

# Commonwealth Bank of Australia New Zealand Operations

## Disclosure Statement

For the three months ended 30 September 2015



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## Commonwealth Bank of Australia New Zealand Operations

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# General Disclosures

(To be read in conjunction with the Financial Statements)

## 30 September 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's 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's website ([www.commbank.com.au/about-us/investors/shareholders.html](http://www.commbank.com.au/about-us/investors/shareholders.html)).

### 2.0 Address for Service - Overseas Bank

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

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

### 3.0 Guarantee Arrangements

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

The Overseas Bank is an eligible ADI under the terms of the guarantee arrangements.

### 3.1 Large Deposits and Wholesale Funding

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

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

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

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

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

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

# General Disclosures (continued)

(To be read in conjunction with the Financial Statements)

## 3.1 Large Deposits and Wholesale Funding (continued)

(i) Deposit liabilities over AUD 1 million

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

(ii) Short term wholesale funding liabilities

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

Applications could also be made for issuance programmes.

(iii) Term funding liabilities

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

(iv) "Not complex"

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

## 3.2 Small Deposits

The guarantee of small deposits up to a cap is provided by the Australian Government under the Financial Claims Scheme ("FCS"). It only applies to protected accounts with ADIs. A protected account is an account that is kept by an account holder with an ADI that is either prescribed by regulation or an account, or covered financial product, that is kept under an agreement between the account holder and the ADI requiring the ADI to pay the account holder on demand, or at an agreed time, the net credit balance of the account or covered financial product. Accounts kept at a foreign branch of an ADI, including the Branch, are not protected accounts. The guarantee originally applied to deposits with foreign branches, but was limited to Australian dollar deposits from 12 October 2011 and ceased for all foreign branch deposits from 23 September 2014.

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

## 3.3 Guarantor's name and address for service

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

Facsimile: +61 2 6253 7333

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

## 4.0 Conditions of Registration

There have been no changes to the NZ Banking Group's Conditions of Registration since 1 November 2014.

## 5.0 Other Material Matters

APRA has advised CBA that it intends to set limits on non-equity exposures by Australian parent banks to their New Zealand banking subsidiaries and branches in ordinary times. Timing of the change and transition arrangements are yet to be finalised.

## 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  
PricewaterhouseCoopers 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 <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

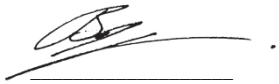
**Each Director and the New Zealand Chief Executive Officer believes, after due enquiry, that as at the date on which the Disclosure Statement is signed:**

- 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 three months ended 30 September 2015:**

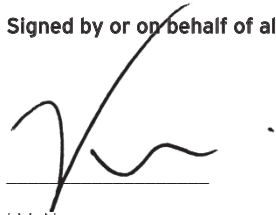
- the Registered Bank has complied with all Conditions of Registration imposed by the Reserve Bank under section 74 of the Reserve Bank of New Zealand Act 1989 that applied during that period; and
- the New Zealand business of the Registered Bank had systems in place to monitor and control adequately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

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



I.M. Narev  
Managing Director and Chief Executive Officer

For himself and on behalf of each other Director  
20 November 2015



# Part A

## Commonwealth Bank of Australia New Zealand Banking Group

### Financial Statements

For the three months ended 30 September 2015



# Income Statement

\$ millions	NZ Banking Group	
	Unaudited 30-Sep-15	Unaudited 30-Sep-14
<b>For the three months ended</b>	Note	
Interest income		1,080
Interest expense		630
<b>Net interest earnings</b>		<b>413</b>
Other income	2	114
<b>Total operating income</b>		<b>546</b>
Impairment losses on advances	6(b)	16
<b>Total operating income after impairment losses</b>		<b>531</b>
<b>Total operating expenses</b>		<b>206</b>
Salaries and other staff expenses		123
Building occupancy and equipment expenses		32
Information technology expenses		21
Other expenses		25
<b>Net profit before taxation</b>		<b>325</b>
Taxation		88
<b>Net profit after taxation</b>		<b>234</b>
Attributable to:		
Parent company shareholders		223
Non-controlling interests		4
<b>Net profit after taxation</b>		<b>234</b>

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

# Statement of Comprehensive Income

\$ millions

For the three months ended

**NZ Banking Group**

**Unaudited** Unaudited  
**30-Sep-15** 30-Sep-14

<b>Net profit after taxation</b>	<b>234</b>	<b>227</b>
<b>Other comprehensive (expense)/income, net of taxation</b>		
<b>Items that will not be reclassified to the Income Statement:</b>		
<b>Items that may be reclassified subsequently to the Income Statement:</b>		
Net change in available-for-sale reserve	<b>(6)</b>	-
Net change in cash flow hedge reserve	<b>(27)</b>	(23)
	<b>(33)</b>	(23)
<b>Total other comprehensive expense, net of taxation</b>	<b>(33)</b>	(23)
<b>Total comprehensive income</b>	<b>201</b>	204
Attributable to:		
Parent company shareholders	<b>196</b>	200
Non-controlling interests	<b>5</b>	4
<b>Total comprehensive income</b>	<b>201</b>	204

