

Commonwealth Bank of Australia New Zealand Operations

Disclosure Statement

For the three months ended 30 September 2016

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Commonwealth Bank of Australia New Zealand Operations

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Commonwealth Bank of Australia New Zealand Banking Group

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General Disclosures

(To be read in conjunction with the Financial Statements)

30 September 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 2016 are set out in note 23 of the financial statements of the NZ Banking Group for the year ended 30 June 2016;
- 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 2016 are set out in note 15 of the financial statements of the NZ Life Group for the year ended 30 June 2016; and
- Commonwealth Bank of Australia New Zealand Branch (the "Branch") refers to the New Zealand branch of the Overseas Bank and includes all banking business transacted in New Zealand through the Branch.

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

General Matters

1.0 Address for Service - Branch

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

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

2.0 Address for Service - Overseas Bank

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

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

3.0 Guarantee Arrangements

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

The 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 or until October 2015 for at call 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

The Scheme Administrator
Australian Government Scheme For Large Deposits and Wholesale Funding
c/- The Secretary Reserve Bank of Australia
GPO Box 5367
Sydney NSW 2001
Australia

Facsimile: +61 2 9551 8670

The most recent audited financial statements of the Commonwealth of Australia can be obtained from the Australian Government Department of Finance website (<http://www.finance.gov.au/publications/commonwealth-consolidated-financial-statements/>).

General Disclosures (continued)

(To be read in conjunction with the Financial Statements)

4.0 Conditions of Registration

There were no changes to the Conditions of Registration between 30 June 2016 and 30 September 2016.

5.0 Other Material Matters

As disclosed in the CBA NZ Operations Disclosure Statement for the year ended 30 June 2016, 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. 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. ASB Bank Limited understands that CBA expects to be compliant with APRA's requirements by the end of the transition period.

6.0 Directors

There have been no changes to the Board of Directors of CBA since the signing of the 30 June 2016 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

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

M.L. (Mary) Padbury
Australia

S.M. (Shirish) Apte
Singapore

Sir D.H. (David) Higgins
England

L.K. (Launa) Inman
Australia

C.B. (Catherine) Livingstone
Australia

B.J. (Brian) Long
Australia

A.M. (Andrew) Mohl
Australia

W.M. (Wendy) Stops
Australia

H.H. (Harrison) Young
Australia

New Zealand Chief Executive Officer of the Branch

B.J. (Barbara) Chapman
New Zealand

7.0 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)

8.0 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-

These ratings have remained unchanged during the 2 years immediately preceding the balance date. The outlook from Fitch Ratings is stable. On 7 July 2016 S&P, and on 19 August 2016 Moody's, respectively revised their ratings outlook of CBA and other major Australian banks and their strategically important subsidiaries, from stable to negative.

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

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

- (a) Moody's applies numeric modifiers 1, 2, and 3 to each generic rating category from Aa 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 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 November 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 November 2016

Part A

Commonwealth Bank of Australia
New Zealand Banking Group

Financial Statements

For the three months ended 30 September 2016

Income Statement

\$ millions	NZ Banking Group	
	Unaudited 30-Sep-16	Unaudited 30-Sep-15
For the three months ended	Note	
Interest income		1,035
Interest expense		667
Net interest earnings		434
Other income	2	114
Total operating income		569
Impairment losses on advances	6(b)	15
Total operating income after impairment losses		545
Total operating expenses		205
Salaries and other staff expenses		123
Building occupancy and equipment expenses		31
Information technology expenses		24
Other expenses		28
Net profit before taxation		340
Taxation		91
Net profit after taxation		245
Attributable to:		
Parent company shareholders		229
Non-controlling interests		5
Net profit after taxation		245

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

30-Sep-16 30-Sep-15

For the three months ended

Net profit after taxation	245	234
Other comprehensive income/(expense), net of taxation		
Items that may be reclassified subsequently to the Income Statement:		
Net change in available-for-sale reserve	(1)	(6)
Net change in cash flow hedge reserve	7	(27)
	6	(33)
Total other comprehensive income/(expense), net of taxation	6	(33)
Total comprehensive income	251	201
Attributable to:		
Parent company shareholders	248	196
Non-controlling interests	3	5
Total comprehensive income	251	201

