

**COMMONWEALTH BANK OF AUSTRALIA  
NEW ZEALAND OPERATIONS**

**Disclosure Statement  
For the six months ended 31 December 2013**

# General Disclosures

(To be read in conjunction with the Financial Statements)

This Disclosure Statement has been issued in accordance with the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order (No 2) 2013 (the "Order").

In this Disclosure Statement, reference is made to the following reporting entities:

- Commonwealth Bank of Australia Group (the "Overseas Banking Group") is domiciled in Australia and comprises the Commonwealth Bank of Australia ("Overseas Bank" or "CBA"), the worldwide activities of CBA, and its controlled entities;
- Commonwealth Bank of Australia New Zealand Banking Group (the "NZ Banking Group") refers to the New Zealand banking operations of the Overseas Banking Group, including those entities whose business is required to be reported in the financial statements for the Overseas Banking Group's New Zealand banking business. Controlled entities of the NZ Banking Group as at 30 June 2013 are set out in Note 17 of the financial statements of the NZ Banking Group for the year ended 30 June 2013;
- Commonwealth Bank of Australia New Zealand Life Insurance Group (the "NZ Life Group") refers to all of the New Zealand operations of the Overseas Banking Group that are not included in the NZ Banking Group, including those entities whose business is required to be reported in the financial statements of the Overseas Banking Group's New Zealand non-banking business. Controlled entities of the NZ Life Group as at 30 June 2013 are set out in Note 16 to the financial statements of the NZ Life Group for the year ended 30 June 2013; and
- Commonwealth Bank of Australia New Zealand Branch (the "Branch") refers to the New Zealand Branch of the Overseas Bank and includes all banking business transacted in New Zealand through the Branch.

This Disclosure Statement consists of two parts: the NZ Banking Group (Part A) and the NZ Life Group (Part B).

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## GENERAL MATTERS

### 1.0 Address for Service - Branch

Commonwealth Bank of Australia New Zealand Branch  
Level 2  
ASB North Wharf  
12 Jellicoe Street  
Auckland 1010  
New Zealand

A copy of the NZ Banking Group and the Overseas Banking Group's most recent published financial statements will be available immediately upon a request being made to the above address. A copy of the NZ Banking Group's financial statements can also be obtained from the Commonwealth Bank of Australia website ([www.commbank.com.au/about-us/our-company/international-branches/new-zealand.html](http://www.commbank.com.au/about-us/our-company/international-branches/new-zealand.html)) and a copy of the Overseas Banking Group's financial statements can be obtained from the Commonwealth Bank of Australia website ([www.commbank.com.au/about-us/investors/shareholders.html](http://www.commbank.com.au/about-us/investors/shareholders.html)).

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### 2.0 Address for Service - Overseas Bank

Commonwealth Bank of Australia  
Ground Floor, Tower 1  
201 Sussex Street  
Sydney, NSW  
Australia 2000

The Overseas Bank operates as a public company under the Corporations Act 2001 in Australia. It has share capital and is governed by a constitution. The Overseas Banking Group provides a wide range of banking, financial and related services including funds management, life and general insurance.

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### 3.0 Guarantee Arrangements

On 12 October 2008 the Australian Government announced guarantee arrangements for deposits and wholesale funding of Australian deposit-taking institutions ("ADI").

The Overseas Bank is an eligible ADI under the terms of the guarantee arrangements. The guarantee arrangements also apply currently to the Branch, as a foreign branch of an eligible institution.

# General Disclosures (continued)

(To be read in conjunction with the Financial Statements)

## 3.1 Large Deposits and Wholesale Funding

The Australian Government Guarantee Scheme for Large Deposits and Wholesale Funding ("Guarantee Scheme") formally commenced on 28 November 2008 but has now closed to new guaranteed liabilities, effective from 5pm on 31 March 2010.

Under the Guarantee Scheme, eligible ADIs could obtain guarantees for deposit balances totalling over one million Australian dollars ("AUD 1 million") per customer and for wholesale funding liabilities, in return for a fee (which was calculated to reflect the ADI's credit rating and could be passed on by the ADI). Access to the Guarantee Scheme was voluntary.

Eligible institutions wanting to access the Guarantee Scheme for their large deposit balances or wholesale funding needed to apply to the Guarantee Scheme Administrator.

Any claim for payment must be made in accordance with the Guarantee Scheme deed and rules.

A liability was only covered by the Guarantee Scheme if it was the subject of an Eligibility Certificate issued in accordance with the Rules. The Rules prescribe the criteria which must be satisfied before a certificate could be issued, and the application process and fees applicable. The ADI was required to provide certain statements and legal documents, before it obtains coverage.

The Guarantee Scheme will terminate on 24 October 2015 and closed for new guaranteed liabilities on 31 March 2010. Large deposits and wholesale liabilities guaranteed under the Guarantee Scheme as at 31 March 2010 will remain guaranteed for the relevant term (up to a maximum of 5 years, or October 2015 in the case of call deposits).

### (i) Deposit liabilities over AUD 1 million

Deposits could be denominated in any currency and there were no restrictions on the type of depositor. Deposits could be at call or with maturities up to 60 months.

### (ii) Short term wholesale funding liabilities

These were senior unsecured debt instruments; in any currency; with maturities up to 15 months; issued in bearer, registered or dematerialised form; which were "not complex"; and which were bank bills, certificates of deposit, transferable deposits, debentures or commercial paper.

Applications could also be made for issuance programmes.

### (iii) Term funding liabilities

These were the same as short term funding liabilities, except that the term covered must be 15 to 60 months; and the instruments must be bonds, notes or debentures.

### (iv) "Not Complex"

The Government has published detailed guidelines at [www.guaranteescheme.gov.au](http://www.guaranteescheme.gov.au). For example, generally, market or index linked investment products and structured products are excluded.

## 3.2 Small Deposits

The guarantee of small deposits up to a cap is provided by the Australian Government under the Financial Claims Scheme ("FCS"). It only applies to protected accounts with ADIs. A protected account is an account that is kept by an account holder with an ADI that is either prescribed by regulation or an account, or covered financial product, that is kept under an agreement between the account holder and the ADI requiring the ADI to pay the account holder on demand, or at an agreed time, the net credit balance.

Various deposit accounts, such as saving, call, current, cheque, debit card, transaction, and mortgage offset accounts, have been declared to be covered financial products.

The guarantee of deposits under FCS applies without charge.

The Australian Prudential Regulation Authority ("APRA") is responsible for making any payments required under the FCS, but only after it has decided to use its powers to place an ADI into wind up and the Treasurer has determined that the FCS will apply to that ADI. The Banking Act sets out the detailed requirements.

The guarantee under the FCS originally applied to deposits up to and including AUD 1 million. On 11 September 2011, the Treasurer announced a number of changes to the FCS, including a new, permanent cap of AUD250,000 per person, per ADI, effective from 1 February 2012. Under the new arrangements, foreign currency deposits are no longer covered from 12 October 2011. The overseas branch operations of Australian ADIs, including the Branch, continue to be covered under the FCS for the time being, however legislation is proposed to remove this coverage.

Further details of the guarantee arrangements are available at [www.treasury.gov.au](http://www.treasury.gov.au), [www.guaranteescheme.gov.au](http://www.guaranteescheme.gov.au) and [www.apra.gov.au](http://www.apra.gov.au).

## 3.3 Guarantor's name and address for service

The Commonwealth of Australia  
c/o Australian Government Solicitor  
Lionel Murphy Building  
50 Blackall Street  
BARTON ACT 2600  
Attention: Director, Canberra  
Facsimile +61 2 6253 7333

## 4.0 Conditions of Registration

Since 30 September 2013 the Conditions of Registration have been amended by the Reserve Bank of New Zealand ("RBNZ") with effect from 1 October 2013. The main purpose of the amendments was to put into effect restrictions on high loan-to-valuation residential mortgage lending.

# General Disclosures (continued)

(To be read in conjunction with the Financial Statements)

## 5.0 Directorate and Auditor

There have been no changes to the Board of Directors of the Overseas Bank since the 30 June 2013 Disclosure Statement was signed.

## 5.1 Directors of the Overseas Bank and the New Zealand Chief Executive Officer of the Branch

### Directors of the Overseas Bank

D.J. (David) Turner (Chairman)  
Australia

I.M. (Ian) Narev (Managing Director)  
Australia

J.S. (Jane) Hemstrich  
Australia

S.C.H. (Carolyn) Kay  
Australia

A.M. (Andrew) Mohl  
Australia

Sir J.A. (John) Anderson KBE  
New Zealand

L.K. (Launa) Inman  
Australia

B.J. (Brian) Long  
Australia

H.H. (Harrison) Young  
Australia

### New Zealand Chief Executive Officer of the Branch

B.J. (Barbara) Chapman  
New Zealand

B.J. (Barbara) Chapman was appointed as New Zealand Chief Executive Officer of the Branch on 20 August 2013. Prior to this, the New Zealand Chief Executive Officer of the Branch was A.J. (Andrew) Woodward.

## 5.2 Name and Address for Service of Auditor

PricewaterhouseCoopers  
Chartered Accountants  
PwC Tower  
188 Quay Street  
Auckland 1142  
New Zealand

## 6.0 Credit Rating of the Overseas Bank

As at the date of the signing of this Disclosure Statement, the following long term credit ratings were assigned to the Overseas Bank by these rating agencies:

Rating Agency	Current Long Term Credit Rating
Moody's Investors Service Pty Limited ("Moody's")	Aa2
Standard & Poor's (Australia) Pty Limited ("S&P")	AA-
Fitch Australia Pty Limited ("Fitch Ratings")	AA-

The table below provides a description of the steps in the rating scales used by the different rating agencies.

Long Term Credit Rating Definitions	Moody's <sup>(a)</sup>	S&P <sup>(b)</sup>	Fitch Ratings <sup>(c)</sup>
Highest quality / Extremely strong capacity to pay interest and principal	Aaa	AAA	AAA
High quality / Very strong	Aa	AA	AA
Upper medium grade / Strong	A	A	A
Medium grade (lowest investment grade) / Adequate	Baa	BBB	BBB
Predominantly speculative / Less near term vulnerability to default	Ba	BB	BB
Speculative, low grade / Greater vulnerability	B	B	B
Poor to default / Identifiable vulnerability	Caa	CCC	CCC
Highest speculations	Ca	CC	CC
Lowest quality, no interest	C	C	C
In payment default, in arrears - questionable value	-	D	RD & D

- (a) Moody's applies numeric modifiers 1, 2, and 3 to each generic rating category from Aaa to Caa, indicating that the counterparty is (1) in the higher end of its letter rating category, (2) in the mid-range and (3) in the lower end.
- (b) S&P applies plus (+) or minus (-) signs to ratings from 'AA' to 'CCC' to indicate relative standing within the major rating categories.
- (c) Fitch Ratings applies plus (+) or minus (-) signs to ratings from 'AA' to 'B' to indicate relative standing within the major rating categories.

# CBA New Zealand Operations Disclosure Statement

## Statements by the Directors and the New Zealand Chief Executive Officer

Each Director and the New Zealand Chief Executive Officer believes, after due enquiry, that as at the date on which the Disclosure Statement is signed:

- the Disclosure Statement contains all the information required by the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order (No 2) 2013; and
- the Disclosure Statement is not false or misleading.

Each Director and the New Zealand Chief Executive Officer believes, after due enquiry, that for the six months ended 31 December 2013:

- the Registered Bank has complied with all Conditions of Registration imposed by the Reserve Bank under section 74 of the Reserve Bank of New Zealand Act 1989 that applied during that period; and
- the New Zealand business of the Registered Bank had systems in place to monitor and control adequately the material risks of the Registered Bank's Banking Group, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk and other material business risks, and that those systems were being properly applied.

