

# Commonwealth Bank of Australia New Zealand Operations

## Disclosure Statement

For the six months ended 31 December 2014



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## Commonwealth Bank of Australia New Zealand Operations

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# General Disclosures

(To be read in conjunction with the Financial Statements)

## 31 December 2014

This Disclosure Statement has been issued in accordance with the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (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 financial statements for the Overseas Banking Group's New Zealand banking business. Controlled entities of the NZ Banking Group as at 30 June 2014 are set out in note 22 of the financial statements of the NZ Banking Group for the year ended 30 June 2014;
- 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 2014 are set out in note 15 of the financial statements of the NZ Life Group for the year ended 30 June 2014; 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).

## General Matters

### 1.0 Address for Service - Branch

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

### 2.0 Address for Service - Overseas Bank

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

The Overseas Bank operates as an Australian public company under the Corporations Act 2001 (Commonwealth of 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.

### 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.

### 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 Guarantee Scheme rules ("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 until maturity (up to a maximum of 5 years for term deposits, or October 2015 in the case of call deposits).

# General Disclosures (continued)

(To be read in conjunction with the Financial Statements)

## 3.1 Large Deposits and Wholesale Funding (continued)

(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 of the account or covered financial product. Accounts kept at a foreign branch of an ADI, including the Branch, are not protected accounts. The guarantee originally applied to deposits with foreign branches, but was limited to Australian dollar deposits from 12 October 2011 and ceased for all foreign branch deposits from 23 September 2014.

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  
Australia  
Attention: Director, Canberra

Facsimile: +61 2 6253 7333

The most recent audited financial statements of the Commonwealth of Australia can be obtained from the Australian Government Department of Finance website ([www.finance.gov.au/financial-reporting-and-accounting-policy](http://www.finance.gov.au/financial-reporting-and-accounting-policy)).

## 4.0 Conditions of Registration

The NZ Banking Group's Conditions of Registration were amended with effect from 1 November 2014 to refer to a revised version of the *Framework for Restrictions on High-LVR Residential Mortgage Lending* (BS19).

## 5.0 Directorate and Auditor

Sir David Higgins joined the CBA Board as an independent non-executive director on 1 September 2014.

There have been no other changes to the Board of Directors of CBA since the signing of the 30 June 2014 Disclosure Statement.

# General Disclosures (continued)

(To be read in conjunction with the Financial Statements)

## 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

S.M. (Shirish) Apte

Singapore

Sir D.H. (David) Higgins

England

S.C.H. (Carolyn) Kay

Australia

A.M. (Andrew) Mohl

Australia

Sir J.A. (John) Anderson KBE

New Zealand

J.S. (Jane) Hemstritch

Australia

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

## 5.2 Name and Address for Service of Auditor

PricewaterhouseCoopers

Chartered Accountants

PwC Tower

188 Quay Street

Auckland 1010

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

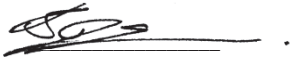
**Each Director and the New Zealand Chief Executive Officer believes, after due enquiry, that as at the date on which the Disclosure Statement is signed:**

- the Disclosure Statement contains all the information required by the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended); 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 2014:**

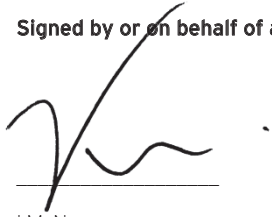
- the Registered Bank has complied with all Conditions of Registration imposed by the Reserve Bank under section 74 of the Reserve Bank of New Zealand Act 1989 that applied during that period; and
- the New Zealand business of the Registered Bank had systems in place to monitor and control adequately 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  
20 February 2015

**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  
20 February 2015



# Part A

## Commonwealth Bank of Australia New Zealand Banking Group

### Financial Statements

For the six months ended 31 December 2014



# Income Statement

\$ millions	For the six months ended	Note	NZ Banking Group	
			Unaudited 31-Dec-14	Unaudited 31-Dec-13
Interest income			2,125	1,876
Interest expense			1,269	1,098
<b>Net interest earnings</b>			<b>856</b>	778
Other income		2	223	238
<b>Total operating income</b>			<b>1,079</b>	1,016
Impairment losses on advances		7	63	13
<b>Total operating income after impairment losses</b>			<b>1,016</b>	1,003
<b>Total operating expenses</b>			<b>403</b>	393
Salaries and other staff expenses			243	237
Building occupancy and equipment expenses			62	62
Information technology expenses			43	42
Other expenses			55	52
<b>Net profit before taxation</b>			<b>613</b>	610
Taxation			172	170
<b>Net profit after taxation</b>			<b>441</b>	440
Attributable to:				
Parent company shareholders			432	433
Non-controlling interests			9	7
<b>Net profit after taxation</b>			<b>441</b>	440

These statements are to be read in conjunction with the notes on pages 6 to 22 and the Independent Review Report from 23 to 24.

# Statement of Comprehensive Income

\$ millions	NZ Banking Group	
	Unaudited 31-Dec-14	Unaudited 31-Dec-13
<b>For the six months ended</b>		
<b>Net profit after taxation</b>	<b>441</b>	440
<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	-	1
<b>Items that may be reclassified subsequently to the Income Statement:</b>		
Net change in available-for-sale reserve	<b>(2)</b>	1
Net change in cash flow hedge reserve	<b>(48)</b>	(20)
<b>Total other comprehensive expense, net of taxation</b>	<b>(50)</b>	(18)
<b>Total comprehensive income</b>	<b>391</b>	422
Attributable to:		
Parent company shareholders	<b>382</b>	415
Non-controlling interests	<b>9</b>	7
<b>Total comprehensive income</b>	<b>391</b>	422

These statements are to be read in conjunction with the notes on pages 6 to 22 and the Independent Review Report from 23 to 24.

# Statement of Changes in Equity

NZ Banking Group									
\$ millions	Head Office Contribution	Contributed Capital	Asset Revaluation Reserve	Available-for-Sale Reserve	Cash Flow Hedge Reserve	Foreign Currency Translation Reserve	Retained Earnings	Non-controlling Interests	Total Shareholders' Equity
<b>For the six months ended 31 December 2014</b>									
<b>Unaudited</b>									
Balance at beginning of period	462	2,186	25	12	(1)	1	2,474	550	5,709
Net profit after taxation	-	-	-	-	-	-	432	9	441
Other comprehensive expense	-	-	-	(2)	(48)	-	-	-	(50)
<b>Total comprehensive (expense)/income</b>	-	-	-	(2)	(48)	-	432	9	391
Ordinary dividends paid	-	-	-	-	-	-	(515)	-	(515)
Perpetual preference dividends paid to non-controlling interests	-	-	-	-	-	-	-	(9)	(9)
Profit repatriation	-	-	-	-	-	-	(6)	-	(6)
<b>Balance as at 31 December 2014</b>	<b>462</b>	<b>2,186</b>	<b>25</b>	<b>10</b>	<b>(49)</b>	<b>1</b>	<b>2,385</b>	<b>550</b>	<b>5,570</b>
<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>

These statements are to be read in conjunction with the notes on pages 6 to 22 and the Independent Review Report from 23 to 24.

# Balance Sheet

\$ millions	NZ Banking Group			
	Unaudited 31-Dec-14	Unaudited 31-Dec-13	Audited 30-Jun-14	
<b>As at</b>	Note			
<b>Assets</b>				
Cash and liquid assets		1,630	2,198	1,778
Due from financial institutions		234	204	288
Trading securities		1,739	2,114	1,492
Derivative assets		1,201	1,330	1,053
Available-for-sale securities		2,994	2,553	2,705
Advances to customers	5	65,798	62,911	63,815
Current taxation asset		31	82	-
Other assets		262	359	710
Property, plant and equipment		191	199	201
Intangible assets		437	433	436
Deferred taxation asset		69	-	35
<b>Total assets</b>		<b>74,586</b>	<b>72,383</b>	<b>72,513</b>
<i>Total interest earning and discount bearing assets</i>		<i>72,300</i>	<i>69,946</i>	<i>70,153</i>
<b>Liabilities</b>				
Deposits and other public borrowings	10	47,458	43,716	44,429
Due to financial institutions		979	3,027	2,203
Other liabilities at fair value through Income Statement		563	942	1,223
Derivative liabilities		1,770	1,924	2,114
Current taxation liability		-	-	3
Other liabilities		524	549	597
Debt issues:				
At fair value through Income Statement	11	1,803	2,753	1,312
At amortised cost	11	9,507	8,750	9,612
Deferred taxation liability		-	174	-
Loan capital		6,412	5,080	5,311
<b>Total liabilities</b>		<b>69,016</b>	<b>66,915</b>	<b>66,804</b>
<b>Shareholders' Equity</b>				
Head office contribution		462	462	462
Contributed capital - ordinary shares		704	704	704
Reserves		(13)	54	37
Retained earnings		2,385	2,413	2,474
<b>Ordinary shareholders' equity</b>		<b>3,538</b>	<b>3,633</b>	<b>3,677</b>
Contributed capital - redeemable preference shares		1,482	1,285	1,482
<b>Non-controlling interests</b>		<b>550</b>	<b>550</b>	<b>550</b>
<b>Total shareholders' equity</b>		<b>5,570</b>	<b>5,468</b>	<b>5,709</b>
<b>Total liabilities and shareholders' equity</b>		<b>74,586</b>	<b>72,383</b>	<b>72,513</b>
<i>Total interest and discount bearing liabilities</i>		<i>63,685</i>	<i>61,465</i>	<i>61,359</i>

These statements are to be read in conjunction with the notes on pages 6 to 22 and the Independent Review Report from 23 to 24.