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
For the three months ended 30 September 2016									
Unaudited									
Balance at beginning of period	462	1,738	28	(10)	(121)	1	2,849	550	5,497
Net profit after taxation	-	-	-	-	-	-	242	3	245
Other comprehensive (expense)/income	-	-	-	(1)	7	-	-	-	6
Total comprehensive (expense)/income	-	-	-	(1)	7	-	242	3	251
Ordinary dividends paid	-	-	-	-	-	-	(100)	-	(100)
Redeemable preference dividends paid	-	-	-	-	-	-	(62)	-	(62)
Perpetual preference dividends paid to non-controlling interests	-	-	-	-	-	-	-	(3)	(3)
Profit repatriation	-	-	-	-	-	-	(5)	-	(5)
Balance as at 30 September 2016	462	1,738	28	(11)	(114)	1	2,924	550	5,578
For the three months ended 30 September 2015									
Unaudited									
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)
Total comprehensive (expense)/income	-	-	-	(6)	(27)	-	229	5	201
Perpetual preference dividends paid to non-controlling interests	-	-	-	-	-	-	-	(5)	(5)
Profit repatriation	-	-	-	-	-	-	(1)	-	(1)
Balance as at 30 September 2015	462	2,184	27	1	(116)	1	2,406	550	5,515

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-16	Unaudited 30-Sep-15	Audited 30-Jun-16
As at				
Assets				
Cash and liquid assets		1,497	2,369	1,407
Due from financial institutions		1,282	766	1,095
Trading securities		1,426	1,145	1,075
Derivative assets		1,540	2,416	1,560
Available-for-sale securities		4,397	3,501	4,454
Advances to customers	5	78,041	70,596	75,492
Other assets		230	246	243
Property, plant and equipment		188	183	187
Intangible assets		453	435	449
Deferred taxation asset		163	99	165
Total assets		89,217	81,756	86,127
<i>Total interest earning and discount bearing assets</i>		<i>86,572</i>	<i>78,237</i>	<i>83,417</i>
Liabilities				
Deposits and other public borrowings	7	54,455	53,158	54,593
Due to financial institutions		2,300	2,528	2,229
Other liabilities at fair value through Income Statement		278	1,376	1,340
Derivative liabilities		2,425	1,783	2,428
Current taxation liability		46	22	51
Other liabilities		510	745	578
Debt issues:				
At fair value through Income Statement	8	1,593	743	1,646
At amortised cost	8	16,884	9,741	12,631
Loan capital		5,148	6,145	5,134
Total liabilities		83,639	76,241	80,630
Shareholders' Equity				
Head office contribution		462	462	462
Contributed capital - ordinary shares		704	704	704
Reserves		(96)	(87)	(102)
Retained earnings		2,924	2,406	2,849
Ordinary shareholders' equity		3,994	3,485	3,913
Contributed capital - redeemable preference shares		1,034	1,480	1,034
Non-controlling interests		550	550	550
Total shareholders' equity		5,578	5,515	5,497
Total liabilities and shareholders' equity		89,217	81,756	86,127
<i>Total interest and discount bearing liabilities</i>		<i>76,625</i>	<i>70,323</i>	<i>73,849</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 30-Sep-16	Unaudited 30-Sep-15
For the three months ended		
Cash flows from operating activities		
Net profit before taxation	340	325
Reconciliation of net profit before taxation to net cash flows from operating activities		
Non-cash items included in net profit before taxation:		
Depreciation of property, plant and equipment	9	9
Amortisation of intangible assets	10	10
Net change in provisions for impairment losses and bad debts written off	28	20
Other movements	6	45
Net (increase)/decrease in operating assets:		
Net increase in reverse repurchase agreements	(42)	(556)
Net (increase)/decrease in due from financial institutions	(187)	686
Net (increase)/decrease in trading securities	(352)	51
Net decrease in available-for-sale securities	54	6
Net increase in advances to customers	(2,645)	(1,506)
Net decrease in other assets	13	296
Net increase/(decrease) in operating liabilities:		
Net (decrease)/increase in deposits and other public borrowings	(101)	1,068
Net increase/(decrease) in due to financial institutions	79	(797)
Net (decrease)/increase in other liabilities at fair value through Income Statement	(1,061)	1,193
Net (decrease)/increase in other liabilities	(54)	142
Net taxation paid	(100)	(78)
Net cash flows from operating activities	(4,003)	914
Cash flows from investing activities		
Cash was applied to:		
Purchase of property, plant and equipment	(9)	(6)
Purchase of intangible assets	(24)	(8)
Net cash flows from investing activities	(33)	(14)
Cash flows from financing activities		
Cash was provided from:		
Issue of debt securities (net of issue costs)	6,269	617
Total cash inflows provided from financing activities	6,269	617
Cash was applied to:		
Dividends paid	(162)	-
Redemption of issued debt securities	(2,020)	(1,501)
Dividends paid to non-controlling interests	(3)	(5)
Total cash outflows applied to financing activities	(2,185)	(1,506)
Net cash flows from financing activities	4,084	(889)
Summary of movements in cash flows		
Net increase in cash and cash equivalents	48	11
Add: cash and cash equivalents at beginning of period	952	1,416
Cash and cash equivalents at end of period	1,000	1,427
Cash and cash equivalents comprise:		
Cash and liquid assets	1,497	2,369
Less: reverse repurchase agreements included in cash and liquid assets	(497)	(942)
Cash and cash equivalents at end of period	1,000	1,427
Additional operating cash flow information		
Interest received as cash	1,053	1,101
Interest paid as cash	(606)	(655)
Other income received as cash	129	129
Operating expenses paid as cash	(253)	(231)