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

# 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
<b>For the three months ended 30 September 2015</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	-	-	-	-	-	-	229	5	234
Other comprehensive expense	-	-	-	(6)	(27)	-	-	-	(33)
<b>Total comprehensive (expense)/income</b>	-	-	-	(6)	(27)	-	229	5	201
Perpetual preference dividends paid to non-controlling interests	-	-	-	-	-	-	-	(5)	(5)
Profit repatriation	-	-	-	-	-	-	(1)	-	(1)
<b>Balance as at 30 September 2015</b>	<b>462</b>	<b>2,184</b>	<b>27</b>	<b>1</b>	<b>(116)</b>	<b>1</b>	<b>2,406</b>	<b>550</b>	<b>5,515</b>
<b>For the three months ended 30 September 2014</b>									
<b>Unaudited</b>									
Balance at beginning of period	462	2,186	25	12	(1)	1	2,474	550	5,709
Net profit after taxation	-	-	-	-	-	-	223	4	227
Other comprehensive expense	-	-	-	-	(23)	-	-	-	(23)
<b>Total comprehensive (expense)/income</b>	-	-	-	-	(23)	-	223	4	204
Ordinary and redeemable preference dividends paid	-	-	-	-	-	-	(415)	-	(415)
Perpetual preference dividends paid to non-controlling interests	-	-	-	-	-	-	-	(4)	(4)
Profit repatriation	-	-	-	-	-	-	(3)	-	(3)
<b>Balance as at 30 September 2014</b>	<b>462</b>	<b>2,186</b>	<b>25</b>	<b>12</b>	<b>(24)</b>	<b>1</b>	<b>2,279</b>	<b>550</b>	<b>5,491</b>

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

# Balance Sheet

\$ millions	NZ Banking Group			
	Note	Unaudited 30-Sep-15	Unaudited 30-Sep-14	Audited 30-Jun-15
<b>As at</b>				
<b>Assets</b>				
Cash and liquid assets		2,369	1,584	1,802
Due from financial institutions		766	591	1,451
Trading securities		1,145	1,561	1,202
Derivative assets		2,416	1,372	2,321
Available-for-sale securities		3,501	2,828	3,473
Advances to customers	5	70,596	65,032	69,087
Current taxation asset		-	6	-
Other assets		246	266	541
Property, plant and equipment		183	197	189
Intangible assets		435	432	438
Deferred taxation asset		99	46	81
<b>Total assets</b>		<b>81,756</b>	<b>73,915</b>	<b>80,585</b>
<i>Total interest earning and discount bearing assets</i>		<i>78,237</i>	<i>71,657</i>	<i>76,965</i>
<b>Liabilities</b>				
Deposits and other public borrowings	7	53,158	45,255	52,015
Due to financial institutions		2,528	2,303	3,255
Other liabilities at fair value through Income Statement		1,376	1,253	180
Derivative liabilities		1,783	1,454	1,539
Current taxation liability		22	-	4
Other liabilities		745	645	626
Debt issues:				
At fair value through Income Statement	8	743	1,629	1,213
At amortised cost	8	9,741	10,243	10,276
Loan capital		6,145	5,642	6,157
<b>Total liabilities</b>		<b>76,241</b>	<b>68,424</b>	<b>75,265</b>
<b>Shareholders' Equity</b>				
Head office contribution		462	462	462
Contributed capital - ordinary shares		704	704	704
Reserves		(87)	14	(54)
Retained earnings		2,406	2,279	2,178
<b>Ordinary shareholders' equity</b>		<b>3,485</b>	<b>3,459</b>	<b>3,290</b>
Contributed capital - redeemable preference shares		1,480	1,482	1,480
<b>Non-controlling interests</b>		<b>550</b>	<b>550</b>	<b>550</b>
<b>Total shareholders' equity</b>		<b>5,515</b>	<b>5,491</b>	<b>5,320</b>
<b>Total liabilities and shareholders' equity</b>		<b>81,756</b>	<b>73,915</b>	<b>80,585</b>
<i>Total interest and discount bearing liabilities</i>		<i>70,323</i>	<i>63,508</i>	<i>68,874</i>

