $1,317 million of capital in excess of minimum regulatory capital requirements at 31 December 2014.

(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) Comprises PERLS VI $2 billion issued in October 2012 and PERLS VII $3 billion issued in October 2014.

(9) Represents APRA Basel III non-compliant Additional Tier 1 Capital Instruments (PERLS III, PERLS V, Trust Preferred Securities (TPS) 03, TPS 06, ASB Perpetual Preference Shares, and Perpetual Exchangeable Floating Rate Note). These instruments are eligible for Basel III transitional relief. In October 2014 the Group bought back and cancelled $2 billion of PERLS V.

(10) In November 2014 the Group issued AUD $1 billion in Basel III compliant Tier 2 subordinated notes. In April 2014, the Group issued NZD400 million ASB Subordinated Notes through ASB, its New Zealand subsidiary. The notes are Basel III compliant Tier 2 securities and fully contribute towards ASB capital ratios. The amount of these notes that contributes to ASB capital in excess of its minimum regulatory requirements is not eligible for inclusion in the Group's capital (31 December 2014 ineligible amount, AUD$129 million, 30 June 2014 ineligible amount, AUD$138 million).

(11) 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. The December 2014 half year included the redemption of $275 million in subordinated Tier 2 debt.

(12) Represents the collective provision and general reserve for credit losses for exposures in the Group which are measured for capital purposes under the Standardised approach to credit risk.

7. Capital (continued)

Risk Weighted Assets	As at 31 Dec 14 $M	30 Jun 14 $M	31 Dec 13 $M
Credit Risk			
Subject to Advanced IRB approach			
Corporate	**56,612**	49,067	48,331
SME Corporate	**23,913**	22,478	22,548
SME Retail	**4,963**	5,280	4,711
SME Retail secured by residential mortgage (1)	**3,285**	3,543	3,329
Sovereign	**5,432**	5,330	3,985
Bank	**10,983**	10,131	10,073
Residential mortgage (1) (2)	**72,278**	65,986	64,468
Qualifying revolving retail (2)	**8,533**	8,215	6,553
Other retail (2)	**13,620**	12,757	11,827
Impact of the regulatory scaling factor (3)	**11,977**	10,967	10,550
Total Risk Weighted Assets subject to Advanced IRB approach	**211,596**	193,754	186,375
Specialised lending exposures subject to slotting criteria	**48,774**	48,935	48,514
Subject to Standardised approach			
Corporate	**11,358**	10,850	11,087
SME Corporate	**5,470**	4,924	5,382
SME Retail	**5,571**	5,207	4,615
Sovereign	**169**	124	106
Bank	**204**	220	247
Residential mortgage	**6,416**	6,040	6,182
Other retail	**2,946**	2,648	2,571
Other assets	**4,924**	4,214	4,586
Total Risk Weighted Assets subject to Standardised approach	**37,058**	34,227	34,776
Securitisation	**5,016**	5,010	5,722
Credit valuation adjustment	**8,126**	6,636	6,381
Central counterparties	**954**	576	436
Total Risk Weighted Assets for Credit Risk Exposures	**311,524**	289,138	282,204
Traded market risk	**6,466**	5,284	5,970
Interest rate risk in the banking book	**4,846**	14,762	17,543
Operational risk	**30,212**	28,531	28,480
Total Risk Weighted Assets	**353,048**	337,715	334,197

(1) Advanced RWA for SME retail exposures secured by residential mortgages is calculated using the same method as advanced residential mortgages. From June 2014, unless specified otherwise, the Group will include these exposures under SME retail. Prior to that date, these exposures were included in residential mortgages.

(2) A change in the application of the Retail Best Estimate of Expected Loss (BEEL) resulted in an increase RWA of $6.4 billion which was largely offset by a drop in the regulatory Expected Loss deduction for CET1 capital. The equivalent RWA increase in June 2014 would have been $6.6 billion however, this has not been reflected in the table above.

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

8. Share Capital

Shares on Issue	31 Dec 14 Number	30 Jun 14 Number	31 Dec 13 Number
	Half Year Ended		
Opening balance (excluding Treasury Shares deduction)	**1,621,319,194**	1,611,928,836	1,611,928,836
Dividend reinvestment plan issue: (1)			
2013/2014 Interim dividend fully paid ordinary shares $75.26	**-**	9,390,358	-
Closing balance (excluding Treasury Shares deduction)	**1,621,319,194**	1,621,319,194	1,611,928,836
Less: Treasury Shares (2)	**(4,898,558)**	(5,516,035)	(5,629,235)
Closing balance	**1,616,420,636**	1,615,803,159	1,606,299,601

(1) The DRPs in respect of 2013/2014 final dividends were satisfied in full through the on market purchase and transfer of 8,749,607 shares to participating shareholders.

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

Dividend Franking Account

After fully franking the interim dividend to be paid for the half year, the amount of credits available at the 30% tax rate as at 31 December 2014 to frank dividends for subsequent financial years is $624 million (June 2014: $533 million; December 2013: $849 million). This figure is based on the franking accounts of the Bank at 31 December 2014, adjusted for franking credits that will arise from the payment of income tax payable on profits for the half year, franking debits that will arise from the payment of dividends proposed and franking credits that the Bank may be prevented from distributing in subsequent financial periods. The Bank expects that future tax payments will generate sufficient franking credits for the Bank to be able to continue to fully frank future dividend payments. These calculations have been based on the taxation law as at 31 December 2014.

