

# Commonwealth Bank of Australia New Zealand Operations

## Disclosure Statement

For the nine months ended 31 March 2016



# Contents

## Commonwealth Bank of Australia New Zealand Operations

<b>General Disclosures</b>	<b>i</b>
<b>Statements by the Directors and the New Zealand Chief Executive Officer</b>	<b>iv</b>

## Commonwealth Bank of Australia New Zealand Banking Group

<b>Income Statement</b>	<b>1</b>
<b>Statement of Comprehensive Income</b>	<b>2</b>
<b>Statement of Changes in Equity</b>	<b>3</b>
<b>Balance Sheet</b>	<b>4</b>
<b>Cash Flow Statement</b>	<b>5</b>
<b>Notes to the Financial Statements</b>	
1 Statement of Accounting Policies	6
2 Other Income	6
3 Qualifying Liquid Assets	7
4 Financial Assets Pledged as Collateral	7
5 Advances to Customers	7
6 Asset Quality and Provisions for Impairment Losses	8
7 Deposits and Other Public Borrowings	8
8 Debt Issues	9
9 Contingent Liabilities	9
10 Related Party Transactions and Balances	10
11 Concentration of Credit Exposures to Individual Counterparties	10
12 Fair Value of Financial Instruments	11
13 Market Risk Capital Charges	13
14 Residential Mortgages by Loan-to-Valuation Ratio ("LVR")	13
15 Overseas Bank and Overseas Banking Group	14
16 Insurance Business, Marketing and Distribution of Insurance Products	15
17 Financial Reporting by Operating Segments	15
18 Events after the Reporting Period	16



# General Disclosures

(To be read in conjunction with the Financial Statements)

## 31 March 2016

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](http://www.commbank.com.au/about-us/our-company/international-branches/new-zealand.html)), and a copy of the Overseas Banking Group's financial statements can be obtained from the Commonwealth Bank of Australia website ([www.commbank.com.au/about-us/investors/shareholders.html](http://www.commbank.com.au/about-us/investors/shareholders.html)).

### 2.0 Address for Service - Overseas Bank

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

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

### 3.0 Guarantee Arrangements

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

The guarantee of small deposits under the Financial Claims Scheme has no ongoing application to foreign branch deposits.

The Australian Government Guarantee Scheme for Large Deposits and Wholesale Funding ("Guarantee Scheme") has now terminated effective 24 October 2015. Large deposits and wholesale liabilities guaranteed under the Guarantee Scheme as at 31 March 2010 will remain guaranteed until maturity (up to a maximum of 5 years for term deposits). Under the Guarantee Scheme, eligible ADIs (including the Overseas Bank) could obtain guarantees for deposit balances totaling 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. A liability was only covered by the Guarantee Scheme if it was the subject of an Eligibility Certificate issued in accordance with the Rules.

Guarantor's name and address for service:

The Commonwealth of Australia  
c/o Australian Government Solicitor  
Lionel Murphy Building  
50 Blackall Street  
Barton, ACT 2600  
Australia  
Attention: Director, Canberra

Facsimile: +61 2 6253 7333

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

# General Disclosures (continued)

(To be read in conjunction with the Financial Statements)

## 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.

There have been no other changes to the Conditions of Registration since 1 November 2015.

## 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.

CBA expects to be compliant with APRA's requirements to reduce its non-equity exposures to the Bank and its subsidiaries within the transition period.

## 6.0 Directorate and Auditor

C.B. Livingstone joined the CBA Board as an independent non-executive director on 1 March 2016.

J.S. Hemstritch resigned as a director from the CBA Board with effect from 31 March 2016.

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

## 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

L.K. (Launa) Inman

Australia

B.J. (Brian) Long

Australia

W.M. (Wendy) Stops

Australia

Sir J.A. (John) Anderson KBE

New Zealand

Sir D.H. (David) Higgins

England

C.B. (Catherine) Livingstone

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

# General Disclosures (continued)

(To be read in conjunction with the Financial Statements)

## 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 <sup>(a)</sup>	S&P <sup>(b)</sup>	Fitch Ratings <sup>(c)</sup>
Highest quality/extremely strong capacity to pay interest and principal	Aaa	AAA	AAA
High quality/very strong	Aa	AA	AA
Upper medium grade/strong	A	A	A
Medium grade (lowest investment grade)/adequate	Baa	BBB	BBB
Predominantly speculative/less near term vulnerability to default	Ba	BB	BB
Speculative, low grade/greater vulnerability	B	B	B
Poor to default/identifiable vulnerability	Caa	CCC	CCC
Highest speculations	Ca	CC	CC
Lowest quality, no interest	C	C	C
In payment default, in arrears - questionable value	-	D	RD & D

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

# CBA New Zealand Operations Disclosure Statement

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

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

- the Disclosure Statement contains all the information required by the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended); and
- the Disclosure Statement is not false or misleading.

**Each Director and the New Zealand Chief Executive Officer believes, after due enquiry, that for the nine months ended 31 March 2016:**

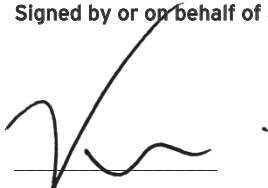
- the Registered Bank has complied with all Conditions of Registration imposed by the Reserve Bank under section 74 of the Reserve Bank of New Zealand Act 1989 that applied during that period; and
- the New Zealand business of the Registered Bank had systems in place to monitor and control adequately 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  
23 May 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  
23 May 2016



# Part A

## Commonwealth Bank of Australia New Zealand Banking Group

### Financial Statements

For the nine months ended 31 March 2016



# Income Statement

\$ millions	NZ Banking Group	
	Unaudited 31-Mar-16	Unaudited 31-Mar-15
<b>For the nine months ended</b>	Note	
Interest income		3,141
Interest expense		1,884
<b>Net interest earnings</b>		<b>1,257</b>
Other income	2	408
<b>Total operating income</b>		<b>1,665</b>
Impairment losses on advances	6(b)	71
<b>Total operating income after impairment losses</b>		<b>1,594</b>
<b>Total operating expenses</b>		<b>624</b>
Salaries and other staff expenses		373
Building occupancy and equipment expenses		91
Information technology expenses		71
Other expenses		89
<b>Net profit before taxation</b>		<b>970</b>
Taxation		273
<b>Net profit after taxation</b>		<b>697</b>
Attributable to:		
Parent company shareholders		684
Non-controlling interests		13
<b>Net profit after taxation</b>		<b>697</b>

These statements are to be read in conjunction with the notes on pages 6 to 16.