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

# Condensed Cash Flow Statement

\$ millions	NZ Banking Group	
	Unaudited 30-Sep-15	Unaudited 30-Sep-14
<b>For the three months ended</b>		
<b>Cash flows from operating activities</b>		
Net profit before taxation	325	315
<b>Reconciliation of net profit before taxation to net cash flows from operating activities</b>		
Non-cash items included in net profit before taxation	84	50
Net increase in operating assets <sup>(1)</sup>	(1,023)	(603)
Net increase in operating liabilities <sup>(1)</sup>	1,606	858
Net taxation paid	(78)	(101)
<b>Net cash flows from operating activities</b>	<b>914</b>	<b>519</b>
<b>Cash flows from investing activities</b>		
Cash outflows applied to investing activities	(14)	(17)
<b>Net cash flows from investing activities</b>	<b>(14)</b>	<b>(17)</b>
<b>Cash flows from financing activities<sup>(1)</sup></b>		
Cash inflows provided from financing activities	617	2,414
Cash outflows applied to financing activities	(1,506)	(2,464)
<b>Net cash flows from financing activities</b>	<b>(889)</b>	<b>(50)</b>
<b>Summary of movements in cash flows<sup>(1)</sup></b>		
Net increase in cash and cash equivalents	11	452
Add: cash and cash equivalents at beginning of period	1,416	987
<b>Cash and cash equivalents at end of period</b>	<b>1,427</b>	<b>1,439</b>
<b>Cash and cash equivalents comprise:</b>		
Cash and liquid assets	2,369	1,584
Less: reverse repurchase agreements included in cash and liquid assets	(942)	(145)
<b>Cash and cash equivalents at end of period</b>	<b>1,427</b>	<b>1,439</b>
<b>Additional operating cash flow information</b>		
Interest received as cash	1,082	1,048
Interest paid as cash	(655)	(566)
Other income received as cash	148	106
Operating expenses paid as cash	(231)	(229)

(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 three months ended 30 September 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 three months ended 30 September 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 and the financial statements are presented in millions, unless otherwise stated.

There have been no material changes to accounting policies during the three months ended 30 September 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 \$8 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 Condensed Cash Flow Statement.

## 2 Other Income

\$ millions	NZ Banking Group	
	Unaudited 30-Sep-15	Unaudited 30-Sep-14
<b>For the three months ended</b>		
<b>Net fair value gain/(loss) from:</b>		
Other derivatives at fair value	(2)	(6)
Hedge ineffectiveness	(10)	-
<b>Total net fair value loss</b>	<b>(12)</b>	<b>(6)</b>
Trading income	28	23
Other operating income	117	97
<b>Total other income</b>	<b>133</b>	<b>114</b>



# Notes to the Financial Statements

For the three months ended 30 September 2015

## 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 30 September 2015</b>							
<b>Unaudited</b>							
Cash	213	-	-	-	-	-	213
Call deposits with the central bank	1,214	-	-	-	-	-	1,214
Local authority securities	-	132	71	-	-	1	204
New Zealand government securities	942	107	51	-	(44)	3	1,059
Overseas government securities	-	472	-	-	-	-	472
Corporate bonds	-	492	-	-	-	5	497
Treasury bills	-	82	209	-	-	-	291
RBNZ Bills	-	-	478	-	-	-	478
Bank bills	-	-	140	-	-	-	140
Kauri bonds	-	1,558	2	-	-	10	1,570
Other securities	-	658	15	-	-	3	676
Residential mortgage-backed securities	-	-	-	3,084	-	-	3,084
<b>Total qualifying liquid assets</b>	<b>2,369</b>	<b>3,501</b>	<b>966</b>	<b>3,084</b>	<b>(44)</b>	<b>22</b>	<b>9,898</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 30 September 2015 New Zealand government securities of \$44 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 30 September 2015 \$503 million included in due from financial institutions had been advanced as collateral to offset derivative liabilities.

## 5 Advances to Customers

\$ millions	NZ Banking Group		
	Unaudited 30-Sep-15	Unaudited 30-Sep-14	Audited 30-Jun-15
<b>As at</b>			
Residential mortgages	44,444	41,929	43,666
Other retail	4,635	4,551	4,609
Corporate	21,684	18,810	20,994
<b>Loans and other receivables</b>	<b>70,763</b>	<b>65,290</b>	<b>69,269</b>
Fair value hedge adjustments	91	(16)	73
Provisions for impairment losses	(258)	(242)	(255)
<b>Total advances to customers</b>	<b>70,596</b>	<b>65,032</b>	<b>69,087</b>

# Notes to the Financial Statements

For the three months ended 30 September 2015

## 6 Asset Quality and Provisions for Impairment Losses

\$ millions As at	NZ Banking Group		
	Unaudited 30-Sep-15	Unaudited 30-Sep-14	Audited 30-Jun-15
<b>(a) Asset Quality and Provisions for Impairment Losses</b>			
Individually impaired assets	392	216	365
Individually assessed provisions	50	57	54
Collective provision	208	185	201
90 day past due assets not impaired	84	90	100