Dividends

The Directors have determined a fully franked interim dividend of 198 cents per share amounting to $3,210 million. There is no foreign conduit income attributed to the final dividend. The dividend is scheduled to be paid on 2 April 2015 to shareholders on the register at 5:00pm EST on 19 February 2015.

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

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

Dividend Reinvestment Plan

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

Record Date

The register closed for determination of dividend entitlement at 5:00pm EST on 19 February 2015. The deadline for notifying participation in the DRP was 5:00pm EST on 20 February 2015.

Ex-Dividend Date

The ex-dividend date was 17 February 2015.

9. Intangible Assets

	As at		
	31 Dec 14	30 Jun 14	31 Dec 13
	$M	$M	$M
Goodwill			
Purchased goodwill at cost	**7,576**	7,566	7,567
Closing balance	**7,576**	7,566	7,567
Computer Software Costs			
Cost	**3,112**	2,913	2,987
Accumulated amortisation	**(1,133)**	(1,059)	(1,037)
Closing balance	**1,979**	1,854	1,950
Core Deposits (1)			
Cost	**495**	495	495
Accumulated amortisation	**(425)**	(390)	(355)
Closing balance	**70**	105	140
Brand Names (2)			
Cost	**190**	190	190
Accumulated amortisation	**(1)**	(1)	-
Closing balance	**189**	189	190
Other Intangibles (3)			
Cost	**221**	256	267
Accumulated amortisation	**(154)**	(178)	(172)
Closing balance	**67**	78	95
Total intangible assets	**9,881**	9,792	9,942

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

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

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

10. ASX Appendix 4D

Details of entities over which control was gained and lost during the period (Rule 4.2A.3 Item No. 4)

The Group has not gained or lost control over any material entities during the half.

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

Not applicable.

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

Not Applicable

Details of associates and joint ventures (Rule 4.2A.3 Item No. 7)

As at 31 December 2014	Ownership Interest Held (%)
Aussie Home Loans Pty Limited (1)	80%
Acadian Asset Management (Australia) Limited	50%
Aegis Correctional Partnership Pty Limited	50%
Aegis Correctional Partnership Trust	50%
Aegis Securitisation Nominees Pty Limited	50%
Aegis Securitisation Trust	50%
Equigroup Pty Limited	50%
Sentinel Finance Holding Trust	50%
Sentinel Financing Holdings Pty Limited	50%
Sentinel Financing Pty Limited	50%
Sentinel Partnership Pty Limited	50%
First State Cinda Fund Management Company Limited	46%
BoCommLife Insurance Company Limited	38%
Countplus Limited	37%
Vipro Pty Limited	33%
Cardlink Services Limited	25%
Cash Services Australia Pty Limited	25%
Paymark Limited (2)	25%
Bank of Hangzhou Co., Ltd.	20%
Qilu Bank Co., Ltd.	20%
Vietnam International Commercial Joint Stock Bank	20%
Payments NZ Limited	19%
First State European Diversified Investment Fund	11%

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

(2) Formerly known as Electronic Transaction Services Limited.

11. Profit Reconciliation

Profit Reconciliation	Net profit after tax "cash basis" $M	Hedging and IFRS volatility $M	Bankwest non-cash items (1) $M	Treasury shares valuation adjustment $M	Bell Group litigation $M	Gain on sale of management rights $M	Policyholder tax $M	Investment experience $M	Net profit after tax "statutory basis" $M
	Half Year Ended 31 December 2014								
Group									
Interest income	**17,297**	(2)	-	-	-	-	-	-	**17,295**
Interest expense	**(9,406)**	(1)	-	-	-	-	-	-	**(9,407)**
Net interest income	**7,891**	(3)	-	-	-	-	-	-	**7,888**
Other banking income	**2,370**	(56)	-	-	-	-	-	-	**2,314**
Total banking income	**10,261**	(59)	-	-	-	-	-	-	**10,202**
Funds management income	**970**	-	-	(18)	-	-	11	11	**974**
Insurance income	**416**	-	-	-	-	-	50	69	**535**
Total operating income	**11,647**	(59)	-	(18)	-	-	61	80	**11,711**
Investment experience	**80**	-	-	-	-	-	-	(80)	**-**
Total income	**11,727**	(59)	-	(18)	-	-	61	-	**11,711**
Operating expenses	**(4,914)**	-	(37)	-	-	-	-	-	**(4,951)**
Loan impairment expense	**(440)**	-	-	-	-	-	-	-	**(440)**
Net profit before tax	**6,373**	(59)	(37)	(18)	-	-	61	-	**6,320**
Corporate tax expense	**(1,740)**	17	11	(2)	-	-	(61)	-	**(1,775)**
Non-controlling interests	**(10)**	-	-	-	-	-	-	-	**(10)**
Net profit after tax	**4,623**	(42)	(26)	(20)	-	-	-	-	**4,535**