# Statement of Comprehensive Income

\$ millions

**NZ Banking Group**

**Unaudited** Unaudited  
**31-Mar-16** 31-Mar-15

**For the nine months ended**

<b>Net profit after taxation</b>	<b>697</b>	659
<b>Other comprehensive expense, net of taxation</b>		
<b>Items that may be reclassified subsequently to the Income Statement:</b>		
Net change in available-for-sale reserve	<b>(20)</b>	(2)
Net change in cash flow hedge reserve	<b>(58)</b>	(70)
	<b>(78)</b>	(72)
<b>Total other comprehensive expense, net of taxation</b>	<b>(78)</b>	(72)
<b>Total comprehensive income</b>	<b>619</b>	587
Attributable to:		
Parent company shareholders	<b>606</b>	573
Non-controlling interests	<b>13</b>	14
<b>Total comprehensive income</b>	<b>619</b>	587

These statements are to be read in conjunction with the notes on pages 6 to 16.

# Statement of Changes in Equity

NZ Banking Group									
\$ millions	Head Office Contribution	Contributed Capital	Asset Revaluation Reserve	Available-for-Sale Reserve	Cash Flow Hedge Reserve	Foreign Currency Translation Reserve	Retained Earnings	Non-controlling Interests	Total Shareholders' Equity
<b>For the nine months ended 31 March 2016</b>									
<b>Unaudited</b>									
Balance at beginning of period	462	2,184	27	7	(89)	1	2,178	550	5,320
Net profit after taxation	-	-	-	-	-	-	684	13	697
Other comprehensive expense	-	-	-	(20)	(58)	-	-	-	(78)
<b>Total comprehensive (expense)/income</b>	-	-	-	(20)	(58)	-	684	13	619
Redemption of redeemable preference share capital	-	(446)	-	-	-	-	-	-	(446)
Ordinary dividends paid	-	-	-	-	-	-	(175)	-	(175)
Redeemable preference dividends paid	-	-	-	-	-	-	(34)	-	(34)
Perpetual preference dividends paid to non-controlling interests	-	-	-	-	-	-	-	(13)	(13)
Profit repatriation	-	-	-	-	-	-	(7)	-	(7)
<b>Balance as at 31 March 2016</b>	<b>462</b>	<b>1,738</b>	<b>27</b>	<b>(13)</b>	<b>(147)</b>	<b>1</b>	<b>2,646</b>	<b>550</b>	<b>5,264</b>
<b>For the nine months ended 31 March 2015</b>									
<b>Unaudited</b>									
Balance at beginning of period	462	2,186	25	12	(1)	1	2,474	550	5,709
Net profit after taxation	-	-	-	-	-	-	645	14	659
Other comprehensive expense	-	-	-	(2)	(70)	-	-	-	(72)
<b>Total comprehensive (expense)/income</b>	-	-	-	(2)	(70)	-	645	14	587
Redemption of redeemable preference share capital	-	(2)	-	-	-	-	-	-	(2)
Ordinary dividends paid	-	-	-	-	-	-	(890)	-	(890)
Perpetual preference dividends paid to non-controlling interests	-	-	-	-	-	-	-	(14)	(14)
Profit repatriation	-	-	-	-	-	-	(9)	-	(9)
<b>Balance as at 31 March 2015</b>	<b>462</b>	<b>2,184</b>	<b>25</b>	<b>10</b>	<b>(71)</b>	<b>1</b>	<b>2,220</b>	<b>550</b>	<b>5,381</b>

These statements are to be read in conjunction with the notes on pages 6 to 16.

# Balance Sheet

\$ millions	NZ Banking Group			
	As at	Unaudited 31-Mar-16	Unaudited 31-Mar-15	Audited 30-Jun-15
	Note			
<b>Assets</b>				
Cash and liquid assets		2,046	1,544	1,802
Due from financial institutions		1,520	561	1,451
Trading securities		1,864	1,817	1,202
Derivative assets		1,788	1,406	2,321
Available-for-sale securities		4,348	3,300	3,473
Advances to customers	5	73,794	67,623	69,087
Current taxation asset		82	67	-
Other assets		261	406	541
Property, plant and equipment		180	188	189
Intangible assets		438	436	438
Deferred taxation asset		129	82	81
<b>Total assets</b>		<b>86,450</b>	<b>77,430</b>	<b>80,585</b>
<i>Total interest earning and discount bearing assets</i>		<i>83,366</i>	<i>74,835</i>	<i>76,965</i>
<b>Liabilities</b>				
Deposits and other public borrowings	7	54,069	49,659	52,015
Due to financial institutions		3,588	1,720	3,255
Other liabilities at fair value through Income Statement		953	305	180
Derivative liabilities		2,186	2,055	1,539
Current taxation liability		-	-	4
Other liabilities		557	729	626
Debt issues:				
At fair value through Income Statement	8	1,769	1,568	1,213
At amortised cost	8	11,398	9,619	10,276
Loan capital		6,666	6,394	6,157
<b>Total liabilities</b>		<b>81,186</b>	<b>72,049</b>	<b>75,265</b>
<b>Shareholders' Equity</b>				
Head office contribution		462	462	462
Contributed capital - ordinary shares		704	704	704
Reserves		(132)	(35)	(54)
Retained earnings		2,646	2,220	2,178
<b>Ordinary shareholders' equity</b>		<b>3,680</b>	<b>3,351</b>	<b>3,290</b>
Contributed capital - redeemable preference shares		1,034	1,480	1,480
<b>Non-controlling interests</b>		<b>550</b>	<b>550</b>	<b>550</b>
<b>Total shareholders' equity</b>		<b>5,264</b>	<b>5,381</b>	<b>5,320</b>
<b>Total liabilities and shareholders' equity</b>		<b>86,450</b>	<b>77,430</b>	<b>80,585</b>
<i>Total interest and discount bearing liabilities</i>		<i>74,664</i>	<i>66,151</i>	<i>68,874</i>

These statements are to be read in conjunction with the notes on pages 6 to 16.

