

Commonwealth Bank of Australia New Zealand Operations

Disclosure Statement

For the six months ended 31 December 2015

Contents

Commonwealth Bank of Australia New Zealand Operations

General Disclosures	i
Statements by the Directors and the New Zealand Chief Executive Officer	iv

Commonwealth Bank of Australia New Zealand Banking Group

Income Statement	1
Statement of Comprehensive Income	2
Statement of Changes in Equity	3
Balance Sheet	4
Condensed Cash Flow Statement	5
Notes to the Financial Statements	
1 Statement of Accounting Policies	6
2 Other Income	6
3 Financial Assets Pledged as Collateral	6
4 Advances to Customers	6
5 Credit Quality Information for Advances to Customers	7
6 Provisions for Impairment Losses	9
7 Concentrations of Credit Exposures	11
8 Concentration of Credit Exposures to Individual Counterparties	11
9 Deposits and Other Public Borrowings	12
10 Debt Issues	12
11 Contingent Liabilities	12
12 Related Party Transactions and Balances	13
13 Fair Value of Financial Instruments	14
14 Market Risk Capital Charges	16
15 Residential Mortgages by Loan-to-Valuation Ratio ("LVR")	16
16 Overseas Bank and Overseas Banking Group	17
17 Insurance Business, Marketing and Distribution of Insurance Products	18
18 Financial Reporting by Operating Segments	18
19 Interest Rate Repricing Schedule	20
20 Qualifying Liquid Assets	21
21 Maturity Analysis for Undiscounted Contractual Cash Flows	22
22 Concentrations of Funding	23
23 Events after the Reporting Period	23
Independent Review Report	24

General Disclosures

(To be read in conjunction with the Financial Statements)

31 December 2015

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 2015 are set out in note 22 of the financial statements of the NZ Banking Group for the year ended 30 June 2015;
- 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 2015 are set out in note 15 of the financial statements of the NZ Life Group for the year ended 30 June 2015; 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) 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).

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 and closed to new guaranteed liabilities, effective from 5pm on 31 March 2010. The Guarantee Scheme has now terminated, effective from 24 October 2015.

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 the 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.

Large deposits and wholesale liabilities guaranteed under the Guarantee Scheme as at 31 March 2010 remain guaranteed until maturity (up to a maximum of 5 years for term deposits). Call deposits remained guaranteed until October 2015.

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. 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, www.guaranteescheme.gov.au and 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).

4.0 Conditions of Registration

The Reserve Bank of New Zealand ("RBNZ") has amended the Conditions of Registration of the Branch effective 1 November 2015. These amendments reflect changes to the high loan-to-valuation speed limits applying to lending secured by Auckland investment properties and lending secured by residential properties outside of Auckland.

5.0 Other Material Matters

As disclosed previously in the CBA NZ Operations Disclosure Statement for the year ended 30 June 2015, APRA advised CBA that it intended to set limits on non-equity exposures by Australian parent banks to their New Zealand banking subsidiaries in ordinary times.

On 25 November 2015, APRA informed CBA that it will be required to reduce its non-equity exposure to ASB Bank Limited and its subsidiaries to below a limit of five percent of CBA's Level 1 Tier 1 Capital over a five-year period commencing on 1 January 2016. For the purposes of this limit, exposures include all committed, non-intraday, non-equity exposures, including derivatives and off-balance sheet exposures. APRA has imposed two conditions over the transition period. Firstly, that the percentage excess above the five percent limit as at 30 June 2015 is to reduce by at least one fifth by the end of each calendar year over the transition period. Secondly, that the absolute amount of routine New Zealand non-equity exposure is not to increase from the 30 June 2015 level until CBA is, and expects to remain, below the five percent limit. For the purposes of assessing this exposure, the five percent limit excludes equity investments and holdings of capital instruments in ASB Bank Limited and its subsidiaries.

APRA confirmed it will allow, on agreeable terms, the Australian parent banks to provide contingent funding support to their New Zealand banking subsidiaries in times of financial stress. At this time, only covered bonds meet the criteria for contingent funding arrangements.

6.0 Directorate and Auditor

There have been no changes to the Board of Directors of CBA since the signing of the 30 June 2015 Disclosure Statement.

General Disclosures (continued)

(To be read in conjunction with the Financial Statements)

6.1 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

B.J. (Brian) Long

Australia

W.M. (Wendy) Stops

Australia

Sir J.A. (John) Anderson KBE

New Zealand

J.S. (Jane) Hemstritch

Australia

L.K. (Launa) Inman

Australia

A.M. (Andrew) Mohl

Australia

H.H. (Harrison) Young

Australia

New Zealand Chief Executive Officer of the Branch

B.J. (Barbara) Chapman

New Zealand

6.2 Name and Address for Service of Auditor

PricewaterhouseCoopers

Chartered Accountants

PwC Tower

188 Quay Street

Auckland 1010

New Zealand

7.0 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 ^(a)	S&P ^(b)	Fitch Ratings ^(c)
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

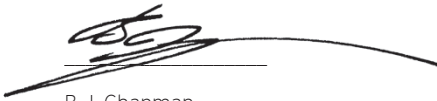
Each Director and the New Zealand Chief Executive Officer believes, after due enquiry, that as at the date on which the Disclosure Statement is signed:

- 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 2015:

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

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



B.J. Chapman
19 February 2016

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



I.M. Narev
Managing Director and Chief Executive Officer

For himself and on behalf of each other Director
19 February 2016

Part A

Commonwealth Bank of Australia New Zealand Banking Group

Financial Statements

For the six months ended 31 December 2015

Income Statement

\$ millions	For the six months ended	Note	NZ Banking Group	
			Unaudited 31-Dec-15	Unaudited 31-Dec-14
Interest income			2,123	2,125
Interest expense			1,292	1,286
Net interest earnings			831	839
Other income		2	289	240
Total operating income			1,120	1,079
Impairment losses on advances		6	40	63
Total operating income after impairment losses			1,080	1,016
Total operating expenses			417	403
Salaries and other staff expenses			254	243
Building occupancy and equipment expenses			61	62
Information technology expenses			48	43
Other expenses			54	55
Net profit before taxation			663	613
Taxation			186	172
Net profit after taxation			477	441
Attributable to:				
Parent company shareholders			468	432
Non-controlling interests			9	9
Net profit after taxation			477	441

These statements are to be read in conjunction with the notes on pages 6 to 23 and the Independent Review Report from 24 to 25.

Statement of Comprehensive Income

\$ millions	NZ Banking Group	
For the six months ended	Unaudited	Unaudited
	31-Dec-15	31-Dec-14
Net profit after taxation	477	441
Other comprehensive income/(expense), net of taxation		
Items that may be reclassified subsequently to the Income Statement:		
Net change in available-for-sale reserve	(14)	(2)
Net change in cash flow hedge reserve	6	(48)
	(8)	(50)
Total other comprehensive expense, net of taxation	(8)	(50)
Total comprehensive income	469	391
Attributable to:		
Parent company shareholders	460	382
Non-controlling interests	9	9
Total comprehensive income	469	391

These statements are to be read in conjunction with the notes on pages 6 to 23 and the Independent Review Report from 24 to 25.

