

Commonwealth Bank of Australia New Zealand Operations

Disclosure Statement

For the six months ended 31 December 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)

31 December 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 the 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

The Reserve Bank of New Zealand ("RBNZ") amended the Conditions of Registration of the Branch, effective 1 October 2016, to incorporate changes to the loan-to-valuation ratios that apply to property and non-property investment residential mortgage lending.

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

Sir J.A. Anderson retired as a director from the CBA Board with effect from 9 November 2016.

D.J. Turner retired as chairman from the CBA Board with effect from 31 December 2016 and was succeeded by C.B. Livingstone AO with effect from 1 January 2017.

There have been no other 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

C.B. (Catherine) Livingstone AO (Chairman)

Australia

I.M. (Ian) Narev (Managing Director and Chief Executive Officer)

Australia

S.M. (Shirish) Apte
Singapore

Sir D.H. (David) Higgins
England

L.K. (Launa) Inman
Australia

M.L. (Mary) Padbury
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

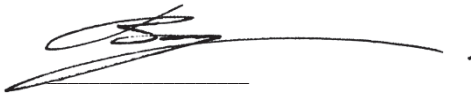
Each Director and the New Zealand Chief Executive Officer believes, after due enquiry, that as at the date on which the Disclosure Statement is signed:

- 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 six months ended 31 December 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
22 February 2017

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
22 February 2017

Part A

Commonwealth Bank of Australia New Zealand Banking Group

Financial Statements

For the six months ended 31 December 2016

Income Statement

\$ millions	For the six months ended	Note	NZ Banking Group	
			Unaudited 31-Dec-16	Unaudited 31-Dec-15
Interest income			2,075	2,159
Interest expense			1,209	1,292
Net interest earnings			866	867
Other income		2	284	253
Total operating income			1,150	1,120
Impairment losses on advances		6	43	40
Total operating income after impairment losses			1,107	1,080
Total operating expenses			416	417
Salaries and other staff expenses			252	254
Building occupancy and equipment expenses			60	61
Information technology expenses			51	48
Other expenses			53	54
Net profit before taxation			691	663
Taxation			193	186
Net profit after taxation			498	477
Attributable to:				
Parent company shareholders			491	468
Non-controlling interests			7	9
Net profit after taxation			498	477

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

Statement of Comprehensive Income

\$ millions

NZ Banking Group
Unaudited Unaudited
31-Dec-16 31-Dec-15

For the six months ended

Net profit after taxation	498	477
Other comprehensive income/(expense), net of taxation		
Items that may be reclassified subsequently to the Income Statement:		
Net change in available-for-sale reserve	2	(14)
Net change in cash flow hedge reserve	66	6
	68	(8)
Total other comprehensive income/(expense), net of taxation	68	(8)
Total comprehensive income	566	469
Attributable to:		
Parent company shareholders	559	460
Non-controlling interests	7	9
Total comprehensive income	566	469

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

Statement of Changes in Equity

NZ Banking Group									
\$ millions	Head Office Contribution	Contributed Capital	Asset Revaluation Reserve	Available -for-Sale Reserve	Cash Flow Hedge Reserve	Foreign Currency Translation Reserve	Retained Earnings	Non- controlling Interests	Total Share- holders' Equity
For the six months ended 31 December 2016									
Unaudited									
Balance at beginning of period	462	1,738	28	(10)	(121)	1	2,849	550	5,497
Net profit after taxation	-	-	-	-	-	-	491	7	498
Other comprehensive income	-	-	-	2	66	-	-	-	68
Total comprehensive income	-	-	-	2	66	-	491	7	566
Repurchase of ordinary share capital	-	(37)	-	-	-	-	-	-	(37)
Transfer from asset revaluation reserve to retained earnings	-	-	(3)	-	-	-	3	-	-
Ordinary dividends paid	-	-	-	-	-	-	(122)	-	(122)
Redeemable preference dividends paid	-	-	-	-	-	-	(62)	-	(62)
Perpetual preference dividends paid to non-controlling interests	-	-	-	-	-	-	-	(7)	(7)
Profit repatriation	-	-	-	-	-	-	(9)	-	(9)
Balance as at 31 December 2016	462	1,701	25	(8)	(55)	1	3,150	550	5,826
For the six months ended 31 December 2015									
Unaudited									
Balance at beginning of period	462	2,184	27	7	(89)	1	2,178	550	5,320
Net profit after taxation	-	-	-	-	-	-	468	9	477
Other comprehensive (expense)/income	-	-	-	(14)	6	-	-	-	(8)
Total comprehensive (expense)/income	-	-	-	(14)	6	-	468	9	469
Redeemable preference dividends paid	-	-	-	-	-	-	(14)	-	(14)
Perpetual preference dividends paid to non-controlling interests	-	-	-	-	-	-	-	(9)	(9)
Profit repatriation	-	-	-	-	-	-	(3)	-	(3)
Balance as at 31 December 2015	462	2,184	27	(7)	(83)	1	2,629	550	5,763