# Condensed Cash Flow Statement

\$ millions	NZ Banking Group	
	Unaudited 31-Dec-14	Unaudited 31-Dec-13
<b>For the six months ended</b>		
<b>Cash flows from operating activities</b>		
Net profit before taxation	613	610
<b>Reconciliation of net profit before taxation to net cash flows from operating activities</b>		
Non-cash items included in net profit before taxation	137	82
Net increase in operating assets	(1,908)	(1,443)
Net increase in operating liabilities	1,196	1,397
Net taxation paid	(222)	(209)
<b>Net cash flows from operating activities</b>	<b>(184)</b>	<b>437</b>
<b>Cash flows from investing activities</b>		
Cash outflows applied to investing activities	(40)	(24)
<b>Net cash flows from investing activities</b>	<b>(40)</b>	<b>(24)</b>
<b>Cash flows from financing activities</b>		
Cash inflows provided from financing activities	3,294	-
Cash outflows applied to financing activities	(3,021)	(38)
<b>Net cash flows from financing activities</b>	<b>273</b>	<b>(38)</b>
<b>Summary of movements in cash flows</b>		
Net increase in cash and cash equivalents	49	375
Add: cash and cash equivalents at beginning of period	704	(84)
<b>Cash and cash equivalents at end of period</b>	<b>753</b>	<b>291</b>
<b>Cash and cash equivalents comprise:</b>		
Cash and liquid assets	1,630	2,198
Less: reverse repurchase agreements included in cash and liquid assets	(592)	(744)
Add: cash equivalents in due from financial institutions at call	234	204
Less: cash equivalents in due to financial institutions at call	(519)	(1,367)
<b>Cash and cash equivalents at end of period</b>	<b>753</b>	<b>291</b>
<b>Additional operating cash flow information</b>		
Cash received as interest	2,154	1,892
Cash paid as interest	(1,304)	(1,138)
Cash received as other income	215	232
Cash paid as operating expenses	(407)	(387)

These statements are to be read in conjunction with the notes on pages 6 to 22 and the Independent Review Report from 23 to 24.

# Notes to the Financial Statements

For the six months ended 31 December 2014

## 1 Statement of Accounting Policies

The reporting entity is the NZ Banking Group which is an aggregation of the Branch, ASB Holdings Limited, ASB Funding Limited, ASB Bank Limited ("ASB") 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 fully eliminated.

The condensed interim financial statements of the NZ Banking Group for the six months ended 31 December 2014 (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 interim 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 2014.

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, unless otherwise stated.

Amendments to NZ IAS 32 *Financial Instruments: Presentation* have been adopted from 1 July 2014 and have been applied in the preparation of these financial statements. These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of offsetting criteria to settlement systems such as central clearing house systems. The adoption of these amendments did not have an impact on the financial statements.

There have been no material changes to accounting policies during the six months ended 31 December 2014. All policies have been applied on a basis consistent with that used in the financial year ended 30 June 2014.

Certain comparatives have been restated to ensure consistency with the current period's presentation.

## 2 Other Income

\$ millions	NZ Banking Group	
	Unaudited 31-Dec-14	Unaudited 31-Dec-13
<b>For the six months ended</b>		
<b>Net fair value gain/(loss) from:</b>		
Other derivatives at fair value	1	1
Hedge ineffectiveness	(6)	4
<b>Total net fair value (loss)/gain</b>	<b>(5)</b>	5
Trading income	33	32
Other operating income	195	201
<b>Total other income</b>	<b>223</b>	238

## 3 Taxation

As at 31 December 2014 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 has commenced legal proceedings to challenge those assessments. The tax position has a potential liability of \$153 million plus interest and penalties (30 June 2014 potential liability of \$153 million plus interest and penalties). ASB 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 2014 New Zealand government securities of \$108 million had been pledged as collateral under repurchase agreements.

The NZ Banking Group has entered into credit support annexes in respect of certain credit exposures relating to certain derivative transactions. As at 31 December 2014 \$157 million included in due from financial institutions had been advanced as collateral to offset derivative liabilities.



# Notes to the Financial Statements

For the six months ended 31 December 2014

## 5 Advances to Customers

\$ millions	NZ Banking Group		
	Unaudited 31-Dec-14	Unaudited 31-Dec-13	Audited 30-Jun-14
<b>As at</b>			
Residential mortgages	42,174	41,024	41,624
Other retail	4,546	4,424	4,512
Corporate	19,346	17,727	17,957
<b>Loans and other receivables</b>	<b>66,066</b>	63,175	64,093
Fair value hedge adjustments	12	(42)	(41)
Provisions for impairment losses	(280)	(222)	(237)
<b>Total advances to customers</b>	<b>65,798</b>	62,911	63,815

## 6 Credit Quality Information for Advances to Customers

\$ millions	NZ Banking Group			
	Residential Mortgages <sup>(1)</sup>	Other Retail	Corporate	Total
<b>As at 31 December 2014</b>				
<b>Unaudited</b>				
<b>Past due assets not impaired</b>				
Less than 30 days	1,599	231	333	2,163
30 to 59 days	186	38	11	235
60 to 89 days	92	19	5	116
Over 90 days	81	17	7	105
<b>Total past due assets not impaired</b>	<b>1,958</b>	<b>305</b>	<b>356</b>	<b>2,619</b>
<b>Individually impaired assets</b>				
Balance at beginning of period	51	10	188	249
Additions	32	5	134	171
Deletions	(33)	(5)	(51)	(89)
Amounts written off	(5)	(1)	(1)	(7)
<b>Total individually impaired assets</b>	<b>45</b>	<b>9</b>	<b>270</b>	<b>324</b>
<b>Other assets under administration</b>	<b>33</b>	<b>2</b>	<b>-</b>	<b>35</b>

Undrawn balances on lending commitments to counterparties within the impaired asset category were \$1 million as at 31 December 2014 (31 December 2013 \$2 million, 30 June 2014 \$4 million).

The facilities that are reported as impaired and past due are collateralised in accordance with the NZ Banking Group's credit risk management policies.

(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 2014

## 6 Credit Quality Information for Advances to Customers (continued)

\$ millions	NZ Banking Group			Total
	Residential Mortgages	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>

\$ millions	NZ Banking Group			Total
	Residential Mortgages	Other Retail	Corporate	
<b>As at 30 June 2014</b>				
<b>Audited</b>				
<b>Past due assets not impaired</b>				
Less than 30 days	1,680	235	256	2,171
30 to 59 days	234	36	9	279
60 to 89 days	88	20	2	110
Over 90 days	74	20	7	101
<b>Total past due assets not impaired</b>	<b>2,076</b>	<b>311</b>	<b>274</b>	<b>2,661</b>
<b>Individually impaired assets</b>				
Balance at beginning of year	98	9	205	312
Additions	38	7	262	307
Deletions	(74)	(1)	(256)	(331)
Amounts written off	(11)	(5)	(23)	(39)
<b>Total individually impaired assets</b>	<b>51</b>	<b>10</b>	<b>188</b>	<b>249</b>
<b>Other assets under administration</b>	<b>36</b>	<b>3</b>	<b>1</b>	<b>40</b>

# Notes to the Financial Statements

For the six months ended 31 December 2014

## 7 Provisions for Impairment Losses

\$ millions	NZ Banking Group			Total
	Residential Mortgages	Other Retail	Corporate	
<b>As at 31 December 2014</b>				
<b>Unaudited</b>				
<b>Collective provision</b>				
Balance at beginning of period	38	61	80	179
Charged to Income Statement	3	7	25	35
<b>Balance at end of period</b>	<b>41</b>	<b>68</b>	<b>105</b>	<b>214</b>
<b>Individually assessed provisions</b>				
Balance at beginning of period	11	2	45	58
Add/(less):				
Charged to Income Statement:				
New provisions	10	1	17	28
Amounts recovered	(7)	-	(6)	(13)
Write-offs against individually assessed provisions	(5)	(1)	(1)	(7)
<b>Balance at end of period</b>	<b>9</b>	<b>2</b>	<b>55</b>	<b>66</b>
<b>Total provisions for impairment losses</b>	<b>50</b>	<b>70</b>	<b>160</b>	<b>280</b>
<b>Impairment losses on advances</b>				
Movement in collective provision	3	7	25	35
Movement in individually assessed provisions	3	1	11	15
Bad debts written off	-	21	1	22
Bad debts recovered	(1)	(5)	(3)	(9)
<b>Total impairment losses on advances</b>	<b>5</b>	<b>24</b>	<b>34</b>	<b>63</b>