Statement of Changes in Equity

\$ millions	NZ Banking Group								
	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
For the six months ended 31 December 2015									
Unaudited									
Balance at beginning of period	462	2,184	27	7	(89)	1	2,178	550	5,320
Net profit after taxation	-	-	-	-	-	-	468	9	477
Other comprehensive (expense)/income	-	-	-	(14)	6	-	-	-	(8)
Total comprehensive (expense)/income	-	-	-	(14)	6	-	468	9	469
Redeemable preference dividends paid	-	-	-	-	-	-	(14)	-	(14)
Perpetual preference dividends paid to non-controlling interests	-	-	-	-	-	-	-	(9)	(9)
Profit repatriation	-	-	-	-	-	-	(3)	-	(3)
Balance as at 31 December 2015	462	2,184	27	(7)	(83)	1	2,629	550	5,763
For the six months ended 31 December 2014									
Unaudited									
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)
Total comprehensive (expense)/income	-	-	-	(2)	(48)	-	432	9	391
Ordinary dividends paid	-	-	-	-	-	-	(515)	-	(515)
Perpetual preference dividends paid to non-controlling interests	-	-	-	-	-	-	-	(9)	(9)
Profit repatriation	-	-	-	-	-	-	(6)	-	(6)
Balance as at 31 December 2014	462	2,186	25	10	(49)	1	2,385	550	5,570

These statements are to be read in conjunction with the notes on pages 6 to 23 and the Independent Review Report from 24 to 25.

Balance Sheet

\$ millions	NZ Banking Group				
	As at	Note	Unaudited 31-Dec-15	Unaudited 31-Dec-14	Audited 30-Jun-15
Assets					
Cash and liquid assets			2,281	1,630	1,802
Due from financial institutions			648	234	1,451
Trading securities			496	1,739	1,202
Derivative assets			1,514	1,201	2,321
Available-for-sale securities			3,858	2,994	3,473
Advances to customers	4		72,433	65,798	69,087
Current taxation asset			16	31	-
Other assets			260	262	541
Property, plant and equipment			183	191	189
Intangible assets			437	437	438
Deferred taxation asset			96	69	81
Total assets			82,222	74,586	80,585
<i>Total interest earning and discount bearing assets</i>			<i>79,484</i>	<i>72,300</i>	<i>76,965</i>
Liabilities					
Deposits and other public borrowings	9		53,386	47,458	52,015
Due to financial institutions			1,967	979	3,255
Other liabilities at fair value through Income Statement			815	563	180
Derivative liabilities			1,877	1,770	1,539
Current taxation liability			-	-	4
Other liabilities			558	524	626
Debt issues:					
At fair value through Income Statement	10		1,548	1,803	1,213
At amortised cost	10		10,421	9,507	10,276
Loan capital			5,887	6,412	6,157
Total liabilities			76,459	69,016	75,265
Shareholders' Equity					
Head office contribution			462	462	462
Contributed capital - ordinary shares			704	704	704
Reserves			(62)	(13)	(54)
Retained earnings			2,629	2,385	2,178
Ordinary shareholders' equity			3,733	3,538	3,290
Contributed capital - redeemable preference shares			1,480	1,482	1,480
Non-controlling interests			550	550	550
Total shareholders' equity			5,763	5,570	5,320
Total liabilities and shareholders' equity			82,222	74,586	80,585
<i>Total interest and discount bearing liabilities</i>			<i>70,442</i>	<i>63,685</i>	<i>68,874</i>

These statements are to be read in conjunction with the notes on pages 6 to 23 and the Independent Review Report from 24 to 25.

Cash Flow Statement

\$ millions	NZ Banking Group	
	Unaudited 31-Dec-15	Unaudited 31-Dec-14
For the period ended		
Cash flows from operating activities		
Net profit before taxation	663	613
Reconciliation of net profit before taxation to net cash flows from operating activities		
Non-cash items included in net profit before taxation:		
Depreciation of property, plant and equipment	18	18
Amortisation of intangible assets	21	18
Net change in provisions for impairment losses	22	50
Other movements	84	51
Net (increase)/decrease in operating assets:		
Net (increase)/decrease in reverse repurchase agreements	(519)	201
Net decrease in due from financial institutions ⁽¹⁾	804	54
Net decrease/(increase) in trading securities	697	(243)
Net increase in available-for-sale securities	(400)	(292)
Net increase in advances to customers	(3,400)	(2,022)
Net decrease in other assets	282	448
Net increase/(decrease) in operating liabilities:		
Net increase in deposits and other public borrowings	1,394	2,954
Net decrease in due to financial institutions ⁽¹⁾	(1,290)	(1,251)
Net increase/(decrease) in other liabilities at fair value through Income Statement	632	(658)
Net increase/(decrease) in debt issues	2	(787)
Net decrease in other liabilities	(61)	(66)
Net taxation paid	(217)	(222)
Net cash flows from operating activities	(1,268)	(1,134)
Cash flows from investing activities		
Cash was applied to:		
Purchase of property, plant and equipment	(16)	(13)
Purchase of intangible assets	(21)	(27)
Net cash flows from investing activities	(37)	(40)
Cash flows from financing activities		
Issue of loan capital (net of issue costs)	-	3,244
Issue of debt securities (net of issue costs) ⁽¹⁾	4,520	3,823
Total cash inflows provided from financing activities	4,520	7,067
Cash was applied to:		
Dividends paid	(14)	(515)
Redemption of loan capital	-	(2,447)
Redemption of issued debt issues ⁽¹⁾	(3,232)	(2,870)
Dividends paid to non-controlling interests	(9)	(9)
Total cash outflows applied to financing activities	(3,255)	(5,841)
Net cash flows from financing activities	1,265	1,226
Summary of movements in cash flows⁽¹⁾		
Net (decrease)/increase in cash and cash equivalents	(40)	52
Add: cash and cash equivalents at beginning of period	1,416	986
Cash and cash equivalents at end of period	1,376	1,038
Cash and cash equivalents comprise:		
Cash and liquid assets	2,281	1,630
Less: reverse repurchase agreements included in cash and liquid assets	(905)	(592)
Cash and cash equivalents at end of period	1,376	1,038
Additional operating cash flow information		
Interest received as cash	2,137	2,154
Interest paid as cash	(1,282)	(1,251)
Other income received as cash	262	215
Operating expenses paid as cash	(401)	(407)

(1) Certain comparatives have been restated to ensure consistency with presentation in the current period. The definition of cash and cash equivalents has changed to exclude deposit and settlement accounts with other financial institutions with original maturities of three months or less, and cash flows from debt issuances and repayments are now classified as financing activities rather than operating activities.