# Cash Flow Statement

\$ millions	NZ Banking Group	
	Unaudited 31-Mar-16	Unaudited 31-Mar-15
<b>For the nine months ended</b>		
<b>Cash flows from operating activities</b>		
Net profit before taxation	970	916
<b>Reconciliation of net profit before taxation to net cash flows from operating activities</b>		
Non-cash items included in net profit before taxation:		
Depreciation of property, plant and equipment	27	27
Amortisation of intangible assets	32	28
Net change in provisions for impairment losses and bad debts written off	83	99
Other movements	67	51
Net (increase)/decrease in operating assets:		
Net (increase)/decrease in reverse repurchase agreements	(368)	222
Net increase in due from financial institutions <sup>(1)</sup>	(68)	(274)
Net increase in trading securities	(670)	(163)
Net increase in available-for-sale securities	(888)	(599)
Net increase in advances to customers	(4,752)	(3,856)
Net decrease in other assets	303	599
Net increase/(decrease) in operating liabilities:		
Net increase in deposits and other public borrowings	2,080	5,133
Net increase/(decrease) in due to financial institutions <sup>(1)</sup>	341	(488)
Net increase/(decrease) in other liabilities at fair value through Income Statement	770	(914)
Net decrease in other liabilities	(64)	(183)
Net taxation paid	(374)	(347)
<b>Net cash flows from operating activities</b>	<b>(2,511)</b>	<b>251</b>
<b>Cash flows from investing activities</b>		
Cash was applied to:		
Purchase of property, plant and equipment	(22)	(22)
Purchase of intangible assets	(31)	(35)
<b>Net cash flows from investing activities</b>	<b>(53)</b>	<b>(57)</b>
<b>Cash flows from financing activities</b>		
Cash was provided from:		
Issue of loan capital (net of issue costs)	1,605	3,237
Issue of debt securities (net of issue costs) <sup>(1)</sup>	6,904	4,506
Total cash inflows provided from financing activities	8,509	7,743
Cash was applied to:		
Redemption of redeemable preference share capital	(446)	-
Dividends paid	(209)	(890)
Redemption of loan capital	(1,099)	(2,407)
Redemption of issued debt securities <sup>(1)</sup>	(4,301)	(4,636)
Dividends paid to non-controlling interests	(13)	(14)
Redemption of perpetual preference share capital	-	(2)
Total cash outflows applied to financing activities	(6,068)	(7,949)
<b>Net cash flows from financing activities</b>	<b>2,441</b>	<b>(206)</b>
<b>Summary of movements in cash flows<sup>(1)</sup></b>		
Net decrease in cash and cash equivalents	(123)	(12)
Add: cash and cash equivalents at beginning of period	1,416	986
<b>Cash and cash equivalents at end of period</b>	<b>1,293</b>	<b>974</b>
<b>Cash and cash equivalents comprise:</b>		
Cash and liquid assets	2,046	1,544
Less: reverse repurchase agreements included in cash and liquid assets	(753)	(570)
<b>Cash and cash equivalents at end of period</b>	<b>1,293</b>	<b>974</b>
<b>Additional operating cash flow information</b>		
Interest received as cash	3,179	3,197
Interest paid as cash	(1,900)	(1,876)
Other income received as cash	408	334
Operating expenses paid as cash	(562)	(567)

(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 16.

# Notes to the Financial Statements

For the nine months ended 31 March 2016

## 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 nine months ended 31 March 2016 (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 nine months ended 31 March 2016. 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 \$27 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-Mar-16	Unaudited 31-Mar-15
<b>For the nine months ended</b>		
<b>Net fair value gain/(loss) from:</b>		
Other derivatives at fair value	3	1
Hedge ineffectiveness	(16)	(13)
<b>Total net fair value loss</b>	<b>(13)</b>	<b>(12)</b>
Trading income	74	76
Other operating income	347	292
<b>Total other income</b>	<b>408</b>	<b>356</b>



# Notes to the Financial Statements

For the nine months ended 31 March 2016

## 3 Qualifying Liquid Assets

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 <sup>(1)</sup>	Other Assets	
<b>As at 31 March 2016</b>							
<b>Unaudited</b>							
Cash	266	-	-	-	-	-	266
Call deposits with the central bank	1,027	-	-	-	-	-	1,027
Local authority securities	12	309	80	-	(12)	5	394
New Zealand government securities	741	726	53	-	-	9	1,529
Overseas government securities	-	442	-	-	-	-	442
Corporate bonds	-	494	-	-	-	5	499
Treasury bills	-	83	-	-	-	-	83
RBNZ Bills	-	-	1,301	-	-	-	1,301
Bank bills	-	-	428	-	-	-	428
Kauri bonds	-	1,690	2	-	-	11	1,703
Other securities	-	604	-	-	-	2	606
Residential mortgage-backed securities	-	-	-	3,235	-	-	3,235
<b>Total qualifying liquid assets</b>	<b>2,046</b>	<b>4,348</b>	<b>1,864</b>	<b>3,235</b>	<b>(12)</b>	<b>32</b>	<b>11,513</b>

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

## 4 Financial Assets Pledged as Collateral

As at 31 March 2016 New Zealand local authority securities of \$12 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 March 2016, \$702 million included in due from financial institutions had been advanced as cash collateral to counterparties with whom the NZ Banking Group has net derivative liability positions.