# Notes to the Financial Statements

For the six months ended 31 December 2014

## 7 Provisions for Impairment Losses (continued)

\$ 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	(3)	(6)
	41	47	101	189
Less: Off balance sheet provisions	-	-	(4)	(4)
<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
Add/(less):				
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>Impairment losses on advances</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>

\$ millions	NZ Banking Group			Total
	Residential Mortgages	Other Retail	Corporate	
<b>As at 30 June 2014</b>				
<b>Audited</b>				
<b>Collective provision</b>				
Balance at beginning of year	48	43	104	195
(Recovered from)/charged to Income Statement	(10)	18	(21)	(13)
	38	61	83	182
Less: Off balance sheet provisions	-	-	(3)	(3)
<b>Balance at end of year</b>	<b>38</b>	<b>61</b>	<b>80</b>	<b>179</b>
<b>Individually assessed provisions</b>				
Balance at beginning of year	18	2	31	51
Add/(less):				
Charged to Income Statement:				
New provisions	20	6	89	115
Amounts recovered	(16)	(1)	(52)	(69)
Write-offs against individually assessed provisions	(11)	(5)	(23)	(39)
<b>Balance at end of year</b>	<b>11</b>	<b>2</b>	<b>45</b>	<b>58</b>
<b>Total provisions for impairment losses</b>	<b>49</b>	<b>63</b>	<b>125</b>	<b>237</b>

# Notes to the Financial Statements

For the six months ended 31 December 2014

## 8 Concentrations of Credit Exposures Unaudited

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 NZ 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 customer industry sectors.

\$ millions	NZ Banking Group			
	Financial Assets at Amortised Cost	Financial Assets at Fair Value	Other Credit Exposures	Total Credit Exposures
<b>As at 31 December 2014</b>				
<b>Concentration by industry</b>				
Agriculture	8,342	15	744	9,101
Government and public authorities	386	1,320	427	2,133
Property and business services	6,234	20	604	6,858
Finance and insurance	6,814	4,480	947	12,241
Utilities	508	81	367	956
Transport and storage	858	1	242	1,101
Housing <sup>(1)</sup>	38,259	-	6,208	44,467
Construction	459	-	196	655
Personal	1,487	-	2,042	3,529
Other commercial and industrial	4,315	17	2,183	6,515
<b>Total credit exposures by industry</b>	<b>67,662</b>	<b>5,934</b>	<b>13,960</b>	<b>87,556</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 finance and insurance sector under financial assets at amortised cost.				
<b>Concentration by geographic region</b>				
Auckland	40,857	137	8,101	49,095
Rest of New Zealand	26,128	3,558	5,330	35,016
Overseas	677	2,239	529	3,445
<b>Total credit exposures by geographic region</b>	<b>67,662</b>	<b>5,934</b>	<b>13,960</b>	<b>87,556</b>

## 9 Concentration of Credit Exposures to Individual Counterparties

As at 31 December 2014 there were no balance date aggregate credit exposures to individual counterparties which exceeded 10% of the Overseas Banking Group's shareholders' equity as at 31 December 2014. For the three months ended 31 December 2014, there were no peak end-of-day aggregate credit exposures to individual counterparties which exceeded 10% of the Overseas Banking Group's shareholders' equity as at 31 December 2014.

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.

The peak end-of-day aggregate concentration of credit exposure to individual counterparties has been calculated by determining the maximum end-of-day aggregate 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 2014, which is the most recent publicly disclosed amount.

# Notes to the Financial Statements

For the six months ended 31 December 2014

## 10 Deposits and Other Public Borrowings

\$ millions	NZ Banking Group		
	Unaudited 31-Dec-14	Unaudited 31-Dec-13	Audited 30-Jun-14
<b>As at</b>			
Certificates of deposit	793	84	227
Term deposits	23,034	21,521	21,659
On demand and short term deposits	20,631	19,338	19,891
Deposits not bearing interest	2,892	2,679	2,612
Repurchase agreements	108	94	40
<b>Total deposits and other public borrowings</b>	<b>47,458</b>	<b>43,716</b>	<b>44,429</b>

As at 31 December 2014 the Branch did not have any retail deposits (deposits with natural persons, excluding deposits with an outstanding balance which exceeds \$250,000).

## 11 Debt Issues

\$ millions	NZ Banking Group		
	Unaudited 31-Dec-14	Unaudited 31-Dec-13	Audited 30-Jun-14
<b>As at</b>			
Debt issues at fair value through Income Statement	1,803	2,753	1,312
Debt issues at amortised cost	9,507	8,750	9,612
<b>Total debt issues</b>	<b>11,310</b>	<b>11,503</b>	<b>10,924</b>
<b>Movement in debt issues</b>			
Balance at beginning of period	10,924	12,085	12,085
Issuances during the period	3,023	5,607	9,572
Repayments during the period	(2,990)	(6,110)	(10,440)
Foreign exchange and fair value movements during the period	353	(79)	(293)
<b>Balance at end of period</b>	<b>11,310</b>	<b>11,503</b>	<b>10,924</b>

## 12 Contingent Liabilities

\$ millions	NZ Banking Group Notional Amount		
	Unaudited 31-Dec-14	Unaudited 31-Dec-13	Audited 30-Jun-14
<b>As at</b>			
Guarantees	119	113	111
Standby letters of credit	85	84	113
Other credit facilities	126	117	149
<b>Total contingent liabilities</b>	<b>330</b>	<b>314</b>	<b>373</b>

The notional amount represents the maximum potential amount that could be lost if a counterparty fails to meet its financial obligations.

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 provision or contingent liability 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. At the date of this Disclosure Statement, no such proceedings have been issued against ASB. If proceedings are issued against ASB, any impact will be assessed at that time.

In December 2013 the Commerce Commission advised ASB that it intended to issue proceedings against ASB under the Fair Trading Act 1986 in respect of the sale of interest rate swap contracts to rural customers. On 23 December 2014 the Commission and ASB reached an agreement to resolve that matter.

# Notes to the Financial Statements

For the six months ended 31 December 2014

## 13 Related Party Transactions and Balances

The following balances represent amounts due to and from related parties classified within cash and liquid assets, due to and due from financial institutions, deposits and other public borrowings, debt issues, loan capital, other assets, other liabilities, derivative assets and derivative liabilities:

\$ millions	NZ Banking Group		
	Unaudited 31-Dec-14	Unaudited 31-Dec-13	Audited 30-Jun-14
<b>As at</b>			
<b>Amounts due to related parties</b>			
Overseas Banking Group	4,381	6,789	5,852
NZ Life Group	260	604	401
Superannuation schemes and unit trusts managed or administered by controlled subsidiaries of ASB	447	378	450
Superannuation schemes and unit trusts managed or administered by NZ Life Group	4	7	4
<b>Total amounts due to related parties</b>	<b>5,092</b>	<b>7,778</b>	<b>6,707</b>
<b>Amounts due from related parties</b>			
Overseas Banking Group	549	534	341
NZ Life Group	-	5	1
Superannuation schemes and unit trusts managed or administered by controlled subsidiaries of ASB	-	-	1
<b>Total amounts due from related parties</b>	<b>549</b>	<b>539</b>	<b>343</b>

For the six months ended 31 December 2014 interest charged on balances due to the Overseas Banking Group was \$80 million (31 December 2013 \$105 million).

The total liabilities of the Branch net of amounts due to related parties were \$3,137 million as at 31 December 2014 (31 December 2013 \$2,211 million, 30 June 2014 \$2,213 million).

# Notes to the Financial Statements

For the six months ended 31 December 2014

## 14 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 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) Fair Value Hierarchy of Financial Instruments Measured at Fair Value

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.

There are three levels in the hierarchy of fair value measurements which are based on the inputs 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 market 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.

The NZ Banking Group considers transfers between levels, if any, to have occurred at the end of the reporting period for which the financial statements are prepared.

The following tables present an analysis by level in the fair value hierarchy of the financial instruments that are recognised and measured at fair value on a recurring basis.

\$ millions	NZ Banking Group			Total
	Level 1	Level 2	Level 3	
<b>As at 31 December 2014</b>				
<b>Unaudited</b>				
<b>Financial assets</b>				
Trading securities	828	911	-	1,739
Derivative assets	-	1,201	-	1,201
Available-for-sale securities	609	2,385	-	2,994
<b>Total financial assets measured at fair value</b>	<b>1,437</b>	<b>4,497</b>	<b>-</b>	<b>5,934</b>
<b>Financial liabilities</b>				
Other liabilities at fair value through Income Statement	-	563	-	563
Derivative liabilities	-	1,770	-	1,770
Debt issues at fair value through Income Statement	-	1,803	-	1,803
<b>Total financial liabilities measured at fair value</b>	<b>-</b>	<b>4,136</b>	<b>-</b>	<b>4,136</b>
<b>As at 31 December 2013</b>				
<b>Unaudited</b>				
<b>Financial assets</b>				
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>



# Notes to the Financial Statements

For the six months ended 31 December 2014

## 14 Fair Value of Financial Instruments (continued)

### (a) Fair Value Hierarchy of Financial Instruments Measured at Fair Value (continued)

\$ millions	NZ Banking Group			Total
	Level 1	Level 2	Level 3	
<b>As at 30 June 2014</b>				
<b>Audited</b>				
<b>Financial assets</b>				
Trading securities	560	932	-	1,492
Derivative assets	-	1,053	-	1,053
Available-for-sale securities	615	2,090	-	2,705
<b>Total financial assets measured at fair value</b>	<b>1,175</b>	<b>4,075</b>	<b>-</b>	<b>5,250</b>
<b>Financial liabilities</b>				
Other liabilities at fair value through Income Statement	6	1,217	-	1,223
Derivative liabilities	-	2,114	-	2,114
Debt issues at fair value through Income Statement	-	1,312	-	1,312
<b>Total financial liabilities measured at fair value</b>	<b>6</b>	<b>4,643</b>	<b>-</b>	<b>4,649</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.