These statements are to be read in conjunction with the notes on pages 6 to 23 and the Independent Review Report from 24 to 25.

Notes to the Financial Statements

For the six months ended 31 December 2015

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 2015 (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 2015.

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.

There have been no material changes to accounting policies during the six months ended 31 December 2015. All policies have been applied on a basis consistent with that used in the financial year ended 30 June 2015.

Effective 1 July 2015, interest relating to certain derivatives transacted as economic hedges has been recorded in net interest earnings. In prior periods, these amounts were included in other income. Accordingly, certain comparatives have been restated to reclassify \$17 million from other income to net interest earnings. This presentation more accurately reflects the economic purpose in transacting these derivatives. The reclassification has no impact on net profit after taxation. Other comparative information has been reclassified to ensure consistency with presentation in the current period, including certain comparatives in the Cash Flow Statement.

2 Other Income

\$ millions	NZ Banking Group	
	Unaudited 31-Dec-15	Unaudited 31-Dec-14
For the six months ended		
Net fair value (loss)/gain from:		
Other derivatives at fair value	(1)	1
Hedge ineffectiveness	(1)	(6)
Total net fair value loss	(2)	(5)
Trading income	51	50
Other operating income	240	195
Total other income	289	240

3 Financial Assets Pledged as Collateral

As at 31 December 2015 New Zealand government securities of \$32 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 2015 \$615 million included in due from financial institutions had been advanced as collateral to offset derivative liabilities.

4 Advances to Customers

\$ millions	NZ Banking Group		
	Unaudited 31-Dec-15	Unaudited 31-Dec-14	Audited 30-Jun-15
As at			
Residential mortgages	45,600	42,174	43,666
Other retail	4,677	4,546	4,609
Corporate	22,367	19,346	20,994
Loans and other receivables	72,644	66,066	69,269
Fair value hedge adjustments	61	12	73
Provisions for impairment losses	(272)	(280)	(255)
Total advances to customers	72,433	65,798	69,087

Notes to the Financial Statements

For the six months ended 31 December 2015

5 Credit Quality Information for Advances to Customers

\$ millions	NZ Banking Group			Total
	Residential Mortgages ⁽¹⁾	Other Retail	Corporate	
As at 31 December 2015				
Unaudited				
Past due assets not impaired				
1 to 7 days	904	138	163	1,205
8 to 29 days	544	91	35	670
30 to 59 days	221	42	17	280
60 to 89 days	78	19	4	101
Over 90 days	58	20	9	87
Total past due assets not impaired	1,805	310	228	2,343
Individually impaired assets				
Balance at beginning of period	50	9	306	365
Additions	34	3	58	95
Deletions	(32)	(5)	(69)	(106)
Amounts written off	(4)	(1)	(1)	(6)
Total individually impaired assets	48	6	294	348
Other assets under administration	34	5	1	40

Undrawn balances on lending commitments to counterparties within the impaired asset category were \$2 million as at 31 December 2015 (31 December 2014 \$1 million, 30 June 2015 \$2 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 2015

5 Credit Quality Information for Advances to Customers (continued)

\$ millions	NZ Banking Group			Total
	Residential Mortgages	Other Retail	Corporate	
As at 31 December 2014				
Unaudited				
Past due assets not impaired				
1 to 7 days	960	131	296	1,387
8 to 29 days	639	100	37	776
30 to 59 days	186	38	11	235
60 to 89 days	92	19	5	116
Over 90 days	81	17	7	105
Total past due assets not impaired	1,958	305	356	2,619
Individually impaired assets				
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)
Total individually impaired assets	45	9	270	324
Other assets under administration	33	2	-	35

\$ millions	NZ Banking Group			Total
	Residential Mortgages	Other Retail	Corporate	
As at 30 June 2015				
Audited				
Past due assets not impaired				
1 to 7 days	999	160	280	1,439
8 to 29 days	579	85	71	735
30 to 59 days	198	36	12	246
60 to 89 days	79	14	7	100
Over 90 days	73	20	7	100
Total past due assets not impaired	1,928	315	377	2,620
Individually impaired assets				
Balance at beginning of year	51	10	188	249
Additions	44	6	234	284
Deletions	(39)	(4)	(84)	(127)
Amounts written off	(6)	(3)	(32)	(41)
Total individually impaired assets	50	9	306	365
Other assets under administration	31	3	-	34

Notes to the Financial Statements

For the six months ended 31 December 2015

6 Provisions for Impairment Losses

\$ millions	NZ Banking Group			Total
	Residential Mortgages	Other Retail	Corporate	
As at 31 December 2015				
Unaudited				
Collective provision				
Balance at beginning of period	39	75	87	201
(Recovered from)/charged to Income Statement	(5)	6	19	20
Balance at end of period	34	81	106	221
Individually assessed provisions				
Balance at beginning of period	10	1	43	54
Add/(less):				
Charged to Income Statement:				
New provisions	8	2	10	20
Amounts recovered	(6)	-	(11)	(17)
Write-offs against individually assessed provisions	(4)	(1)	(1)	(6)
Balance at end of period	8	2	41	51
Total provisions for impairment losses	42	83	147	272
Impairment losses on advances				
Movement in collective provision	(5)	6	19	20
Movement in individually assessed provisions	2	2	(1)	3
Bad debts written off	-	26	-	26
Bad debts recovered	(1)	(6)	(2)	(9)
Total impairment losses on advances	(4)	28	16	40

Notes to the Financial Statements

For the six months ended 31 December 2015

6 Provisions for Impairment Losses (continued)

\$ millions	NZ Banking Group			Total
	Residential Mortgages	Other Retail	Corporate	
As at 31 December 2014				
Unaudited				
Collective provision				
Balance at beginning of period	38	61	80	179
Charged to Income Statement	3	7	25	35
Balance at end of period	41	68	105	214
Individually assessed provisions				
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)
Balance at end of period	9	2	55	66
Total provisions for impairment losses	50	70	160	280
Impairment losses on advances				
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)
Total impairment losses on advances	5	24	34	63

\$ millions	NZ Banking Group			Total
	Residential Mortgages	Other Retail	Corporate	
As at 30 June 2015				
Audited				
Collective provision				
Balance at beginning of year	38	61	80	179
Charged to Income Statement	1	14	7	22
Balance at end of year	39	75	87	201
Individually assessed provisions				
Balance at beginning of year	11	2	45	58
Add/(less):				
Charged to Income Statement:				
New provisions	19	3	59	81
Amounts recovered	(14)	(1)	(20)	(35)
Write-offs against individually assessed provisions	(6)	(3)	(32)	(41)
	10	1	52	63
Less: Off balance sheet provisions	-	-	(9)	(9)
Balance at end of year	10	1	43	54
Total provisions for impairment losses	49	76	130	255
Impairment losses on advances				
Movement in collective provision	1	14	7	22
Movement in individually assessed provisions	5	2	39	46
Bad debts written off	1	46	-	47
Bad debts recovered	(2)	(9)	(3)	(14)
Total impairment losses on advances	5	53	43	101