\$ millions For the three months ended	NZ Banking Group	
	Unaudited 30-Sep-15	Unaudited 30-Sep-14
<b>(b) Impairment losses on advances</b>		
Movement in collective provision	7	6
Movement in individually assessed provisions	-	2
Bad debts written off	13	11
Bad debts recovered	(5)	(3)
<b>Total impairment losses on advances</b>	<b>15</b>	<b>16</b>

## 7 Deposits and Other Public Borrowings

\$ millions As at	NZ Banking Group		
	Unaudited 30-Sep-15	Unaudited 30-Sep-14	Audited 30-Jun-15
Certificates of deposit	2,207	398	2,101
Term deposits	23,904	22,225	24,253
On demand and short term deposits	23,873	19,960	22,737
Deposits not bearing interest	3,130	2,671	2,924
Repurchase agreements	44	1	-
<b>Total deposits and other public borrowings</b>	<b>53,158</b>	<b>45,255</b>	<b>52,015</b>

As at 30 September 2015 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 three months ended 30 September 2015

## 8 Debt Issues

\$ millions	NZ Banking Group		
	Unaudited 30-Sep-15	Unaudited 30-Sep-14	Audited 30-Jun-15
<b>As at</b>			
Debt issues at fair value through Income Statement	743	1,629	1,213
Debt issues at amortised cost	9,741	10,243	10,276
<b>Total debt issues</b>	<b>10,484</b>	<b>11,872</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	617	2,410	5,559
Repayments during the period	(1,959)	(2,126)	(6,130)
Foreign exchange and fair value movements during the period	337	664	1,136
<b>Balance at end of period</b>	<b>10,484</b>	<b>11,872</b>	<b>11,489</b>

## 9 Contingent Liabilities

\$ millions	NZ Banking Group Notional Amount		
	Unaudited 30-Sep-15	Unaudited 30-Sep-14	Audited 30-Jun-15
<b>As at</b>			
Guarantees	136	112	124
Standby letters of credit	92	98	123
Other credit facilities	112	99	103
<b>Total contingent liabilities</b>	<b>340</b>	<b>309</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 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 three months ended 30 September 2015

## 10 Related Party Transactions and Balances

During the three months ended 30 September 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 30-Sep-15	Unaudited 30-Sep-14	Unaudited 30-Jun-15
<b>As at</b>			
<b>Amounts due to related parties</b>			
Overseas Banking Group	4,171	5,730	4,997
NZ Life Group	324	236	307
Superannuation schemes and unit trusts managed by a subsidiary of ASB	624	451	535
Superannuation schemes and unit trusts managed or administered by NZ Life Group	2	3	3
<b>Total amounts due to related parties</b>	<b>5,121</b>	6,420	5,842
<b>Amounts due from related parties</b>			
Overseas Banking Group	718	397	594
NZ Life Group	-	9	33
Superannuation schemes and unit trusts managed by a subsidiary of ASB	-	3	13
Superannuation schemes and unit trusts managed or administered by NZ Life Group	-	-	1
<b>Total amounts due from related parties</b>	<b>718</b>	409	641

For the three months ended 30 September 2015 interest charged on balances due to the Overseas Banking Group was \$27 million (30 September 2014 \$45 million).

The total liabilities of the Branch net of amounts due to related parties were \$3,351 million as at 30 September 2015 (30 September 2014 \$2,338 million, 30 June 2015 \$3,403 million).

## 11 Concentration of Credit Exposures to Individual Counterparties

As at 30 September 2015 there were no balance date aggregate credit exposures to individual counterparties which exceeded 10% of the Overseas Banking Group's shareholders' equity as at 30 June 2015. For the three months ended 30 September 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 30 June 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 30 June 2015, which is the most recent publicly disclosed amount.

# Notes to the Financial Statements

For the three months ended 30 September 2015

## 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 fair value measurements of 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 30 September 2015</b>				
<b>Unaudited</b>				
<b>Financial assets</b>				
Trading securities	919	226	-	1,145
Derivative assets	-	2,416	-	2,416
Available-for-sale securities	2,219	1,282	-	3,501
<b>Total financial assets measured at fair value</b>	<b>3,138</b>	<b>3,924</b>	<b>-</b>	<b>7,062</b>
<b>Financial liabilities</b>				
Other liabilities at fair value through Income Statement	-	1,376	-	1,376
Derivative liabilities	-	1,783	-	1,783
Debt issues at fair value through Income Statement	-	743	-	743
<b>Total financial liabilities measured at fair value</b>	<b>-</b>	<b>3,902</b>	<b>-</b>	<b>3,902</b>
<b>As at 30 September 2014</b>				
<b>Unaudited</b>				
<b>Financial assets</b>				
Trading securities	583	978	-	1,561
Derivative assets	-	1,372	-	1,372
Available-for-sale securities	612	2,216	-	2,828
<b>Total financial assets measured at fair value</b>	<b>1,195</b>	<b>4,566</b>	<b>-</b>	<b>5,761</b>
<b>Financial liabilities</b>				
Other liabilities at fair value through Income Statement	-	1,253	-	1,253
Derivative liabilities	-	1,454	-	1,454
Debt issues at fair value through Income Statement	-	1,629	-	1,629
<b>Total financial liabilities measured at fair value</b>	<b>-</b>	<b>4,336</b>	<b>-</b>	<b>4,336</b>