### (b) Fair Value of Financial Instruments Not Measured at Fair Value

The following table compares the carrying values of financial instruments not measured at fair value with their estimated fair values.

\$ millions	Unaudited 31-Dec-14		NZ Banking Group Unaudited 31-Dec-13		Audited 30-Jun-14	
	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value
<b>Financial assets</b>						
Cash and liquid assets	1,630	1,630	2,198	2,198	1,778	1,778
Due from financial institutions	234	234	204	204	288	288
Advances to customers	65,678	65,798	62,840	62,911	63,625	63,815
Other assets	237	237	334	334	690	690
<b>Total</b>	<b>67,779</b>	<b>67,899</b>	<b>65,576</b>	<b>65,647</b>	<b>66,381</b>	<b>66,571</b>
<b>Financial liabilities</b>						
Deposits and other public borrowings	47,523	47,458	43,768	43,716	44,467	44,429
Due to financial institutions	980	979	3,038	3,027	2,209	2,203
Other liabilities	524	524	549	549	597	597
Debt issues at amortised cost	9,574	9,507	8,816	8,750	9,673	9,612
Loan capital	6,298	6,412	5,026	5,080	5,310	5,311
<b>Total</b>	<b>64,899</b>	<b>64,880</b>	<b>61,197</b>	<b>61,122</b>	<b>62,256</b>	<b>62,152</b>

# Notes to the Financial Statements

For the six months ended 31 December 2014

## 15 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).

\$ millions	NZ Banking Group			Total
	Interest Rate Risk	Foreign Currency Risk	Equity Risk	
<b>Exposures as at 31 December 2014</b>				
Implied risk-weighted exposure	1,752	9	-	1,761
Aggregate capital charge	140	1	-	141

\$ millions	NZ Banking Group			Total
	Interest Rate Risk	Foreign Currency Risk	Equity Risk	
<b>Peak exposures for the six months ended 31 December 2014</b>				
Implied risk-weighted exposure	2,209	71	4	2,284
Aggregate capital charge	177	6	-	183

## 16 Residential mortgages by loan-to-valuation ratio ("LVR") Unaudited

\$ millions	NZ Banking Group			Total
	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	
<b>LVR Range</b>				
<b>As at 31 December 2014</b>				
Value of exposures	40,868	5,779	3,140	49,787
Expressed as a percentage of total exposures	82.1%	11.6%	6.3%	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.

\$ millions	NZ Banking Group
<b>As at 31 December 2014</b>	
<b>Reconciliation of mortgage-related amounts</b>	
<b>Housing loans (refer to note 8)</b>	<b>44,467</b>
Add/(less):	
Housing loans to other retail and corporate customers	(2,293)
<b>Residential mortgages in advances to customers (refer to note 5)</b>	<b>42,174</b>
Add/(less):	
Off balance sheet exposures	6,567
Unamortised loan establishment fees	(87)
Commercial and business loans secured against residential mortgages	1,133
<b>Residential mortgages in LVR disclosure</b>	<b>49,787</b>

# Notes to the Financial Statements

For the six months ended 31 December 2014

## 17 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. Effective 1 January 2013, the APRA prudential standards required a minimum Common Equity Tier One (CET1) ratio of 4.5%. 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/about-us/shareholders/financial-information/regulatory/basel-iii-pillar-iii-disclosure.html](http://www.commbank.com.au/about-us/shareholders/financial-information/regulatory/basel-iii-pillar-iii-disclosure.html)).

The Overseas Banking Group is required by APRA to hold minimum capital specified under the Basel III (AIRB) approach. As at 31 December 2014 the minimum capital requirements were met.

As at	Overseas Bank		Overseas Banking Group	
	31-Dec-14	31-Dec-13	31-Dec-14	31-Dec-13
<b>Capital ratios</b>				
Common equity tier one capital ratio	<b>9.1%</b>	8.3%	<b>9.2%</b>	8.5%
Tier one capital ratio	<b>11.5%</b>	10.3%	<b>11.6%</b>	10.6%
Total capital ratio	<b>12.5%</b>	11.2%	<b>12.7%</b>	11.4%

### Overseas Banking Group

#### Asset quality

##### As at 31 December 2014

Total gross individually impaired assets	<b>AUD3,360 million</b>
Total individually impaired assets as a % of total assets	<b>0.4%</b>
Total individually assessed provisions	<b>AUD1,116 million</b>
Total individually assessed provisions as a % of total gross individually impaired assets	<b>33.2%</b>
Total collective provision	<b>AUD2,763 million</b>

#### Profitability

Net profit after taxation for the six months ended 31 December 2014	<b>AUD4,545 million</b>
Net profit after taxation as a % of average total assets for the year ended 31 December 2014	<b>1.1%</b>

#### Size

##### As at 31 December 2014

Total assets	<b>AUD850,714 million</b>
% change in total assets from previous 31 December	<b>8.7%</b>

# Notes to the Financial Statements

For the six months ended 31 December 2014

## 18 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's retail 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 Part B of this Disclosure Statement.

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

ASB Smart Cards Limited and Kiwi Home Loans Limited (subsidiaries of ASB), were removed from the New Zealand Companies Register on 20 October 2014 and 1 December 2014 respectively. These removals had no impact on the consolidated financial statements of the NZ Banking Group.

## 20 Financial Reporting by Operating Segments

Unaudited

\$ millions	NZ Banking Group					Total
	Retail and Business Banking	Corporate, Commercial and Rural	Institutional Banking and Markets	Wealth and Insurance	Other	

### Income Statement

#### For the six months ended 31 December 2014

Net interest earnings	546	276	17	7	10	856
Other income/(expense)	115	49	24	73	(38)	223
Total operating income/(expense)	661	325	41	80	(28)	1,079
Impairment losses on advances	28	9	26	-	-	63
Segment operating expenses (excluding impairment losses)	232	116	6	43	6	403
Segment net profit/(loss) before taxation	401	200	9	37	(34)	613
Taxation	112	56	2	10	(8)	172
Segment net profit/(loss) after taxation	289	144	7	27	(26)	441

### Balance Sheet

#### As at 31 December 2014

Total assets	43,187	22,070	3,849	158	5,322	74,586
Total liabilities	32,056	13,100	5,731	257	17,872	69,016

\$ millions	NZ Banking Group					Total
	Retail and Business Banking	Corporate, Commercial and Rural	Institutional Banking and Markets	Wealth and Insurance	Other	

### Income Statement

#### For the six months ended 31 December 2013

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
Impairment losses on advances	9	12	(8)	-	-	13
Segment operating expenses (excluding impairment losses)	223	108	7	45	10	393
Segment net profit/(loss) before taxation	394	158	40	27	(9)	610
Taxation	109	44	11	8	(2)	170
Segment net profit/(loss) after taxation	285	114	29	19	(7)	440

### Balance Sheet

#### As at 31 December 2013

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

# Notes to the Financial Statements

For the six months ended 31 December 2014

## 20 Financial Reporting by Operating Segments (continued)

### Unaudited

#### 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 inter-segment funding arrangements. Inter-segment pricing is determined on an arm's length basis. Inter-segment transactions are eliminated for the purposes of reporting the consolidated NZ Banking Group's results and are included in the Other segment.