Notes to the Financial Statements

For the six months ended 31 December 2015

7 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
As at 31 December 2015				
Concentration by industry				
Agriculture	9,459	27	728	10,214
Government and public authorities	183	1,336	551	2,070
Property and business services	7,052	39	772	7,863
Finance, investment and insurance	7,998	4,382	506	12,886
Utilities	645	35	584	1,264
Transport and storage	911	1	281	1,193
Housing ⁽¹⁾	41,762	-	6,844	48,606
Construction	586	-	304	890
Personal	1,588	-	2,113	3,701
Health and community services	925	4	236	1,165
Other commercial and industrial	4,253	44	2,234	6,531
Total credit exposures by industry	75,362	5,868	15,153	96,383
(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, investment and insurance sector under financial assets at amortised cost.				
Concentration by geographic region				
Auckland	44,911	1,678	10,808	57,397
Rest of New Zealand	28,984	1,068	4,326	34,378
Overseas	1,467	3,122	19	4,608
Total credit exposures by geographic region	75,362	5,868	15,153	96,383

8 Concentration of Credit Exposures to Individual Counterparties

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 2015. For the three months ended 31 December 2015, 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 2015.

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 2015, which is the most recent publicly disclosed amount.

Notes to the Financial Statements

For the six months ended 31 December 2015

9 Deposits and Other Public Borrowings

\$ millions	NZ Banking Group		
	Unaudited 31-Dec-15	Unaudited 31-Dec-14	Audited 30-Jun-15
As at			
Certificates of deposit	2,355	793	2,101
Term deposits	23,126	23,034	24,253
On demand and short term deposits	24,494	20,631	22,737
Deposits not bearing interest	3,379	2,892	2,924
Repurchase agreements	32	108	-
Total deposits and other public borrowings	53,386	47,458	52,015

As at 31 December 2015 the Branch did not have any retail deposits (deposits with natural persons, excluding deposits with an outstanding balance which exceeds \$250,000).

10 Debt Issues

\$ millions	NZ Banking Group		
	Unaudited 31-Dec-15	Unaudited 31-Dec-14	Audited 30-Jun-15
As at			
Debt issues at fair value through Income Statement	1,548	1,803	1,213
Debt issues at amortised cost	10,421	9,507	10,276
Total debt issues	11,969	11,310	11,489
Movement in debt issues			
Balance at beginning of period	11,489	10,924	10,924
Issuances during the period	4,520	3,023	5,559
Repayments during the period	(3,700)	(2,990)	(6,130)
Foreign exchange and fair value movements during the period	(340)	353	1,136
Balance at end of period	11,969	11,310	11,489

11 Contingent Liabilities

\$ millions	NZ Banking Group Notional Amount		
	Unaudited 31-Dec-15	Unaudited 31-Dec-14	Audited 30-Jun-15
As at			
Guarantees	144	119	124
Standby letters of credit	80	95	123
Other credit facilities	112	95	103
Total contingent liabilities	336	309	350

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 seriously prejudice 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 have been or 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.

Notes to the Financial Statements

For the six months ended 31 December 2015

12 Related Party Transactions and Balances

During the six months ended 31 December 2015, the NZ Banking Group has entered into, or had in place various financial transactions with members of the Overseas Banking Group, and other related parties. ASB provides administrative functions to certain subsidiaries and related companies for which no payments have been made. In all other cases, arrangements with related parties were conducted on an arm's length basis and on normal commercial terms, and within the NZ Banking Group's approved policies. Loans to and borrowings from related parties are unsecured.

Certain superannuation schemes and unit trusts are managed by ASB Group Investments Limited, a wholly owned subsidiary of ASB. The NZ Life Group similarly administers and manages certain superannuation schemes and unit trusts. Related party transactions and balances between these schemes and trusts, and the NZ Banking Group are disclosed below.

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-15	Unaudited 31-Dec-14	Audited 30-Jun-15
As at			
Amounts due to related parties			
Overseas Banking Group	4,258	4,381	4,997
NZ Life Group	261	260	307
Superannuation schemes and unit trusts managed or administered by controlled subsidiaries of ASB	582	447	535
Superannuation schemes and unit trusts managed or administered by NZ Life Group	4	4	3
Total amounts due to related parties	5,105	5,092	5,842
Amounts due from related parties			
Overseas Banking Group	476	549	594
NZ Life Group	-	-	33
Superannuation schemes and unit trusts managed or administered by controlled subsidiaries of ASB	-	-	13
Superannuation schemes and unit trusts managed or administered by NZ Life Group	-	-	1
Total amounts due from related parties	476	549	641

For the six months ended 31 December 2015 interest charged on balances due to the Overseas Banking Group was \$52 million (31 December 2014 \$80 million).

The total liabilities of the Branch net of amounts due to related parties were \$3,225 million as at 31 December 2015 (31 December 2014 \$3,137 million, 30 June 2015 \$3,403 million).

Notes to the Financial Statements

For the six months ended 31 December 2015

13 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	
As at 31 December 2015				
Unaudited				
Financial assets				
Trading securities	155	341	-	496
Derivative assets	-	1,514	-	1,514
Available-for-sale securities	2,521	1,337	-	3,858
Total financial assets measured at fair value	2,676	3,192	-	5,868
Financial liabilities				
Other liabilities at fair value through Income Statement	-	815	-	815
Derivative liabilities	1	1,876	-	1,877
Debt issues at fair value through Income Statement	-	1,548	-	1,548
Total financial liabilities measured at fair value	1	4,239	-	4,240
As at 31 December 2014				
Unaudited				
Financial assets				
Trading securities	828	911	-	1,739
Derivative assets	-	1,201	-	1,201
Available-for-sale securities	609	2,385	-	2,994
Total financial assets measured at fair value	1,437	4,497	-	5,934
Financial liabilities				
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
Total financial liabilities measured at fair value	-	4,136	-	4,136

Notes to the Financial Statements

For the six months ended 31 December 2015

13 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	
As at 30 June 2015				
Audited				
Financial assets				
Trading securities	687	515	-	1,202
Derivative assets	-	2,321	-	2,321
Available-for-sale securities	2,104	1,369	-	3,473
Total financial assets measured at fair value	2,791	4,205	-	6,996
Financial liabilities				
Other liabilities at fair value through Income Statement	11	169	-	180
Derivative liabilities	-	1,539	-	1,539
Debt issues at fair value through Income Statement	-	1,213	-	1,213
Total financial liabilities measured at fair value	11	2,921	-	2,932