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 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 USD Funding Limited and up until 5th July 2016, CBA Real Estate Funding (NZ) 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 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 2016.

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 three months ended 30 September 2016. All policies have been applied on a basis consistent with that used in the financial year ended 30 June 2016.

Certain comparatives relating to fixed rate prepayment cost recoveries of \$19 million have been reclassified from other income to interest income, to align with market practice. Restated comparatives for subsequent reporting periods are: \$36 million and \$48 million for the periods ended 31 December 2015 and 31 March 2016 respectively. This reclassification has no impact on net profit after taxation.

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

2 Other Income

\$ millions	NZ Banking Group	
	Unaudited 30-Sep-16	Unaudited 30-Sep-15
For the three months ended		
Net fair value gain/(loss) from:		
Net fair value loss on derivatives not qualifying for hedge accounting	(1)	(2)
Hedge ineffectiveness	6	(10)
Total net fair value gain/(loss)	5	(12)
Trading income	25	28
Other operating income	105	98
Total other income	135	114

Notes to the Financial Statements

For the three months ended 30 September 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 Operating 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	Other Assets	
As at 30 September 2016						
Unaudited						
Cash	189	-	-	-	-	189
Call deposits with the central bank	811	-	-	-	-	811
Local authority securities	-	332	23	-	5	360
New Zealand government securities	497	1,083	315	-	18	1,913
Overseas government securities	-	425	-	-	-	425
Corporate bonds	-	496	-	-	5	501
Bank bills	-	-	1,086	-	-	1,086
Kauri bonds	-	1,639	2	-	11	1,652
Other securities	-	422	-	-	1	423
Residential mortgage-backed securities	-	-	-	3,389	-	3,389
Total qualifying liquid assets	1,497	4,397	1,426	3,389	40	10,749

4 Financial Assets Pledged as Collateral for Liabilities

As at 30 September 2016, no securities were 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 2016, \$1,181 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.

In addition, the ASB Covered Bond Trust, a controlled entity of ASB holds certain Mortgage Loans originated by ASB. ASB Covered Bond Trustee Limited ("Covered Bond Guarantor"), solely in its capacity as trustee of the Covered Bond Trust provides guarantees over certain debt securities ("Covered Bonds") issued by ASB or its subsidiary ASB Finance Limited, acting through its London Branch.

The Covered Bond Guarantor has guaranteed payments of interest and principal under the Covered Bonds pursuant to a guarantee which is secured over the Mortgage Loans, related security and other assets of the Covered Bond Trust. As at 30 September 2016, the Covered Bond Trust held Mortgage Loans with a carrying value of \$6.2 billion and cash of \$158 million which have been pledged in respect of the Covered Bonds.

5 Advances to Customers

\$ millions	NZ Banking Group		
	Unaudited 30-Sep-16	Unaudited 30-Sep-15	Audited 30-Jun-16
As at			
Residential mortgages	49,201	44,444	47,737
Other retail	4,873	4,635	4,818
Corporate	24,254	21,684	23,210
Loans and other receivables	78,328	70,763	75,765
Fair value hedge adjustments	34	91	48
Provisions for impairment losses	(321)	(258)	(321)
Total advances to customers	78,041	70,596	75,492

Notes to the Financial Statements

For the three months ended 30 September 2016

6 Asset Quality and Provisions for Impairment Losses

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

(a) Asset Quality and Provisions for Impairment Losses

Individually impaired assets	470	392	430
Individually assessed provisions	56	50	56
Collective provision	265	208	265
90 day past due assets not impaired	76	84	77

\$ millions For the three months ended	NZ Banking Group	
	Unaudited 30-Sep-16	Unaudited 30-Sep-15