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 2014

## 21 Interest Rate Repricing Schedule Unaudited

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	Over 2 Years		
<b>As at 31 December 2014</b>								
<b>Assets</b>								
Cash and liquid assets	1,350	-	-	-	-	280	1,630	
Due from financial institutions	234	-	-	-	-	-	234	
Trading securities	1,261	404	-	-	74	-	1,739	
Derivative assets	-	-	-	-	-	1,201	1,201	
Available-for-sale securities	715	612	91	116	1,460	-	2,994	
Advances to customers	32,698	4,955	7,305	13,186	7,839	(185)	65,798	
Other assets	-	-	-	-	-	990	990	
<b>Total assets</b>	<b>36,258</b>	<b>5,971</b>	<b>7,396</b>	<b>13,302</b>	<b>9,373</b>	<b>2,286</b>	<b>74,586</b>	
<b>Liabilities</b>								
Deposits and other public borrowings	29,983	6,271	5,482	1,606	1,224	2,892	47,458	
Due to financial institutions	542	298	139	-	-	-	979	
Other liabilities at fair value through Income Statement	563	-	-	-	-	-	563	
Derivative liabilities	-	-	-	-	-	1,770	1,770	
Other liabilities	-	-	-	-	-	524	524	
Debt issues:								
At fair value through Income Statement	1,381	422	-	-	-	-	1,803	
At amortised cost	5,130	-	243	261	3,789	84	9,507	
Loan capital	4,353	702	-	893	403	61	6,412	
<b>Total liabilities</b>	<b>41,952</b>	<b>7,693</b>	<b>5,864</b>	<b>2,760</b>	<b>5,416</b>	<b>5,331</b>	<b>69,016</b>	
<b>Net derivative notionals</b>	<b>9,978</b>	<b>1,073</b>	<b>(391)</b>	<b>(9,822)</b>	<b>(838)</b>			
<b>Interest rate sensitivity gap</b>	<b>4,284</b>	<b>(649)</b>	<b>1,141</b>	<b>720</b>	<b>3,119</b>	<b>(3,045)</b>	<b>5,570</b>	

## 22 Qualifying Liquid Assets Unaudited

The NZ Banking Group held the following qualifying liquid assets for the purpose of managing liquidity risk:

\$ millions	NZ Banking Group						Total
	Cash and Liquid Assets	Available for Sale Securities	Trading Securities	Advances to Customers	Deposits and Other Public Borrowings <sup>(1)</sup>	Other Assets	
<b>As at 31 December 2014</b>							
Cash	291	-	-	-	-	-	291
Call deposits with the central bank	747	-	-	-	-	-	747
Local authority securities	-	91	83	-	-	2	176
New Zealand government securities	592	609	455	-	(108)	13	1,561
Corporate bonds	-	351	-	-	-	6	357
Treasury bills	-	-	74	-	-	-	74
RBNZ Bills	-	-	299	-	-	-	299
Bank bills	-	-	826	-	-	-	826
Kauri bonds	-	1,290	2	-	-	18	1,310
Other securities	-	653	-	-	-	3	656
Residential mortgage-backed securities	-	-	-	2,822	-	-	2,822
<b>Total qualifying liquid assets</b>	<b>1,630</b>	<b>2,994</b>	<b>1,739</b>	<b>2,822</b>	<b>(108)</b>	<b>42</b>	<b>9,119</b>

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

# Notes to the Financial Statements

For the six months ended 31 December 2014

## 23 Maturity Analysis for Undiscounted Contractual Cash Flows Unaudited

The following tables 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 NZ Banking Group. 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						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 2014</b>								
<b>Non-derivative financial assets</b>								
Cash and liquid assets	1,038	594	-	-	-	-	1,632	1,630
Due from financial institutions	157	77	-	-	-	-	234	234
Trading securities	-	1,649	1	28	70	3	1,751	1,739
Available-for-sale securities	-	775	195	465	1,694	70	3,199	2,994
Advances to customers	1,159	8,792	2,831	6,807	13,802	60,813	94,204	65,798
Other assets	-	237	-	-	-	-	237	237
<b>Total non-derivative financial assets</b>	<b>2,354</b>	<b>12,124</b>	<b>3,027</b>	<b>7,300</b>	<b>15,566</b>	<b>60,886</b>	<b>101,257</b>	<b>72,632</b>
<b>Derivative financial assets</b>								
Inflows from derivatives	-	2,538	1,475	509	2,013	200	6,735	
Outflows from derivatives	-	(1,739)	(1,399)	(485)	(1,932)	(203)	(5,758)	
	-	799	76	24	81	(3)	977	
<b>Non-derivative financial liabilities</b>								
Deposits and other public borrowings	22,838	16,010	5,462	1,696	1,296	773	48,075	47,458
Due to financial institutions	434	124	191	237	151	-	1,137	979
Other liabilities at fair value through Income Statement	-	569	-	-	-	-	569	563
Other liabilities	28	435	60	-	1	-	524	524
Debt issues:								
At fair value through Income Statement	-	1,805	-	-	-	-	1,805	1,803
At amortised cost	-	1,471	2,015	857	5,206	207	9,756	9,507
Loan capital	-	87	784	157	823	6,174	8,025	6,412
<b>Total non-derivative financial liabilities</b>	<b>23,300</b>	<b>20,501</b>	<b>8,512</b>	<b>2,947</b>	<b>7,477</b>	<b>7,154</b>	<b>69,891</b>	<b>67,246</b>
<b>Derivative financial liabilities</b>								
Inflows from derivatives	-	578	1,442	967	4,401	3,559	10,947	
Outflows from derivatives	-	(1,881)	(1,594)	(1,229)	(4,886)	(3,818)	(13,408)	
	-	(1,303)	(152)	(262)	(485)	(259)	(2,461)	
<b>Off balance sheet items</b>								
Lending commitments	11,421	133	397	550	1,115	14	13,630	
Guarantees	85	3	4	6	11	10	119	
Other contingent liabilities	205	1	1	2	2	-	211	
<b>Total off balance sheet items</b>	<b>11,711</b>	<b>137</b>	<b>402</b>	<b>558</b>	<b>1,128</b>	<b>24</b>	<b>13,960</b>	

# Notes to the Financial Statements

For the six months ended 31 December 2014

## 24 Concentrations of Funding

### Unaudited

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 As at	NZ Banking Group 31-Dec-14
<b>Total funding comprises:</b>	
Deposits and other public borrowings	47,458
Due to financial institutions	979
Other liabilities at fair value through Income Statement	563
Debt issues:	
At fair value through Income Statement	1,803
At amortised cost	9,507
Loan capital	6,412
<b>Total funding</b>	<b>66,722</b>
<b>Concentration by industry</b>	
Agricultural, forestry and fishing	855
Government and public authorities	1,777
Property and business services	4,721
Finance and insurance	21,529
Utilities	211
Transport and storage	709
Personal	33,295
Other commercial and industrial	3,625
<b>Total funding by industry</b>	<b>66,722</b>
<b>Concentration by geographic region</b>	
New Zealand	47,280
Overseas	19,442
<b>Total funding by geographic region</b>	<b>66,722</b>

## 25 Events after the Reporting Period

On 15 January 2015 the Directors of ASB Capital Limited declared a gross perpetual preference dividend of \$3 million, being 1.2600 cents per share, including imputation credits. The cash dividend of 0.9072 cents per share will be paid on 16 February 2015 to all registered holders of perpetual preference shares as at 5.00pm on 9 February 2015.

On 15 January 2015 the Directors of ASB Capital No.2 Limited declared a gross perpetual preference dividend of \$4 million, being 1.1550 cents per share, including imputation credits. The cash dividend of 0.8316 cents per share will be paid on 16 February 2015 to all registered holders of perpetual preference shares as at 5.00pm on 9 February 2015.

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



# Independent Review Report



## ***Independent Review Report - the NZ Banking Group***

to the Directors of Commonwealth Bank of Australia

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

We have reviewed pages 1 to 22 of the half year Disclosure Statement of the Commonwealth Bank of Australia New Zealand Operations which includes the group financial statements required by Clause 26 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the “Order”) and the supplementary information required by Schedules 5, 7, 9, 10, 12 and 14 of the Order. The group financial statements comprise the balance sheet as at 31 December 2014, the income statement, the statement of comprehensive income, the statement of changes in equity and the condensed cash flow statement for the six months then ended, and the notes to the financial statements that include the statement of accounting policies and selected 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 preparation and fair presentation of the half year Disclosure Statement, which includes group financial statements prepared in accordance with Clause 26 of the Order and for such internal controls as the Directors determine are necessary to enable the preparation of the half year Disclosure Statement that is free from material misstatement, whether due to fraud or error.

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

### ***Our Responsibility***

Our responsibility is to express a conclusion on the accompanying group financial statements and the supplementary information, disclosed in accordance with Clause 26 and Schedules 5, 7, 9, 10, 12 and 14 of the Order, presented by the Directors based on our review.

Our responsibility is to express a conclusion on the group financial statements (excluding the supplementary information) 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 have not been prepared, in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*.

Our responsibility is to express a conclusion on the supplementary information (excluding the supplementary information relating to credit and market risk exposures and capital adequacy) 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.

Our responsibility is to express a conclusion on the supplementary information relating to credit and market risk exposures and capital adequacy 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 (Standardised Approach) (BS2A); and
- (b) disclosed in accordance with Schedule 9 of the Order.

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# Independent Review Report (continued)



## ***Independent Review Report - the NZ Banking Group***

Commonwealth Bank of Australia

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410: *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410"). As the auditor of the NZ Banking Group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on this half year Disclosure Statement.

We carry out other assignments on behalf of the NZ Banking Group for audit-related services relating to funds managed by the NZ Banking Group and for other assurance and advisory services. Appropriate safeguards were applied to reduce the threats to independence from the provision of other services to an acceptable level. The provision of these other services has not impaired our independence as auditor of the NZ Banking Group. 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.