# Notes to the Financial Statements

For the three months ended 30 September 2015

## 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 30-Sep-15		NZ Banking Group Unaudited 30-Sep-14		Audited 30-Jun-15	
	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value
<b>Financial assets</b>						
Cash and liquid assets	2,369	2,369	1,584	1,584	1,802	1,802
Due from financial institutions	766	766	591	591	1,452	1,451
Advances to customers	70,708	70,596	64,847	65,032	69,064	69,087
Other assets	222	222	241	241	522	522
<b>Total</b>	<b>74,065</b>	<b>73,953</b>	<b>67,263</b>	<b>67,448</b>	<b>72,840</b>	<b>72,862</b>
<b>Financial liabilities</b>						
Deposits and other public borrowings	53,317	53,158	45,303	45,255	52,144	52,015
Due to financial institutions	2,526	2,528	2,304	2,303	3,254	3,255
Other liabilities	745	745	645	645	626	626
Debt issues at amortised cost	9,776	9,741	10,317	10,243	10,307	10,276
Loan capital	5,674	6,145	5,589	5,642	5,814	6,157
<b>Total</b>	<b>72,038</b>	<b>72,317</b>	<b>64,158</b>	<b>64,088</b>	<b>72,145</b>	<b>72,329</b>

# Notes to the Financial Statements

For the three months ended 30 September 2015

## 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 30 September 2015</b>				
Implied risk-weighted exposure	1,717	14	-	1,731
Aggregate capital charge	137	1	-	138

## 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 30 September 2015</b>				
Value of exposures	43,341	5,326	2,687	51,354
Expressed as a percentage of total exposures	84.4%	10.4%	5.2%	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 three months ended 30 September 2015

## 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 June 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 effective from 1 January 2013. Effective 1 January 2013, the APRA prudential standards required a minimum Common Equity Tier One (CET1) ratio of 4.5%. An additional CET1 capital conservation buffer of 2.5% will be implemented on 1 January 2016, bringing the minimum CET1 requirement to 7%.

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

The Overseas Banking Group is required by APRA to hold minimum capital specified under the Basel III (AIRB) approach. As at 30 September 2015 the minimum capital requirements were met.

As at	Overseas Bank		Overseas Banking Group	
	30-Jun-15	30-Jun-14	30-Sep-15	30-Sep-14
<b>Capital ratios</b>				
Common equity tier one capital ratio	<b>9.6%</b>	9.1%	<b>9.8%</b>	8.6%
Tier one capital ratio	<b>11.5%</b>	10.9%	<b>11.8%</b>	10.3%
Total capital ratio	<b>13.1%</b>	11.8%	<b>13.3%</b>	11.1%

### Overseas Banking Group

#### Asset quality

##### As at 30 June 2015

Total gross individually impaired assets	<b>AUD2,855 million</b>
Total individually impaired assets as a % of total assets	<b>0.3%</b>
Total individually assessed provisions	<b>AUD887 million</b>
Total individually assessed provisions as a % of total gross individually impaired assets	<b>31.1%</b>
Total collective provision	<b>AUD2,762 million</b>

#### Profitability

##### For the year ended 30 June 2015

Net profit after taxation	<b>AUD9,063 million</b>
Net profit after taxation as a % of average total assets	<b>1.1%</b>

#### Size

##### As at 30 June 2015

Total assets	<b>AUD873,446 million</b>
% change in total assets from previous 30 June	<b>10.4%</b>



# Notes to the Financial Statements

For the three months ended 30 September 2015

## 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 three months ended 30 September 2015</b>						
Net interest earnings	269	130	7	3	4	413
Other income/(expense)	75	40	9	40	(31)	133
Total operating income/(expense)	344	170	16	43	(27)	546
Impairment losses on advances	5	10	-	-	-	15
Segment operating expenses (excluding impairment losses)	120	62	4	22	(2)	206
Segment net profit/(loss) before taxation	219	98	12	21	(25)	325
Taxation	62	28	4	6	(9)	91
Segment net profit/(loss) after taxation	157	70	8	15	(16)	234