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

11. Profit Reconciliation (continued)

	Half Year Ended 30 June 2014								
	Net profit after tax "cash basis"	Hedging and IFRS volatility	Bankwest non-cash items [1]	Treasury shares valuation adjustment	Bell Group litigation	Gain on sale of management rights	Policyholder tax	Investment experience	Net profit after tax "statutory basis"
Profit Reconciliation	$M	$M	$M	$M	$M	$M	$M	$M	$M
Group									
Interest income	16,805	-	1	-	-	-	-	-	16,806
Interest expense	(9,158)	(1)	-	-	-	-	-	-	(9,159)
Net interest income	7,647	(1)	1	-	-	-	-	-	7,647
Other banking income	2,089	(3)	-	-	-	26	-	-	2,112
Total banking income	9,736	(4)	1	-	-	26	-	-	9,759
Funds management income	930	-	-	(14)	-	-	17	58	991
Insurance income	433	-	-	-	-	-	49	96	578
Total operating income	11,099	(4)	1	(14)	-	26	66	154	11,328
Investment experience	154	-	-	-	-	-	-	(154)	-
Total income	11,253	(4)	1	(14)	-	26	66	-	11,328
Operating expenses	(4,748)	-	(37)	-	-	-	-	-	(4,785)
Loan impairment expense	(496)	-	-	-	35	-	-	-	(461)
Net profit before tax	6,009	(4)	(36)	(14)	35	26	66	-	6,082
Corporate tax expense	(1,588)	15	10	1	(10)	(11)	(66)	-	(1,649)
Non-controlling interests	(9)	-	-	-	-	-	-	-	(9)
Net profit after tax	4,412	11	(26)	(13)	25	15	-	-	4,424

(1) Includes merger related amortisation through net interest income of $1 million; merger related amortisation through operating expense of $37 million; and an income tax benefit of $10 million.

11. Profit Reconciliation (continued)

	Half Year Ended 31 December 2013								
	Net profit after tax "cash basis"	Hedging and IFRS volatility	Bankwest non-cash items [1]	Treasury shares valuation adjustment	Bell Group litigation	Gain on sale of management rights	Policyholder tax	Investment experience	Net profit after tax "statutory basis"
Profit Reconciliation	$M	$M	$M	$M	$M	$M	$M	$M	$M
Group									
Interest income	**16,829**	16	(6)	-	-	-	-	-	**16,839**
Interest expense	**(9,385)**		-	-	-	-	-	-	**(9,385)**
Net interest income	**7,444**	16	(6)	-	-	-	-	-	**7,454**
Other banking income	**2,234**	(24)	-	-	-	(2)	-	-	**2,208**
Total banking income	**9,678**	(8)	(6)	-	-	(2)	-	-	**9,662**
Funds management income	**1,003**	-	-	(32)	-	-	42	30	**1,043**
Insurance income	**386**	-	-	-	-	-	18	51	**455**
Total operating income	**11,067**	(8)	(6)	(32)	-	(2)	60	81	**11,160**
Investment experience	**81**	-	-	-	-	-	-	(81)	**-**
Total income	**11,148**	(8)	(6)	(32)	-	(2)	60	-	**11,160**
Operating expenses	**(4,751)**	-	(37)	-	-	-	-	-	**(4,788)**
Loan impairment expense	**(457)**	-	-	-	-	-	-	-	**(457)**
Net profit before tax	**5,940**	(8)	(43)	(32)	-	(2)	60	-	**5,915**
Corporate tax expense	**(1,662)**	3	13	4	-	4	(60)	-	**(1,698)**
Non-controlling interests	**(10)**	-	-	-	-	-	-	-	**(10)**
Net profit after tax	**4,268**	(5)	(30)	(28)	-	2	-	-	**4,207**

(1) Includes merger related amortisation through net interest income of $6 million; merger related amortisation through operating expense of $37 million; and an income tax benefit of $13 million.

12. Analysis Template

Profit Summary - Input Schedule	Half Year Ended		
	31 Dec 14	30 Jun 14	31 Dec 13
	$M	$M	$M
Net interest income	**7,891**	7,647	7,444
Other banking income	**2,370**	2,089	2,234
Total banking income	**10,261**	9,736	9,678
Funds management income	**970**	930	1,003
Insurance income	**416**	433	386
Total operating income	**11,647**	11,099	11,067
Investment experience	**80**	154	81
Total income	**11,727**	11,253	11,148
Operating Expenses (1)			
Retail Banking Services	**(1,635)**	(1,565)	(1,608)
Business and Private Banking	**(697)**	(673)	(665)
Institutional Banking and Markets	**(475)**	(492)	(451)
Wealth Management (2)	**(783)**	(800)	(793)
New Zealand	**(420)**	(412)	(393)
Bankwest	**(397)**	(401)	(405)
IFS and Other	**(507)**	(405)	(436)
Total operating expenses	**(4,914)**	(4,748)	(4,751)
Profit before loan impairment expense	**6,813**	6,505	6,397
Loan impairment expense	**(440)**	(496)	(457)
Net profit before income tax	**6,373**	6,009	5,940
Corporate tax expense	**(1,740)**	(1,588)	(1,662)
Operating profit after tax	**4,633**	4,421	4,278
Non-controlling interests	**(10)**	(9)	(10)
Net profit after tax ("cash basis")	**4,623**	4,412	4,268
Treasury shares valuation adjustment (after tax)	**(20)**	(13)	(28)
Hedging and IFRS volatility (after tax)	**(42)**	11	(5)
Bankwest non-cash items (after tax)	**(26)**	(26)	(30)
Bell Group litigation (after tax)	**-**	25	-
Gain on sale of management rights (after tax)	**-**	15	2
Net profit after tax ("statutory basis")	**4,535**	4,424	4,207
Total Operating Income (1)			
Retail Banking Services	**4,746**	4,552	4,450
Business and Private Banking	**1,824**	1,733	1,726
Institutional Banking and Markets	**1,434**	1,308	1,358
Wealth Management (net of volume expenses) (2)	**1,191**	1,172	1,239
New Zealand	**1,032**	949	883
Bankwest	**912**	876	907
IFS and Other	**508**	509	504