### ***Conclusion***

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

- (a) the group financial statements on pages 1 to 22 (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 2014 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; 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 Use of our Report***

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 a review 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.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

Chartered Accountants  
20 February 2015

Auckland

# Part B

Commonwealth Bank of Australia  
New Zealand Life Insurance Group

## Financial Statements

For the six months ended 31 December 2014



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# Income Statement

\$ millions	Note	NZ Life Group	
		Unaudited 31-Dec-14	Unaudited 31-Dec-13
<b>For the six months ended</b>			
<b>Continuing operations<sup>(1)</sup>:</b>			
Premium income		332	320
Reinsurance income		25	16
Investment income	2, 12	133	79
Other income	12	5	1
<b>Total operating income</b>		<b>495</b>	416
<b>Total operating expenses</b>		<b>389</b>	375
Reinsurance expense		23	18
Claims expense		186	186
Net change in life insurance contract liabilities		(9)	(7)
Net change in life investment contract liabilities		41	43
Finance costs/(income)	12	-	(12)
Other operating expenses	12	148	147
<b>Net profit before taxation</b>		<b>106</b>	41
Taxation	3, 12	47	(5)
<b>Net profit after taxation from continuing operations</b>		<b>59</b>	46
<b>Discontinued operations<sup>(1)</sup>:</b>			
Net profit after taxation from discontinued operations	12	-	26
<b>Net profit after taxation</b>		<b>59</b>	72

(1) Colonial First State Investments (NZ) Limited and Colonial Holding Company Limited - New Zealand Branch were classified as discontinued operations during the year ended 30 June 2014. When an operation is classified as a discontinued operation the current and comparative Income Statements are restated. Refer to Note 12 for further information.

These statements are to be read in conjunction with the notes on pages 6 to 14 and the Independent Review Report on pages 15 to 16.

# Statement of Comprehensive Income

\$ millions	NZ Life Group	
	Unaudited 31-Dec-14	Unaudited 31-Dec-13
<b>For the six months ended</b>		
<b>Net profit after taxation</b>	<b>59</b>	72
<b>Total comprehensive income</b>	<b>59</b>	72

# 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 2014</b>				
<b>Unaudited</b>				
Balance at beginning of period	1,080	-	211	1,291
Net profit after taxation	-	-	59	59
<b>Total comprehensive income</b>	-	-	59	59
Ordinary dividend paid	-	-	(74)	(74)
<b>Balance as at 31 December 2014</b>	<b>1,080</b>	-	<b>196</b>	<b>1,276</b>
<b>For the six months ended 31 December 2013</b>				
<b>Unaudited</b>				
Balance at beginning of period	528	300	456	1,284
Net profit after taxation	-	-	72	72
<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>

These statements are to be read in conjunction with the notes on pages 6 to 14 and the Independent Review Report on pages 15 to 16.

# Balance Sheet

\$ millions	As at	Note	NZ Life Group		
			Unaudited 31-Dec-14	Unaudited 31-Dec-13	Audited 30-Jun-14
<b>Assets</b>					
	Cash and cash equivalents		536	602	505
	Trade and other receivables		59	51	57
	Securities		1,743	1,661	1,701
	Derivative assets		16	29	9
	Liabilities ceded under reinsurance		11	13	11
	Current taxation asset		-	3	-
	Property, plant and equipment		19	21	20
	Intangible assets		531	537	534
			<b>2,915</b>	<b>2,917</b>	<b>2,837</b>
	Assets of discontinued operations <sup>(1)</sup>	12	2	87	77
	<b>Total assets</b>		<b>2,917</b>	<b>3,004</b>	<b>2,914</b>
	<i>Total interest earning and discount bearing assets</i>		<b>1,389</b>	<b>1,471</b>	<b>1,322</b>
<b>Liabilities</b>					
	Trade and other payables		100	120	111
	Derivative liabilities		-	19	1
	Borrowings		-	105	-
	Life investment contract liabilities		876	869	867
	Life insurance contract liabilities		192	218	201
	Current taxation liability		12	-	15
	Deferred taxation liability	6	461	379	427
			<b>1,641</b>	<b>1,710</b>	<b>1,622</b>
	Liabilities of discontinued operations <sup>(1)</sup>	12	-	12	1
	<b>Total liabilities</b>		<b>1,641</b>	<b>1,722</b>	<b>1,623</b>
<b>Shareholders' equity</b>					
	Contributed capital		1,080	528	1,080
	Head office contribution		-	300	-
	Retained earnings		196	454	211
	<b>Total shareholders' equity</b>		<b>1,276</b>	<b>1,282</b>	<b>1,291</b>
	<b>Total liabilities and shareholders' equity</b>		<b>2,917</b>	<b>3,004</b>	<b>2,914</b>
	<i>Total interest and discount bearing liabilities</i>		-	105	-

(1) When an operation is classified as a discontinued operation, only the Balance Sheet for the current reporting period is restated. Refer to Note 12 for further information.

These statements are to be read in conjunction with the notes on pages 6 to 14 and the Independent Review Report on pages 15 to 16.



# Condensed Cash Flow Statement

\$ millions		<b>NZ Life Group</b>	
<b>For the six months ended</b>	Note	<b>Unaudited 31-Dec-14</b>	Unaudited 31-Dec-13
<b>Cash flows from operating activities</b>			
Premium receipts		<b>347</b>	344
Interest receipts		<b>29</b>	41
Dividend receipts		<b>11</b>	11
Interest paid		<b>-</b>	(3)
Claims, surrenders and maturities payments		<b>(247)</b>	(239)
Net other cash outflows provided by operating activities		<b>(154)</b>	(46)
<b>Net cash flows from operating activities</b>		<b>(14)</b>	108
<b>Cash flows from investing activities</b>			
Cash inflows provided by investing activities		<b>270</b>	416
Cash outflows used in investing activities		<b>(225)</b>	(350)
<b>Net cash flows from investing activities</b>		<b>45</b>	66
<b>Cash flows from financing activities</b>			
Cash outflows used in financing activities		<b>(74)</b>	(100)
<b>Net cash flows from financing activities</b>		<b>(74)</b>	(100)
<b>Summary of movements in cash flows</b>			
Net increase/(decrease) in cash and cash equivalents		<b>(43)</b>	74
Add: Cash and cash equivalents at beginning of period		<b>581</b>	604
<b>Cash and cash equivalents at end of period</b>	12	<b>538</b>	678
<b>Reconciliation of net profit after taxation to net cash flows from operating activities</b>			
<b>Net profit after taxation</b>		<b>59</b>	72
Add: Non-cash items		<b>(56)</b>	55
Add: Movements in Balance Sheet items		<b>(17)</b>	(19)
<b>Net cash flows from operating activities</b>		<b>(14)</b>	108

These statements are to be read in conjunction with the notes on pages 6 to 14 and the Independent Review Report on pages 15 to 16.

# Notes to the Financial Statements

For the six months ended 31 December 2014

## 1 Statement of Accounting Policies

The reporting entity is the NZ Life Group, comprising the aggregated results of ASB Group (Life) Limited and its subsidiaries ("ASBGL"), Colonial First State Investments (NZ) Limited and its subsidiaries ("CFSI"), 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 fully eliminated. As disclosed in Note 12 Discontinued Operations, CFSI and CHC were classified as discontinued operations during the year ended 30 June 2014. The NZ Life Group is 100% owned by Commonwealth Insurance Holdings Limited. The NZ Life Group's principal areas of business are life insurance and investment management.

The condensed interim financial statements of the NZ Life Group for the six months ended 31 December 2014 (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 interim 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 2014.

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

Amendments to NZ IAS 32 *Financial Instruments: Presentation* have been adopted from 1 July 2014 and have been applied in the preparation of these financial statements. These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of offsetting criteria to settlement systems such as central clearing house systems. The adoption of these amendments did not have an impact on the financial statements.

There have been no material changes to accounting policies during the six months ended 31 December 2014. All policies have been applied on a basis consistent with that used in the financial year ended 30 June 2014.

## 2 Investment Income

\$ millions	Note	NZ Life Group	
		Unaudited 31-Dec-14	Unaudited 31-Dec-13
<b>For the six months ended</b>			
Dividends		16	17
Realised and unrealised gains/(losses)		27	61
<b>Total equity securities</b>		<b>43</b>	<b>78</b>
Interest		29	26
Realised and unrealised gains/(losses)		42	(21)
<b>Total fixed interest securities and cash</b>		<b>71</b>	<b>5</b>
Dividends		3	2
Realised and unrealised gains/(losses)		15	(6)
<b>Total property securities</b>		<b>18</b>	<b>(4)</b>
Other investment income		1	1
<b>Total investment income</b>	12	<b>133</b>	<b>80</b>

# Notes to the Financial Statements

For the six months ended 31 December 2014

## 3 Taxation

\$ millions	Note	NZ Life Group	
		Unaudited 31-Dec-14	Unaudited 31-Dec-13
<b>For the six months ended</b>			
Current taxation		13	(7)
Deferred taxation	6	34	4
<b>Total taxation charged to the Income Statement</b>	12	<b>47</b>	<b>(3)</b>

The taxation 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>106</b>	69
Income tax at the current rate	30	19
Non-deductible expenditure	16	31
Non-assessable income	(12)	(31)
Imputation credit adjustments	(2)	(1)
Movement in policy liabilities and tax reserving amounts	29	(12)
Investment income adjustments	(14)	(9)
<b>Total taxation charged to the Income Statement</b>	<b>47</b>	<b>(3)</b>
Weighted average effective tax rate	<b>44%</b>	(4%)

Total taxation expense for the six months ended 31 December 2014 includes nil from discontinued operations (31 December 2013 \$2 million).