## 5 Advances to Customers

\$ millions	NZ Banking Group		
	Unaudited 31-Mar-16	Unaudited 31-Mar-15	Audited 30-Jun-15
<b>As at</b>			
Residential mortgages	46,400	42,916	43,666
Other retail	4,762	4,572	4,609
Corporate	22,842	20,393	20,994
<b>Loans and other receivables</b>	<b>74,004</b>	<b>67,881</b>	<b>69,269</b>
Fair value hedge adjustments	77	34	73
Provisions for impairment losses	(287)	(292)	(255)
<b>Total advances to customers</b>	<b>73,794</b>	<b>67,623</b>	<b>69,087</b>

# Notes to the Financial Statements

For the nine months ended 31 March 2016

## 6 Asset Quality and Provisions for Impairment Losses

\$ millions As at	NZ Banking Group		
	Unaudited 31-Mar-16	Unaudited 31-Mar-15	Audited 30-Jun-15

### (a) Asset Quality and Provisions for Impairment Losses

Individually impaired assets	340	347	365
Individually assessed provisions	53	99	54
Collective provision	234	193	201
90 day past due assets not impaired	104	120	100

\$ millions For the nine months ended	NZ Banking Group	
	Unaudited 31-Mar-16	Unaudited 31-Mar-15

### (b) Impairment losses on advances

Movement in collective provision	33	14
Movement in individually assessed provisions	9	50
Bad debts written off	41	35
Bad debts recovered	(12)	(12)
<b>Total impairment losses on advances</b>	<b>71</b>	<b>87</b>

## 7 Deposits and Other Public Borrowings

\$ millions As at	NZ Banking Group		
	Unaudited 31-Mar-16	Unaudited 31-Mar-15	Audited 30-Jun-15
Certificates of deposit	2,318	940	2,101
Term deposits	22,691	23,994	24,253
On demand and short term deposits	25,565	21,769	22,737
Deposits not bearing interest	3,483	2,930	2,924
Repurchase agreements	12	26	-
<b>Total deposits and other public borrowings</b>	<b>54,069</b>	<b>49,659</b>	<b>52,015</b>

As at 31 March 2016 the Branch did not have any retail deposits (deposits with natural persons, excluding deposits with an outstanding balance which exceeds \$250,000).

# Notes to the Financial Statements

For the nine months ended 31 March 2016

## 8 Debt Issues

\$ millions	NZ Banking Group		
	Unaudited 31-Mar-16	Unaudited 31-Mar-15	Audited 30-Jun-15
<b>As at</b>			
Debt issues at fair value through Income Statement	1,769	1,568	1,213
Debt issues at amortised cost	11,398	9,619	10,276
<b>Total debt issues</b>	<b>13,167</b>	<b>11,187</b>	<b>11,489</b>
<b>Movement in debt issues</b>			
Balance at beginning of period	11,489	10,924	10,924
Issuances during the period	6,924	4,640	5,559
Repayments during the period	(4,866)	(4,697)	(6,130)
Foreign exchange and fair value movements during the period	(380)	320	1,136
<b>Balance at end of period</b>	<b>13,167</b>	<b>11,187</b>	<b>11,489</b>

## 9 Contingent Liabilities

\$ millions	NZ Banking Group Notional Amount		
	Unaudited 31-Mar-16	Unaudited 31-Mar-15	Audited 30-Jun-15
<b>As at</b>			
Guarantees	147	123	124
Standby letters of credit	75	111	123
Other credit facilities	116	97	103
<b>Total contingent liabilities</b>	<b>338</b>	<b>331</b>	<b>350</b>

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

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

In June 2013 a group comprising lawyers Andrew Hooker, Slater & Gordon and Litigation Lending Services (NZ) Limited announced that it had issued proceedings against ANZ Bank in relation to exception fees. The group has announced that similar proceedings 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 nine months ended 31 March 2016

## 10 Related Party Transactions and Balances

During the nine months ended 31 March 2016, 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-Mar-16	Unaudited 31-Mar-15	Audited 30-Jun-15
<b>As at</b>			
<b>Amounts due to related parties</b>			
Overseas Banking Group	4,544	5,022	4,997
NZ Life Group	286	293	307
Superannuation schemes and unit trusts managed by ASB Group Investments Limited	650	540	535
Superannuation schemes and unit trusts managed or administered by NZ Life Group	3	4	3
<b>Total amounts due to related parties</b>	<b>5,483</b>	<b>5,859</b>	<b>5,842</b>
<b>Amounts due from related parties</b>			
Overseas Banking Group	1,146	519	594
NZ Life Group	5	3	33
Superannuation schemes and unit trusts managed by ASB Group Investments Limited	6	1	13
Superannuation schemes and unit trusts managed or administered by NZ Life Group	-	-	1
<b>Total amounts due from related parties</b>	<b>1,157</b>	<b>523</b>	<b>641</b>

For the nine months ended 31 March 2016 interest charged on balances due to the Overseas Banking Group was \$107 million (31 March 2015 \$115 million).

The total liabilities of the Branch net of amounts due to related parties were \$4,961 million as at 31 March 2016 (31 March 2015 \$3,306 million, 30 June 2015 \$3,403 million).

## 11 Concentration of Credit Exposures to Individual Counterparties

As at 31 March 2016 there were no balance date aggregate credit exposures to individual counterparties which equaled or exceeded 10% of the Overseas Banking Group's shareholders' equity as at 31 December 2015, which is the most recent publicly disclosed amount. For the three months ended 31 March 2016, there were no peak end-of-day aggregate credit exposures to individual counterparties which equaled or 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 equity as at 31 December 2015.

# Notes to the Financial Statements

For the nine months ended 31 March 2016

## 12 Fair Value of Financial Instruments

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

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

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

A significant number of financial instruments are carried on the Balance Sheet at fair value. The best evidence of fair value is a quoted market price in an active market. Therefore, where possible, fair value is based on quoted market prices. Where a quoted market price for a financial instrument is not available, its fair value is based on present value estimates or other valuation techniques based on current market conditions. These valuation techniques rely on market observable inputs wherever possible, or in a limited number of instances, rely on inputs which are unobservable but are reasonable assumptions based on market conditions.