(b) Impairment losses on advances

Movement in collective provision	-	7
New and increased individually assessed provisions net of write-backs	13	-
Bad debts written off directly to the Income Statement	15	13
Recovery of amounts previously written off	(4)	(5)
Total impairment losses on advances	24	15

7 Deposits and Other Public Borrowings

\$ millions As at	NZ Banking Group		
	Unaudited 30-Sep-16	Unaudited 30-Sep-15	Audited 30-Jun-16
Certificates of deposit	2,861	2,207	2,910
Term deposits	23,655	23,904	23,097
On demand and short term deposits	24,252	23,873	25,083
Deposits not bearing interest	3,687	3,130	3,503
Repurchase agreements	-	44	-
Total deposits and other public borrowings	54,455	53,158	54,593

As at 30 September 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 three months ended 30 September 2016

8 Debt Issues

\$ millions	NZ Banking Group		
	Unaudited 30-Sep-16	Unaudited 30-Sep-15	Audited 30-Jun-16
As at			
Debt issues at fair value through Income Statement	1,593	743	1,646
Debt issues at amortised cost	16,884	9,741	12,631
Total debt issues	18,477	10,484	14,277
Movement in debt issues			
Balance at beginning of period	14,277	11,489	11,489
Issuances during the period	6,269	617	10,971
Repayments during the period	(1,840)	(1,959)	(7,420)
Foreign exchange and fair value movements during the period	(229)	337	(763)
Balance at end of period	18,477	10,484	14,277

9 Contingent Liabilities

\$ millions	NZ Banking Group Notional Amount		
	Unaudited 30-Sep-16	Unaudited 30-Sep-15	Audited 30-Jun-16
As at			
Guarantees	139	136	146
Standby letters of credit	122	92	112
Other credit facilities	174	112	167
Total contingent liabilities	435	340	425

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 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. In October 2016, ANZ announced that the proceedings against it had been settled, with ANZ making a contribution to the plaintiffs' costs. Andrew Hooker has since been reported as saying that he will still be taking action against Kiwibank, Westpac and BNZ. 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 2016

10 Related Party Transactions and Balances

During the three months ended 30 September 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 also administers and manages certain superannuation schemes and unit trusts. Related party 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-16	Unaudited 30-Sep-15	Audited 30-Jun-16
As at			
Amounts due to related parties			
Overseas Banking Group	2,436	4,171	2,444
NZ Life Group	256	324	261
Superannuation schemes and unit trusts managed by a subsidiary of ASB	641	624	656
Superannuation schemes and unit trusts managed or administered by NZ Life Group	3	2	4
Total amounts due to related parties	3,336	5,121	3,365
Amounts due from related parties			
Overseas Banking Group	785	718	676
NZ Life Group	2	9	7
Total amounts due from related parties	787	727	683

For the three months ended 30 September 2016 interest charged on balances due to the Overseas Banking Group was \$29 million (30 September 2015 \$27 million).

11 Concentration of Credit Exposures to Individual Counterparties

As at 30 September 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 30 June 2016, which is the most recent publicly disclosed amount. For the three months ended 30 September 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 30 June 2016.

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 2016.

Notes to the Financial Statements

For the three months ended 30 September 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	
As at 30 September 2016				
Unaudited				
Financial assets				
Trading securities	317	1,109	-	1,426
Derivative assets	-	1,540	-	1,540
Available-for-sale securities	3,147	1,250	-	4,397
Total financial assets measured at fair value	3,464	3,899	-	7,363
Financial liabilities				
Other liabilities at fair value through Income Statement	-	278	-	278
Derivative liabilities	1	2,424	-	2,425
Debt issues at fair value through Income Statement	-	1,593	-	1,593
Total financial liabilities measured at fair value	1	4,295	-	4,296
As at 30 September 2015				
Unaudited				
Financial assets				
Trading securities	919	226	-	1,145
Derivative assets	-	2,416	-	2,416
Available-for-sale securities	2,219	1,282	-	3,501
Total financial assets measured at fair value	3,138	3,924	-	7,062
Financial liabilities				
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
Total financial liabilities measured at fair value	-	3,902	-	3,902

Notes to the Financial Statements

For the three months ended 30 September 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	
As at 30 June 2016				
Audited				
Financial assets				
Trading securities	458	617	-	1,075
Derivative assets	-	1,560	-	1,560
Available-for-sale securities	3,102	1,352	-	4,454
Total financial assets measured at fair value	3,560	3,529	-	7,089
Financial liabilities				
Other liabilities at fair value through Income Statement	-	1,340	-	1,340
Derivative liabilities	-	2,428	-	2,428
Debt issues at fair value through Income Statement	-	1,646	-	1,646
Total financial liabilities measured at fair value	-	5,414	-	5,414