**Signed by the New Zealand Chief Executive Officer of the Commonwealth Bank of Australia New Zealand**



B.J. Chapman  
19 February 2014

**Signed by or on behalf of all the Directors of the Commonwealth Bank of Australia**



I. M. Narev  
Managing Director and Chief Executive Officer

For himself and on behalf of each other Director  
19 February 2014



**Part A**

**COMMONWEALTH BANK OF AUSTRALIA  
NEW ZEALAND BANKING GROUP**

**Financial Statements  
For the six months ended 31 December 2013**

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# Income Statement

\$ millions For the six months ended	Note	NZ Banking Group	
		Unaudited 31-Dec-13	Unaudited 31-Dec-12
Interest Income		1,876	1,822
Interest Expense		1,098	1,116
<b>Net Interest Earnings</b>		<b>778</b>	<b>706</b>
Other Income	2	238	218
<b>Total Operating Income</b>		<b>1,016</b>	<b>924</b>
Impairment Losses on Advances	6(c)	13	32
<b>Total Operating Income after Impairment Losses</b>		<b>1,003</b>	<b>892</b>
<b>Total Operating Expenses</b>		<b>393</b>	<b>365</b>
Salaries and Other Staff Expenses		237	214
Building Occupancy and Equipment Expenses		62	56
Information Technology Expenses		42	38
Other Expenses		52	57
<b>Net Profit before Taxation</b>		<b>610</b>	<b>527</b>
Taxation		170	148
<b>Net Profit after Taxation</b>		<b>440</b>	<b>379</b>
Attributable to:			
Parent Company Shareholders		433	372
Non-controlling Interests		7	7
<b>Net Profit after Taxation</b>		<b>440</b>	<b>379</b>

These statements are to be read in conjunction with the notes on pages 6 to 18 and the Independent Accountant's Report on pages 19 to 20.

# Statement of Comprehensive Income

\$ millions For the six months ended	NZ Banking Group	
	Unaudited 31-Dec-13	Unaudited 31-Dec-12
<b>Net Profit after Taxation</b>	<b>440</b>	<b>379</b>
<b>Other Comprehensive Income / (Expense), Net of Taxation</b>		
<b>Items that will not be Reclassified to the Income Statement:</b>		
Net Change in Asset Revaluation Reserve	<b>1</b>	-
	<b>1</b>	-
<b>Items that may be Reclassified Subsequently to the Income Statement:</b>		
Net Change in Available for Sale Reserve	<b>1</b>	(1)
Net Change in Cash Flow Hedge Reserve	<b>(20)</b>	(21)
	<b>(19)</b>	(22)
<b>Total Other Comprehensive Expense, Net of Taxation</b>	<b>(18)</b>	(22)
<b>Total Comprehensive Income</b>	<b>422</b>	<b>357</b>
<b>Attributable to:</b>		
Parent Company Shareholders	<b>415</b>	350
Non-controlling Interests	<b>7</b>	7
<b>Total Comprehensive Income</b>	<b>422</b>	<b>357</b>

These statements are to be read in conjunction with the notes on pages 6 to 18 and the Independent Accountant's Report on pages 19 to 20.

# Statement of Changes in Equity

NZ Banking Group									
	Head Office	Contributed	Asset	Available	Cash	Foreign	Retained	Non-	Total
\$ millions	Contribution	Capital	Revaluation	for Sale	Flow	Currency	Earnings	controlling	Shareholders'
			Reserve	Reserve	Reserve	Reserve		Interests	Equity
<b>For the six months ended 31 December 2013</b>									
<b>Unaudited</b>									
Balance at Beginning of Period	462	1,989	29	11	38	1	2,008	550	5,088
Net Profit after Taxation	-	-	-	-	-	-	433	7	440
Other Comprehensive Income / (Expense)	-	-	1	1	(20)	-	-	-	(18)
<b>Total Comprehensive Income / (Expense)</b>	-	-	1	1	(20)	-	433	7	422
Transfer from Asset Revaluation Reserve to Retained Earnings	-	-	(7)	-	-	-	7	-	-
Redeemable Preference Dividends Paid	-	-	-	-	-	-	(31)	-	(31)
Perpetual Preference Dividends Paid to Non-controlling Interests	-	-	-	-	-	-	-	(7)	(7)
Profit Repatriation	-	-	-	-	-	-	(4)	-	(4)
<b>Balance as at 31 December 2013</b>	<b>462</b>	<b>1,989</b>	<b>23</b>	<b>12</b>	<b>18</b>	<b>1</b>	<b>2,413</b>	<b>550</b>	<b>5,468</b>
<b>For the six months ended 31 December 2012</b>									
<b>Unaudited</b>									
Balance at Beginning of Period	462	1,989	30	6	67	1	1,392	550	4,497
Net Profit after Taxation	-	-	-	-	-	-	372	7	379
Other Comprehensive Expense	-	-	-	(1)	(21)	-	-	-	(22)
<b>Total Comprehensive (Expense) / Income</b>	-	-	-	(1)	(21)	-	372	7	357
Redeemable Preference Dividends Paid	-	-	-	-	-	-	(50)	-	(50)
Perpetual Preference Dividends Paid to Non-controlling Interests	-	-	-	-	-	-	-	(7)	(7)
Profit Repatriation	-	-	-	-	-	-	(5)	-	(5)
<b>Balance as at 31 December 2012</b>	<b>462</b>	<b>1,989</b>	<b>30</b>	<b>5</b>	<b>46</b>	<b>1</b>	<b>1,709</b>	<b>550</b>	<b>4,792</b>

These statements are to be read in conjunction with the notes on pages 6 to 18 and the Independent Accountant's Report on pages 19 to 20.

# Balance Sheet

\$ millions As at	Note	NZ Banking Group		
		Unaudited 31-Dec-13	Unaudited 31-Dec-12	Audited 30-Jun-13
<b>ASSETS</b>				
Cash and Liquid Assets		2,198	2,130	2,194
Due from Financial Institutions		204	498	477
Assets at Fair Value through Income Statement:				
Trading Securities		2,114	2,569	2,246
Derivative Assets		1,330	2,223	1,899
Available for Sale Securities		2,553	2,899	2,425
Advances to Customers	5	62,911	59,460	61,430
Current Taxation Asset		82	110	37
Other Assets		359	222	226
Property, Plant and Equipment		199	185	221
Intangible Assets		433	434	435
<b>Total Assets</b>		<b>72,383</b>	<b>70,730</b>	<b>71,590</b>
<i>Total Interest Earning and Discount Bearing Assets</i>		<i>69,946</i>	<i>67,508</i>	<i>68,937</i>
<b>LIABILITIES</b>				
Deposits and Other Public Borrowings	7	43,716	40,284	41,433
Due to Financial Institutions		3,027	3,788	3,261
Other Liabilities at Fair Value through Income Statement		942	1,510	1,742
Derivative Liabilities		1,924	2,227	1,710
Other Liabilities		549	485	581
Debt Issues:				
At Fair Value through Income Statement	8	2,753	4,139	4,626
At Amortised Cost	8	8,750	7,627	7,459
Deferred Taxation Liability		174	180	177
Loan Capital		5,080	5,698	5,513
<b>Total Liabilities</b>		<b>66,915</b>	<b>65,938</b>	<b>66,502</b>
<b>SHAREHOLDERS' EQUITY</b>				
Head Office Contribution		462	462	462
Contributed Capital - Ordinary Shares		704	704	704
Reserves		54	82	79
Retained Earnings		2,413	1,709	2,008
<b>Ordinary Shareholders' Equity</b>		<b>3,633</b>	<b>2,957</b>	<b>3,253</b>
Contributed Capital - Redeemable Preference Shares		1,285	1,285	1,285
<b>Total Shareholders' Equity Attributable to Parent Company Shareholders</b>		<b>4,918</b>	<b>4,242</b>	<b>4,538</b>
<b>Non-controlling Interests</b>		<b>550</b>	<b>550</b>	<b>550</b>
<b>Total Shareholders' Equity</b>		<b>5,468</b>	<b>4,792</b>	<b>5,088</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>72,383</b>	<b>70,730</b>	<b>71,590</b>
<i>Total Interest and Discount Bearing Liabilities</i>		<i>61,465</i>	<i>60,321</i>	<i>61,493</i>

These statements are to be read in conjunction with the notes on pages 6 to 18 and the Independent Accountant's Report on pages 19 to 20.

# Condensed Cash Flow Statement

\$ millions For the six months ended	NZ Banking Group	
	Unaudited 31-Dec-13	Unaudited 31-Dec-12
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Profit before Taxation	610	527
<b>Reconciliation of Net Profit before Taxation to Net Cash Flows from Operating Activities</b>		
Non-cash Items Included in Net Profit before Taxation	82	67
Net Increase in Operating Assets	(1,443)	(1,035)
Net Increase in Operating Liabilities	1,397	1,934
Net Taxation Paid	(209)	(217)
<b>Net Cash Flows from Operating Activities</b>	<b>437</b>	<b>1,276</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash Outflows Used in Investing Activities	(24)	(54)
<b>Net Cash Flows from Investing Activities</b>	<b>(24)</b>	<b>(54)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash Outflows Used in Financing Activities	(38)	(422)
<b>Net Cash Flows from Financing Activities</b>	<b>(38)</b>	<b>(422)</b>
<b>SUMMARY OF MOVEMENTS IN CASH FLOWS</b>		
Net Increase in Cash and Cash Equivalents	375	800
Less: Cash and Cash Equivalents at Beginning of Period	(84)	(753)
<b>Cash and Cash Equivalents at End of Period</b>	<b>291</b>	<b>47</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and Liquid Assets	2,198	2,130
Less: Reverse Repurchase Agreements included in Cash and Liquid Assets	(744)	(902)
Add: Cash Equivalents in Due from Financial Institutions	204	498
Less: Cash Equivalents in Due to Financial Institutions	(1,367)	(1,679)
<b>Cash and Cash Equivalents at End of Period</b>	<b>291</b>	<b>47</b>
<b>ADDITIONAL OPERATING CASH FLOW INFORMATION</b>		
Interest Received as Cash	1,892	1,836
Interest Paid as Cash	(1,138)	(1,168)
Other Income Received as Cash	232	218
Operating Expenses Paid as Cash	(387)	(371)

These statements are to be read in conjunction with the notes on pages 6 to 18 and the Independent Accountant's Report on pages 19 to 20.

# Notes to the Financial Statements

For the six months ended 31 December 2013

## 1 Statement of Accounting Policies

The reporting entity is the NZ Banking Group comprising the aggregated results of the Branch, ASB Holdings Limited, ASB Funding Limited, ASB Bank Limited and its controlled entities, CBA Funding (NZ) Limited and its subsidiaries, CBA NZ Holding Limited and its subsidiary, CBA Real Estate Funding (NZ) Limited and CBA USD Funding Limited. The basis of aggregation is an addition of the NZ Banking Group entities' individual financial statements. All transactions and balances between entities within the NZ Banking Group have been eliminated.

The condensed interim financial statements of the NZ Banking Group for the six months ended 31 December 2013 (the "financial statements") have been incorporated in this Disclosure Statement. They have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") as appropriate for profit-oriented entities, NZ IAS 34 *Interim Financial Reporting* and the Order. These financial statements do not include all the information and disclosures required in annual financial statements and should therefore be read in conjunction with the NZ Banking Group's financial statements for the year ended 30 June 2013.

The functional and presentation currency of the NZ Banking Group is New Zealand dollars. All amounts contained in this Disclosure Statement are presented in millions of New Zealand dollars, unless otherwise stated.

The following new accounting standards and amendments to standards have been adopted from 1 July 2013 and have been applied in the preparation of these condensed interim financial statements: NZ IFRS 10 *Consolidated Financial Statements*, NZ IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011), NZ IFRS 13 *Fair Value Measurement* and NZ IAS 34 *Interim Financial Reporting* (consequential amendments).

Adoption of these standards has not resulted in any material change to the NZ Banking Group's reported result or financial position. However, amendments to NZ IAS 34 require the inclusion of certain fair value disclosures in interim financial statements and accordingly a new note has been included (Note 11 Fair Value of Financial Instruments). The content of these fair value disclosures is prescribed by NZ IFRS 13 and it does not require comparative information in the first year of application.

There have been no material changes to accounting policies during the six months ended 31 December 2013. All policies have been applied on a basis consistent with that used in the financial year ended 30 June 2013.

Certain comparatives have been restated to ensure consistency with the current period's presentation. This includes the reclassification of funds management expenses of \$3m from Other Expenses to offset Other Income in the Income Statement. This reclassification has no impact on Net Profit after Taxation.

## 2 Other Income

\$ millions For the six months ended	NZ Banking Group	
	Unaudited 31-Dec-13	Unaudited 31-Dec-12
<b>Net Fair Value Gain / (Loss) from:</b>		
Other Derivatives at Fair Value	1	(6)
Hedge Ineffectiveness	4	(6)
<b>Total Net Fair Value Gain / (Loss)</b>	<b>5</b>	<b>(12)</b>
Trading Income	32	32
Other Operating Income	201	198
<b>Total Other Income</b>	<b>238</b>	<b>218</b>

## 3 Taxation

As at 31 December 2013 the NZ Banking Group had a tax position relating to a liquidity funding transaction that was subject to revised assessments issued by the Inland Revenue Department for the 2008 and 2009 years. ASB Bank Limited has commenced legal proceedings to challenge those assessments. The tax position has a potential liability of \$153m plus interest and penalties (30 June 2013: potential liability of \$153m plus interest and penalties). ASB Bank Limited has made what it considers to be adequate provision for this matter based on its assessment of the merits of the arguments and independent advice received.