There are three levels in the hierarchy of fair value measurements which are based on the inputs used to measure fair values:

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

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

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

\$ millions	NZ Banking Group			Total
	Level 1	Level 2	Level 3	
<b>As at 31 March 2016</b>				
<b>Unaudited</b>				
<b>Financial assets</b>				
Trading securities	1,356	508	-	1,864
Derivative assets	2	1,786	-	1,788
Available-for-sale securities	2,940	1,408	-	4,348
<b>Total financial assets measured at fair value</b>	<b>4,298</b>	<b>3,702</b>	<b>-</b>	<b>8,000</b>
<b>Financial liabilities</b>				
Other liabilities at fair value through Income Statement	-	953	-	953
Derivative liabilities	-	2,186	-	2,186
Debt issues at fair value through Income Statement	-	1,769	-	1,769
<b>Total financial liabilities measured at fair value</b>	<b>-</b>	<b>4,908</b>	<b>-</b>	<b>4,908</b>
<b>As at 31 March 2015</b>				
<b>Unaudited</b>				
<b>Financial assets</b>				
Trading securities	1,263	554	-	1,817
Derivative assets	-	1,406	-	1,406
Available-for-sale securities	607	2,693	-	3,300
<b>Total financial assets measured at fair value</b>	<b>1,870</b>	<b>4,653</b>	<b>-</b>	<b>6,523</b>
<b>Financial liabilities</b>				
Other liabilities at fair value through Income Statement	-	305	-	305
Derivative liabilities	1	2,054	-	2,055
Debt issues at fair value through Income Statement	-	1,568	-	1,568
<b>Total financial liabilities measured at fair value</b>	<b>1</b>	<b>3,927</b>	<b>-</b>	<b>3,928</b>

# Notes to the Financial Statements

For the nine months ended 31 March 2016

## 12 Fair Value of Financial Instruments (continued)

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

\$ millions	NZ Banking Group			Total
	Level 1	Level 2	Level 3	
<b>As at 30 June 2015</b>				
<b>Audited</b>				
<b>Financial assets</b>				
Trading securities	687	515	-	1,202
Derivative assets	-	2,321	-	2,321
Available-for-sale securities	2,104	1,369	-	3,473
<b>Total financial assets measured at fair value</b>	<b>2,791</b>	<b>4,205</b>	<b>-</b>	<b>6,996</b>
<b>Financial liabilities</b>				
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
<b>Total financial liabilities measured at fair value</b>	<b>11</b>	<b>2,921</b>	<b>-</b>	<b>2,932</b>

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

#### *Derivative Assets and Derivative Liabilities*

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

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

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

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

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

\$ millions	Unaudited 31-Mar-16		NZ Banking Group Unaudited 31-Mar-15		Audited 30-Jun-15	
	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value
<b>Financial assets</b>						
Cash and liquid assets	2,046	2,046	1,544	1,544	1,802	1,802
Due from financial institutions	1,520	1,520	561	561	1,452	1,451
Advances to customers	73,836	73,794	67,447	67,623	69,064	69,087
Other assets	238	238	383	383	522	522
<b>Total</b>	<b>77,640</b>	<b>77,598</b>	<b>69,935</b>	<b>70,111</b>	<b>72,840</b>	<b>72,862</b>
<b>Financial liabilities</b>						
Deposits and other public borrowings	54,209	54,069	49,754	49,659	52,144	52,015
Due to financial institutions	3,588	3,588	1,715	1,720	3,254	3,255
Other liabilities	557	557	729	729	626	626
Debt issues at amortised cost	11,408	11,398	9,666	9,619	10,307	10,276
Loan capital	6,200	6,666	6,204	6,394	5,814	6,157
<b>Total</b>	<b>75,962</b>	<b>76,278</b>	<b>68,068</b>	<b>68,121</b>	<b>72,145</b>	<b>72,329</b>

# Notes to the Financial Statements

For the nine months ended 31 March 2016

## 13 Market Risk Capital Charges

### Unaudited

The NZ Banking Group's aggregate market risk exposure is derived in accordance with the Reserve Bank of New Zealand ("RBNZ") document *Capital Adequacy Framework (Standardised Approach)* (BS2A).

\$ millions	NZ Banking Group			Total
	Interest Rate Risk	Foreign Currency Risk	Equity Risk	
<b>Exposures as at 31 March 2016</b>				
Implied risk-weighted exposure	2,015	24	-	2,039
Aggregate capital charge	161	2	-	163

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

### Unaudited

\$ millions	NZ Banking Group			Total
	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	
<b>LVR Range</b>				
<b>As at 31 March 2016</b>				
Value of exposures	46,061	5,124	2,381	53,566
Expressed as a percentage of total exposures	86.0%	9.6%	4.4%	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.

# Notes to the Financial Statements

For the nine months ended 31 March 2016

## 15 Overseas Bank and Overseas Banking Group Unaudited

### Capital Adequacy

The RBNZ requires the disclosure of the most recent publicly available information. As certain information is only publicly available semi-annually, some disclosures only include data for December 2015.

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 from 1 January 2013. The APRA prudential standards required a minimum Common Equity Tier One (CET1) ratio of 4.5% from 1 January 2013. Effective 1 January 2016, an additional CET1 capital conservation buffer of 3.5%, inclusive of a domestic systemically important bank requirement of 1% was implemented, bringing the CET1 requirement to at least 8%. The countercyclical capital buffer for Australian exposures which is also effective from 1 January 2016, has been set at 0%.

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

The Overseas Banking Group is required by APRA to hold minimum capital specified under the Basel III (AIRB) approach. As at 31 March 2016 the minimum capital requirements were met.

As at	Overseas Bank		Overseas Banking Group	
	31-Dec-15	31-Dec-14	31-Mar-16	31-Mar-15
<b>Capital ratios</b>				
Common equity tier one capital ratio	<b>10.7%</b>	9.1%	<b>10.0%</b>	8.7%
Tier one capital ratio	<b>12.6%</b>	11.5%	<b>11.9%</b>	11.0%
Total capital ratio	<b>14.5%</b>	12.5%	<b>13.7%</b>	12.1%

### Overseas Banking Group

#### Asset quality

##### As at 31 December 2015

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

#### Profitability

##### For the six months ended 31 December 2015

Net profit after taxation	<b>AUD4,618 million</b>
Net profit after taxation for 12 months to December 2015 as a % of average total assets for the same period	<b>1.0%</b>

#### Size

##### As at 31 December 2015

Total assets	<b>AUD903,075 million</b>
% change in total assets from previous 31 December	<b>6.2%</b>