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-15		NZ Banking Group Unaudited 31-Dec-14		Audited 30-Jun-15	
	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets						
Cash and liquid assets	2,281	2,281	1,630	1,630	1,802	1,802
Due from financial institutions	648	648	234	234	1,452	1,451
Advances to customers	72,482	72,433	65,678	65,798	69,064	69,087
Other assets	236	236	237	237	522	522
Total	75,647	75,598	67,779	67,899	72,840	72,862
Financial liabilities						
Deposits and other public borrowings	53,519	53,386	47,523	47,458	52,144	52,015
Due to financial institutions	1,966	1,967	980	979	3,254	3,255
Other liabilities	558	558	524	524	626	626
Debt issues at amortised cost	10,436	10,421	9,574	9,507	10,307	10,276
Loan capital	5,486	5,887	6,298	6,412	5,814	6,157
Total	71,965	72,219	64,899	64,880	72,145	72,329

Notes to the Financial Statements

For the six months ended 31 December 2015

14 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	
Exposures as at 31 December 2015				
Implied risk-weighted exposure	1,890	3	-	1,893
Aggregate capital charge	151	-	-	151

\$ millions	NZ Banking Group			Total
	Interest Rate Risk	Foreign Currency Risk	Equity Risk	
Peak exposures for the six months ended 31 December 2015				
Implied risk-weighted exposure	2,490	40	1	2,531
Aggregate capital charge	199	3	-	202

15 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%	
LVR Range				
As at 31 December 2015				
Value of exposures	45,018	5,202	2,486	52,706
Expressed as a percentage of total exposures	85.4%	9.9%	4.7%	100.0%

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

\$ millions	NZ Banking Group
As at 31 December 2015	
Reconciliation of mortgage-related amounts	
Housing loans (refer to note 7)	48,606
Add/(less):	
Housing loans to other retail and corporate customers	(3,006)
Residential mortgages in advances to customers (refer to note 4)	45,600
Add/(less):	
Off balance sheet exposures	7,251
Unamortised loan establishment fees	(145)
Residential mortgages in LVR disclosure	52,706

Notes to the Financial Statements

For the six months ended 31 December 2015

16 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).

The Overseas Banking Group is required by APRA to hold minimum capital specified under the Basel III (AIRB) approach. As at 31 December 2015 the minimum capital requirements were met.

As at	Overseas Bank		Overseas Banking Group	
	31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14
Capital ratios				
Common equity tier one capital ratio	10.7%	9.1%	10.2%	9.2%
Tier one capital ratio	12.6%	11.5%	12.2%	11.6%
Total capital ratio	14.5%	12.5%	14.1%	12.7%

Overseas Banking Group

Asset quality

As at 31 December 2015

Total gross individually impaired assets	AUD2,788 million
Total individually impaired assets as a % of total assets	0.3%
Total individually assessed provisions	AUD909 million
Total individually assessed provisions as a % of total gross individually impaired assets	32.6%
Total collective provision	AUD2,801 million

Profitability

Net profit after taxation for the six months ended 31 December 2015	AUD4,618 million
Net profit after taxation as a % of average total assets for the year ended 31 December 2015	1.0%

Size

As at 31 December 2015

Total assets	AUD903,075 million
% change in total assets from previous 31 December	6.2%

Notes to the Financial Statements

For the six months ended 31 December 2015

17 Insurance Business, Marketing and Distribution of Insurance Products

The NZ Banking Group does not conduct any insurance business. However, certain general and life insurance products are marketed and distributed by ASB for the following entities: Sovereign Assurance Company Limited (a wholly owned subsidiary of ASB Group (Life) Limited), IAG New Zealand Limited and TOWER Insurance Limited. Information about insurance business conducted by the NZ Life Group is disclosed in Part B of this Disclosure Statement.

18 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 2015						
Net interest earnings	540	265	13	7	6	831
Other income/(expense)	152	74	20	81	(38)	289
Total operating income/(expense)	692	339	33	88	(32)	1,120
Impairment losses on advances	23	18	(1)	-	-	40
Segment operating expenses (excluding impairment losses)	239	125	6	44	3	417
Segment net profit/(loss) before taxation	430	196	28	44	(35)	663
Taxation	120	55	8	12	(9)	186
Segment net profit/(loss) after taxation	310	141	20	32	(26)	477

Balance Sheet

As at 31 December 2015

\$ millions	NZ Banking Group					Total
	Retail and Business Banking	Corporate, Commercial and Rural	Institutional Banking and Markets	Wealth and Insurance	Other	
Total assets	46,637	24,597	4,246	172	6,570	82,222
Total liabilities	35,656	14,178	2,052	326	24,247	76,459

\$ 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	543	257	17	7	15	839
Other income/(expense)	115	67	24	73	(39)	240
Total operating income/(expense)	658	324	41	80	(24)	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	398	199	9	37	(30)	613
Taxation	111	56	2	10	(7)	172
Segment net profit/(loss) after taxation	287	143	7	27	(23)	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	2,573	257	21,030	69,016

Notes to the Financial Statements

For the six months ended 31 December 2015

18 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 2015

19 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		
As at 31 December 2015								
Assets								
Cash and liquid assets	1,981	-	-	-	-	300	2,281	
Due from financial institutions	648	-	-	-	-	-	648	
Trading securities	173	247	-	55	21	-	496	
Derivative assets	-	-	-	-	-	1,514	1,514	
Available-for-sale securities	707	103	70	413	2,565	-	3,858	
Advances to customers	34,240	4,599	10,922	14,691	8,049	(68)	72,433	
Other assets	-	-	-	-	-	992	992	
Total assets	37,749	4,949	10,992	15,159	10,635	2,738	82,222	
Liabilities								
Deposits and other public borrowings	34,396	6,953	5,589	1,858	1,211	3,379	53,386	
Due to financial institutions	1,508	405	-	-	-	54	1,967	
Other liabilities at fair value through Income Statement	815	-	-	-	-	-	815	
Derivative liabilities	-	-	-	-	-	1,877	1,877	
Other liabilities	-	-	-	-	-	558	558	
Debt issues:								
At fair value through Income Statement	913	635	-	-	-	-	1,548	
At amortised cost	5,516	20	271	1,811	2,686	117	10,421	
Loan capital	5,455	-	-	-	400	32	5,887	
Total liabilities	48,603	8,013	5,860	3,669	4,297	6,017	76,459	
Net derivative notionals	14,563	1,181	(4,365)	(9,521)	(1,858)			
Interest rate sensitivity gap	3,709	(1,883)	767	1,969	4,480	(3,279)	5,763	

Notes to the Financial Statements

For the six months ended 31 December 2015

20 Qualifying Liquid Assets

Unaudited

The table below provides details of the qualifying liquid assets held by the NZ Banking Group for the purpose of managing liquidity risk.