## 4 Financial Assets Pledged as Collateral

As at 31 December 2013, New Zealand Government Securities of \$94m had been pledged as collateral under repurchase agreements.

The NZ Banking Group has entered into Credit Support Annexes ("CSAs") in respect of certain credit exposures relating to certain derivative transactions. As at 31 December 2013 \$37m included in Due from Financial Institutions had been advanced as collateral to offset Derivative Liabilities.

## 5 Advances to Customers

\$ millions As at	NZ Banking Group		
	Unaudited 31-Dec-13	Unaudited 31-Dec-12	Audited 30-Jun-13
Residential Mortgages	41,024	38,670	40,328
Other Retail	4,424	4,225	4,309
Corporate	17,727	16,795	17,055
<b>Loans and Other Receivables</b>	<b>63,175</b>	<b>59,690</b>	<b>61,692</b>
Fair Value Hedge Adjustments	(42)	11	(16)
Provisions for Impairment	(222)	(241)	(246)
<b>Total Advances to Customers</b>	<b>62,911</b>	<b>59,460</b>	<b>61,430</b>

# Notes to the Financial Statements

For the six months ended 31 December 2013

## 6 Credit Risk Management and Asset Quality

### (a) Credit Quality Information for Advances to Customers

\$ millions	NZ Banking Group			Total
	Residential Mortgages <sup>(1)</sup>	Other Retail	Corporate	
<b>As at 31 December 2013</b>				
<b>Unaudited</b>				
<b>Past Due Assets Not Impaired</b>				
Less than 30 Days	1,411	218	233	1,862
30 to 59 Days	177	31	8	216
60 to 89 Days	76	15	2	93
Over 90 Days	72	20	20	112
<b>Total Past Due Assets Not Impaired</b>	<b>1,736</b>	<b>284</b>	<b>263</b>	<b>2,283</b>
<b>Individually Impaired Assets</b>				
Balance at Beginning of Period	98	9	205	312
Additions	18	6	159	183
Deletions	(50)	(1)	(184)	(235)
Amounts Written Off	(6)	(2)	(17)	(25)
<b>Total Individually Impaired Assets</b>	<b>60</b>	<b>12</b>	<b>163</b>	<b>235</b>
<b>Other Assets Under Administration</b>	<b>35</b>	<b>3</b>	<b>1</b>	<b>39</b>
The undrawn lending commitments to counterparties for whom drawn balances are classified as individually impaired were \$2m as at 31 December 2013 (31 December 2012 \$4m, 30 June 2013 \$3m).				
The facilities that are reported as impaired and past due are collateralised in terms of the NZ Banking Group's credit risk management policy.				
<b>As at 31 December 2012</b>				
<b>Unaudited</b>				
<b>Past Due Assets Not Impaired</b>				
Less than 30 Days	1,560	194	188	1,942
30 to 59 Days	291	37	14	342
60 to 89 Days	107	16	3	126
Over 90 Days	108	17	18	143
<b>Total Past Due Assets Not Impaired</b>	<b>2,066</b>	<b>264</b>	<b>223</b>	<b>2,553</b>
<b>Individually Impaired Assets</b>				
Balance at Beginning of Period	116	13	172	301
Additions	46	8	149	203
Deletions	(58)	(4)	(45)	(107)
Amounts Written Off	(13)	(4)	(15)	(32)
<b>Total Individually Impaired Assets</b>	<b>91</b>	<b>13</b>	<b>261</b>	<b>365</b>
<b>Other Assets Under Administration</b>	<b>31</b>	<b>3</b>	<b>-</b>	<b>34</b>
<b>As at 30 June 2013</b>				
<b>Audited</b>				
<b>Past Due Assets Not Impaired</b>				
Less than 30 Days	1,408	177	209	1,794
30 to 59 Days	248	45	6	299
60 to 89 Days	76	14	6	96
Over 90 Days	99	17	21	137
<b>Total Past Due Assets Not Impaired</b>	<b>1,831</b>	<b>253</b>	<b>242</b>	<b>2,326</b>
<b>Individually Impaired Assets</b>				
Balance at Beginning of Year	116	13	172	301
Additions	70	4	150	224
Deletions	(66)	(2)	(68)	(136)
Amounts Written Off	(22)	(6)	(49)	(77)
<b>Total Individually Impaired Assets</b>	<b>98</b>	<b>9</b>	<b>205</b>	<b>312</b>
<b>Other Assets Under Administration</b>	<b>33</b>	<b>3</b>	<b>1</b>	<b>37</b>

(1) The Residential Mortgages asset class consists of mortgages which are secured by residential properties.

# Notes to the Financial Statements

For the six months ended 31 December 2013

## 6 Credit Risk Management and Asset Quality (continued)

### (b) Provisions for Impairment Losses

\$ millions	NZ Banking Group			Total
	Residential Mortgages	Other Retail	Corporate	
<b>As at 31 December 2013</b>				
<b>Unaudited</b>				
<b>Collective Provision</b>				
Balance at Beginning of Period	48	43	104	195
(Recovered from) / Charged to Income Statement	(7)	4	(7)	(10)
<b>Balance at End of Period</b>	<b>41</b>	<b>47</b>	<b>97</b>	<b>185</b>
<b>Individually Assessed Provisions</b>				
Balance at Beginning of Period	18	2	31	51
Charged to Income Statement:				
New Provisions	8	4	54	66
Amounts Recovered	(8)	(1)	(46)	(55)
Write-offs Against Individually Assessed Provisions	(6)	(2)	(17)	(25)
<b>Balance at End of Period</b>	<b>12</b>	<b>3</b>	<b>22</b>	<b>37</b>
<b>Total Provisions for Impairment Losses</b>	<b>53</b>	<b>50</b>	<b>119</b>	<b>222</b>
<b>As at 31 December 2012</b>				
<b>Unaudited</b>				
<b>Collective Provision</b>				
Balance at Beginning of Period	45	33	71	149
(Recovered from) / Charged to Income Statement	(3)	4	(1)	-
<b>Balance at End of Period</b>	<b>42</b>	<b>37</b>	<b>70</b>	<b>149</b>
<b>Individually Assessed Provisions</b>				
Balance at Beginning of Period	35	4	62	101
Charged to Income Statement:				
New Provisions	17	2	20	39
Amounts Recovered	(11)	(1)	(4)	(16)
Write-offs Against Individually Assessed Provisions	(13)	(4)	(15)	(32)
<b>Balance at End of Period</b>	<b>28</b>	<b>1</b>	<b>63</b>	<b>92</b>
<b>Total Provisions for Impairment Losses</b>	<b>70</b>	<b>38</b>	<b>133</b>	<b>241</b>
<b>As at 30 June 2013</b>				
<b>Audited</b>				
<b>Collective Provision</b>				
Balance at Beginning of Year	45	33	71	149
(Recovered from) / Charged to Income Statement	3	10	33	46
<b>Balance at End of Period</b>	<b>48</b>	<b>43</b>	<b>104</b>	<b>195</b>
<b>Individually Assessed Provisions</b>				
Balance at Beginning of Year	35	4	62	101
Charged to Income Statement:				
New Provisions	28	5	33	66
Amounts Recovered	(23)	(1)	(15)	(39)
Write-offs Against Individually Assessed Provisions	(22)	(6)	(49)	(77)
<b>Balance at End of Year</b>	<b>18</b>	<b>2</b>	<b>31</b>	<b>51</b>
<b>Total Provisions for Impairment Losses</b>	<b>66</b>	<b>45</b>	<b>135</b>	<b>246</b>



# Notes to the Financial Statements

For the six months ended 31 December 2013

## 6 Credit Risk Management and Asset Quality (continued)

### (c) Impairment Losses on Advances

\$ millions	NZ Banking Group			Total
	Residential Mortgages	Other Retail	Corporate	
<b>For the six months ended 31 December 2013</b>				
<b>Unaudited</b>				
Movement in Collective Provision	(7)	4	(3)	(6)
Movement in Individually Assessed Provisions	-	3	8	11
Bad Debts Written Off	1	15	-	16
Bad Debts Recovered	(1)	(4)	(3)	(8)
<b>Total Impairment Losses on Advances</b>	<b>(7)</b>	<b>18</b>	<b>2</b>	<b>13</b>
<b>For the six months ended 31 December 2012</b>				
<b>Unaudited</b>				
Movement in Collective Provision	(3)	4	(1)	-
Movement in Individually Assessed Provisions	6	1	16	23
Bad Debts Written Off	1	14	-	15
Bad Debts Recovered	(1)	(4)	(1)	(6)
<b>Total Impairment Losses on Advances</b>	<b>3</b>	<b>15</b>	<b>14</b>	<b>32</b>

### (d) Concentrations of Credit Exposures

The following table presents the maximum exposure to credit risk of financial assets and other credit exposures, before taking account of any collateral held or other credit enhancements unless such credit enhancements meet the offsetting criteria in NZ IAS 32 *Financial Instruments: Presentation*.

For financial assets recognised on the Balance Sheet, the maximum exposure to credit risk equals their carrying values. Other Credit Exposures include irrevocable lending commitments, guarantees, standby letters of credit and other Off Balance Sheet credit commitments. The maximum exposure to credit risk for guarantees and standby letters of credit is the maximum amount that the Banking Group would have to pay if the facilities were called upon. For irrevocable lending commitments and other credit commitments, the maximum exposure to credit risk is the full amount of the committed facilities.

Taxation Assets, Property, Plant and Equipment, Intangible Assets and Other Assets have been excluded from the analysis below, on the basis that any credit exposure is insignificant or nil.

Australian and New Zealand Standard Industrial Classification ("ANZSIC") codes have been used as the basis for disclosing the customer industry sectors below.

\$ millions	NZ Banking Group			Total Credit Exposures
	Financial Assets at Amortised Cost	Financial Assets at Fair Value	Other Credit Exposures	
<b>As at 31 December 2013</b>				
<b>Unaudited</b>				
<b>Concentration by Industry</b>				
Agriculture	7,572	11	647	8,230
Government and Public Authorities	294	1,966	328	2,588
Property and Business Services	6,006	14	553	6,573
Finance and Insurance	7,830	3,794	434	12,058
Utilities	287	142	531	960
Transport and Storage	896	26	363	1,285
Housing <sup>(1)</sup>	36,925	-	5,614	42,539
Construction	399	-	195	594
Personal	1,357	1	1,883	3,241
Other Commercial and Industrial	3,747	43	1,688	5,478
<b>Total Credit Exposures by Industry</b>	<b>65,313</b>	<b>5,997</b>	<b>12,236</b>	<b>83,546</b>

(1) The Housing sector for Financial Assets at Amortised Cost includes advances which are used for the purchase of residential properties that are owner-occupied. Advances which are used for the purchase of investment properties are included in the Financial, Investments and Insurance sector under Financial Assets at Amortised Cost.

### Concentration by Geographic Region

Auckland	38,104	295	7,168	45,567
Rest of New Zealand	26,681	3,681	5,068	35,430
Overseas	528	2,021	-	2,549
<b>Total Credit Exposures by Geographic Region</b>	<b>65,313</b>	<b>5,997</b>	<b>12,236</b>	<b>83,546</b>

# Notes to the Financial Statements

For the six months ended 31 December 2013

## 6 Credit Risk Management and Asset Quality (continued)

### (e) Concentrations of Credit Exposures to Individual Counterparties

The basis of calculation of the NZ Banking Group's aggregate concentration of credit exposure to individual counterparties is the actual credit exposure. Credit exposures to the central government of any country with a long term credit rating of A- or A3 or above, or its equivalent, banks with a long term credit rating of A- or A3 or above, or its equivalent, and connected persons are excluded. Credit exposures to individual counterparties do not include exposures to those counterparties if they are booked outside New Zealand.

For the three months ended 31 December 2013, there was no peak end-of-day aggregate credit exposure to individual counterparties which exceeded 10% of the Overseas Banking Group's Shareholders' Equity as at 31 December 2013. As at 31 December 2013 there was no balance date aggregate credit exposure to individual counterparties which exceeded 10% of the Overseas Banking Group's Shareholders' Equity as at 31 December 2013.

The peak end-of-day aggregate concentration of credit exposure to individual counterparties has been calculated by determining the maximum end-of-day aggregated amount of credit exposure over the relevant three month period and then dividing that amount by the Overseas Banking Group's Shareholders' Equity as at 31 December 2013, which is the most recent publicly disclosed amount.