# Notes to the Financial Statements

For the nine months ended 31 March 2016

## 16 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.

## 17 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	
<b>Income Statement</b>						
<b>For the nine months ended 31 March 2016</b>						
Net interest earnings	810	400	19	10	18	1,257
Other income/(expense)	220	107	29	120	(68)	408
Total operating income/(expense)	1,030	507	48	130	(50)	1,665
Impairment losses on advances	46	26	(1)	-	-	71
Segment operating expenses (excluding impairment losses)	355	185	9	65	10	624
Segment net profit/(loss) before taxation	629	296	40	65	(60)	970
Taxation	177	83	11	18	(16)	273
Segment net profit/(loss) after taxation	452	213	29	47	(44)	697

### Balance Sheet

As at 31 March 2016

\$ millions	NZ Banking Group					Total
	Retail and Business Banking	Corporate, Commercial and Rural	Institutional Banking and Markets	Wealth and Insurance	Other	
Total assets	47,396	25,235	4,360	182	9,277	86,450
Total liabilities	35,920	14,810	2,295	326	27,835	81,186

\$ millions	NZ Banking Group					Total
	Retail and Business Banking	Corporate, Commercial and Rural	Institutional Banking and Markets	Wealth and Insurance	Other	
<b>Income Statement</b>						
<b>For the nine months ended 31 March 2015</b>						
Net interest earnings	814	382	25	10	16	1,247
Other income/(expense)	176	97	36	110	(63)	356
Total operating income/(expense)	990	479	61	120	(47)	1,603
Impairment losses on advances	45	17	25	-	-	87
Segment operating expenses (excluding impairment losses)	342	176	9	64	9	600
Segment net profit/(loss) before taxation	603	286	27	56	(56)	916
Taxation	169	80	8	16	(16)	257
Segment net profit/(loss) after taxation	434	206	19	40	(40)	659

### Balance Sheet

As at 31 March 2015

\$ millions	NZ Banking Group					Total
	Retail and Business Banking	Corporate, Commercial and Rural	Institutional Banking and Markets	Wealth and Insurance	Other	
Total assets	44,008	22,493	4,359	168	6,402	77,430
Total liabilities	32,930	13,759	3,070	271	22,019	72,049

# Notes to the Financial Statements

For the nine months ended 31 March 2016

## 17 Financial Reporting by Operating Segments (continued)

### Unaudited

<b>Retail and Business Banking:</b>	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.
<b>Corporate, Commercial and Rural:</b>	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.
<b>Institutional Banking and Markets:</b>	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.
<b>Wealth and Insurance:</b>	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.

## 18 Events after the Reporting Period

On 14 April 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 cash dividend of 0.7200 cents per share was paid on 16 May 2016 to all registered holders of perpetual preference shares as at 5.00pm on 6 May 2016.

On 14 April 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 cash dividend of 0.7812 was paid on 16 May 2016 to all registered holders of perpetual preference shares as at 5.00pm on 6 May 2016.

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

# Part B

Commonwealth Bank of Australia  
New Zealand Life Insurance Group

## Financial Statements

For the nine months ended 31 March 2016



# Contents

<b>Income Statement</b>	<b>2</b>
<b>Statement of Comprehensive Income</b>	<b>3</b>
<b>Statement of Changes in Equity</b>	<b>3</b>
<b>Balance Sheet</b>	<b>4</b>
<b>Condensed Cash Flow Statement</b>	<b>5</b>
<b>Notes to the Financial Statements</b>	
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 Events after the Reporting Period	11

# Income Statement

\$ millions	For the nine months ended	Note	NZ Life Group	
			Unaudited 31-Mar-16	Unaudited 31-Mar-15
Premium income			517	498
Less: Reinsurance expense			(37)	(35)
<b>Net premium income</b>			<b>480</b>	463
Investment income		2	112	221
Other income			4	7
<b>Total operating income</b>			<b>596</b>	691
Claims expense			276	270
Less: Reinsurance recoveries			(28)	(34)
<b>Net claims expense</b>			<b>248</b>	236
Other operating expenses			218	216
Decrease in life insurance contract liabilities			(28)	(10)
Increase in life investment contract liabilities			9	76
<b>Total operating expenses</b>			<b>447</b>	518
<b>Net profit before taxation</b>			<b>149</b>	173
Taxation		3	56	87
<b>Net profit after taxation</b>			<b>93</b>	86

These statements are to be read in conjunction with the notes on pages 6 to 11.

# Statement of Comprehensive Income

\$ millions	NZ Life Group	
	Unaudited 31-Mar-16	Unaudited 31-Mar-15
<b>For the nine months ended</b>		
<b>Net profit after taxation</b>	<b>93</b>	86
<b>Total comprehensive income</b>	<b>93</b>	86

# Statement of Changes in Equity

\$ millions	NZ Life Group		
	Contributed Capital	Retained Earnings	Total Shareholders' Equity
<b>For the nine months ended 31 March 2016</b>			
<b>Unaudited</b>			
Balance at beginning of period	1,080	234	1,314
Net profit after taxation	-	93	93
<b>Total comprehensive income</b>	-	<b>93</b>	<b>93</b>
Ordinary dividend paid	-	(114)	(114)
<b>Balance as at 31 March 2016</b>	<b>1,080</b>	<b>213</b>	<b>1,293</b>
<b>For the nine months ended 31 March 2015</b>			
<b>Unaudited</b>			
Balance at beginning of period	1,080	211	1,291
Net profit after taxation	-	86	86
<b>Total comprehensive income</b>	-	<b>86</b>	<b>86</b>
Ordinary dividend paid	-	(74)	(74)
<b>Balance as at 31 March 2015</b>	<b>1,080</b>	<b>223</b>	<b>1,303</b>

These statements are to be read in conjunction with the notes on pages 6 to 11.