(1) Comparative information has been restated to conform to presentation in the current period. Refer to "Financial Information Definitions – Reclassification of certain Income Statement and Balance Sheet Information" on page 5 of and Appendix 16 to this Document for further details.

(2) The internalisation of the management of CFX and KIP, the cessation of management of CPA and the sale of the proprietary holding in CFX have been included in comparative information.

12. Analysis Template (continued)

Profit Summary - Input Schedule	Half Year Ended 31 Dec 14 $M	30 Jun 14 $M	31 Dec 13 $M	Page References
Other Data				
Net interest income	**7,891**	7,647	7,444	Page 62
Average interest earning assets	**738,648**	720,889	690,106	Page 6
Average net assets (1)	**50,190**	48,193	46,287	-
Average non-controlling interests (1)	**547**	537	537	-
Average other equity instruments (1)	**939**	939	939	-
Average treasury shares (1)	**(288)**	(292)	(295)	-
Distributions - other equity instruments	**24**	22	23	-
Interest expense (after tax) - PERLS III	**12**	17	17	-
Interest expense (after tax) - PERLS V	**19**	33	33	-
Interest expense (after tax) - PERLS VI	**48**	32	33	1
Interest expense (after tax) - PERLS VII	**21**	-	-	
Interest expense (after tax) - TPS	**13**	12	13	-
Weighted average number of shares - statutory basis (M)	**1,616**	1,611	1,606	Page 4
Weighted average number of shares - statutory diluted (M)	**1,699**	1,684	1,685	-
Weighted average number of shares - cash basis (M)	**1,619**	1,614	1,609	Page 4
Weighted average number of shares - cash diluted (M)	**1,702**	1,687	1,688	Page 89
Weighted average number of shares - PERLS III (M)	**14**	14	16	-
Weighted average number of shares - PERLS V (M)	**16**	25	27	-
Weighted average number of shares - PERLS VI (M)	**24**	25	27	1
Weighted average number of shares - PERLS VII (M)	**18**	-	-	-
Weighted average number of shares - TPS (M)	**9**	8	8	-
Weighted average number of shares - Convertible notes (M)	**1**	-	-	-
Weighted average number of shares - Executive options (M)	**1**	1	1	-
Dividends per share (cents) - fully franked	**198**	218	183	Page 4
No. of shares at end of period excluding Treasury Shares deduction (M)	**1,621**	1,621	1,612	Page 80
Funds Under Administration (FUA) - average	**274,923**	266,221	262,578	Page 6
Average inforce premiums	**3,234**	3,152	3,057	Page 6
Net assets	**51,031**	49,348	47,037	Page 37
Total intangible assets	**9,881**	9,792	9,942	Page 37
Non-controlling interests	**556**	537	536	Page 37
Other equity instruments	**939**	939	939	Page 37

(1) Average of reporting period balances.