\$ millions As at	NZ Banking Group		
	Unaudited 31-Dec-13	Unaudited 31-Dec-12	Audited 30-Jun-13
Certificates of Deposit	84	444	96
Term Deposits	21,521	22,282	22,485
On Demand and Short Term Deposits	19,338	15,110	16,400
Deposits Not Bearing Interest	2,679	2,422	2,345
Repurchase Agreements	94	26	107
<b>Total Deposits and Other Public Borrowings</b>	<b>43,716</b>	<b>40,284</b>	<b>41,433</b>

As at 31 December 2013 the Branch did not have any retail deposits (deposits with natural persons, excluding deposits with an outstanding balance which exceeds \$250,000).

## 8 Debt Issues

Debt Issues at Fair Value through Income Statement	2,753	4,139	4,626
Debt Issues at Amortised Cost	8,750	7,627	7,459
<b>Total Debt Issues</b>	<b>11,503</b>	<b>11,766</b>	<b>12,085</b>

### Movement in Debt Issues

Balance at Beginning of Period	12,085	8,957	8,957
Issuances During the Period	5,607	4,993	7,060
Repayments During the Period	(6,110)	(2,144)	(4,213)
Foreign Exchange and Fair Value Movements During the Period	(79)	(40)	281
<b>Balance at End of Period</b>	<b>11,503</b>	<b>11,766</b>	<b>12,085</b>

# Notes to the Financial Statements

For the six months ended 31 December 2013

## 9 Contingent Liabilities

\$ millions As at	NZ Banking Group Notional Amount		
	Unaudited 31-Dec-13	Unaudited 31-Dec-12	Audited 30-Jun-13
Guarantees	113	105	106
Standby Letters of Credit	84	87	108
Other Credit Facilities	117	122	143
<b>Total</b>	<b>314</b>	<b>314</b>	<b>357</b>

The NZ Banking Group has other contingent liabilities in respect of actual and potential claims and proceedings. An assessment of the NZ Banking Group's likely loss in respect of these matters has been made on a case by case basis and provision made in the financial statements where required by NZ GAAP. Information relating to any matter is not disclosed where it can be expected to prejudice seriously the position of the NZ Banking Group.

In June 2013 a group comprising lawyers Andrew Hooker, Slater & Gordon and Litigation Lending Services (NZ) Limited announced that it had issued proceedings against ANZ Bank in relation to exception fees. The group has announced that similar proceedings will be issued against other banks, including ASB Bank Limited. In November 2013 the group commenced proceedings against Kiwibank Limited. At the date of this Disclosure Statement, no such proceedings have been issued against ASB Bank Limited. If proceedings are issued against ASB Bank Limited, any impact will be assessed at that time.

In December 2013 the Commerce Commission advised ASB Bank Limited that it intends to issue proceedings against ASB under the Fair Trading Act 1986 in respect of the sale of interest rate swap contracts to rural customers. The Commission has stated it aims to file the proceedings in March 2014. As at the date of this Disclosure Statement no such proceedings have been issued. If proceedings are issued against ASB Bank Limited, any impact will be assessed at that time.

## 10 Related Party Transactions and Balances

The following balances represent amounts due to and from related parties classified within Cash and Liquid Assets, Due to / from Financial Institutions, Deposits and Other Public Borrowings, Debt Issues, Loan Capital, Other Assets, Other Liabilities, Derivative Assets and Derivative Liabilities:

\$ millions As at	NZ Banking Group		
	Unaudited 31-Dec-13	Unaudited 31-Dec-12	Audited 30-Jun-13
<b>Amounts Due to Related Parties</b>			
Overseas Banking Group	6,789	7,332	6,774
NZ Life Group	604	520	550
<b>Total Amounts Due to Related Parties</b>	<b>7,393</b>	<b>7,852</b>	<b>7,324</b>
<b>Amounts Due from Related Parties</b>			
Overseas Banking Group	534	676	695
NZ Life Group	5	13	27
<b>Total Amounts Due from Related Parties</b>	<b>539</b>	<b>689</b>	<b>722</b>

For the six months ended 31 December 2013 interest charged on balances due to the Overseas Banking Group was \$105m (31 December 2012 \$151m).

The total liabilities of the Branch net of amounts due to related parties were \$2,211m as at 31 December 2013 (31 December 2012 \$2,615m, 30 June 2013 \$2,430m).

ASB Bank Limited's new head office premises are leased from Kiwi Income Property Trust (the "Trust"). Up until 12 December 2013, the Trust was managed by Colonial First State Investments (NZ) Limited, a member of the NZ Life Group. The Trust is now managed by a company external to the Overseas Banking Group and therefore ceased to be a related party on 12 December 2013.

# Notes to the Financial Statements

For the six months ended 31 December 2013

## 11 Fair Value of Financial Instruments

The NZ Banking Group's financial assets and financial liabilities are measured on an on-going basis either at fair value or at amortised cost.

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

### (a) Comparison of Fair Values and Carrying Values

The following tables summarise the carrying amounts and fair values of those financial assets and financial liabilities that are not presented at fair value in the Balance Sheet.

\$ millions	NZ Banking Group	
	Carrying Value	Fair Value
<b>As at 31 December 2013</b>		
<b>Unaudited</b>		
<b>Financial Assets</b>		
Cash and Liquid Assets	2,198	2,198
Due from Financial Institutions	204	204
Advances to Customers	62,911	62,840
Other Assets	334	334
<b>Total Financial Assets Measured at Amortised Cost</b>	<b>65,647</b>	<b>65,576</b>
<b>Financial Liabilities</b>		
Deposits and Other Public Borrowings	43,716	43,768
Due to Financial Institutions	3,027	3,038
Other Liabilities	549	549
Debt Issues at Amortised Cost	8,750	8,816
Loan Capital	5,080	5,026
<b>Total Financial Liabilities Measured at Amortised Cost</b>	<b>61,122</b>	<b>61,197</b>

### (b) Fair Value Hierarchy

A significant number of financial instruments are carried on the 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 a quoted market price for a financial instrument is not available, its 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 unobservable but are reasonable assumptions based on market conditions.

The tables below categorise financial instruments that are recognised and measured at fair value on a recurring basis into three levels. These levels are based on the hierarchy of the inputs to the valuation techniques used to measure fair values:

- > Level 1: inputs are quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities that the NZ Banking Group can access.
- > Level 2: where quoted prices are not available, fair values have been estimated using present value or other valuation techniques using inputs that are observable for the financial asset or financial liability, either directly or indirectly.
- > Level 3: fair values are estimated using inputs that are unobservable for the financial asset or financial liability.

\$ millions	NZ Banking Group			
	Level 1	Level 2	Level 3	Total
<b>As at 31 December 2013</b>				
<b>Unaudited</b>				
<b>Financial Assets</b>				
Assets at Fair Value through Income Statement:				
Trading Securities	850	1,264	-	2,114
Derivative Assets	-	1,330	-	1,330
Available for Sale Securities	833	1,720	-	2,553
<b>Total Financial Assets Measured at Fair Value</b>	<b>1,683</b>	<b>4,314</b>	<b>-</b>	<b>5,997</b>
<b>Financial Liabilities</b>				
Other Liabilities at Fair Value through Income Statement	6	936	-	942
Derivative Liabilities	-	1,924	-	1,924
Debt Issues at Fair Value through Income Statement	-	2,753	-	2,753
<b>Total Financial Liabilities Measured at Fair Value</b>	<b>6</b>	<b>5,613</b>	<b>-</b>	<b>5,619</b>

The NZ Banking Group determines the valuation of financial instruments classified in Level 2 as follows:

#### *Derivative Assets and Derivative Liabilities*

The fair values are obtained from market yields and discounted cash flow models or option pricing models as appropriate.

#### *Trading Securities, Available for Sale Securities, Other Liabilities at Fair Value through Income Statement and Debt Issues at Fair Value through Income Statement*

The fair values are estimated using present value or other market acceptable valuation techniques, using methods or assumptions that are based on observable market conditions and risks existing as at balance date.

# Notes to the Financial Statements

For the six months ended 31 December 2013

## 12 Market Risk Capital Charges Unaudited

The NZ Banking Group's aggregate market risk exposure is derived in accordance with the Reserve Bank of New Zealand ("RBNZ") document *Capital Adequacy Framework (Standardised Approach)* (BS2A). The peak end-of-day exposure is derived by taking the highest market exposure over the six months ended 31 December 2013.

\$ millions	NZ Banking Group			Total
	Interest Rate Risk	Foreign Currency Risk	Equity Risk	
<b>Exposures as at 31 December 2013</b>				
Implied Risk Weighted Exposure	1,772	9	-	1,781
Notional Capital Charge	142	1	-	143
<b>Peak Exposures for the six months ended 31 December 2013</b>				
Implied Risk Weighted Exposure	1,986	26	6	2,018
Notional Capital Charge	159	2	-	161

## 13 Residential Mortgages by Loan-to-Valuation Ratio ("LVR") Unaudited

\$ millions As at 31 December 2013	NZ Banking Group			Total
	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	
<b>LVR Range</b>				
Value of Exposures	37,941	6,511	3,687	48,139
Expressed as a Percentage of Total Exposures	78.8%	13.5%	7.7%	100.0%

LVR data has been derived in accordance with BS2A. Exposures comprise Balance Sheet claims secured by residential mortgages and undrawn commitments that when drawn down will be secured by mortgage over residential property. In accordance with RBNZ requirements the "Exceeds 90%" LVR range includes exposures for which no LVR information is available.

Certain loans within the above table are insured by third parties. Exposures with Lender's Mortgage Insurance ("LMI") within each LVR range are set out below.

### Percentage of Exposures:

With 100% LMI	0.4%	1.1%	0.4%	0.5%
With Top 20% LMI	2.3%	6.4%	5.6%	3.1%

\$ millions As at	NZ Banking Group 31-Dec-13
<b>RECONCILIATION OF MORTGAGE-RELATED AMOUNTS</b>	
<b>Housing Loans (Refer to Note 6(d))</b>	42,539
Add / (Less):	
Housing Loans to Other Retail and Corporate customers	(1,515)
<b>Residential Mortgages in Credit Quality Disclosure (Refer to Note 5)</b>	41,024
Add / (Less):	
Off Balance Sheet Exposures	6,044
EAD Adjustments	256
Unamortised Loan Establishment Fees	(53)
Commercial and Business Loans secured against Residential Mortgages	868
<b>Residential Mortgages in LVR Disclosure</b>	48,139

# Notes to the Financial Statements

For the six months ended 31 December 2013

## 14 Overseas Bank and Overseas Banking Group Unaudited

### Capital Adequacy

The Overseas Banking Group is accredited to use the Advanced Internal Ratings Based Approach ("AIRB") for credit risk and the Advanced Measurement Approach ("AMA") for operational risk, which have been adopted in the calculation of the Overseas Banking Group's risk weighted exposures.

The Overseas Banking Group adopted the Basel III measurement of regulatory capital effective from 1 January 2013. The APRA prudential standards require a minimum Common Equity Tier One (CET1) ratio of 4.5% effective 1 January 2013. An additional CET1 capital conservation buffer of 2.5% will be implemented on 1 January 2016, bringing the minimum CET1 requirement to 7%.

The Overseas Banking Group is required to disclose capital adequacy information on a quarterly and a semi-annual basis. This information is made available to users via the Overseas Bank's website ([www.commbank.com.au](http://www.commbank.com.au)).

The Overseas Banking Group is required by APRA to hold minimum capital specified under the Basel III (AIRB) approach. As at 31 December 2013 the minimum capital requirements were met.

As at	Overseas Bank		Overseas Banking Group	
	31-Dec-13 Basel III	31-Dec-12 Basel 2.5 <sup>(1)</sup>	31-Dec-13 Basel III	31-Dec-12 Basel 2.5 <sup>(1)</sup>
Common Equity Tier One Capital Ratio	8.3%	N/A	8.5%	8.3%
Tier One Capital Ratio	10.3%	10.8%	10.6%	10.5%
Total Capital Ratio	11.2%	10.9%	11.4%	11.2%

(1) The 31 December 2012 capital ratios reflect the APRA Basel 2.5 capital adequacy calculations in place at that time.