# Balance Sheet

\$ millions	Note	NZ Life Group		
		Unaudited 31-Mar-16	Unaudited 31-Mar-15	Audited 30-Jun-15
<b>As at</b>				
<b>Assets</b>				
Cash and cash equivalents		602	580	601
Trade and other receivables		59	62	49
Securities		1,693	1,792	1,786
Derivative assets		10	7	1
Liabilities ceded under reinsurance		11	9	12
Current taxation asset		-	-	1
Property, plant and equipment		18	18	18
Intangible assets		524	529	528
<b>Total assets</b>		<b>2,917</b>	<b>2,997</b>	<b>2,996</b>
<i>Total interest earning and discount bearing assets</i>		<i>1,452</i>	<i>1,441</i>	<i>1,507</i>
<b>Liabilities</b>				
Trade and other payables		107	103	103
Derivative liabilities		5	3	33
Life investment contract liabilities		851	899	889
Life insurance contract liabilities		149	189	179
Current taxation liability		6	9	-
Deferred taxation liability	6	506	491	478
<b>Total liabilities</b>		<b>1,624</b>	<b>1,694</b>	<b>1,682</b>
<b>Shareholders' equity</b>				
Contributed capital		1,080	1,080	1,080
Retained earnings		213	223	234
<b>Total shareholders' equity</b>		<b>1,293</b>	<b>1,303</b>	<b>1,314</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,917</b>	<b>2,997</b>	<b>2,996</b>

These statements are to be read in conjunction with the notes on pages 6 to 11.



# Condensed Cash Flow Statement

\$ millions	NZ Life Group	
	Unaudited 31-Mar-16	Unaudited 31-Mar-15
<b>For the nine months ended</b>		
<b>Cash flows from operating activities</b>		
Premium receipts	538	525
Interest receipts	35	36
Dividend receipts	15	15
Claims, surrenders and maturities payments	(339)	(350)
Net other cash outflows provided by operating activities	(241)	(225)
<b>Net cash flows from operating activities</b>	<b>8</b>	<b>1</b>
<b>Cash flows from investing activities</b>		
Cash inflows provided by investing activities	518	377
Cash outflows used in investing activities	(411)	(305)
<b>Net cash flows from investing activities</b>	<b>107</b>	<b>72</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(114)	(74)
<b>Net cash flows from financing activities</b>	<b>(114)</b>	<b>(74)</b>
<b>Summary of movements in cash flows</b>		
Net increase/(decrease) in cash and cash equivalents	1	(1)
Add: Cash and cash equivalents at beginning of period	601	581
<b>Cash and cash equivalents at end of period</b>	<b>602</b>	<b>580</b>
<b>Reconciliation of net profit after taxation to net cash flows from operating activities</b>		
<b>Net profit after taxation</b>	<b>93</b>	<b>86</b>
Add: Non-cash items	(65)	(85)
Add: Movements in Balance Sheet items	(20)	-
<b>Net cash flows from operating activities</b>	<b>8</b>	<b>1</b>

These statements are to be read in conjunction with the notes on pages 6 to 11.

# Notes to the Financial Statements

For the nine months ended 31 March 2016

## 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 nine months ended 31 March 2016 (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 nine months ended 31 March 2016. All policies have been applied on a basis consistent with that used in the financial year ended 30 June 2015.

Certain 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-Mar-16	Unaudited 31-Mar-15
<b>For the nine months ended</b>		
Dividends	21	23
Realised and unrealised gains	5	62
<b>Total equity securities</b>	<b>26</b>	<b>85</b>
Interest	42	42
Realised and unrealised gains	36	65
<b>Total fixed interest securities and cash</b>	<b>78</b>	<b>107</b>
Dividends	3	4
Realised and unrealised gains	4	23
<b>Total property securities</b>	<b>7</b>	<b>27</b>
Other investment income	1	2
<b>Total investment income</b>	<b>112</b>	<b>221</b>

# Notes to the Financial Statements

For the nine months ended 31 March 2016

## 3 Taxation

\$ millions	Note	NZ Life Group	
		Unaudited 31-Mar-16	Unaudited 31-Mar-15
<b>For the nine months ended</b>			
Current taxation		28	23
Deferred taxation	6	28	64
<b>Total taxation charged to the Income Statement</b>		<b>56</b>	<b>87</b>
The taxation expense on the NZ Life Group's net profit before taxation differs from the theoretical amount that would arise using the domestic rate as follows:			
<b>Net profit before taxation</b>		<b>149</b>	173
Income tax at the current rate		42	48
Non-deductible expenditure		24	22
Non-assessable income		(2)	(17)
Imputation credit adjustments		(2)	(2)
Movement in policy liabilities and tax reserving amounts		4	62
Investment income adjustments		3	(26)
Prior period adjustments		(13)	-
<b>Total taxation charged to the Income Statement</b>		<b>56</b>	<b>87</b>
Weighted average effective tax rate		<b>38%</b>	50%

## 4 Liquid Assets

### Unaudited

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

\$ millions	NZ Life Group		
	Cash and Cash Equivalents	Securities	Total
<b>As at 31 March 2016</b>			
Cash and cash equivalents	601	-	601
Foreign currency deposits	1	-	1
Equity securities	-	749	749
Government stock	-	797	797
Corporate bonds	-	29	29
Property securities	-	95	95
<b>Total liquid assets</b>	<b>602</b>	<b>1,670</b>	<b>2,272</b>

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

# Notes to the Financial Statements

For the nine months ended 31 March 2016

## 5 Asset Quality

There were no material impaired or past due assets as at 31 March 2016 (31 March 2015 nil, 30 June 2015 nil).

## 6 Deferred Taxation Liability

\$ millions	Note	NZ Life Group		
		Unaudited 31-Mar-16	Unaudited 31-Mar-15	Audited 30-Jun-15
<b>As at</b>				
Balance at beginning of period		<b>478</b>	427	427
Recognised in the Income Statement	3	<b>28</b>	64	51
<b>Total deferred taxation liability</b>		<b>506</b>	491	478
<b>Deferred taxation relates to:</b>				
Life insurance and life investment contract liabilities		<b>501</b>	483	472
Other		<b>5</b>	8	6
<b>Total deferred taxation liability</b>		<b>506</b>	491	478
<b>Deferred taxation recognised in the Income Statement:</b>				
Life insurance and life investment contract liabilities		<b>29</b>	63	52
Other		<b>(1)</b>	1	(1)
<b>Total deferred taxation recognised in the Income Statement</b>	3	<b>28</b>	64	51

## 7 Contingent Liabilities and Capital Commitments

There were no material contingent liabilities or capital commitments as at 31 March 2016 (31 March 2015 nil, 30 June 2015 nil).