12. Analysis Template (continued)

Ratios - Output Summary	Half Year Ended 31 Dec 14 $M	30 Jun 14 $M	31 Dec 13 $M
Earnings Per Share (EPS)			
Net profit after tax - "cash basis"	**4,623**	4,412	4,268
Less distribution - other equity instruments	**(24)**	(22)	(23)
Adjusted profit for EPS calculation	**4,599**	4,390	4,245
Average number of shares (M) "cash basis"	**1,619**	1,614	1,609
Earnings Per Share basic - "cash basis" (cents) [1]	**284. 1**	272. 0	263. 9
Net profit after tax - "statutory basis"	**4,535**	4,424	4,207
Less distribution - other equity instruments	**(24)**	(22)	(23)
Adjusted profit for EPS calculation	**4,511**	4,402	4,184
Average number of shares (M) - "statutory basis"	**1,616**	1,611	1,606
Earnings Per Share basic - "statutory basis" (cents) [1]	**279. 1**	273. 3	260. 5
Interest expense (after tax) - PERLS III	**12**	17	17
Interest expense (after tax) - PERLS V	**19**	33	33
Interest expense (after tax) - PERLS VI	**48**	32	33
Interest expense (after tax) - PERLS VII	**21**	-	-
Interest expense (after tax) - TPS	**13**	12	13
Profit impact of assumed conversions (after tax)	**113**	94	96
Weighted average number of shares - PERLS III (M)	**14**	14	16
Weighted average number of shares - PERLS V (M)	**16**	25	27
Weighted average number of shares - PERLS VI (M)	**24**	25	27
Weighted average number of shares - PERLS VII (M)	**18**	-	-
Weighted average number of shares - TPS (M)	**9**	8	8
Weighted average number of shares - Convertible notes (M)	**1**	-	-
Weighted average number of shares - Executive options (M)	**1**	1	1
Weighted average number of shares - dilutive securities (M)	**83**	73	79
Adjusted cash profit for EPS calculation	**4,599**	4,390	4,245
Add back profit impact of assumed conversions (after tax)	**113**	94	96
Adjusted diluted profit for EPS calculation	**4,712**	4,484	4,341
Average number of shares (M) "cash basis"	**1,619**	1,614	1,609
Add back weighted average number of shares (M)	**83**	73	79
Diluted average number of shares (M)	**1,702**	1,687	1,688
Earnings Per Share diluted - "cash basis" (cents) [1]	**276. 9**	265. 8	257. 1
Adjusted profit for EPS calculation	**4,511**	4,402	4,184
Add back profit impact of assumed conversions (after tax)	**113**	94	96
Adjusted diluted profit for EPS calculation	**4,624**	4,496	4,280
Average number of shares (M) - "statutory basis"	**1,616**	1,611	1,606
Add back weighted average number of shares (M)	**83**	73	79
Diluted average number of shares (M)	**1,699**	1,684	1,685
Earnings Per Share diluted - "statutory basis" (cents) [1]	**272. 1**	267. 0	253. 9
Dividends Per Share (DPS)			
Dividends			
Dividends per share (cents)	**198**	218	183
No. of shares at end of period (M)	**1,621**	1,621	1,612
Total dividends	**3,210**	3,534	2,950
Dividend payout ratio - "cash basis"			
Net profit after tax - "cash basis"	**4,623**	4,412	4,268
Net profit after tax - attributable to ordinary shareholders	**4,599**	4,390	4,245
Total dividends	**3,210**	3,534	2,950
Payout ratio - "cash basis" (%)	**69. 8**	80. 5	69. 5
Dividend cover			
Net profit after tax - attributable to ordinary shareholders	**4,599**	4,390	4,245
Total dividends	**3,210**	3,534	2,950
Dividend cover - "cash basis" (times)	**1. 2**	1. 2	1. 4

(1) Comparative information has been restated to conform to presentation in the current period. Refer to “Financial Information Definitions – Reclassification of certain Income Statement and Balance Sheet Information” on page 5 of and Appendix 16 to this Document for further details.

12. Analysis Template (continued)

Ratios - Output Summary	Half Year Ended 31 Dec 14 $M	30 Jun 14 $M	31 Dec 13 $M
Return on Equity (ROE)			
Return on Equity - "cash basis"			
Average net assets	**50,190**	48,193	46,287
Less:			
Average non-controlling interests	**(547)**	(537)	(537)
Average other equity instruments	**(939)**	(939)	(939)
Average equity	**48,704**	46,717	44,811
Add average treasury shares	**288**	292	295
Net average equity	**48,992**	47,009	45,106
Net profit after tax - "cash basis"	**4,623**	4,412	4,268
Less distribution - other equity instruments	**(24)**	(22)	(23)
Adjusted profit for ROE calculation	**4,599**	4,390	4,245
ROE - "cash basis" (%)	**18. 6**	18. 8	18. 7
Return on Equity - "statutory basis"			
Average net assets	**50,190**	48,193	46,287
Average non-controlling interests	**(547)**	(537)	(537)
Average other equity interests	**(939)**	(939)	(939)
Average equity	**48,704**	46,717	44,811
Net profit after tax - "statutory basis"	**4,535**	4,424	4,207
Less distribution other equity instruments	**(24)**	(22)	(23)
Adjusted profit for ROE calculation	**4,511**	4,402	4,184
ROE - "statutory basis" (%)	**18. 4**	19. 0	18. 5
Net Tangible Assets per share			
Net assets	**51,031**	49,348	47,037
Less:			
Intangible assets	**(9,881)**	(9,792)	(9,942)
Non-controlling interests	**(556)**	(537)	(536)
Other equity instruments	**(939)**	(939)	(939)
Total net tangible assets	**39,655**	38,080	35,620
No. of shares at end of period (M)	**1,621**	1,621	1,612
Net Tangible Assets per share ($)	**24. 46**	23. 49	22. 10