### Balance Sheet

As at 30 September 2015

\$ millions	NZ Banking Group					Total
	Retail and Business Banking	Corporate, Commercial and Rural	Institutional Banking and Markets	Wealth and Insurance	Other	
Total assets	45,504	23,996	4,172	194	7,890	81,756
Total liabilities	35,302	14,307	2,614	300	23,718	76,241

\$ 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 three months ended 30 September 2014</b>						
Net interest earnings	273	127	8	3	6	417
Other income/(expense)	57	33	11	36	(23)	114
Total operating income/(expense)	330	160	19	39	(17)	531
Impairment losses on advances	13	3	-	-	-	16
Segment operating expenses (excluding impairment losses)	114	56	3	21	6	200
Segment net profit/(loss) before taxation	203	101	16	18	(23)	315
Taxation	57	28	5	5	(7)	88
Segment net profit/(loss) after taxation	146	73	11	13	(16)	227

### Balance Sheet

As at 30 September 2014

\$ millions	NZ Banking Group					Total
	Retail and Business Banking	Corporate, Commercial and Rural	Institutional Banking and Markets	Wealth and Insurance	Other	
Total assets	42,892	21,680	3,916	163	5,264	73,915
Total liabilities	31,128	12,555	2,432	256	22,053	68,424

# Notes to the Financial Statements

For the three months ended 30 September 2015

## 17 Financial Reporting by Operating Segments (continued)

- 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.

## 18 Events after the Reporting Period

On 21 October 2015 the Directors of ASB Capital Limited declared a gross perpetual preference dividend of \$3 million, being 1.2600 cents per share, including imputation credits. The dividend was paid on 16 November 2015 to all registered holders of perpetual preference shares as at 5.00pm on 6 November 2015.

On 21 October 2015 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 16 November 2015 to all registered holders of perpetual preference shares as at 5.00pm on 6 November 2015.

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 three months ended 30 September 2015



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# Income Statement

\$ millions	Note	NZ Life Group	
		Unaudited 30-Sep-15	Unaudited 30-Sep-14
<b>For the three months ended</b>			
Premium income		171	163
Reinsurance income		9	9
Investment income	2	1	57
Other income		2	2
<b>Total operating income</b>		<b>183</b>	231
<b>Total operating expenses</b>		<b>138</b>	190
Reinsurance expense		12	11
Claims expense		94	96
Net change in life insurance contract liabilities		(20)	(6)
Net change in life investment contract liabilities		(24)	18
Other operating expenses		76	71
<b>Net profit before taxation</b>		<b>45</b>	41
Taxation	3	18	13
<b>Net profit after taxation</b>		<b>27</b>	28

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 30-Sep-15	Unaudited 30-Sep-14
<b>For the three months ended</b>		
<b>Net profit after taxation</b>	<b>27</b>	28
<b>Total comprehensive income</b>	<b>27</b>	28

# Statement of Changes in Equity

\$ millions	NZ Life Group		
	Contributed Capital	Retained Earnings	Total Shareholders' Equity
<b>For the three months ended 30 September 2015</b>			
<b>Unaudited</b>			
Balance at beginning of period	1,080	234	1,314
Net profit after taxation	-	27	27
<b>Total comprehensive income</b>	<b>-</b>	<b>27</b>	<b>27</b>
<b>Balance as at 30 September 2015</b>	<b>1,080</b>	<b>261</b>	<b>1,341</b>
<b>For the three months ended 30 September 2014</b>			
<b>Unaudited</b>			
Balance at beginning of period	1,080	211	1,291
Net profit after taxation	-	28	28
<b>Total comprehensive income</b>	<b>-</b>	<b>28</b>	<b>28</b>
Ordinary dividend paid	-	(74)	(74)
<b>Balance as at 30 September 2014</b>	<b>1,080</b>	<b>165</b>	<b>1,245</b>