## 8 Concentration of Credit Exposures to Individual Counterparties

As at 31 March 2016, 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 March 2016, 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 nine months ended 31 March 2016

## 9 Related Party Transactions and Balances

During the nine months ended 31 March 2016, 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-Mar-16	Unaudited 31-Mar-15	Audited 30-Jun-15
<b>For the nine months ended</b>			
<b>Related party transactions</b>			
<b>Income</b>			
Interest received from NZ Banking Group	6	6	9
Interest and dividends received from Overseas Banking Group	7	9	10
Fees received from NZ Banking Group for the origination of mortgages	2	2	2
Fees received from NZ Banking Group for investment management services	1	2	2
	<b>16</b>	19	23
<b>Expenses</b>			
Paid to Overseas Banking Group for investment management services	1	1	1
Paid to NZ Banking Group for administrative services	8	8	11
Paid to NZ Banking Group for insurance commission	27	25	35
	<b>36</b>	34	47
<b>Related party balances</b>			
<b>Overseas Banking Group</b>			
<b>Assets</b>			
Securities	341	366	365
<b>NZ Banking Group</b>			
<b>Assets</b>			
Cash and cash equivalents	276	286	305
Trade and other receivables	-	-	1
Derivative assets	10	7	1
	<b>286</b>	293	307
<b>Liabilities</b>			
Derivative liabilities	5	3	33
	<b>5</b>	3	33
<b>Total related party assets</b>	<b>627</b>	659	672
<b>Total related party liabilities</b>	<b>5</b>	3	33

# Notes to the Financial Statements

For the nine months ended 31 March 2016

## 10 Fair Value of Financial Instruments

The NZ Life Group's financial assets and financial liabilities are measured on an on-going basis either at fair value or amortised cost. The fair value of a financial instrument is the price that would be received to sell a financial asset, or paid to transfer a financial liability, in an orderly transaction between market participants at the measurement date.

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

A significant number of financial instruments are carried on the Balance Sheet at fair value. The best evidence of fair value is a quoted market price in an active market. Therefore, where possible, fair value is based on quoted market prices. Where a quoted market price for a financial instrument is not available, its fair value is based on present value estimates or other valuation techniques based on current market conditions. These valuation techniques rely on market observable inputs wherever possible, or in a limited number of instances, rely on inputs which are unobservable but are reasonable assumptions based on market conditions.

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities that the NZ Life Group can access.
- Level 2: where quoted market prices are not available, fair values have been estimated using present value or other valuation techniques using inputs that are observable for the financial asset or financial liability, either directly or indirectly.
- Level 3: Fair values are estimated using inputs that are unobservable for the financial asset or financial liability. The NZ Life Group has mortgages and loans on policies for which fair value is estimated using valuation techniques that are not based on observable market data. Mortgages are carried at estimated fair value, derived using a valuation technique that uses experienced judgement to estimate the credit risk component of the valuation. This experienced judgement is not supported by observable market prices; it is based on assessments concerning economic conditions, loss experience, and the risk characteristics associated with particular mortgages. These assessments are subjective in nature and the range of possible alternative assumptions is considered immaterial. A sensitivity analysis and reconciliation of movements in mortgages and loans on policies has not been provided on the basis that these assets are not a material component of the NZ Life Group's total financial assets.

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

\$ millions	NZ Life Group			Total
	Level 1	Level 2	Level 3	
<b>As at 31 March 2016</b>				
<b>Unaudited</b>				
<b>Financial assets</b>				
Securities				
Equity securities	312	437	-	749
Fixed interest securities	826	-	-	826
Property securities	95	-	-	95
Loans on policies	-	-	20	20
Mortgages	-	-	3	3
Derivative assets	-	10	-	10
<b>Total financial assets measured at fair value</b>	<b>1,233</b>	<b>447</b>	<b>23</b>	<b>1,703</b>
<b>Financial liabilities</b>				
Derivative liabilities	-	5	-	5
Life investment contract liabilities	-	851	-	851
<b>Total financial liabilities measured at fair value</b>	<b>-</b>	<b>856</b>	<b>-</b>	<b>856</b>
<b>As at 31 March 2015</b>				
<b>Unaudited</b>				
<b>Financial assets</b>				
Securities				
Equity securities	357	465	-	822
Fixed interest securities	835	-	-	835
Property securities	108	-	-	108
Loans on policies	-	-	21	21
Mortgages	-	-	6	6
Derivative assets	-	7	-	7
<b>Total financial assets measured at fair value</b>	<b>1,300</b>	<b>472</b>	<b>27</b>	<b>1,799</b>
<b>Financial liabilities</b>				
Derivative liabilities	-	3	-	3
Life investment contract liabilities	-	899	-	899
<b>Total financial liabilities measured at fair value</b>	<b>-</b>	<b>902</b>	<b>-</b>	<b>902</b>

# Notes to the Financial Statements

For the nine months ended 31 March 2016

## 10 Fair Value of Financial Instruments (continued)

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

\$ millions	NZ Life Group			Total
	Level 1	Level 2	Level 3	
<b>As at 30 June 2015</b>				
<b>Audited</b>				
<b>Financial assets</b>				
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
<b>Total financial assets measured at fair value</b>	<b>1,291</b>	<b>472</b>	<b>24</b>	<b>1,787</b>
<b>Financial liabilities</b>				
Derivative liabilities	-	33	-	33
Life investment contract liabilities	-	889	-	889
<b>Total financial liabilities measured at fair value</b>	<b>-</b>	<b>922</b>	<b>-</b>	<b>922</b>

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

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

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

\$ millions	Unaudited 31-Mar-16		NZ Life Group Unaudited 31-Mar-15		Audited 30-Jun-15	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount
<b>Financial assets</b>						
Cash and cash equivalents	602	602	580	580	601	601
Trade and other receivables	59	59	62	62	49	49
<b>Total financial assets</b>	<b>661</b>	<b>661</b>	<b>642</b>	<b>642</b>	<b>650</b>	<b>650</b>
<b>Financial liabilities</b>						
Trade and other payables	30	30	34	34	33	33
<b>Total financial liabilities</b>	<b>30</b>	<b>30</b>	<b>34</b>	<b>34</b>	<b>33</b>	<b>33</b>

## 11 Events after the Reporting Period

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