13. Summary

Group		Half Year Ended 31 Dec 14	30 Jun 14	31 Dec 13	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Net profit after tax - "cash basis"	$M	**4,623**	4,412	4,268	5	8
Treasury shares valuation adjustment (after tax)	$M	**(20)**	(13)	(28)	54	(29)
Hedging and IFRS volatility (after tax)	$M	**(42)**	11	(5)	large	large
Bankwest non-cash items (after tax)	$M	**(26)**	(26)	(30)	-	(13)
Bell Group litigation (after tax)	$M	**-**	25	-	large	-
Gain on sale of management rights (after tax)	$M	**-**	15	2	large	large
Net profit after tax - "statutory basis"	$M	**4,535**	4,424	4,207	3	8
Earnings per share - "cash basis" - basic	cents	**284. 1**	272. 0	263. 9	4	8
Dividends per share (fully franked)	cents	**198**	218	183	(9)	8
Dividend payout ratio - "cash basis"	%	**69. 8**	80. 5	69. 5	large	30 bpts
Common Equity Tier 1 (APRA) - Basel III	%	**9. 2**	9. 3	8. 5	(10)bpts	70 bpts
Number of full time equivalent staff	No.	**44,520**	44,329	44,007	-	1
Return on equity - "cash basis"	%	**18. 6**	18. 8	18. 7	(20)bpts	(10)bpts
Return on equity - "statutory basis"	%	**18. 4**	19. 0	18. 5	(60)bpts	(10)bpts
Weighted average no. of shares - "statutory basis" - basic	M	**1,616**	1,611	1,606	-	1
Net tangible assets per share	$	**24. 46**	23. 49	22. 10	4	11
Net interest income - "cash basis"	$M	**7,891**	7,647	7,444	3	6
Net interest margin	%	**2. 12**	2. 14	2. 14	(2)bpts	(2)bpts
Other banking income - "cash basis"	$M	**2,370**	2,089	2,234	13	6
Other banking income to total banking income - "cas	%	**23. 1**	21. 5	23. 1	160 bpts	-
Operating expenses to total operating income - "cas	%	**42. 2**	42. 8	42. 9	(60)bpts	(70)bpts
Average interest earning assets	$M	**738,648**	720,889	690,106	2	7
Average interest bearing liabilities	$M	**695,400**	675,749	647,944	3	7
Loan impairment expense - "cash basis"	$M	**440**	496	457	(11)	(4)
Loan impairment expense - "cash basis" - annualised as a % of average gross loans and acceptances	%	**0. 14**	0. 17	0. 16	(3)bpts	(2)bpts
Total provisions for impaired assets as a % of gross impaired assets	%	**37. 02**	37. 60	39. 07	(58)bpts	(205)bpts
Risk weighted assets (APRA) - Basel III	$M	**353,048**	337,715	334,197	5	6
Retail Banking Services (1)						
Cash net profit after tax	$M	**1,992**	1,894	1,784	5	12
Operating expenses to total banking income - "cash basis"	%	**34. 5**	34. 4	36. 1	10 bpts	(160)bpts
Business and Private Banking (1)						
Cash net profit after tax	$M	**743**	635	686	17	8
Operating expenses to total banking income - "cash basis"	%	**38. 2**	38. 8	38. 5	(60)bpts	(30)bpts
Institutional Banking and Markets (1)						
Cash net profit after tax	$M	**653**	582	670	12	(3)
Operating expenses to total banking income - "cash basis"	%	**33. 1**	37. 6	33. 2	(450)bpts	(10)bpts

(1) Comparative information has been restated to conform to presentation in the current period. Refer to “Financial Information Definitions – Reclassification of certain Income Statement and Balance Sheet Information” on page 5 of and Appendix 16 to this Document for further details.

13. Summary (continued)

		Half Year Ended				
		31 Dec 14	30 Jun 14	31 Dec 13	Dec 14 vs Jun 14 %	Dec 14 vs Dec 13 %
Wealth Management [(1)]						
Cash net profit after tax [(2)]	$M	347	396	393	(12)	(12)
Underlying profit after tax [(3)]	$M	302	267	303	13	-
Investment experience after tax [(3)]	$M	45	77	41	(42)	10
Funds Under Administration (FUA) - (average) [(3)]	$M	262,409	247,645	235,678	6	11
FUA - (spot) [(3)]	$M	270,266	253,483	244,996	7	10
Net funds flows [(3)]	$M	1,467	3,310	2,958	(56)	(50)
Average inforce premiums	$M	2,345	2,291	2,219	2	6
Annual Inforce premiums - (spot)	$M	2,381	2,309	2,273	3	5
Funds management income to average FUA [(3)]	%	0. 69	0. 69	0. 72	-	(3)bpts
Insurance income to average inforce premiums	%	23. 2	25. 9	25. 1	(270)bpts	(190)bpts
Operating expenses to total operating income - "cash basis" [(3)]	%	65. 7	68. 5	65. 3	(280)bpts	40 bpts
New Zealand						
Cash net profit after tax	$M	435	387	355	12	23
Underlying profit after tax	$M	431	384	355	12	21
FUA - (average)	$M	12,514	11,507	10,263	9	22
FUA - (spot)	$M	13,614	12,082	10,984	13	24
Average inforce premiums	$M	656	628	582	4	13
Annual Inforce premiums - (spot)	$M	676	636	620	6	9
Funds management income to average FUA - "cash basi	%	0. 55	0. 54	0. 58	1 bpt	(3)bpts
Insurance income to average inforce premiums	%	33. 8	37. 1	29. 0	(330)bpts	480 bpts
Operating expenses to total operating income - "cash basis"	%	40. 4	41. 5	42. 6	(110)bpts	(220)bpts
Bankwest [(1)]						
Cash net profit after tax	$M	378	325	350	16	8
Operating expenses to total banking income - "cash basis"	%	43. 5	45. 8	44. 7	(230)bpts	(120)bpts

(1) Comparative information has been restated to conform to presentation in the current period. Refer to “Financial Information Definitions – Reclassification of certain Income Statement and Balance Sheet Information” on page 5 of and Appendix 16 to this Document for further details.