If ASB enters into a repurchase agreement with the RBNZ, the qualifying liquid assets sold under the agreement are subject to a reduction in value ("haircut") in accordance with the RBNZ's rules. This haircut can range from 1 to 19 percent, depending on the qualifying asset, and reduces the value of the qualifying liquid assets available for liquidity purposes. The qualifying liquid assets in the table below are not adjusted for this haircut.

\$ millions	NZ Banking Group						Total
	Cash and Liquid Assets	Available for Sale Securities	Trading Securities	Advances to Customers	Deposits and Other Public Borrowings ⁽¹⁾	Other Assets	
As at 31 December 2015							
Cash	322	-	-	-	-	-	322
Call deposits with the central bank	1,054	-	-	-	-	-	1,054
Local authority securities	-	220	74	-	-	2	296
New Zealand government securities	905	468	53	-	(32)	4	1,398
Overseas government securities	-	431	-	-	-	2	433
Corporate bonds	-	512	-	-	-	4	516
Treasury bills	-	82	-	-	-	-	82
RBNZ Bills	-	-	100	-	-	-	100
Bank bills	-	-	267	-	-	-	267
Kauri bonds	-	1,540	2	-	-	19	1,561
Other securities	-	605	-	-	-	2	607
Residential mortgage-backed securities	-	-	-	3,101	-	-	3,101
Total qualifying liquid assets	2,281	3,858	496	3,101	(32)	33	9,737

(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 2015

21 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							Carrying Value
	On Demand	Within 6 Months	Between 6-12 Months	Between 1-2 Years	Between 2-5 Years	Over 5 Years	Total	
As at 31 December 2015								
Non-derivative financial assets								
Cash and liquid assets	1,376	910	-	-	-	-	2,286	2,281
Due from financial institutions	632	16	-	-	-	-	648	648
Trading securities	-	428	1	53	21	-	503	496
Available-for-sale securities	-	276	337	750	2,252	619	4,234	3,858
Advances to customers	1,044	9,771	4,744	9,695	18,870	62,924	107,048	72,433
Other assets	-	236	-	-	-	-	236	236
Total non-derivative financial assets	3,052	11,637	5,082	10,498	21,143	63,543	114,955	79,952
Derivative financial assets								
Inflows from derivatives	-	1,058	638	2,466	3,421	74	7,657	
Outflows from derivatives	-	(404)	(593)	(2,282)	(3,036)	(66)	(6,381)	
	-	654	45	184	385	8	1,276	
Non-derivative financial liabilities								
Deposits and other public borrowings	27,735	17,444	5,539	1,869	1,258	-	53,845	53,386
Due to financial institutions	627	1,058	126	115	6	95	2,027	1,967
Other liabilities at fair value through Income Statement	-	825	-	-	-	-	825	815
Other liabilities	20	475	62	-	1	-	558	558
Debt issues:								
At fair value through Income Statement	-	1,551	-	-	-	-	1,551	1,548
At amortised cost	-	2,178	1,283	3,244	3,703	356	10,764	10,421
Loan capital	-	113	113	227	1,042	5,939	7,434	5,887
Total non-derivative financial liabilities	28,382	23,644	7,123	5,455	6,010	6,390	77,004	74,582
Derivative financial liabilities								
Inflows from derivatives	-	2,590	883	1,322	1,595	3,916	10,306	
Outflows from derivatives	-	(3,712)	(1,062)	(1,639)	(1,977)	(4,115)	(12,505)	
	-	(1,122)	(179)	(317)	(382)	(199)	(2,199)	
Off balance sheet items								
Lending commitments	11,564	3,253	-	-	-	-	14,817	
Guarantees	-	144	-	-	-	-	144	
Other contingent liabilities	-	192	-	-	-	-	192	
Total off balance sheet items	11,564	3,589	-	-	-	-	15,153	

Notes to the Financial Statements

For the six months ended 31 December 2015

22 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-15
Total funding comprises:	
Deposits and other public borrowings	53,386
Due to financial institutions	1,967
Other liabilities at fair value through Income Statement	815
Debt issues:	
At fair value through Income Statement	1,548
At amortised cost	10,421
Loan capital	5,887
Total funding	74,024
Concentration by industry	
Agricultural, forestry and fishing	735
Government and public authorities	1,530
Property and business services	5,673
Finance and insurance	24,603
Utilities	146
Transport and storage	837
Personal	36,340
Other commercial and industrial	4,160
Total funding by industry	74,024
Concentration by geographic region	
New Zealand	53,702
Overseas	20,322
Total funding by geographic region	74,024

23 Events after the Reporting Period

On 21 January 2016 the Directors of ASB Capital Limited declared a gross perpetual preference dividend of \$2 million, being 1.0000 cents per share, including imputation credits. The dividend was paid on 15 February 2016 to all registered holders of perpetual preference shares as at 5.00pm on 5 February 2016.

On 21 January 2016 the Directors of ASB Capital No.2 Limited declared a gross perpetual preference dividend of \$4 million, being 1.0850 cents per share, including imputation credits. The dividend was paid on 15 February 2016 to all registered holders of perpetual preference shares as at 5.00pm on 5 February 2016.

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

Independent Review Report



Independent Review Report – NZ Banking Group to the Directors of Commonwealth Bank of Australia

Report on the Financial Statements

We have reviewed pages 1 to 23 of the half year Disclosure Statement prepared by Commonwealth Bank of Australia (the “Company”) in respect of its New Zealand business, which includes 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 financial statements comprise the balance sheet as at 31 December 2015, 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 Company’s New Zealand banking group (the “NZ Banking Group”).

Directors’ Responsibility for the Financial Statements

The Directors of the Company as a body (the “Directors”) are responsible, on behalf of the Company, for the preparation and fair presentation of the half year Disclosure Statement, which includes 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, on behalf of the Company, 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 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 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 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 the Capital Adequacy Framework (Standardised Approach) (BS2A); and
- b) disclosed in accordance with Schedule 9 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”). 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.

PricewaterhouseCoopers, 188 Quay Street, Private Bag 92162, Auckland 1142, New Zealand
T: +64 9 355 8000, F: +64 9 355 8001, pwc.co.nz

Independent Review Report (continued)



Independent Review Report – NZ Banking Group Commonwealth Bank of Australia New Zealand Banking Group

We are independent of the Company and the NZ Banking Group. We carry out other assignments on behalf of the New Zealand branch of the Company (the “NZ Branch”) and the NZ Banking Group for audit-related services relating to funds managed by the NZ Banking Group and for other assurance services. In addition, certain partners and employees of our firm may deal with the NZ Branch and the NZ Banking Group on normal terms within the ordinary course of trading activities of the NZ Branch and the NZ Banking Group. These matters have not impaired our independence. We have no other interests in the NZ Branch or the NZ Banking Group.