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 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-16		NZ Banking Group Unaudited 30-Sep-15		Audited 30-Jun-16	
	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets						
Cash and liquid assets	1,497	1,497	2,369	2,369	1,407	1,407
Due from financial institutions	1,282	1,282	766	766	1,095	1,095
Advances to customers	77,996	78,041	70,708	70,596	75,520	75,492
Other assets	205	205	222	222	216	216
Total	80,980	81,025	74,065	73,953	78,238	78,210
Financial liabilities						
Deposits and other public borrowings	54,552	54,455	53,317	53,158	54,717	54,593
Due to financial institutions	2,300	2,300	2,526	2,528	2,229	2,229
Other liabilities	510	510	745	745	578	578
Debt issues at amortised cost	16,930	16,884	9,776	9,741	12,643	12,631
Loan capital	4,863	5,148	5,674	6,145	4,749	5,134
Total	79,155	79,297	72,038	72,317	74,916	75,165

Notes to the Financial Statements

For the three months ended 30 September 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	
Exposures as at 30 September 2016				
Implied risk-weighted exposure	1,645	4	-	1,649
Aggregate capital charge	132	-	-	132

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%	
LVR Range				
As at 30 September 2016				
Value of exposures	49,758	4,973	2,163	56,894
Expressed as a percentage of total exposures	87.5%	8.7%	3.8%	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 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 June 2016.

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 ultimate parent banking group adopted the Basel III measurement of regulatory capital effective from 1 January 2013. The APRA prudential standards require a minimum CET1 ratio of 4.5% which was effective from 1 January 2013. An additional CET1 capital conservation buffer of 3.5%, inclusive of a domestic systemically important bank requirement of 1% and a countercyclical capital buffer of 0%, was effective from 1 January 2016, bringing the CET1 requirement to at least 8%.

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

The Overseas Banking Group is required by APRA to hold minimum capital specified under the Basel III (AIRB) approach. As at 30 September 2016 the minimum capital requirements were met.

As at	Overseas Bank		Overseas Banking Group	
	30-Jun-16	30-Jun-15	30-Sep-16	30-Sep-15
Capital ratios				
Common equity tier one capital ratio	11.0%	9.6%	9.4%	9.8%
Tier one capital ratio	12.4%	11.5%	11.0%	11.8%
Total capital ratio	14.5%	13.1%	12.7%	13.3%

Overseas Banking Group

Asset quality

As at 30 June 2016

Total gross individually impaired assets	AUD3,116 million
Total individually impaired assets as a % of total assets	0.3%
Total individually assessed provisions	AUD944 million
Total individually assessed provisions as a % of total gross individually impaired assets	30.3%
Total collective provision	AUD2,818 million

Profitability

For the year ended 30 June 2016

Net profit after taxation	AUD9,227 million
Net profit after taxation as a % of average total assets	1.0%

Size

As at 30 June 2016

Total assets	AUD933,078 million
% change in total assets from previous 30 June	6.8%

Total liabilities of the Branch net of amounts due to related parties

The total liabilities of the Branch net of amounts due to related parties were \$4,744 million as at 30 September 2016 (30 September 2015 \$3,351 million, 30 June 2016 \$4,739 million).

Notes to the Financial Statements

For the three months ended 30 September 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	
Income Statement						
For the three months ended 30 September 2016						
Net interest earnings	290	145	6	3	(10)	434
Other income/(expense)	62	32	11	42	(12)	135
Total operating income/(expense)	352	177	17	45	(22)	569
Impairment losses on advances	10	14	-	-	-	24
Segment operating expenses (excluding impairment losses)	120	62	3	20	-	205
Segment net profit/(loss) before taxation	222	101	14	25	(22)	340
Taxation	62	28	4	7	(6)	95
Segment net profit/(loss) after taxation	160	73	10	18	(16)	245

Balance Sheet

As at 30 September 2016

	Retail and Business Banking	Corporate, Commercial and Rural	Institutional Banking and Markets	Wealth and Insurance	Other	Total
Total assets	50,089	26,406	3,911	162	8,649	89,217
Total liabilities	36,796	13,743	1,125	343	31,632	83,639