(2) During the prior year the Group successfully completed the internalisation of the management of CFS Retail Property Group (CFX) and Kiwi Income Property Trust (KIP), and the Group ceased to manage the Commonwealth Property Office Fund (CPA). The Group also sold its entire proprietary unit holding in CPA and KIP, and part of its proprietary holding in CFX. Excluding the contribution from these transactions, cash net profit after tax increased 1% on both the prior comparative period and prior half.

(3) The internalisation of the management of CFX and KIP, the cessation of management of CPA and the sale of the proprietary holding in CFX have been excluded from the calculation of comparative performance indicators and information.

14. Foreign Exchange Rates

Exchange Rates Utilised [(1)]	Currency	As at 31 Dec 14	30 Jun 14	31 Dec 13
AUD 1.00 =	USD	0. 8188	0. 9405	0. 8939
	EUR	0. 6738	0. 6892	0. 6480
	GBP	0. 5262	0. 5525	0. 5424
	NZD	1. 0450	1. 0762	1. 0867
	JPY	98. 0111	95. 4517	93. 9090

(1) End of day, Sydney time

15. Definitions

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

16. Disclosure Changes

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

- **Small Business** – the Group has created a new Small Business customer channel within Retail Banking Services, to which all non-relationship managed business clients primarily from Business and Private Banking have been transferred. This re-segmentation will not impact the Group's results, but will result in changes to the presentation of the Profit and Loss and the Balance Sheet of the affected business segments.
- **Deposit reclassification** – deposit products have been reclassified to align more consistently with the changing nature of product usage by the customer. For example, the 'Business Online Saver' deposit product, which was previously classified as a transaction deposit due to its "at-call" nature, has been reclassified to savings deposits. This is a presentational change only and has no impact on regulatory treatment or market share statistics.
- **Other changes** – minor refinements have been made to the allocation of customer balances and associated revenue and expenses between business segments. These refinements will not impact the Group's results, but will result in changes to presentation of the Profit and Loss and the Balance Sheet of the affected business segments.

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

Segment Statutory NPAT (impact by adjustment type)

	Half Year Ended 30 June 2014							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	IFS and Other $M	Group $M
Statutory NPAT - as published	1,801	729	609	400	412	301	172	**4,424**
Restatements:								
Small Business re-segmentation	93	(94)	1	-	-	-	-	-
Other	-	-	(3)	(2)	-	(2)	7	-
Statutory NPAT - as restated	**1,894**	**635**	**607**	**398**	**412**	**299**	**179**	**4,424**

	Half Year Ended 31 December 2013							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	IFS and Other $M	Group $M
Statutory NPAT - as published	1,671	797	674	369	340	323	33	**4,207**
Restatements:								
Small Business re-segmentation	113	(111)	(2)	-	-	-	-	-
Other	-	-	(2)	(2)	-	(3)	7	-
Statutory NPAT - as restated	**1,784**	**686**	**670**	**367**	**340**	**320**	**40**	**4,207**

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

	Half Year Ended 30 June 2014							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	IFS and Other $M	Group $M
Statutory NPAT - as published	1,801	729	609	400	412	301	172	**4,424**
Restatements:								
Increase/(decrease) in Total operating income	175	(188)	(3)	(1)	-	-	17	-
(Increase)/decrease in Operating expenses	(34)	44	-	(2)	-	(3)	(5)	-
(Increase)/decrease in Loan impairment expense	(9)	9	-	-	-	-	-	-
(Increase)/decrease in Corporate tax expense	(39)	41	1	1	-	1	(5)	-
Statutory NPAT - as restated	**1,894**	**635**	**607**	**398**	**412**	**299**	**179**	**4,424**

16. Disclosure Changes (continued)

	Half Year Ended 31 December 2013							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	IFS and Other $M	Group $M
Statutory NPAT - as published	1,671	797	674	369	340	323	33	**4,207**
Restatements:								
Increase/(decrease) in Total operating income	204	(209)	(10)	-	-	-	15	-
(Increase)/decrease in Operating expenses	(36)	44	4	(3)	-	(4)	(5)	-
(Increase)/decrease in Loan impairment expense	(7)	7	-	-	-	-	-	-
(Increase)/decrease in Corporate tax expense	(48)	47	2	1	-	1	(3)	-
Statutory NPAT - as restated	**1,784**	**686**	**670**	**367**	**340**	**320**	**40**	**4,207**

Segment Balance Sheet

	As at 30 June 2014							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	IFS and Other $M	Group $M
Total Assets - as published	281,062	103,864	149,802	20,759	65,736	76,795	93,433	**791,451**
Increase/(decrease)	9,711	(9,409)	(302)	-	-	-	-	-
Total Assets - as restated	**290,773**	**94,455**	**149,500**	**20,759**	**65,736**	**76,795**	**93,433**	**791,451**
Total Liabilities - as published	196,853	69,691	145,457	24,133	58,149	45,671	202,149	**742,103**
Increase/(decrease)	6,531	(7,556)	1,025	-	-	-	-	-
Total Liabilities - as restated	**203,384**	**62,135**	**146,482**	**24,133**	**58,149**	**45,671**	**202,149**	**742,103**