Conclusion

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

- a) the financial statements on pages 1 to 23 (excluding the supplementary information) have not been prepared in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*; 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 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. 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 Directors 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
19 February 2016

Auckland

Part B

Commonwealth Bank of Australia
New Zealand Life Insurance Group

Financial Statements

For the six months ended 31 December 2015

Contents

Income Statement	2
Statement of Comprehensive Income	3
Statement of Changes in Equity	3
Balance Sheet	4
Condensed Cash Flow Statement	5
Notes to the Financial Statements	
1 Statement of Accounting Policies	6
2 Investment Income	6
3 Taxation	7
4 Liquid Assets	7
5 Asset Quality	8
6 Deferred Taxation Liability	8
7 Contingent Liabilities and Capital Commitments	8
8 Concentration of Credit Exposures to Individual Counterparties	8
9 Related Party Transactions and Balances	9
10 Fair Value of Financial Instruments	10
11 Maturity Analysis of Financial Liabilities	11
12 Events after the Reporting Period	11
Independent Review Report	12

Income Statement

\$ millions	For the six months ended	Note	NZ Life Group	
			Unaudited 31-Dec-15	Unaudited 31-Dec-14
Premium income			345	332
Less: Reinsurance expense			(25)	(23)
Net premium income			320	309
Investment income		2	51	133
Other income			4	5
Total operating income			375	447
Claims expense			184	186
Less: Reinsurance recoveries			(18)	(25)
Net claims expense			166	161
Other operating expenses			149	148
Decrease in life insurance contract liabilities			(21)	(9)
Increase in life investment contract liabilities			1	41
Total operating expenses			295	341
Net profit before taxation			80	106
Taxation		3	24	47
Net profit after taxation			56	59

These statements are to be read in conjunction with the notes on pages 6 to 11 and the Independent Review Report on pages 12 to 13.

Statement of Comprehensive Income

\$ millions	NZ Life Group	
	Unaudited 31-Dec-15	Unaudited 31-Dec-14
For the six months ended		
Net profit after taxation	56	59
Total comprehensive income	56	59

Statement of Changes in Equity

\$ millions	NZ Life Group		
	Contributed Capital	Retained Earnings	Total Shareholders' Equity
For the six months ended 31 December 2015			
Unaudited			
Balance at beginning of period	1,080	234	1,314
Net profit after taxation	-	56	56
Total comprehensive income	-	56	56
Ordinary dividend paid	-	(114)	(114)
Balance as at 31 December 2015	1,080	176	1,256
For the six months ended 31 December 2014			
Unaudited			
Balance at beginning of period	1,080	211	1,291
Net profit after taxation	-	59	59
Total comprehensive income	-	59	59
Ordinary dividend paid	-	(74)	(74)
Balance as at 31 December 2014	1,080	196	1,276

These statements are to be read in conjunction with the notes on pages 6 to 11 and the Independent Review Report on pages 12 to 13.

Balance Sheet

\$ millions	Note	NZ Life Group		
		Unaudited 31-Dec-15	Unaudited 31-Dec-14	Audited 30-Jun-15
As at				
Assets				
Cash and cash equivalents		539	538	601
Trade and other receivables		54	59	49
Securities		1,696	1,743	1,786
Derivative assets		19	16	1
Liabilities ceded under reinsurance		14	11	12
Current taxation asset		-	-	1
Property, plant and equipment		18	19	18
Intangible assets		524	531	528
Total assets		2,864	2,917	2,996
<i>Total interest earning and discount bearing assets</i>		<i>1,404</i>	<i>1,389</i>	<i>1,507</i>
Liabilities				
Trade and other payables		102	100	103
Derivative liabilities		-	-	33
Life investment contract liabilities		857	876	889
Life insurance contract liabilities		159	192	179
Current taxation liability		11	12	-
Deferred taxation liability	6	479	461	478
Total liabilities		1,608	1,641	1,682
Shareholders' equity				
Contributed capital		1,080	1,080	1,080
Retained earnings		176	196	234
Total shareholders' equity		1,256	1,276	1,314
Total liabilities and shareholders' equity		2,864	2,917	2,996

These statements are to be read in conjunction with the notes on pages 6 to 11 and the Independent Review Report on pages 12 to 13.

Condensed Cash Flow Statement

\$ millions	NZ Life Group	
	Unaudited 31-Dec-15	Unaudited 31-Dec-14
For the six months ended		
Cash flows from operating activities		
Premium receipts	363	347
Interest receipts	30	29
Dividend receipts	10	11
Claims, surrenders and maturities payments	(235)	(247)
Net other cash outflows provided by operating activities	(167)	(154)
Net cash flows from operating activities	1	(14)
Cash flows from investing activities		
Cash inflows provided by investing activities	272	270
Cash outflows used in investing activities	(221)	(225)
Net cash flows from investing activities	51	45
Cash flows from financing activities		
Dividends paid	(114)	(74)
Net cash flows from financing activities	(114)	(74)
Summary of movements in cash flows		
Net decrease in cash and cash equivalents	(62)	(43)
Add: Cash and cash equivalents at beginning of period	601	581
Cash and cash equivalents at end of period	539	538
Reconciliation of net profit after taxation to net cash flows from operating activities		
Net profit after taxation	56	59
Add: Non-cash items	(26)	(56)
Add: Movements in Balance Sheet items	(29)	(17)
Net cash flows from operating activities	1	(14)

These statements are to be read in conjunction with the notes on pages 6 to 11 and the Independent Review Report on pages 12 to 13.

Notes to the Financial Statements

For the six months ended 31 December 2015

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") 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. 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 2015 (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 to the extent applicable to the NZ Life Group, the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended). 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 2015.

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.

There are no new or revised NZ IFRS's and NZ IFRS interpretations applicable for the first time for the financial year beginning on or after 1 July 2015 that have a material impact.

There have been no material changes to accounting policies during the six months ended 31 December 2015. All policies have been applied on a basis consistent with that used in the financial year ended 30 June 2015.

Comparative information has been reclassified or restated to ensure consistency with presentation in the current reporting period.