### Overseas Banking Group

#### Asset Quality

##### As at 31 December 2013

Total Gross Individually Impaired Assets	3,939 AUDm
Total Individually Impaired Assets as a % of Total Assets	0.5%
Total Individually Assessed Provisions	1,416 AUDm
Total Individually Assessed Provisions as a % of Total Gross Individually Impaired Assets	34.6%
Total Collective Provision	2,870 AUDm

#### Profitability

Net Profit after Taxation for the six months ended 31 December 2013	4,217 AUDm
Net Profit after Taxation for the year ended 30 June 2013	7,677 AUDm
Net Profit after Taxation as a % of Average Total Assets for the year ended 30 June 2013	1.0%

#### Size

##### As at 31 December 2013

Total Assets	782,301 AUDm
% Change in Total Assets from previous 31 December	8.3%

## 15 Insurance Business, Marketing and Distribution of Insurance Products

The NZ Banking Group does not conduct any insurance business. However, general and life insurance products are marketed through ASB Bank Limited's branch network. The life insurance products are underwritten by Sovereign Assurance Company Limited, a wholly owned subsidiary of ASB Group (Life) Limited. Information about insurance business conducted by the NZ Life Group is disclosed in the Disclosure Statement of the NZ Life Group.

## 16 Changes in the Composition of the NZ Banking Group during the Reporting Period

Mondex New Zealand Limited (an associate of ASB Bank Limited) and Jacques Martin New Zealand Limited (a subsidiary of ASB Bank Limited) were removed from the register of companies on 4 July 2013 and 5 December 2013 respectively. These removals had no impact on the consolidated financial statements of the NZ Banking Group. There have been no other changes to the composition of the NZ Banking Group since the 30 June 2013 Disclosure Statement.

# Notes to the Financial Statements

For the six months ended 31 December 2013

## 17 Financial Reporting by Operating Segments

\$ millions	NZ Banking Group					Total
	Retail and Business Banking	Corporate, Commercial and Rural	Institutional Banking and Markets	Wealth and Insurance	Other	
<b>For the six months ended 31 December 2013</b>						
<b>Unaudited</b>						
Net Interest Earnings	516	225	15	5	17	778
Other Income / (Expense)	110	53	24	67	(16)	238
Total Operating Income	626	278	39	72	1	1,016
Operating Expenses	223	108	7	45	10	393
Impairment Losses / (Recoveries) on Advances	9	12	(8)	-	-	13
Net Profit before Taxation	394	158	40	27	(9)	610
Taxation	109	44	11	8	(2)	170
Net Profit after Taxation	285	114	29	19	(7)	440
Total Assets	42,053	20,771	4,181	177	5,201	72,383
Total Liabilities	29,656	12,842	5,956	289	18,172	66,915

For the six months ended 31 December 2012

Unaudited

Net Interest Earnings	467	201	11	5	22	706
Other Income / (Expense)	110	52	27	62	(33)	218
Total Operating Income	577	253	38	67	(11)	924
Operating Expenses	220	97	7	44	(3)	365
Impairment Losses on Advances	19	9	4	-	-	32
Net Profit before Taxation	338	147	27	23	(8)	527
Taxation	94	41	7	6	-	148
Net Profit after Taxation	244	106	20	17	(8)	379
Total Assets	39,785	20,850	4,359	187	5,549	70,730
Total Liabilities	27,768	12,559	5,518	320	19,773	65,938

**Retail and Business Banking:** The Retail and Business Banking segment provides services to private individuals and small business customers. In addition, net income is attributed to this segment for the distribution of wealth management products through the retail distribution network.

**Corporate, Commercial and Rural:** The Corporate, Commercial and Rural segment provides services to corporate, commercial and rural customers. It also comprises the NZ Banking Group's financial markets activities, including financial instruments trading and sales of financial instruments to customers.

**Institutional Banking and Markets:** Institutional Banking and Markets services the NZ Banking Group's sophisticated corporate, institutional and government clients using a relationship management model based on industry expertise and local insights. The Total Capital Solutions offering includes debt and equity capital raising, financial and commodities price risk management and transactional banking capabilities. The New Zealand operations are part of CBA Institutional Banking and Markets' international operations.

**Wealth and Insurance:** The Wealth and Insurance segment provides securities, investment and insurance services to customers.

**Other primarily includes:**

- > business units that do not meet the definition of operating segments under NZ IFRS 8 *Operating Segments*, including the NZ Banking Group's Treasury function and other functions that supply strategic support and services to the segments; and
- > elimination entries on consolidation of the results, assets and liabilities of the NZ Banking Group's controlled entities in the preparation of the consolidated financial statements of the NZ Banking Group.

Operating Income in each segment includes transfer pricing adjustments to reflect intersegment funding arrangements. Intersegment pricing is determined on an arm's length basis. Intersegment transactions are eliminated for the purposes of reporting the consolidated NZ Banking Group's results and are included in the Other segment.

The basis of segmentation has changed since the last comparative period as a result of an internal restructure. The Commercial and Rural Banking segment has been merged with a portion of the Institutional Banking and Markets segment. Certain comparatives have been restated as part of the segment changes. In addition, ASB Bank Limited has implemented a fully allocated cost framework and accordingly certain income and expense items in the comparative period have been reclassified.

The NZ Banking Group operates predominantly in the banking industry within New Zealand. The NZ Banking Group has very limited exposure to risks associated with operating in different economic environments or political conditions in other countries. On this basis no geographical segment information is provided.

# Notes to the Financial Statements

For the six months ended 31 December 2013

## 18 Risk Management Policies

### Interest Rate Repricing Schedule

The following tables include the NZ Banking Group's assets and liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The carrying amounts of derivative financial instruments, which are principally used to reduce the NZ Banking Group's exposure to interest rate movements, are included under the heading "Non-interest Bearing".

\$ millions	NZ Banking Group						Non-interest Bearing	Total
	Up to 3 Months	Over 3 Months and up to 6 Months	Over 6 Months and up to 1 Year	Over 1 Year and up to 2 Years	Over 2 Years			
<b>As at 31 December 2013</b>								
<b>Unaudited</b>								
<b>Assets</b>								
Cash and Liquid Assets	1,947	-	-	-	-	251	2,198	
Due from Financial Institutions	204	-	-	-	-	-	204	
Assets at Fair Value through Income Statement:								
Trading Securities	1,250	257	93	468	46	-	2,114	
Derivative Assets	-	-	-	-	-	1,330	1,330	
Available for Sale Securities	721	160	10	733	929	-	2,553	
Advances to Customers	36,228	3,667	8,399	9,151	5,683	(217)	62,911	
Other Assets	-	-	-	-	-	1,073	1,073	
<b>Total Assets</b>	<b>40,350</b>	<b>4,084</b>	<b>8,502</b>	<b>10,352</b>	<b>6,658</b>	<b>2,437</b>	<b>72,383</b>	
<b>Liabilities</b>								
Deposits and Other Public Borrowings	28,334	5,817	4,955	1,132	799	2,679	43,716	
Due to Financial Institutions	2,037	837	-	50	93	10	3,027	
Other Liabilities at Fair Value through Income Statement	927	15	-	-	-	-	942	
Derivative Liabilities	-	-	-	-	-	1,924	1,924	
Other Liabilities	-	-	-	-	-	723	723	
Debt Issues:								
At Fair Value through Income Statement	1,837	794	122	-	-	-	2,753	
At Amortised Cost	3,968	-	501	248	4,033	-	8,750	
Loan Capital	3,438	-	-	670	858	114	5,080	
<b>Total Liabilities</b>	<b>40,541</b>	<b>7,463</b>	<b>5,578</b>	<b>2,100</b>	<b>5,783</b>	<b>5,450</b>	<b>66,915</b>	
<b>Net Derivative Notionals</b>	<b>4,200</b>	<b>2,778</b>	<b>(2,493)</b>	<b>(7,542)</b>	<b>3,057</b>			
<b>Interest Rate Sensitivity Gap</b>	<b>4,009</b>	<b>(601)</b>	<b>431</b>	<b>710</b>	<b>3,932</b>	<b>(3,013)</b>	<b>5,468</b>	

### Qualifying Liquid Assets

\$ millions	NZ Banking Group						Other Assets	Total
	Cash and Liquid Assets	Available for Sale Securities	Trading Securities	Advances to Customers	Deposits and Other Public Borrowings <sup>(1)</sup>			
<b>As at 31 December 2013</b>								
<b>Unaudited</b>								
The NZ Banking Group has the following qualifying liquid assets for the purpose of managing liquidity risk:								
Cash	178	-	-	-	-	-	178	
Call Deposits with the Central Bank	1,181	-	-	-	-	-	1,181	
Local Authority Securities	-	142	89	-	-	2	233	
New Zealand Government Securities	705	623	437	-	(94)	12	1,683	
Corporate Bonds	-	272	35	-	-	5	312	
Treasury Bills	-	210	413	-	-	-	623	
Bank Bills	-	-	861	-	-	-	861	
Kauri Bonds	-	768	87	-	-	12	867	
Other Securities	-	538	192	-	-	2	732	
Residential Mortgage Backed Securities	-	-	-	2,701	-	-	2,701	
<b>Total Qualifying Liquid Assets</b>	<b>2,064</b>	<b>2,553</b>	<b>2,114</b>	<b>2,701</b>	<b>(94)</b>	<b>33</b>	<b>9,371</b>	

(1) Repurchase Agreements are combined with the qualifying liquid assets detailed in the table above, for the purposes of managing and reporting liquidity risk.



# Notes to the Financial Statements

For the six months ended 31 December 2013

## 18 Risk Management Policies (continued)

### Maturity Analysis for Undiscounted Contractual Cash Flows

The tables below present the NZ Banking Group's cash flows by remaining contractual maturities as at balance date. The amounts disclosed in the tables are the contractual undiscounted cash flows and include principal and future interest cash flows, and therefore will not agree to the carrying values on the Balance Sheet.

Actual cash flows may differ significantly from the contractual cash flows presented below as a result of future actions of the NZ Banking Group and its counterparties, such as early repayments or refinancing of term loans.

The majority of the longer term Advances to Customers are housing loans which are likely to be repaid earlier than their contractual terms. Deposits and Other Public Borrowings include substantial customer savings deposits and cheque accounts, which are at call. History demonstrates that such accounts provide a stable source of long term funding for the Bank. It should be noted that the NZ Banking Group does not manage its liquidity risk on the basis of the information below.

\$ millions	NZ Banking Group					Over 5 Years	Total	Carrying Value
	On Demand	Within 6 Months	Between 6 - 12 Months	Between 1 - 2 Years	Between 2 - 5 Years			
<b>As at 31 December 2013</b>								
<b>Unaudited</b>								
<b>Non-derivative Financial Assets</b>								
Cash and Liquid Assets	1,454	746	-	-	-	-	2,200	2,198
Due from Financial Institutions	52	152	-	-	-	-	204	204
Assets at Fair Value through Income Statement:								
Trading Securities	-	1,486	94	473	39	42	2,134	2,114
Available for Sale Securities	-	333	85	990	1,295	7	2,710	2,553
Advances to Customers	2,142	6,790	3,294	6,722	13,530	57,001	89,479	62,911
Other Assets	-	336	-	-	-	-	336	336
<b>Total Non-derivative Financial Assets</b>	<b>3,648</b>	<b>9,843</b>	<b>3,473</b>	<b>8,185</b>	<b>14,864</b>	<b>57,050</b>	<b>97,063</b>	<b>70,316</b>
<b>Derivative Financial Assets</b>								
Inflows from Derivatives	-	1,703	735	1,386	3,392	610	7,826	
Outflows from Derivatives	-	(872)	(628)	(1,322)	(3,428)	(592)	(6,842)	
	-	831	107	64	(36)	18	984	
<b>Non-derivative Financial Liabilities</b>								
Deposits and Other Public Borrowings	22,018	14,895	5,020	1,177	819	-	43,929	43,716
Due to Financial Institutions	839	1,090	242	396	508	-	3,075	3,027
Other Liabilities at Fair Value through Income Statement	-	948	-	-	-	-	948	942
Other Liabilities	29	520	-	-	-	-	549	549
Debt Issues:								
At Fair Value through Income Statement	-	2,633	122	-	-	-	2,755	2,753
At Amortised Cost	-	1,457	1,535	1,195	4,371	581	9,139	8,750
Loan Capital	-	64	64	255	1,024	5,909	7,316	5,080
<b>Total Non-derivative Financial Liabilities</b>	<b>22,886</b>	<b>21,607</b>	<b>6,983</b>	<b>3,023</b>	<b>6,722</b>	<b>6,490</b>	<b>67,711</b>	<b>64,817</b>
<b>Derivative Financial Liabilities</b>								
Inflows from Derivatives	-	693	3,296	610	1,204	73	5,876	
Outflows from Derivatives	-	(2,163)	(3,658)	(728)	(1,391)	(74)	(8,014)	
	-	(1,470)	(362)	(118)	(187)	(1)	(2,138)	
<b>Off Balance Sheet Items</b>								
Lending Commitments	9,710	87	365	657	1,035	68	11,922	
Guarantees	81	1	3	3	14	11	113	
Other Contingent Liabilities	193	1	3	1	3	-	201	
<b>Total Off Balance Sheet Items</b>	<b>9,984</b>	<b>89</b>	<b>371</b>	<b>661</b>	<b>1,052</b>	<b>79</b>	<b>12,236</b>	

# Notes to the Financial Statements

For the six months ended 31 December 2013

## 18 Risk Management Policies (continued)

### Concentrations of Funding

The following tables present the NZ Banking Group's Concentrations of Funding, which are reported by industry and geographic region.