\$ millions	NZ Banking Group					Total
	Retail and Business Banking	Corporate, Commercial and Rural	Institutional Banking and Markets	Wealth and Insurance	Other	
Income Statement						
For the three months ended 30 September 2015						
Net interest earnings	286	136	7	3	-	432
Other income/(expense)	60	36	9	40	(31)	114
Total operating income/(expense)	346	172	16	43	(31)	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	221	100	12	21	(29)	325
Taxation	62	28	4	6	(9)	91
Segment net profit/(loss) after taxation	159	72	8	15	(20)	234

Balance Sheet

As at 30 September 2015

	Retail and Business Banking	Corporate, Commercial and Rural	Institutional Banking and Markets	Wealth and Insurance	Other	Total
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

Notes to the Financial Statements

For the three months ended 30 September 2016

17 Financial Reporting by Operating Segments (continued)

Unaudited

Retail and Business Banking:	The Retail and Business Banking segment provides services to private individuals and small business customers. In addition, net income is attributed to this segment for the distribution of wealth management products through the retail distribution network.
Corporate, Commercial and Rural:	The Corporate, Commercial and Rural segment provides services to corporate, commercial and rural customers. It also comprises the NZ Banking Group's financial markets activities, including financial instruments trading and sales of financial instruments to customers.
Institutional Banking and Markets:	Institutional Banking and Markets, services the NZ Banking Group's sophisticated corporate, institutional and government clients using a relationship management model based on industry expertise and local insights. The Total Capital Solutions offering includes debt and equity capital raising, financial and commodities price risk management and transactional banking capabilities. The New Zealand operations are part of CBA Institutional Banking and Markets' international operations.
Wealth and Insurance:	The Wealth and Insurance segment provides securities, investment and insurance services to customers.

Other primarily includes:

- business units that do not meet the definition of operating segments under NZ IFRS 8 *Operating Segments*, including the NZ Banking Group's Treasury function and other functions that supply 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 17 October 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 15 November 2016 to all registered holders of perpetual preference shares as at 5.00pm on 7 November 2016.

On 17 October 2016 the directors of ASB Capital No.2 Limited declared a gross perpetual preference dividend of \$3 million, being 0.8000 cents per share, including imputation credits. The cash dividend of 0.5760 was paid on 15 November 2016 to all registered holders of perpetual preference shares as at 5.00pm on 7 November 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 three months ended 30 September 2016

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Income Statement

\$ millions		Note	NZ Life Group	
			Unaudited 30-Sep-16	Unaudited 30-Sep-15
For the three months ended				
Premium income			176	171
Less: Reinsurance expense			(12)	(12)
Net premium income			164	159
Investment income		2	49	1
Other income			-	2
Total operating income			213	162
Claims expense			94	94
Less: Reinsurance recoveries			(8)	(9)
Net claims expense			86	85
Other operating expenses			71	76
Decrease in life insurance contract liabilities			(1)	(20)
Change in life investment contract liabilities			21	(24)
Total operating expenses			177	117
Net profit before taxation			36	45
Taxation		3	14	18
Net profit after taxation			22	27

Statement of Comprehensive Income

\$ millions		NZ Life Group	
		Unaudited 30-Sep-16	Unaudited 30-Sep-15
For the three months ended			
Net profit after taxation		22	27
Total comprehensive income		22	27

These statements are to be read in conjunction with the notes on pages 6 to 10.

Statement of Changes in Equity

\$ millions	NZ Life Group		Total Shareholders' Equity
	Contributed Capital	Retained Earnings	
For the three months ended 30 September 2016			
Unaudited			
Balance at beginning of period	1,080	182	1,262
Net profit after taxation	-	22	22
Total comprehensive income	-	22	22
Balance as at 30 September 2016	1,080	204	1,284
For the three months ended 30 September 2015			
Unaudited			
Balance at beginning of period	1,080	234	1,314
Net profit after taxation	-	27	27
Total comprehensive income	-	27	27
Balance as at 30 September 2015	1,080	261	1,341

These statements are to be read in conjunction with the notes on pages 6 to 10.