16. Disclosure Changes (continued)

	As at 31 December 2013							
	Retail Banking Services	Business and Private Banking	Institutional Banking and Markets	Wealth Management	New Zealand	Bankwest	IFS and Other	Group
	$M	$M	$M	$M	$M	$M	$M	$M
Total Assets - as published	272,362	102,883	151,972	20,796	64,212	75,056	95,020	**782,301**
Increase/(decrease)	10,521	(10,851)	328	-	-	(153)	155	**-**
Total Assets - as restated	**282,883**	**92,032**	**152,300**	**20,796**	**64,212**	**74,903**	**95,175**	**782,301**
Total Liabilities - as published	193,258	67,376	150,716	23,358	56,414	42,705	201,437	**735,264**
Increase/(decrease)	7,252	(7,212)	(37)	-	-	(75)	72	**-**
Total Liabilities - as restated	**200,510**	**60,164**	**150,679**	**23,358**	**56,414**	**42,630**	**201,509**	**735,264**

Balance Sheet Product Reclassification and Small Business Re-segmentation

	As Published						As Restated
	30 Jun 14	Retail Banking Services	Business and Private Banking	Institutional Banking and Markets	IFS	Total Adjustment	30 Jun 14
	$M	$M	$M	$M	$M	$M	$M
Interest bearing liabilities							
Transaction deposits	**102,086**	(3,405)	(11,673)	(10,061)	-	(25,139)	**76,947**
Savings deposits	**127,430**	6,947	10,118	10,624	23	27,712	**155,142**
Investment deposits	**195,529**	2,580	(5,455)	325	(23)	(2,573)	**192,956**
Other demand deposits	**60,832**	-	-	-	-	-	**60,832**
Total interest bearing liabilities	**485,877**	**6,122**	**(7,010)**	**888**	**-**	**-**	**485,877**

	As Published						As Restated
	31 Dec 13	Retail Banking Services	Business and Private Banking	Institutional Banking and Markets	IFS	Total Adjustment	31 Dec 13
	$M	$M	$M	$M	$M	$M	$M
Interest bearing liabilities							
Transaction deposits	**96,143**	(3,074)	(12,350)	(9,021)	-	(24,445)	**71,698**
Savings deposits	**120,686**	6,759	10,239	7,264	25	24,287	**144,973**
Investment deposits	**196,955**	2,972	(4,726)	1,937	(25)	158	**197,113**
Other demand deposits	**59,759**	-	-	-	-	-	**59,759**
Total interest bearing liabilities	**473,543**	**6,657**	**(6,837)**	**180**	**-**	**-**	**473,543**

16. Disclosure Changes (continued)

Segment Cost to Income Ratios

	Half Year Ended 30 June 2014							
	Retail Banking Services	Business and Private Banking	Institutional Banking and Markets	Wealth Management	New Zealand	Bankwest	IFS and Other	Group
	%	%	%	%	%	%	%	%
Operating expenses to total operating income - as published	35. 0	37. 3	37. 5	59. 1	40. 4	49. 6	n/a	**42. 2**
Operating expenses to total operating income - as restated	34. 4	38. 8	37. 6	59. 3	40. 4	49. 9	n/a	**42. 2**

	Half Year Ended 31 December 2013							
	Retail Banking Services	Business and Private Banking	Institutional Banking and Markets	Wealth Management	New Zealand	Bankwest	IFS and Other	Group
	%	%	%	%	%	%	%	%
Operating expenses to total operating income - as published	37. 0	36. 6	33. 3	59. 0	45. 7	48. 6	n/a	**42. 9**
Operating expenses to total operating income - as restated	36. 1	38. 5	33. 2	59. 3	45. 7	49. 1	n/a	**42. 9**

17. Euro-zone Exposures

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

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

The total exposures to these countries are 100% funded. No further unfunded committed exposures exist.

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

It should be noted that the interest rate risk exposures on these positions is insignificant to the Group as a whole.

	As at 31 December 2014			
	Sovereign Exposure	Non Sovereign Exposure		Total Exposure
		Bank	Corporate	
Financial Instrument	$M	$M	$M	$M
Italy				
Loans and Leases	-	-	-	**-**
Available for Sale Assets	298	-	-	**298**
Other	-	272	-	**272**
	298	272	-	**570**
Spain				
Loans and Leases	-	-	318	**318**
Other	8	6	-	**14**
	8	6	318	**332**
Ireland				
Loans and Leases	-	-	705	**705**
Trading at Fair Value	-	-	-	**-**
Available for Sale Assets	-	-	-	**-**
	-	-	705	**705**
Total Exposure	**306**	**278**	**1,023**	**1,607**

18. Independent Auditors

With respect to the unaudited financial information contained in the half-year financial report of Commonwealth Bank of Australia which comprises the balance sheet, the income statement, the statement of comprehensive income, statement of changes in equity, statement of cash flows and related notes for the six-month periods ended 31 December 2014, 30 June 2014, and 31 December 2013, included in this Document, PricewaterhouseCoopers, an Australian partnership ("PwC Australia") reported that they have applied review procedures in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report by the Independent Auditor of the Entity. Their separate report dated 10 February 2015 appearing herein states that they did not perform an audit and they do not express an audit opinion on that unaudited financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.