ANZSIC codes have been used as the basis for disclosing industry sectors.

\$ millions	NZ Banking Group Unaudited
<b>As at 31 December 2013</b>	
<b>Total Funding comprises:</b>	
Deposits and Other Public Borrowings	43,716
Due to Financial Institutions	3,027
Other Liabilities at Fair Value through Income Statement	942
Debt Issues:	
At Fair Value through Income Statement	2,753
At Amortised Cost	8,750
Loan Capital	5,080
<b>Total Funding</b>	<b>64,268</b>
<b>Concentration by Industry</b>	
Agricultural, Forestry and Fishing	511
Government and Public Authorities	1,355
Property and Business Services	4,061
Finance and Insurance	22,806
Utilities	189
Transport and Storage	516
Personal	31,523
Other Commercial and Industrial	3,307
<b>Total Funding by Industry</b>	<b>64,268</b>
<b>Concentration by Geographic Region</b>	
New Zealand	44,135
Overseas	20,133
<b>Total Funding by Geographic Region</b>	<b>64,268</b>

## 19 Events after the Reporting Period

On 20 January 2014 the Directors of ASB Capital Limited declared a gross Perpetual Preference Dividend of \$2m, being 1.0775 cents per share, including imputation credits. The dividend will be paid on 17 February 2014 to all registered holders of Perpetual Preference Shares as at 5.00pm on 7 February 2014.

On 20 January 2014 the Directors of ASB Capital No.2 Limited declared a gross Perpetual Preference Dividend of \$2m, being 0.9200 cents per share, including imputation credits. The dividend will be paid on 17 February 2014 to all registered holders of Perpetual Preference Shares as at 5.00pm on 7 February 2014.

There were no other events subsequent to the reporting period which would materially affect the financial statements.



## ***Independent Accountant's Report***

To the Directors of Commonwealth Bank of Australia

### ***Report on the financial statements***

We have reviewed pages 1 to 18 of the half year Disclosure Statement which consists of the financial statements required by Clause 26 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order (No 2) 2013 (the "Order") and the supplementary information required by Schedules 5, 7, 9, 10, 12 and 14 of the Order. The financial statements comprise the balance sheet as at 31 December 2013, the income statement, statement of comprehensive income, statement of changes in equity and condensed cash flow statement for the six months then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for the aggregated results of the Commonwealth Bank of Australia New Zealand Banking Group (the "NZ Banking Group").

### ***Directors' Responsibility for the Financial Statements***

The Directors of the Commonwealth Bank of Australia (the "Directors") are responsible for the half year Disclosure Statement, which includes financial statements prepared in accordance with Clause 26 of the Order and that present fairly the financial position of the NZ Banking Group as at 31 December 2013, and its financial performance and cash flows for the period ended on that date. The Directors are also responsible for such internal controls as the Directors determine are necessary to enable the preparation of the Disclosure Statement that is free from material misstatement whether due to fraud or error.

In addition, the Directors are responsible for including supplementary information in the half year Disclosure Statement which complies with Schedules 3, 5, 7, 9, 10, 12 and 14 of the Order.

### ***Accountant's Responsibility***

We are responsible for reviewing the financial statements and the supplementary information, disclosed in accordance with Clause 26, Schedules 5, 7, 9, 10, 12 and 14 of the Order, presented by the Directors.

We are responsible for reviewing the financial statements (excluding the supplementary information) in order to report to you whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the financial statements do not present fairly the matters to which they relate.

We are responsible for reviewing the supplementary information (excluding the supplementary information relating to credit and market risk exposures and capital adequacy) in order to report to you whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information does not fairly state the matters to which it relates in accordance with Schedules 5, 7, 10, 12 and 14 of the Order.

We are responsible for reviewing the supplementary information relating to credit and market risk exposures and capital adequacy in order to report to you whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information is not in all material respects:

- (a) prepared in accordance with Capital Adequacy Framework (Basel I Approach) (BS2) and Capital Adequacy Framework (Standardised Approach) (BS2A); and
- (b) disclosed in accordance with Schedule 9 of the Order.

A review is limited primarily to enquiries of the NZ Banking Group's personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit on the financial statements and, accordingly, we do not express an audit opinion.

We have reviewed the financial statements of the NZ Banking Group for the six months ended 31 December 2013 in accordance with the Review Engagement Standards issued in New Zealand.



We carry out other assignments on behalf of the NZ Banking Group in the areas of taxation and other assurance services. In addition, certain partners and employees of our firm may deal with the NZ Banking Group on normal terms within the ordinary course of trading activities of the NZ Banking Group. These matters have not impaired our independence as accountants of the NZ Banking Group. We have no other interests in the NZ Banking Group.

### ***Opinion***

Based on our review nothing has come to our attention that causes us to believe that:

- (a) the financial statements on pages 1 to 18 (excluding the supplementary information), which have been prepared in all material respects in accordance with New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting, do not present fairly the financial position of the NZ Banking Group as at 31 December 2013 and its financial performance and cash flows for the six months ended on that date;
- (b) the supplementary information prescribed by Schedules 5, 7, 10, 12 and 14 of the Order, does not fairly state the matters to which it relates in accordance with those Schedules; and
- (c) the supplementary information relating to credit and market risk exposures and capital adequacy prescribed by Schedule 9 of the Order, is not, in all material respects:
  - i. prepared in accordance with the Capital Adequacy Framework (Standardised Approach) (BS2A); and
  - ii. disclosed in accordance with Schedule 9 of the Order.

### ***Restriction on Distribution or Use***

This report is made solely to the Directors, as a body. Our review work has been undertaken so that we might state to the Directors those matters which we are required to state to them in an accountant's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the NZ Banking Group and the Directors, as a body, for our review procedures, for this report or for the opinions we have formed.

*PricewaterhouseCoopers*

Chartered Accountants  
19 February 2014

Auckland

**Part B**

**COMMONWEALTH BANK OF AUSTRALIA  
NEW ZEALAND LIFE INSURANCE GROUP**

**Financial Statements  
For the six months ended 31 December 2013**

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# Income Statement

\$ millions For the six months ended	Note	NZ Life Group	
		Unaudited 31-Dec-13	Unaudited 31-Dec-12
<b>Continuing Operations<sup>(1)</sup>:</b>			
Premium Income		320	307
Reinsurance Income		16	16
Investment Income	2, 13	79	115
Revaluation of Borrowings and Swaps		(4)	-
Other Income		5	4
<b>Total Operating Income</b>		<b>416</b>	<b>442</b>
<b>Total Operating Expenses</b>		<b>374</b>	<b>375</b>
Reinsurance Expenses		18	21
Claims, Surrenders and Maturities		186	175
Net Change in Life Insurance Contract Liabilities		(7)	(6)
Net Change in Life Investment Contract Liabilities		43	53
Commissions and Management Expenses		147	137
Finance Costs / (Income)		(13)	(6)
Other Operating Expenses		-	1
<b>Net Profit before Taxation</b>		<b>42</b>	<b>67</b>
Taxation	3, 13	(5)	18
<b>Net Profit after Taxation from Continuing Operations</b>	13	<b>47</b>	<b>49</b>
<b>Discontinued Operations<sup>(1)</sup>:</b>			
Net Profit after Taxation from Discontinued Operations	13	25	7
<b>Net Profit after Taxation</b>		<b>72</b>	<b>56</b>

(1) On 12 December 2013, Kiwi Income Property Trust (the "Trust") ceased to be managed by Kiwi Income Properties Limited ("KIPL"), a controlled entity of Colonial First State Investments (NZ) Limited. When an operation is classified as a Discontinued Operation the current and comparative Income Statements are restated. Refer to Note 13 for further information.

These statements are to be read in conjunction with the notes on pages 5 to 10 and the Independent Accountant's Report on pages 11 to 12.

# Statement of Comprehensive Income

\$ millions For the six months ended	NZ Life Group	
	Unaudited 31-Dec-13	Unaudited 31-Dec-12
Net Profit after Taxation	72	56
<b>Total Comprehensive Income</b>	<b>72</b>	<b>56</b>

# Statement of Changes in Equity

\$ millions	NZ Life Group			Total Shareholders' Equity
	Contributed Capital	Head Office Contribution	Retained Earnings	
<b>For the six months ended 31 December 2013</b>				
<b>Unaudited</b>				
Balance at Beginning of Period	528	300	456	1,284
<b>Total Comprehensive Income</b>	-	-	72	72
Branch Surplus Repatriated	-	-	(4)	(4)
Ordinary Dividend Paid	-	-	(70)	(70)
<b>Balance as at 31 December 2013</b>	<b>528</b>	<b>300</b>	<b>454</b>	<b>1,282</b>
For the six months ended 31 December 2012				
Unaudited				
Balance at Beginning of Period	528	300	404	1,232
<b>Total Comprehensive Income</b>	-	-	56	56
Branch Surplus Repatriated	-	-	(3)	(3)
<b>Balance as at 31 December 2012</b>	<b>528</b>	<b>300</b>	<b>457</b>	<b>1,285</b>

These statements are to be read in conjunction with the notes on pages 5 to 10 and the Independent Accountant's Report on pages 11 to 12.



# Balance Sheet

\$ millions As at	Note	NZ Life Group		
		Unaudited 31-Dec-13	Unaudited 31-Dec-12	Audited 30-Jun-13
<b>ASSETS</b>				
Cash and Cash Equivalents		602	595	604
Trade and Other Receivables		51	55	81
Securities		1,661	1,715	1,696
Derivative Assets		29	33	16
Reinsured Life Insurance Contracts		13	7	9
Current Taxation Asset		3	44	12
Property, Plant and Equipment		21	24	23
Intangible Assets		524	573	571
Other Assets		13	22	23
		<b>2,917</b>	<b>3,068</b>	<b>3,035</b>
Assets of Discontinued Operations <sup>(1)</sup>	13	87	-	-
<b>Total Assets</b>		<b>3,004</b>	<b>3,068</b>	<b>3,035</b>
<i>Total Interest Earning and Discount Bearing Assets</i>		<i>1,471</i>	<i>1,458</i>	<i>1,421</i>
<b>LIABILITIES</b>				
Trade and Other Payables		120	118	123
Coupon Swap Collateral		-	11	1
Derivative Liabilities		19	10	27
Borrowings		105	181	143
Life Investment Contract Liabilities		869	848	861
Life Insurance Contract Liabilities		218	241	221
Deferred Taxation Liability	6	379	374	375
		<b>1,710</b>	<b>1,783</b>	<b>1,751</b>
Liabilities of Discontinued Operations <sup>(1)</sup>	13	12	-	-
<b>Total Liabilities</b>		<b>1,722</b>	<b>1,783</b>	<b>1,751</b>
<b>SHAREHOLDERS' EQUITY</b>				
Contributed Capital		528	528	528
Head Office Contribution		300	300	300
Retained Earnings		454	457	456
<b>Total Shareholders' Equity</b>		<b>1,282</b>	<b>1,285</b>	<b>1,284</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>3,004</b>	<b>3,068</b>	<b>3,035</b>
<i>Total Interest and Discount Bearing Liabilities</i>		<i>105</i>	<i>192</i>	<i>144</i>

(1) When an operation is classified as a Discontinued Operation only the Balance Sheet for the current reporting period is restated. Refer to Note 13 for further information.

These statements are to be read in conjunction with the notes on pages 5 to 10 and the Independent Accountant's Report on pages 11 to 12.