Balance Sheet

\$ millions As at	Note	NZ Life Group		
		Unaudited 30-Sep-16	Unaudited 30-Sep-15	Audited 30-Jun-16
Assets				
Cash and cash equivalents		595	617	572
Trade and other receivables		59	66	54
Securities		1,701	1,696	1,690
Derivative assets		-	3	29
Liabilities ceded under reinsurance		9	13	9
Property, plant and equipment		17	18	17
Intangible assets		522	526	522
Total assets		2,903	2,939	2,893
<i>Total interest earning and discount bearing assets</i>		<i>1,471</i>	<i>1,492</i>	<i>1,445</i>
Liabilities				
Trade and other payables		98	99	95
Derivative liabilities		2	-	1
Life investment contract liabilities		828	845	835
Life insurance contract liabilities		145	159	146
Current taxation liability		11	8	22
Deferred taxation liability	8	535	487	532
Total liabilities		1,619	1,598	1,631
Shareholders' equity				
Contributed capital		1,080	1,080	1,080
Retained earnings		204	261	182
Total shareholders' equity		1,284	1,341	1,262
Total liabilities and shareholders' equity		2,903	2,939	2,893
<i>Total interest and discount bearing liabilities</i>		<i>-</i>	<i>-</i>	<i>-</i>

These statements are to be read in conjunction with the notes on pages 6 to 10.

Condensed Cash Flow Statement

\$ millions	NZ Life Group	
	Unaudited 30-Sep-16	Unaudited 30-Sep-15
For the three months ended		
Cash flows from operating activities		
Premium and deposit premium receipts	188	179
Interest receipts	5	7
Dividend receipts	4	4
Claims, surrenders and maturities payments	(126)	(122)
Net other cash outflows used by operating activities	(100)	(82)
Net cash flows from operating activities	(29)	(14)
Cash flows from investing activities		
Cash inflows provided by investing activities	121	165
Cash outflows used in investing activities	(69)	(135)
Net cash flows from investing activities	52	30
Summary of movements in cash flows		
Net increase in cash and cash equivalents	23	16
Add: cash and cash equivalents at beginning of period	572	601
Cash and cash equivalents at end of period	595	617
Reconciliation of net profit after taxation to net cash flows from operating activities		
Net profit after taxation	22	27
Add: non-cash items	(9)	(20)
Add: movements in Balance Sheet items	(42)	(21)
Net cash flows from operating activities	(29)	(14)

These statements are to be read in conjunction with the notes on pages 6 to 10.

Notes to the Financial Statements

For the three months ended 30 September 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") 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 consolidated financial statements of the NZ Life Group for the three months ended 30 September 2016 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 2016.

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.

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

There have been no material changes to accounting policies during the three months ended 30 September 2016. All policies have been applied on a basis consistent with that used in the financial year ended 30 June 2016.

2 Investment Income

\$ millions	NZ Life Group	
	Unaudited 30-Sep-16	Unaudited 30-Sep-15
For the three months ended		
Dividends	11	12
Realised and unrealised gains/(losses)	27	(49)
Total equity securities	38	(37)
Dividends	1	1
Realised and unrealised (losses)/gains	(1)	1
Total property securities	-	2
Interest	12	15
Realised and unrealised (losses)/gains	(1)	21
Total fixed interest securities and cash	11	36
Total investment income	49	1

3 Taxation

\$ millions	Note	NZ Life Group	
		Unaudited 30-Sep-16	Unaudited 30-Sep-15
For the three months ended			
Current taxation		11	9
Deferred taxation	8	3	9
Total taxation charged to the Income Statement		14	18

The taxation expense on the NZ Life Group's net profit before taxation differs from the theoretical amount that would arise using the domestic rate as follows:

Net profit before taxation	36	45
Income tax at the current rate of 28% (2015 28%)	10	13
Investment income adjustments	(5)	9
Imputation credit adjustments	(1)	(1)
Movement in investment contract liabilities and adjustments	9	(4)
Movement in insurance contract liabilities, reserves and adjustments	1	1
Total taxation charged to the Income Statement	14	18
Weighted average effective tax rate	39%	40%

Notes to the Financial Statements

For the three months ended 30 September 2016

4 Liquid Assets

Unaudited

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

\$ millions	NZ Life Group		Total
	Cash and Cash Equivalents	Securities	
As at 30 September 2016			
Cash and cash equivalents	593	-	593
Foreign currency deposits	2	-	2
Equity securities	-	744	744
Property securities	-	81	81
Government stock	-	825	825
Corporate bonds	-	28	28
Total liquid assets	595	1,678	2,273

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 managed by holding a pool of readily tradeable investment assets and deposits on call.

5 Asset Quality

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

6 Contingent Liabilities and Capital Commitments

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

7 Concentration of Credit Exposures to Individual Counterparties

As at 30 September 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 30 June 2016, which is the most recent publicly disclosed amount. For the three months ended 30 September 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 30 June 2016.

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 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 2016.