## 4 Liquid Assets

### Unaudited

The NZ Life Group holds the following financial assets for the purpose of managing liquidity risk:

\$ millions	NZ Life Group		
	Cash and Cash Equivalents	Securities	Total
<b>As at 31 December 2014</b>			
Cash and cash equivalents	535	-	535
Foreign currency deposits	3	-	3
Equity securities	-	789	789
Government stock	-	796	796
Corporate bonds	-	29	29
Property securities	-	101	101
<b>Total liquid assets</b>	<b>538</b>	<b>1,715</b>	<b>2,253</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.

# Notes to the Financial Statements

For the six months ended 31 December 2014

## 5 Asset Quality

There were no material impaired or past due assets as at 31 December 2014 (30 June 2014 nil).

## 6 Deferred Taxation Liability

\$ millions	Note	NZ Life Group		
		Unaudited 31-Dec-14	Unaudited 31-Dec-13	Audited 30-Jun-14
<b>As at</b>				
Balance at beginning of period		<b>427</b>	375	375
Taxation expense recognised in the Income Statement	3	<b>34</b>	4	28
Taxation expense recognised in shareholders' equity		-	-	24
<b>Total deferred taxation liability</b>		<b>461</b>	379	427
<b>Deferred taxation relates to:</b>				
Convertible notes		-	(29)	-
Life insurance and life investment contract liabilities		<b>454</b>	401	420
Other		<b>7</b>	7	7
<b>Total deferred taxation liability</b>		<b>461</b>	379	427
<b>Deferred taxation recognised in the Income Statement:</b>				
Convertible notes		-	11	16
Life insurance and life investment contract liabilities		<b>34</b>	(9)	10
Other		-	2	2
<b>Total deferred taxation recognised in the Income Statement</b>	3	<b>34</b>	4	28

## 7 Contingent Liabilities and Capital Commitments

There were no material contingent liabilities or capital commitments as at 31 December 2014 (30 June 2014 nil).

## 8 Concentration of Credit Exposures to Individual Counterparties

As at 31 December 2014 there were no balance date aggregate credit exposure to individual counterparties which exceeded 10% of the Overseas Banking Group's shareholders' equity as at 31 December 2014. For the three months ended 31 December 2014, there were no peak end of day aggregate credit aggregate credit exposures to individual counterparties which exceeded 10% of the Overseas Banking Group's shareholders' equity as at 31 December 2014.

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.

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 2014, which is the most recent publicly disclosed amount.

# Notes to the Financial Statements

For the six months ended 31 December 2014

## 9 Related Party Transactions and Balances

During the six months ended 31 December 2014, the NZ Life Group has entered into, or had in place various financial transactions with members of the Overseas Banking Group, and other related parties. Arrangements with related parties were conducted on an arm's length basis and on normal commercial terms, and within the NZ Life Group's approved policies. Loans to and borrowings from related parties are unsecured.

\$ millions	NZ Life Group		
	Unaudited 31-Dec-14	Unaudited 31-Dec-13	Audited 30-Jun-14
<b>As at</b>			
<b>Related party transactions</b>			
<b>Interest income</b>			
Received from NZ Banking Group	8	7	16
<b>Interest expense</b>			
Paid to Overseas Banking Group	-	15	25
Paid to NZ Banking Group	-	4	5
	<b>-</b>	<b>19</b>	<b>30</b>
<b>Other income</b>			
Received from Overseas Banking Group	7	6	8
Received from NZ Banking Group for the origination of mortgages	1	1	1
Received from NZ Banking Group for the investment management services	1	1	2
	<b>9</b>	<b>8</b>	<b>11</b>
<b>Other expenses</b>			
Paid to Overseas Banking Group for investment management services	-	-	1
Paid to NZ Banking Group for administrative services	6	6	11
Paid to NZ Banking Group for insurance commission	17	16	31
	<b>23</b>	<b>22</b>	<b>43</b>
<b>Related party balances</b>			
<b>Overseas Banking Group</b>			
<b>Assets</b>			
Securities	352	348	348
<b>Liabilities</b>			
Trade and other payables	-	8	-
Borrowings	-	105	-
	<b>-</b>	<b>113</b>	<b>-</b>
<b>NZ Banking Group</b>			
<b>Assets</b>			
Cash and cash equivalents	243	569	390
Trade and other receivables	1	-	1
Securities	-	4	1
Derivative assets	16	31	9
	<b>260</b>	<b>604</b>	<b>401</b>
<b>Liabilities</b>			
Derivative liabilities	-	5	1
	<b>-</b>	<b>5</b>	<b>1</b>
<b>Trusts managed or administered by NZ Banking Group</b>			
Securities	-	1	-
<b>Total related party assets</b>	<b>612</b>	<b>953</b>	<b>749</b>
<b>Total related party liabilities</b>	<b>-</b>	<b>118</b>	<b>1</b>
<b>Other</b>			

For the six months ended 31 December 2014 net receipts of nil (31 December 2013 \$26 million, 30 June 2014 \$41 million) were received from the NZ Banking Group for the utilisation of tax-related items.

# Notes to the Financial Statements

For the six months ended 31 December 2014

## 10 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 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) Fair Value Hierarchy of Financial Instruments Measured at Fair Value

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.

- 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 market 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. 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. Mortgages are carried at estimated fair value, derived using a valuation technique that uses experienced judgement to estimate the credit risk component of the valuation. This experienced judgement is not supported by observable market prices; it is based on assessments concerning economic conditions, loss experience, and the risk characteristics associated with particular mortgages. These assessments are subjective in nature and the range of possible alternative assumptions is considered immaterial. 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.

The following table presents an analysis by level in the fair value hierarchy of the fair value measurements of financial statements that are recognised and measured at fair value on a recurring basis.

\$ millions	NZ Life Group			Total
	Level 1	Level 2	Level 3	
<b>As at 31 December 2014</b>				
<b>Unaudited</b>				
<b>Financial assets</b>				
Securities				
Equity securities	345	444	-	789
Fixed interest securities	825	-	-	825
Mortgages	-	-	6	6
Loans on policies	-	-	22	22
Property securities	101	-	-	101
Derivative assets	-	16	-	16
<b>Total financial assets measured at fair value</b>	<b>1,271</b>	<b>460</b>	<b>28</b>	<b>1,759</b>
<b>Financial liabilities</b>				
Life investment contract liabilities	-	876	-	876
<b>Total financial liabilities measured at fair value</b>	<b>-</b>	<b>876</b>	<b>-</b>	<b>876</b>
<b>As at 31 December 2013</b>				
<b>Unaudited</b>				
<b>Financial assets</b>				
Securities				
Equity securities	333	443	-	776
Fixed interest securities and annuity investment	762	3	-	765
Mortgages	-	-	7	7
Loans on policies	-	-	21	21
Property securities	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</b>				
Derivative liabilities	-	19	-	19
Life investment contract liabilities	-	869	-	869
<b>Total financial liabilities measured at fair value</b>	<b>-</b>	<b>888</b>	<b>-</b>	<b>888</b>

# Notes to the Financial Statements

For the six months ended 31 December 2014

## 10 Fair Value of Financial Instruments (continued)

### (a) Fair Value Hierarchy of Financial Instruments Measured at Fair Value (continued)

\$ millions	NZ Life Group			Total
	Level 1	Level 2	Level 3	
<b>As at 30 June 2014</b>				
<b>Audited</b>				
<b>Financial assets</b>				
Securities				
Equity securities	339	445	-	784
Fixed interest securities	788	-	-	788
Mortgages	-	-	7	7
Loans on policies	-	-	22	22
Property securities	100	-	-	100
Derivative assets	-	9	-	9
<b>Total financial assets measured at fair value</b>	<b>1,227</b>	<b>454</b>	<b>29</b>	<b>1,710</b>
<b>Financial liabilities</b>				
Derivative liabilities	-	1	-	1
Life investment contract liabilities	-	867	-	867
<b>Total financial liabilities measured at fair value</b>	<b>-</b>	<b>868</b>	<b>-</b>	<b>868</b>

The NZ Life Group considers transfers between levels, if any, to have occurred at the end of the reporting period for which the financial statements are prepared. There were no transfers made during the reporting period.

### (b) Fair Value of Financial Instruments Not Measured at Fair Value

The following table compares the carrying values of financial instruments not measured at fair value with their estimated fair values.