# Condensed Cash Flow Statement

\$ millions For the six months ended	Note	NZ Life Group	
		Unaudited 31-Dec-13	Unaudited 31-Dec-12
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Premium Receipts		344	327
Dividend Receipts		11	12
Interest Receipts		41	34
Other Cash Inflows Provided by Operating Activities		120	39
Interest Paid		(3)	(2)
Claims, Surrenders and Maturities Payments		(239)	(252)
Other Cash Outflows Provided by Operating Activities		(166)	(166)
<b>Net Cash Flows from Operating Activities</b>		<b>108</b>	<b>(8)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash Inflows Provided by Investing Activities		416	543
Cash Outflows Used in Investing Activities		(350)	(514)
<b>Net Cash Flows from Investing Activities</b>		<b>66</b>	<b>29</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash Outflows Used in Financing Activities		(100)	(28)
<b>Net Cash Flows from Financing Activities</b>		<b>(100)</b>	<b>(28)</b>
<b>SUMMARY OF MOVEMENTS IN CASH FLOWS</b>			
Net Increase / (Decrease) in Cash and Cash Equivalents		74	(7)
Add: Cash and Cash Equivalents at Beginning of Period		604	602
<b>Cash and Cash Equivalents at End of Period</b>	13	<b>678</b>	<b>595</b>
<b>RECONCILIATION OF NET PROFIT AFTER TAXATION TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Net Profit after Taxation</b>		<b>72</b>	<b>56</b>
Add: Non-Cash Items		55	(25)
Add: Movements in Balance Sheet Items		(19)	(39)
<b>Net Cash Flows from Operating Activities</b>		<b>108</b>	<b>(8)</b>

These statements are to be read in conjunction with the notes on pages 5 to 10 and the Independent Accountant's Report on pages 11 to 12.

# Notes to the Financial Statements

For the six months ended 31 December 2013

## 1 Statement of Accounting Policies

The reporting entity is the NZ Life Group comprising the aggregated results of ASB Group (Life) Limited ("ASBGL") and its subsidiaries, Colonial First State Investments (NZ) Limited ("CFSI") and its subsidiaries, Colonial Holding Company Limited - New Zealand Branch ("CHC") and First State Investments (NZ) Limited ("FSI"). The basis of aggregation is an addition of the NZ Life Group entities' individual financial statements. All transactions and balances between entities within the NZ Life Group have been eliminated.

The condensed interim financial statements of the NZ Life Group for the six months ended 31 December 2013 have been incorporated in this Disclosure Statement. They have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") as appropriate for profit-oriented entities, NZ IAS 34 *Interim Financial Reporting* and the Order. These financial statements do not include all the information and disclosures required in annual financial statements and should therefore be read in conjunction with the NZ Life Group's financial statements for the year ended 30 June 2013.

The functional and presentation currency of the NZ Life Group is New Zealand dollars. All amounts contained in this Disclosure Statement and the financial statements are presented in millions of New Zealand dollars, unless otherwise stated.

The following new accounting standards and amendments to standards have been adopted from 1 July 2013 and have been applied in the preparation of these financial statements: NZ IFRS 10 *Consolidated Financial Statements*, NZ IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011), NZ IFRS 13 *Fair Value Measurement* and NZ IAS 34 *Interim Financial Reporting* (consequential amendments).

Adoption of these standards has not resulted in any material change to the NZ Life Group's reported result or financial position. However, amendments to NZ IAS 34 require the inclusion of certain fair value disclosures in interim financial statements and accordingly a new note has been included (Note 11 Fair Value of Financial Instruments). The content of these fair value disclosures is prescribed by NZ IFRS 13 and it does not require comparative information in the first year of application.

There have been no material changes to accounting policies during the six months ended 31 December 2013. Except for the application of NZ IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* disclosed in Note 13 Discontinued Operations, all policies have been applied on a basis consistent with that used in the financial year ended 30 June 2013.

\$ millions For the six months ended	NZ Life Group	
	Unaudited 31-Dec-13	Unaudited 31-Dec-12

## 2 Investment Income

Net Gains on Equity Securities	61	71
Net Losses on Fixed Interest Securities	(22)	(7)
Net (Losses) / Gains on Property Investments	(5)	4
<b>Total Net Fair Value Gains included within Investment Income</b>	<b>34</b>	<b>68</b>
Other Investment Income	46	47
<b>Total Investment Income</b>	<b>80</b>	<b>115</b>

## 3 Taxation

Current Taxation	(7)	(3)
Deferred Taxation (Refer to Note 6)	4	23
<b>Total Taxation (Benefit) / Charge to the Income Statement</b>	<b>(3)</b>	<b>20</b>

The taxation (benefit) / expense on the NZ Life Group's Net Profit before Taxation differs from the theoretical amount that would arise using the domestic rate as follows:

<b>Net Profit before Taxation</b>	<b>69</b>	<b>76</b>
Tax at the Domestic Rate of 28%	19	21
Tax Effect of Movement in Policyholder Liabilities	(12)	10
Tax Effect of Investment Income adjustments	(9)	(17)
Tax Effect of Other Income not Subject to Taxation	(31)	(11)
Tax Effect of Other Expenses not Deductible for Taxation Purposes	31	18
Tax effect of Imputation Credit Adjustments	(1)	(1)
<b>Taxation Recognised in the Income Statement</b>	<b>(3)</b>	<b>20</b>
Weighted Average Effective Tax Rate	(4%)	27%

Sovereign Assurance Company Limited ("SACL") has received assessments from the Inland Revenue Department ("IRD") in relation to the tax treatment of reinsurance arrangements in the 2000 to 2006 tax years. SACL lodged proceedings in the High Court to challenge the reassessments. The High Court delivered its judgment on 19 July 2012 and found in favour of the IRD. SACL lodged an appeal from the High Court judgment. The matter was heard by the Court of Appeal in September 2013, with the judgment delivered on 17 December 2013 in favour of the IRD. SACL continues to consider that its position is correct and, accordingly, has sought leave to appeal the matter to the Supreme Court. The potential liability arising from the matter is \$47m plus tax-effected interest of approximately \$35m. SACL has provided fully for the potential liability.

# Notes to the Financial Statements

For the six months ended 31 December 2013

## 4 Liquid Assets

\$ millions	NZ Life Group		Total
	Cash and Cash Equivalents	Securities	
<b>As at 31 December 2013</b>			
<b>Unaudited</b>			
The NZ Life Group holds the following financial assets for the purpose of managing liquidity risk:			
Cash at Bank and on Deposit	673	-	673
Foreign Currency Deposits	5	-	5
Shares in Listed Companies	-	333	333
Unit Trusts and Managed Funds	-	443	443
Government Stock	-	734	734
Corporate Bonds	-	28	28
Property Investments	-	92	92
<b>Total Liquid Assets</b>	<b>678</b>	<b>1,630</b>	<b>2,308</b>

Management of liquidity risk is designed to ensure that the NZ Life Group has the ability to meet its financial obligations as they fall due. This risk is monitored by forecasting daily cash requirements, and managed by holding a pool of readily tradeable investment assets and deposits on call.

## 5 Asset Quality

There were no material impaired or past due assets as at 31 December 2013 (30 June 2013 Nil).

## 6 Deferred Taxation Liability

\$ millions	NZ Life Group		
	Unaudited 31-Dec-13	Unaudited 31-Dec-12	Audited 30-Jun-13
<b>For the period ended</b>			
Balance at Beginning of Period	375	351	351
Recognised in the Income Statement (Refer to Note 3)	4	23	24
<b>Total Deferred Taxation Liability</b>	<b>379</b>	<b>374</b>	<b>375</b>
<b>Deferred Taxation relates to:</b>			
Accrued Expenses and Provisions	(3)	(3)	(3)
Convertible Notes	(29)	(51)	(40)
Deferred Acquisition Costs	4	5	4
Depreciation and Amortisation	3	1	1
Holiday Pay	(1)	(1)	(1)
Life Insurance Contract Liabilities and Life Investment Contract Liabilities	401	419	410
Outstanding Claims Reserve	4	4	4
<b>Total Deferred Taxation Liability</b>	<b>379</b>	<b>374</b>	<b>375</b>
<b>Deferred Taxation Recognised in the Income Statement</b>			
Accrued Expenses and Provisions	-	(1)	(1)
Convertible Notes	11	9	20
Deferred Acquisition Costs	-	1	-
Depreciation and Amortisation	2	-	-
Life Insurance Contract Liabilities and Life Investment Contract Liabilities	(9)	14	5
<b>Total Deferred Taxation Recognised in the Income Statement</b>	<b>4</b>	<b>23</b>	<b>24</b>

## 7 Contingent Liabilities and Capital Commitments

There were no material contingent liabilities or capital commitments as at 31 December 2013 (30 June 2013 Nil).

# Notes to the Financial Statements

For the six months ended 31 December 2013

## 8 Related Party Transactions and Balances

During the six months ended 31 December 2013, the NZ Life Group has entered into, or had in place various financial arrangements with members of the Overseas Banking Group and Trusts managed or administered by the Overseas Banking Group. Arrangements with all related parties were conducted on normal commercial terms and conditions.

The following balances represent amounts due to and from related parties:

\$ millions As at	NZ Life Group		
	Unaudited 31-Dec-13	Unaudited 31-Dec-12	Audited 30-Jun-13
Overseas Banking Group	348	331	359
NZ Banking Group	604	520	550
Trusts Managed or Administered by the NZ Banking Group	1	3	2
<b>Total Amounts Due from Related Parties</b>	<b>953</b>	<b>854</b>	<b>911</b>
NZ Banking Group	5	13	27
Overseas Banking Group <sup>(1)</sup>	113	184	151
<b>Total Amounts Due to Related Parties</b>	<b>118</b>	<b>197</b>	<b>178</b>

(1) ASB Group (Life) Limited has issued Convertible Notes of AUD700m (NZ\$787m) which are currently held by Colonial Holdings Company Limited. The Notes carry a contractual obligation to make quarterly interest payments. The carrying value of this liability is NZ\$106m and is reflected in Borrowings (31 December 2012 \$181m, 30 June 2013 \$143m).

The equity component of these Convertible Notes being the residual value of \$379m (after deducting the initial liability component of \$408m) and the impact of deferred taxation (\$119m) is reflected in Shareholders' Equity.

There has been no change in terms and conditions during the six months ended 31 December 2013.

For the six months ended 31 December 2013 Interest and Other Income received from the Overseas Banking Group was \$6m (31 December 2012 \$6m). Expenses paid were \$15m (31 December 2012 \$21m).

For the six months ended 31 December 2013 Interest and Other Income received from the NZ Banking Group was \$9m (31 December 2012 \$7m). Expenses paid were \$26m (31 December 2012 \$31m).

Up until 12 December 2013, Kiwi Income Property Trust ("the Trust") was managed by KIPL, a controlled entity of CFSI. The Trust is now managed by a company external to the Overseas Banking Group and therefore ceased to be a related party on 12 December 2013. Refer to Note 13 for further information.

## 9 Concentration of Credit Exposures to Individual Counterparties

The basis of calculation of the NZ Life Group's aggregate concentration of credit exposure to individual counterparties is the actual credit exposure. Credit exposures to the central government of any country with a long term credit rating of A- or A3 or above, or its equivalent, banks with a long term credit rating of A- or A3 or above, or its equivalent, and connected persons are excluded. Credit exposures to individual counterparties do not include exposures to those counterparties if they are booked outside New Zealand.

For the three months ended 31 December 2013, there was no peak end-of-day aggregate credit exposure to individual counterparties which exceeded 10% of the Overseas Banking Group's Shareholders' Equity as at 31 December 2013. As at 31 December 2013 there was no balance date aggregate credit exposure to individual counterparties which exceeded 10% of the Overseas Banking Group's Shareholders' Equity as at 31 December 2013.

The peak end-of-day aggregate concentration of credit exposure to individual counterparties has been calculated by determining the maximum end-of-day aggregated amount of credit exposure over the relevant three month period and then dividing that amount by the Overseas Banking Group's Shareholders' Equity as at 31 December 2013, which is the most recent publicly disclosed amount.

## 10 Concentrations of Credit Exposures by Geographic Region

\$ millions	NZ Life Group							Total
	New Zealand	North America	Australia	Great Britain	Asia	Europe	Other	
<b>As at 31 December 2013</b>								
<b>Unaudited</b>								
<b>Financial Assets</b>								
Cash and Cash Equivalents	671	-	5	-	2	-	-	678
Trade and Other Receivables	59	-	3	-	-	-	-	62
Securities	884	135	548	65	11	7	11	1,661
Derivative Assets	29	-	-	-	-	-	-	29
<b>Total Credit Exposures by Geographic Region</b>	<b>1,643</b>	<b>135</b>	<b>556</b>	<b>65</b>	<b>13</b>	<b>7</b>	<b>11</b>	<b>2,430</b>

Geographical segments are determined by identification of particular economic environments that are subject to risk and returns that are different from those of segments operating in other economic environments.

# Notes to the Financial Statements

For the six months ended 31 December 2013

## 11 Fair Value of Financial Instruments

The NZ Life Group's financial assets and financial liabilities are measured on an on-going basis either at fair value or at amortised cost.

### (a) Comparison of Fair Values and Carrying Values

The following tables provide a comparison between the carrying amounts and fair values of the NZ Life Group's financial assets and financial liabilities that are not presented at fair value in the Balance Sheet.