Notes to the Financial Statements

For the three months ended 30 September 2016

8 Deferred Taxation Liability

\$ millions	Note	NZ Life Group		
		Unaudited 30-Sep-16	Unaudited 30-Sep-15	Audited 30-Jun-16
As at				
Balance at beginning of period		532	478	478
Recognised in the Income Statement	3	3	9	54
Total deferred taxation liability		535	487	532
Deferred taxation relates to:				
Life insurance and life investment contract liabilities		530	481	527
Other		5	6	5
Total deferred taxation liability		535	487	532
Deferred taxation recognised in the Income Statement:				
Life insurance and life investment contract liabilities		3	9	55
Other		-	-	(1)
Total deferred taxation recognised in the Income Statement	3	3	9	54

9 Related Party Transactions and Balances

During the three months ended 30 September 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 30-Sep-16	Unaudited 30-Sep-15
For the three months ended		
Related party transactions		
Income		
Interest received from NZ Banking Group	1	2
Interest and dividends received from Overseas Banking Group	4	4
Fees received from NZ Banking Group	2	2
	7	8
Expenses		
Paid to NZ Banking Group for administrative services	3	2
Paid to NZ Banking Group for insurance commission	10	10
	13	12

\$ millions	NZ Life Group		
	Unaudited 30-Sep-16	Unaudited 30-Sep-15	Audited 30-Jun-16
As at			
Related party balances			
Assets Overseas Banking Group			
Securities	418	338	400
Assets NZ Banking Group			
Cash and cash equivalents	256	321	231
Trade and other receivables	-	-	1
Derivative assets	-	3	29
	256	324	261
Liabilities NZ Banking Group			
Derivative liabilities	2	-	1
Other liabilities	-	9	6
	2	9	7

For the three months ended 30 September 2016, net receipts of nil (30 September 2015 \$4m) were received from the NZ Banking Group for the utilisation of tax-related items.

The NZ Life Group manages and administers investment products that are closed to new business, and also administered fund management products distributed by the NZ Banking Group. As at 30 September 2016 the NZ Life Group had \$907 million funds under administration (30 September 2015 \$8,687 million, 30 June 2016 \$913 million) and \$907 million funds under management (30 September 2015 \$920 million, 30 June 2016 \$913 million).

Notes to the Financial Statements

For the three months ended 30 September 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 loans to policyholders for which fair value is estimated using valuation techniques that are not based on observable market data. Loans to policyholders 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 loans. These assessments are subjective in nature and the range of possible alternative assumptions is considered immaterial. A sensitivity analysis and reconciliation of movements in loans to policyholders 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 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	
As at 30 September 2016				
Unaudited				
Financial assets				
Securities				
Equity securities	224	520	-	744
Property securities	81	-	-	81
Fixed interest securities	853	-	-	853
Loans to policyholders	-	-	23	23
Total financial assets measured at fair value	1,158	520	23	1,701
Financial liabilities				
Derivative liabilities				
	-	2	-	2
Life investment contract liabilities				
	-	828	-	828
Total financial liabilities measured at fair value	-	830	-	830
As at 30 September 2015				
Unaudited				
Financial assets				
Securities				
Equity securities	298	433	-	731
Property securities	90	-	-	90
Fixed interest securities	851	-	-	851
Loans to policyholders	-	-	24	24
Derivative assets	-	3	-	3
Total financial assets measured at fair value	1,239	436	24	1,699
Financial liabilities				
Life investment contract liabilities				
	-	845	-	845
Total financial liabilities measured at fair value	-	845	-	845

Notes to the Financial Statements

For the three months ended 30 September 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	
As at 30 June 2016				
Audited				
Financial assets				
Securities				
Equity securities	233	501	-	734
Property securities	83	-	-	83
Fixed interest securities	850	-	-	850
Loans to policyholders	-	-	23	23
Derivative assets	-	29	-	29
Total financial assets measured at fair value	1,166	530	23	1,719
Financial liabilities				
Derivative liabilities	-	1	-	1
Life investment contract liabilities	-	835	-	835
Total financial liabilities measured at fair value	-	836	-	836

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-16		NZ Life Group Unaudited 30-Sep-15		Audited 30-Jun-16	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount
Financial assets						
Cash and cash equivalents	595	595	617	617	572	572
Trade and other receivables	57	57	66	66	54	54
Total financial assets	652	652	683	683	626	626
Financial liabilities						
Trade and other payables	23	23	35	35	29	29
Total financial liabilities	23	23	35	35	29	29

11 Events after the Reporting Period

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