2 Investment Income

\$ millions	NZ Life Group	
	Unaudited 31-Dec-15	Unaudited 31-Dec-14
For the six months ended		
Dividends	15	16
Realised and unrealised (losses)/gains	(8)	27
Total equity securities	7	43
Interest	29	29
Realised and unrealised gains	10	42
Total fixed interest securities and cash	39	71
Dividends	2	3
Realised and unrealised gains	2	15
Total property securities	4	18
Other investment income	1	1
Total investment income	51	133

Notes to the Financial Statements

For the six months ended 31 December 2015

3 Taxation

\$ millions	Note	NZ Life Group	
		Unaudited 31-Dec-15	Unaudited 31-Dec-14
For the six months ended			
Current taxation		23	13
Deferred taxation	6	1	34
Total taxation charged to the Income Statement		24	47

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:

Net profit before taxation	80	106
Income tax at the current rate	22	30
Non-deductible expenditure	17	16
Non-assessable income	(1)	(12)
Imputation credit adjustments	(1)	(2)
Movement in policy liabilities and tax reserving amounts	(17)	29
Investment income adjustments	4	(14)
Total taxation charged to the Income Statement	24	47
Weighted average effective tax rate	30%	44%

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
As at 31 December 2015			
Cash and cash equivalents	538	-	538
Foreign currency deposits	1	-	1
Equity securities	-	741	741
Government stock	-	812	812
Corporate bonds	-	29	29
Property securities	-	90	90
Total liquid assets	539	1,672	2,211

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 2015

5 Asset Quality

There were no material impaired or past due assets as at 31 December 2015 (31 December 2014 nil, 30 June 2015 nil).

6 Deferred Taxation Liability

\$ millions	Note	NZ Life Group		
		Unaudited 31-Dec-15	Unaudited 31-Dec-14	Audited 30-Jun-15
As at				
Balance at beginning of period		478	427	427
Recognised in the Income Statement	3	1	34	51
Total deferred taxation liability		479	461	478
Deferred taxation relates to:				
Life insurance and life investment contract liabilities		474	454	472
Other		5	7	6
Total deferred taxation liability		479	461	478
Deferred taxation recognised in the Income Statement:				
Life insurance and life investment contract liabilities		2	34	52
Other		(1)	-	(1)
Total deferred taxation recognised in the Income Statement	3	1	34	51

7 Contingent Liabilities and Capital Commitments

There were no material contingent liabilities or capital commitments as at 31 December 2015 (31 December 2014 nil, 30 June 2015 nil).

8 Concentration of Credit Exposures to Individual Counterparties

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 2015. For the three months ended 31 December 2015, 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 2015.

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 2015, which is the most recent publicly disclosed amount.

Notes to the Financial Statements

For the six months ended 31 December 2015

9 Related Party Transactions and Balances

During the six months ended 31 December 2015, 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-15	Unaudited 31-Dec-14	Audited 30-Jun-15
For the six months ended			
Related party transactions			
Income			
Interest received from NZ Banking Group	4	4	9
Interest and dividends received from Overseas Banking Group	6	7	10
Fees received from NZ Banking Group for the origination of mortgages	1	1	2
Fees received from NZ Banking Group for investment management services	1	1	2
	12	13	23
Expenses			
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	19	17	35
	25	23	47
Related party balances			
Overseas Banking Group			
Assets			
Securities	332	352	365
NZ Banking Group			
Assets			
Cash and cash equivalents	241	243	305
Trade and other receivables	1	1	1
Derivative assets	19	16	1
	261	260	307
Liabilities			
Derivative liabilities	-	-	33
	-	-	33
Total related party assets	593	612	672
Total related party liabilities	-	-	33

Notes to the Financial Statements

For the six months ended 31 December 2015

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	
As at 31 December 2015				
Unaudited				
Financial assets				
Securities				
Equity securities	315	426	-	741
Fixed interest securities	841	-	-	841
Property securities	90	-	-	90
Loans on policies	-	-	21	21
Mortgages	-	-	3	3
Derivative assets	-	19	-	19
Total financial assets measured at fair value	1,246	445	24	1,715
Financial liabilities				
Life investment contract liabilities	-	857	-	857
Total financial liabilities measured at fair value	-	857	-	857
As at 31 December 2014				
Unaudited				
Financial assets				
Securities				
Equity securities	345	444	-	789
Fixed interest securities	825	-	-	825
Property securities	101	-	-	101
Loans on policies	-	-	22	22
Mortgages	-	-	6	6
Derivative assets	-	16	-	16
Total financial assets measured at fair value	1,271	460	28	1,759
Financial liabilities				
Life investment contract liabilities	-	876	-	876
Total financial liabilities measured at fair value	-	876	-	876

Notes to the Financial Statements

For the six months ended 31 December 2015

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	
As at 30 June 2015				
Audited				
Financial assets				
Securities				
Equity securities	313	471	-	784
Fixed interest securities	881	-	-	881
Property securities	97	-	-	97
Loans on policies	-	-	21	21
Mortgages	-	-	3	3
Derivative assets	-	1	-	1
Total financial assets measured at fair value	1,291	472	24	1,787
Financial liabilities				
Derivative liabilities	-	33	-	33
Life investment contract liabilities	-	889	-	889
Total financial liabilities measured at fair value	-	922	-	922

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-15		NZ Life Group Unaudited 31-Dec-14		Audited 30-Jun-15	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount
Financial assets						
Cash and cash equivalents	539	539	538	538	601	601
Trade and other receivables	54	54	59	59	49	49
Total financial assets	593	593	597	597	650	650
Financial liabilities						
Trade and other payables	28	28	27	27	33	33
Total financial liabilities	28	28	27	27	33	33

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		
As at 31 December 2015								
Unaudited								
Trade and other payables	6	22	-	-	-	-	28	28
Life investment contracts	609	9	13	25	71	172	899	857
Total financial liabilities	615	31	13	25	71	172	927	885

12 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 – NZ Life Group

To the Directors of Commonwealth Bank of Australia

Report on the Financial Statements

We have reviewed pages 2 to 11 of the half year Disclosure Statement prepared by Commonwealth Bank of Australia (the “Company”) in respect of its New Zealand life insurance business, which includes 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 financial statements comprise the balance sheet as at 31 December 2015, 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 Company’s New Zealand life insurance group (the “NZ Life Group”).

Directors’ Responsibility for the Financial Statements

The Directors of the Company as a body (the “Directors”) are responsible, on behalf of the Company, for the preparation and fair presentation of the half year Disclosure Statement, which includes 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, on behalf of the Company, 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 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 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”). NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

PricewaterhouseCoopers, 188 Quay Street, Private Bag 92162, Auckland 1142, New Zealand
T: +64 9 355 8000, F: +64 9 355 8001, www.pwc.com/nz

Independent Review Report (continued)



Independent Review Report – NZ Life Group Commonwealth Bank of Australia New Zealand Life Insurance Group

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 are independent of the Company and the NZ Life Group. We carry out other assignments on behalf of the NZ Life Group for audit-related and other assurance services. 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. These matters have not impaired our independence. We have no other interests in the NZ Life Group.

Conclusion

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

- a) the financial statements on pages 2 to 11 (excluding the supplementary information) have not been prepared in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*; 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. 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 Directors for our review procedures, for this report or for the opinions we have formed.

A handwritten signature in black ink, appearing to read 'P. Smith', is written over a faint, larger version of the same signature.

Chartered Accountants
19 February 2016

Auckland