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

# Balance Sheet

\$ millions	As at	Note	NZ Life Group		
			Unaudited 30-Sep-15	Unaudited 30-Sep-14	Audited 30-Jun-15
<b>Assets</b>					
	Cash and cash equivalents		617	519	601
	Trade and other receivables		66	67	49
	Securities		1,696	1,722	1,786
	Derivative assets		3	-	1
	Liabilities ceded under reinsurance		13	11	12
	Current taxation asset		-	-	1
	Property, plant and equipment		18	19	18
	Intangible assets		526	533	528
	<b>Total assets</b>		<b>2,939</b>	<b>2,871</b>	<b>2,996</b>
	<i>Total interest earning and discount bearing assets</i>		<i>1,492</i>	<i>1,337</i>	<i>1,507</i>
<b>Liabilities</b>					
	Trade and other payables		99	105	103
	Derivative liabilities		-	7	33
	Life investment contract liabilities		845	873	889
	Life insurance contract liabilities		159	195	179
	Current taxation liability		8	5	-
	Deferred taxation liability	6	487	441	478
	<b>Total liabilities</b>		<b>1,598</b>	<b>1,626</b>	<b>1,682</b>
<b>Shareholders' equity</b>					
	Contributed capital		1,080	1,080	1,080
	Retained earnings		261	165	234
	<b>Total shareholders' equity</b>		<b>1,341</b>	<b>1,245</b>	<b>1,314</b>
	<b>Total liabilities and shareholders' equity</b>		<b>2,939</b>	<b>2,871</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 30-Sep-15	Unaudited 30-Sep-14
<b>For the three months ended</b>		
<b>Cash flows from operating activities</b>		
Premium receipts	179	173
Interest receipts	7	4
Dividend receipts	4	6
Claims, surrenders and maturities payments	(122)	(118)
Net other cash outflows provided by operating activities	(82)	(80)
<b>Net cash flows from operating activities</b>	<b>(14)</b>	<b>(15)</b>
<b>Cash flows from investing activities</b>		
Cash inflows provided by investing activities	165	122
Cash outflows used in investing activities	(135)	(95)
<b>Net cash flows from investing activities</b>	<b>30</b>	<b>27</b>
<b>Cash flows from financing activities</b>		
Cash outflows used in financing activities	-	(74)
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>(74)</b>
<b>Summary of movements in cash flows</b>		
Net increase / (decrease) in cash and cash equivalents	16	(62)
Add: Cash and cash equivalents at beginning of period	601	581
<b>Cash and cash equivalents at end of period</b>	<b>617</b>	<b>519</b>
<b>Reconciliation of net profit after taxation to net cash flows from operating activities</b>		
<b>Net profit after taxation</b>	<b>27</b>	<b>28</b>
Add: Non-cash items	(20)	(21)
Add: Movements in Balance Sheet items	(21)	(22)
<b>Net cash flows from operating activities</b>	<b>(14)</b>	<b>(15)</b>

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

# Notes to the Financial Statements

For the three months ended 30 September 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 three months ended 30 September 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 in this Disclosure Statement and the financial statements 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 would be expected to have a material impact.

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

## 2 Investment Income

\$ millions	NZ Life Group	
	Unaudited 30-Sep-15	Unaudited 30-Sep-14
<b>For the three months ended</b>		
Dividends	12	13
Realised and unrealised (losses)/gains	(49)	15
<b>Total equity securities</b>	<b>(37)</b>	28
Interest	15	14
Realised and unrealised gains	21	7
<b>Total fixed interest securities and cash</b>	<b>36</b>	21
Dividends	1	1
Realised and unrealised gains	1	7
<b>Total property securities</b>	<b>2</b>	8
<b>Total investment income</b>	<b>1</b>	57

# Notes to the Financial Statements

For the three months ended 30 September 2015

## 3 Taxation

\$ millions	Note	NZ Life Group	
		Unaudited 30-Sep-15	Unaudited 30-Sep-14
<b>For the three months ended</b>			
Current taxation		9	(1)
Deferred taxation	6	9	14
<b>Total taxation charged to the Income Statement</b>		<b>18</b>	<b>13</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>45</b>	<b>41</b>
Income tax at the current rate		13	11
Non-deductible expenditure		9	9
Non-assessable income		-	(6)
Imputation credit adjustments		(1)	(1)
Movement in policy liabilities and tax reserving amounts		(12)	11
Investment income adjustments		9	(11)
<b>Total taxation charged to the Income Statement</b>		<b>18</b>	<b>13</b>
Weighted average effective tax rate		<b>40%</b>	<b>32%</b>

## 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 30 September 2015</b>			
Cash and cash equivalents	615	-	615
Foreign currency deposits	2	-	2
Equity securities	-	731	731
Government stock	-	822	822
Corporate bonds	-	29	29
Property securities	-	90	90
<b>Total liquid assets</b>	<b>617</b>	<b>1,672</b>	<b>2,289</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 three months ended 30 September 2015

## 5 Asset Quality

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

## 6 Deferred Taxation Liability

\$ millions	Note	NZ Life Group		
		Unaudited 30-Sep-15	Unaudited 30-Sep-14	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>9</b>	14	51
<b>Total deferred taxation liability</b>		<b>487</b>	441	478
<b>Deferred Taxation relates to:</b>				
Life insurance and life investment contract liabilities		<b>481</b>	433	472
Other		<b>6</b>	8	6
<b>Total deferred taxation liability</b>		<b>487</b>	441	478
<b>Deferred taxation recognised in the Income Statement:</b>				
Life insurance and life investment contract liabilities		<b>9</b>	13	52
Other		<b>-</b>	1	(1)
<b>Total deferred taxation recognised in the Income Statement</b>	3	<b>9</b>	14	51

## 7 Contingent Liabilities and Capital Commitments

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

## 8 Concentration of Credit Exposures to Individual Counterparties

As at 30 September 2015 there were no balance date aggregate credit exposures to individual counterparties which exceeded 10% of the Overseas Banking Group's shareholders' equity as at 30 June 2015. For the three months ended 30 September 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 30 June 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 30 June 2015, which is the most recent publicly disclosed amount.