\$ millions	NZ Life Group	
	Carrying Amount	Fair Value
<b>As at 31 December 2013</b>		
<b>Unaudited</b>		
Cash and Cash Equivalents	602	602
Trade and Other Receivables	51	51
Trade and Other Payables	120	120
Borrowings	105	97

### (b) Fair Value Hierarchy

The following table presents a multiple level fair value hierarchy of the NZ Life Group's financial assets and liabilities which are measured at fair value on a recurring basis. These levels are based on the hierarchy of the inputs to the valuation techniques used to measure fair values:

- > Level 1: inputs are quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities that the NZ Life Group can access.
- > Level 2: where quoted prices are not available, fair values have been estimated using present value or other valuation techniques using inputs that are observable for the financial asset or financial liability, either directly or indirectly.
- > Level 3: Fair values are estimated using inputs that are not based on observable market data. The NZ Life Group has mortgages and loans on policies for which fair value is estimated using valuation techniques that are not based on observable market data. A sensitivity analysis and reconciliation of movements in mortgages and loans on policies has not been provided on the basis that these assets are not a material component of the NZ Life Group's total financial assets.

\$ millions	NZ Life Group			Total
	Level 1	Level 2	Level 3	
<b>As at 31 December 2013</b>				
<b>Unaudited</b>				
<b>Financial Assets at Fair Value</b>				
Securities				
Equity Shares in Listed Companies	333	-	-	333
Equity Unit Trusts and Managed Funds	-	443	-	443
Fixed Interest Securities and Annuity	762	3	-	765
Mortgages	-	-	7	7
Loans on Policies	-	-	21	21
Property Unit Trusts and Managed Funds	92	-	-	92
Derivative Assets	-	29	-	29
<b>Total Financial Assets Measured At Fair Value</b>	<b>1,187</b>	<b>475</b>	<b>28</b>	<b>1,690</b>
<b>Financial Liabilities at Fair Value</b>				
Life Investment Contracts	-	869	-	869
Derivative Liabilities	-	19	-	19
<b>Total Financial Liabilities Measured At Fair Value</b>	<b>-</b>	<b>888</b>	<b>-</b>	<b>888</b>

Investment contracts which contain a discretionary participation feature have been valued as insurance contracts under NZ IFRS 4. These contracts are investment account contracts where policyholder monies are accumulated in an account which earns interest at a crediting rate, the amount and timing of which is at the NZ Life Group's discretion. The carrying amount of these contracts at 31 December 2013 is \$39m. Due to the unknown nature of such a discretion, the fair value of the discretionary participation feature cannot be reliably measured.

## 12 Maturity Analysis of Financial Liabilities

\$ millions	NZ Life Group						Total	Carrying Value
	On Demand	Within 6 Months	Between 6 - 12 Months	Between 1 - 2 Years	Between 2 - 5 Years	Over 5 Years		
<b>As at 31 December 2013</b>								
<b>Unaudited</b>								
Trade and Other Payables	62	44	4	-	1	-	111	132
Derivative Liabilities	-	1,062	2	3	3	-	1,070	19
Borrowings	-	14	14	27	27	-	82	105
Life Investment Contract Liabilities	600	9	12	23	70	240	954	869
<b>Total Financial Liabilities</b>	<b>662</b>	<b>1,129</b>	<b>32</b>	<b>53</b>	<b>101</b>	<b>240</b>	<b>2,217</b>	<b>1,125</b>
<i>Simultaneous Inflows on Derivative Financial Instruments</i>	-	1,078	-	-	-	-	1,078	19

The above analysis is based on contractual undiscounted cash flows. Where the counterparty has discretion in requesting payment, liabilities have been classified according to the earliest time period in which the NZ Life Group may be required to pay. Cash flows on derivative financial instruments are analysed on a gross basis, unless they are settled net.

# Notes to the Financial Statements

For the six months ended 31 December 2013

## 13 Discontinued Operations

A Discontinued Operation represents a separate major line of business or geographical area that has been disposed of or is classified as held for sale, or is a subsidiary that has been disposed of or classified as held for sale. In accordance with NZ IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, when an operation is classified as a Discontinued Operation the comparative Income Statement is restated as if the operation had been discontinued from the start of the comparative period.

On 12 December 2013 the Trust's unit holders approved the proposal to internalise the management of the Trust. Up until this date the Trust was managed by Kiwi Income Properties Limited (KIPL), a subsidiary of CFSI. Under the terms of the agreement, a termination payment of \$72.5m was received for relinquishing the existing funds management and property management agreements in relation to the Trust. Accordingly, this component of the NZ Life Group's business has been classified as Discontinued Operations.

Goodwill of \$52m associated with the purchase of KIPL and a property management business by CFSI has been written off during the period. This has resulted in a net gain of \$20m on termination of the contract being recognised in Other Income of the Discontinued Operations.

The Notes to the Financial Statements include the results of the Discontinued Operations. Excluding intercompany amounts, the Net Profit after Taxation for the Discontinued Operations can be analysed as follows:

\$ millions	NZ Life Group		Total
	Continuing Operations	Discontinued Operations	
<b>INCOME STATEMENT</b>			
<b>For the six months ended 31 December 2013</b>			
Premium Income	320	-	320
Reinsurance Income	16	-	16
Investment Income	79	1	80
Revaluation of Borrowings and Swaps	(4)	-	(4)
Other Income	5	34	39
<b>Total Operating Income</b>	<b>416</b>	<b>35</b>	<b>451</b>
<b>Total Operating Expenses</b>	<b>374</b>	<b>8</b>	<b>382</b>
Reinsurance Expenses	18	-	18
Claims, Surrenders and Maturities	186	-	186
Net Change in Life Insurance Contract Liabilities	(7)	-	(7)
Net Change in Life Investment Contract Liabilities	43	-	43
Commission and Management Expenses	147	5	152
Finance Costs / (Income)	(13)	1	(12)
Other Operating Expenses	-	2	2
<b>Net Profit before Taxation</b>	<b>42</b>	<b>27</b>	<b>69</b>
Taxation	(5)	2	(3)
<b>Net Profit after Taxation</b>	<b>47</b>	<b>25</b>	<b>72</b>
<b>For the six months ended 31 December 2012</b>			
Premium Income	307	-	307
Reinsurance Income	16	-	16
Investment Income	115	-	115
Other Income	4	15	19
<b>Total Operating Income</b>	<b>442</b>	<b>15</b>	<b>457</b>
<b>Total Operating Expenses</b>	<b>375</b>	<b>6</b>	<b>381</b>
Reinsurance Expenses	21	-	21
Claims, Surrenders and Maturities	175	-	175
Net Change in Life Insurance Contract Liabilities	(6)	-	(6)
Net Change in Life Investment Contract Liabilities	53	-	53
Commission and Management Expenses	137	3	140
Finance Costs / (Income)	(6)	1	(5)
Other Operating Expenses	1	2	3
<b>Net Profit before Taxation</b>	<b>67</b>	<b>9</b>	<b>76</b>
Taxation	18	2	20
<b>Net Profit after Taxation</b>	<b>49</b>	<b>7</b>	<b>56</b>

# Notes to the Financial Statements

For the six months ended 31 December 2013

## 13 Discontinued Operations (continued)

\$ millions	Continuing Operations	NZ Life Group Discontinued Operations	Total
<b>BALANCE SHEET</b>			
Excluding intercompany amounts, the assets and liabilities of the Discontinued Operations can be analysed as follows:			
<b>As at 31 December 2013</b>			
<b>Assets</b>			
Cash and Cash Equivalents	602	76	678
Trade and Other Receivables	51	11	62
Securities	1,661	-	1,661
Derivative Assets	29	-	29
Reinsured Life Insurance Contracts	13	-	13
Current Taxation Asset	3	-	3
Property, Plant and Equipment	21	-	21
Intangible Assets	524	-	524
Other Assets	13	-	13
<b>Total Assets</b>	<b>2,917</b>	<b>87</b>	<b>3,004</b>
<b>Liabilities</b>			
Trade and Other Payables	120	12	132
Coupon Swap Collateral	-	-	-
Derivative Liabilities	19	-	19
Borrowings	105	-	105
Life Investment Contract Liabilities	869	-	869
Life Insurance Contract Liabilities	218	-	218
Deferred Taxation Liability	379	-	379
<b>Total Liabilities</b>	<b>1,710</b>	<b>12</b>	<b>1,722</b>
<b>CONDENSED CASH FLOW STATEMENT</b>			
Cash flows of the Discontinued Operations can be analysed as follows:			
<b>For the six months ended 31 December 2013</b>			
Net Cash Flows from Operating Activities	31	77	108
Net Cash Flows from Investing Activities	59	7	66
Net Cash Flows from Financing Activities	(60)	(40)	(100)
<b>Net Increase in Cash and Cash Equivalents at End of Period</b>	<b>30</b>	<b>44</b>	<b>74</b>
<b>For the six months ended 31 December 2012</b>			
Net Cash Flows from Operating Activities	(12)	4	(8)
Net Cash Flows from Investing Activities	30	(1)	29
Net Cash Flows from Financing Activities	(28)	-	(28)
<b>Net (Decrease) / Increase in Cash and Cash Equivalents at End of Period</b>	<b>(10)</b>	<b>3</b>	<b>(7)</b>

## 14 Events after the Reporting Period

There were no events subsequent to the reporting period which would materially affect the financial statements.





## ***Independent Accountant's Report*** to the Directors of Commonwealth Bank of Australia

### ***Report on the Interim Financial Statements***

We have reviewed pages 1 to 10 of the half year Disclosure Statement which consists of the financial statements required by Clause 26 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order (No 2) 2013 (the "Order") and the supplementary information required by Schedules 5, 7, 9, 10, 12 and 14 of the Order. The financial statements comprise the balance sheet as at 31 December 2013, the income statement, statement of comprehensive income, statement of changes in equity and condensed cash flow statement for the six months then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for the aggregated results of the Commonwealth Bank of Australia New Zealand Life Group (the "Life Group").

### ***Directors' Responsibility for the Interim Financial Statements***

The Directors of Commonwealth Bank of Australia (the "Directors") are responsible for the half year Disclosure Statement, which includes financial statements prepared in accordance with Clause 26 of the Order and that present fairly financial position of the Life Group as at 31 December 2013, and its financial performance and cash flows for the period ended on that date. The Directors are also responsible for such internal controls as the Directors determine are necessary to enable the preparation of the Disclosure Statement that is free from material misstatement whether due to fraud or error.

In addition, the Directors are responsible for including supplementary information in the half year Disclosure Statement which complies with Schedules 3, 5, 7, 9, 10, 12 and 14 of the Order.

### ***Accountant's Responsibility***

We are responsible for reviewing the financial statements and the supplementary information, disclosed in accordance with Clause 26, Schedules 5, 7, 9, 10, 12 and 14 of the Order, presented by the Directors.

We are responsible for reviewing the financial statements (excluding the supplementary information) in order to report to you whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the financial statements do not present fairly the matters to which they relate.

We are responsible for reviewing the supplementary information in order to report to you whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information does not fairly state the matters to which it relates in accordance with Schedules 5, 7, 10, 12 and 14 of the Order.

A review is limited primarily to enquiries of the Life Group's personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit on the financial statements and, accordingly, we do not express an audit opinion.



We have reviewed the financial statements of the Life Group for the six months ended 31 December 2013 in accordance with the Review Engagement Standards issued in New Zealand.

We carry our other assignments on behalf of the Life Group in the areas of taxation and other assurance services. Certain partners and employees of our firm may deal with the Life Group on normal terms within the ordinary course of trading activities of the Life Group. These matters have not impaired our independence as accountants of the Life Group. We have no other interests in the Life Group.

***Opinion***

Based on our review, nothing has come to our attention that causes us to believe that:

- (a) the financial statements on pages 1 to 10 (excluding the supplementary information), which have been prepared in all material respects in accordance with New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting, do not present fairly the financial position of the Life Group as at 31 December 2013 and its financial performance and cash flows for the six months ended on that date; and
- (b) the supplementary information prescribed by Schedules 5, 7, 10, 12 and 14 of the Order, does not fairly state the matters to which it relates in accordance with those Schedules.

***Restriction on Distribution or Use***

This report is made solely to the Directors, as a body. Our review work has been undertaken so that we might state to the Directors those matters which we are required to state to them in an accountant's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Life Group and the Directors, as a body, for our review procedures, for this report or for the opinions we have formed.

A handwritten signature in black ink, appearing to read 'PwC [Name]', with a long horizontal flourish extending to the right.

Chartered Accountants  
19 February 2014

Auckland