\$ millions	Unaudited 31-Dec-14		NZ Life Group Unaudited 31-Dec-13		Audited 30-Jun-14	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount
<b>Financial assets</b>						
Cash and cash equivalents	538	538	602	602	581	581
Trade and other receivables	59	59	51	51	58	58
<b>Financial liabilities</b>						
Trade and other payables	100	100	120	120	111	111
Borrowings	-	-	97	105	-	-

## 11 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	Later than 5 Years		
<b>As at 31 December 2014</b>								
<b>Unaudited</b>								
Trade and other payables	51	23	4	-	2	-	80	100
Life investment contracts	608	9	15	26	82	236	976	876
<b>Total financial liabilities</b>	<b>659</b>	<b>32</b>	<b>19</b>	<b>26</b>	<b>84</b>	<b>236</b>	<b>1,056</b>	<b>976</b>
<i>Simultaneous inflows on derivative financial instruments</i>	-	632	-	-	-	-	632	-

# Notes to the Financial Statements

For the six months ended 31 December 2014

## 12 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 KIPT's unit holders approved a proposal to internalise the management of the Trust. Up until this date the Trust was managed by KIPL, a subsidiary of CFSI. Under the terms of the agreement, a termination payment of \$72.5 million 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 \$52 million associated with the purchase of KIPL and a property management business by CFSI was written off by CFSI during the year ended 30 June 2014. This resulted in a net gain of \$20 million on termination of the agreements being recognised in other income of the discontinued operations.

On 29 May 2014, CHC ceased its funding operations and effective 7 October 2014 it was removed from the Companies Office register. CHC had no assets or liabilities as at 31 December 2014 and 30 June 2014.

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 2014</b>			
<b>Unaudited</b>			
Premium income	332	-	332
Reinsurance income	25	-	25
Investment income	133	-	133
Other income	5	-	5
<b>Total operating income</b>	<b>495</b>	<b>-</b>	<b>495</b>
<b>Total operating expenses</b>	<b>389</b>	<b>-</b>	<b>389</b>
Reinsurance expense	23	-	23
Claims expense	186	-	186
Net change in life insurance contract liabilities	(9)	-	(9)
Net change in life investment contract liabilities	41	-	41
Other operating expenses	148	-	148
<b>Net profit before taxation</b>	<b>106</b>	<b>-</b>	<b>106</b>
Taxation	47	-	47
<b>Net profit after taxation</b>	<b>59</b>	<b>-</b>	<b>59</b>
<b>For the six months ended 31 December 2013</b>			
<b>Unaudited</b>			
Premium income	320	-	320
Reinsurance income	16	-	16
Investment income	79	1	80
Other income	1	34	35
<b>Total operating income</b>	<b>416</b>	<b>35</b>	<b>451</b>
<b>Total operating expenses</b>	<b>375</b>	<b>7</b>	<b>382</b>
Reinsurance expense	18	-	18
Claims expense	186	-	186
Net change in life insurance contract liabilities	(7)	-	(7)
Net change in life investment contract liabilities	43	-	43
Finance costs/(income)	(12)	-	(12)
Other operating expenses	147	7	154
<b>Net profit before taxation</b>	<b>41</b>	<b>28</b>	<b>69</b>
Taxation	(5)	2	(3)
<b>Net profit after taxation</b>	<b>46</b>	<b>26</b>	<b>72</b>



# Notes to the Financial Statements

For the six months ended 31 December 2014

## 12 Discontinued Operations (continued)

\$ millions	NZ Life Group		Total
	Continuing Operations	Discontinued Operations	
<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 2014</b>			
<b>Unaudited</b>			
<b>Assets</b>			
Cash and cash equivalents	536	2	538
Trade and other receivables	59	-	59
Securities	1,743	-	1,743
Derivative assets	16	-	16
Liabilities ceded under reinsurance	11	-	11
Property, plant and equipment	19	-	19
Intangible assets	531	-	531
<b>Total assets</b>	<b>2,915</b>	<b>2</b>	<b>2,917</b>
<b>Liabilities</b>			
Trade and other payables	100	-	100
Life investment contract liabilities	876	-	876
Life insurance contract liabilities	192	-	192
Current taxation liability	12	-	12
Deferred taxation liability	461	-	461
<b>Total liabilities</b>	<b>1,641</b>	<b>-</b>	<b>1,641</b>
<b>As at 31 December 2013</b>			
<b>Unaudited</b>			
<b>Assets</b>			
Cash and cash equivalents	541	137	678
Trade and other receivables	51	11	62
Securities	1,661	-	1,661
Derivative assets	29	-	29
Liabilities ceded under reinsurance	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>2,856</b>	<b>148</b>	<b>3,004</b>
<b>Liabilities</b>			
Trade and other payables	119	13	132
Derivative liabilities	19	-	19
Borrowings	106	(1)	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>

# Notes to the Financial Statements

For the six months ended 31 December 2014

## 12 Discontinued Operations (continued)

\$ millions	NZ Life Group		Total
	Continuing Operations	Discontinued Operations	
<b>Balance Sheet (continued)</b>			
<b>As at 30 June 2014</b>			
<b>Audited</b>			
<b>Assets</b>			
Cash and cash equivalents	505	76	581
Trade and other receivables	57	1	58
Securities	1,701	-	1,701
Derivative assets	9	-	9
Liabilities ceded under reinsurance	11	-	11
Property, plant and equipment	20	-	20
Intangible assets	534	-	534
<b>Total assets</b>	<b>2,837</b>	<b>77</b>	<b>2,914</b>
<b>Liabilities</b>			
Trade and other payables	111	-	111
Derivative liabilities	1	-	1
Life investment contract liabilities	867	-	867
Life insurance contract liabilities	201	-	201
Current taxation liability	15	1	16
Deferred taxation liability	427	-	427
<b>Total liabilities</b>	<b>1,622</b>	<b>1</b>	<b>1,623</b>

### Condensed Cash Flow Statement

Cash flows of the discontinued operations can be analysed as follows:

#### For the six months ended 31 December 2014

##### Unaudited

Net cash flows from operating activities	(14)	-	(14)
Net cash flows from investing activities	45	-	45
Net cash flows from financing activities	-	(74)	(74)
<b>Net increase/(decrease) in cash and cash equivalents at end of period</b>	<b>31</b>	<b>(74)</b>	<b>(43)</b>

#### For the six months ended 31 December 2013

##### Unaudited

Net cash flows from operating activities	31	77	108
Net cash flows from investing activities	59	7	66
Net cash flows from financing activities	(100)	-	(100)
<b>Net increase/(decrease) in cash and cash equivalents at end of period</b>	<b>(10)</b>	<b>84</b>	<b>74</b>

## 13 Events after the Reporting Period

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

# Independent Review Report



## ***Independent Review Report - the NZ Life Group*** to the Directors of Commonwealth Bank of Australia

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

We have reviewed pages 2 to 14 of the half year Disclosure Statement of the Commonwealth Bank of Australia New Zealand Operations which includes the group financial statements required by clause 26 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the “Order”) and the supplementary information required by Schedules 5, 7, 10, 12 and 14 of the Order. The group financial statements comprise the balance sheet as at 31 December 2014, the income statement, the statement of comprehensive income, the statement of changes in equity and the condensed cash flow statement for the six months then ended, and the notes to the financial statements that include the statement of accounting policies and other explanatory information for the aggregated results of the Commonwealth Bank of Australia New Zealand Life Insurance Group (“NZ Life Group”).

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

The Directors of Commonwealth Bank of Australia (the “Directors”) are responsible for the preparation and fair presentation of the half year Disclosure Statement, which includes group financial statements prepared in accordance with Clause 26 of the Order for such internal controls as the Directors determine are necessary to enable the preparation of the half year Disclosure Statement that is free from material misstatement, whether due to fraud or error. In addition, the Directors are responsible for including information in the half year Disclosure Statement which complies with Schedules 3, 5, 7, 10, 12 and 14 of the Order.

### ***Our Responsibility***

Our responsibility is to express a conclusion on the accompanying group financial statements and the supplementary information, disclosed in accordance with Clause 26 and Schedules 5, 7, 10, 12 and 14 of the Order and presented by the Directors based on our review.

Our responsibility is to express a conclusion on the group financial statements (excluding the supplementary information) 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 have not been prepared, in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting.

Our responsibility is to express a conclusion on the supplementary information 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 conducted our review in accordance with the New Zealand Standard on Review Engagements 2410: Review of Financial Statements Performed by the Independent Auditor of the Entity (“NZ SRE 2410”). As the auditor of the NZ Life Group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

# Independent Review Report (continued)



A review of financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on this half year Disclosure Statement.

We carry out other assignments on behalf of the NZ Life Group in the areas of other assurance, taxation and advisory services. Appropriate safeguards were applied to reduce the threats to independence from the provision of other services to an acceptable level. The provision of these other services has not impaired our independence as auditor of the NZ Life Group. In addition, certain partners and employees of our firm may deal with the NZ Life Group on normal terms within the ordinary course of trading activities of the NZ Life Group.

## **Conclusion**

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

- (a) the group financial statements on pages 2 to 14 (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 Life Group as at 31 December 2014 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 Use of our Report**

This report is made solely to the Directors, as a body. Our audit work has been undertaken so that we might state to the Directors those matters which we are required to state to them in an auditor'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 Life Group and the Directors, as a body, for our audit work, for this report or for the opinions we have formed.

A handwritten signature in black ink, appearing to read 'P. Smith', with a long horizontal flourish extending to the right.

Chartered Accountants  
20 February 2015

Auckland