# Notes to the Financial Statements

For the three months ended 30 September 2015

## 9 Related Party Transactions and Balances

During the three months ended 30 September 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 30-Sep-15	Unaudited 30-Sep-14	Audited 30-Jun-15
<b>As at</b>			
<b>Related party transactions</b>			
<b>Interest income</b>			
Received from NZ Banking Group	2	4	9
<b>Other income</b>			
Received from Overseas Banking Group	4	6	10
Received from NZ Banking Group for the origination of mortgages	1	1	2
Received from NZ Banking Group for investment management services	1	1	2
	<b>6</b>	<b>8</b>	<b>14</b>
<b>Other expenses</b>			
Paid to Overseas Banking Group for investment management services	-	-	1
Paid to NZ Banking Group for administrative services	2	2	11
Paid to NZ Banking Group for insurance commission	10	8	35
	<b>12</b>	<b>10</b>	<b>47</b>
<b>Related party balances</b>			
<b>Overseas Banking Group</b>			
<b>Assets</b>			
Securities	338	358	365
<b>NZ Banking Group</b>			
<b>Assets</b>			
Cash and cash equivalents	321	235	305
Trade and other receivables	-	-	1
Derivative assets	3	-	1
	<b>324</b>	<b>235</b>	<b>307</b>
<b>Liabilities</b>			
Derivative liabilities	-	8	33
	<b>-</b>	<b>8</b>	<b>33</b>
<b>Total related party assets</b>	<b>662</b>	<b>593</b>	<b>672</b>
<b>Total related party liabilities</b>	<b>-</b>	<b>8</b>	<b>33</b>

### Other

For the three months ended 30 September 2015, net receipts of \$4m (30 September 2014 nil) were received from the NZ Banking Group for the utilisation of tax-related items.

# Notes to the Financial Statements

For the three months ended 30 September 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 at amortised cost. The fair value of a financial instrument is the price that would be received to sell a financial asset, or paid to transfer a financial liability, in an orderly transaction between market participants at the measurement date.

### (a) 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 financial instruments 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 30 September 2015</b>				
<b>Unaudited</b>				
<b>Financial assets</b>				
Securities				
Equity securities	298	433	-	731
Fixed interest securities	851	-	-	851
Property securities	90	-	-	90
Loans on policies	-	-	21	21
Mortgages	-	-	3	3
Derivative assets	-	3	-	3
<b>Total financial assets measured at fair value</b>	<b>1,239</b>	<b>436</b>	<b>24</b>	<b>1,699</b>
<b>Financial liabilities</b>				
Life investment contract liabilities	-	845	-	845
<b>Total financial liabilities measured at fair value</b>	<b>-</b>	<b>845</b>	<b>-</b>	<b>845</b>
<b>As at 30 September 2014</b>				
<b>Unaudited</b>				
<b>Financial assets</b>				
Securities				
Equity securities	343	458	-	801
Fixed interest securities and annuity investment	792	-	-	792
Mortgages	-	-	6	6
Loans on policies	-	-	22	22
Property securities	101	-	-	101
<b>Total financial assets measured at fair value</b>	<b>1,236</b>	<b>458</b>	<b>28</b>	<b>1,722</b>
<b>Financial liabilities</b>				
Derivative liabilities	-	7	-	7
Life investment contract liabilities	-	873	-	873
<b>Total financial liabilities measured at fair value</b>	<b>-</b>	<b>880</b>	<b>-</b>	<b>880</b>

# Notes to the Financial Statements

For the three months ended 30 September 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	
<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
Mortgages	-	-	3	3
Loans on policies	-	-	21	21
Property securities	97	-	-	97
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 30-Sep-15		NZ Life Group Unaudited 30-Sep-14		Audited 30-Jun-15	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount
<b>Financial assets</b>						
Cash and cash equivalents	617	617	519	519	601	601
Trade and other receivables	66	66	67	67	49	49
<b>Total financial assets</b>	<b>683</b>	<b>683</b>	<b>586</b>	<b>586</b>	<b>650</b>	<b>650</b>
<b>Financial liabilities</b>						
Trade and other payables	35	35	33	33	33	33
<b>Total financial liabilities</b>	<b>35</b>	<b>35</b>	<b>33</b>	<b>33</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.