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

Balance Sheet

\$ millions	NZ Banking Group			
	Unaudited 31-Dec-16	Unaudited 31-Dec-15	Audited 30-Jun-16	
As at	Note			
Assets				
Cash and liquid assets		2,221	2,281	1,407
Due from financial institutions		1,663	648	1,095
Trading securities		1,373	496	1,075
Derivative assets		1,471	1,514	1,560
Available-for-sale securities		4,237	3,858	4,454
Advances to customers	4	79,294	72,433	75,492
Current taxation asset		-	16	-
Other assets		242	260	243
Property, plant and equipment		184	183	187
Intangible assets		454	437	449
Deferred taxation asset		142	96	165
Total assets		91,281	82,222	86,127
<i>Total interest earning and discount bearing assets</i>		<i>88,738</i>	<i>79,484</i>	<i>83,417</i>
Liabilities				
Deposits and other public borrowings	9	56,295	53,386	54,593
Due to financial institutions		2,319	1,967	2,229
Other liabilities at fair value through Income Statement		169	815	1,340
Derivative liabilities		2,279	1,877	2,428
Current taxation liability		26	-	51
Other liabilities		512	558	578
Debt issues:				
At fair value through Income Statement	10	865	1,548	1,646
At amortised cost	10	17,580	10,421	12,631
Loan capital		5,410	5,887	5,134
Total liabilities		85,455	76,459	80,630
Shareholders' Equity				
Head office contribution		462	462	462
Contributed capital - ordinary shares		667	704	704
Reserves		(37)	(62)	(102)
Retained earnings		3,150	2,629	2,849
Ordinary shareholders' equity		4,242	3,733	3,913
Contributed capital - redeemable preference shares		1,034	1,480	1,034
Non-controlling interests		550	550	550
Total shareholders' equity		5,826	5,763	5,497
Total liabilities and shareholders' equity		91,281	82,222	86,127
<i>Total interest and discount bearing liabilities</i>		<i>78,688</i>	<i>70,442</i>	<i>73,849</i>

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

Cash Flow Statement

\$ millions	NZ Banking Group	
	Unaudited 31-Dec-16	Unaudited 31-Dec-15
For the period ended		
Cash flows from operating activities		
Net profit before taxation	691	663
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	17	18
Amortisation of intangible assets	21	21
Net change in provisions for impairment losses	51	48
Other movements	3	58
Net (increase)/decrease in operating assets:		
Net increase in reverse repurchase agreements	(305)	(519)
Net (increase)/decrease in due from financial institutions	(568)	804
Net (increase)/decrease in trading securities	(301)	697
Net decrease/(increase) in available-for-sale securities	219	(400)
Net increase in advances to customers	(3,971)	(3,400)
Net decrease in other assets	1	282
Net increase/(decrease) in operating liabilities:		
Net increase in deposits and other public borrowings	1,714	1,394
Net increase/(decrease) in due to financial institutions	87	(1,290)
Net (decrease)/increase in other liabilities at fair value through Income Statement	(1,168)	632
Net decrease in other liabilities	(50)	(59)
Net taxation paid	(224)	(217)
Net cash flows from operating activities	(3,783)	(1,268)
Cash flows from investing activities		
Cash was provided from:		
Proceeds from sale of property, plant and equipment	7	-
Total cash inflows provided from investing activities	7	-
Cash was applied to:		
Purchase of property, plant and equipment	(17)	(16)
Purchase of intangible assets	(33)	(21)
Total cash outflows applied to investing activities	(50)	(37)
Net cash flows from investing activities	(43)	(37)
Cash flows from financing activities		
Issue of loan capital (net of issue costs)	394	-
Issue of debt securities (net of issue costs)	8,823	4,520
Total cash inflows provided from financing activities	9,217	4,520
Cash was applied to:		
Repurchase of ordinary share capital	(37)	-
Dividends paid	(184)	(14)
Redemption of issued debt issues	(4,654)	(3,232)
Dividends paid to non-controlling interests	(7)	(9)
Total cash outflows applied to financing activities	(4,882)	(3,255)
Net cash flows from financing activities	4,335	1,265
Summary of movements in cash flows		
Net increase/(decrease) in cash and cash equivalents	509	(40)
Add: cash and cash equivalents at beginning of period	952	1,416
Cash and cash equivalents at end of period	1,461	1,376
Cash and cash equivalents comprise:		
Cash and liquid assets	2,221	2,281
Less: reverse repurchase agreements included in cash and liquid assets	(760)	(905)
Cash and cash equivalents at end of period	1,461	1,376
Additional operating cash flow information		
Interest received as cash	2,115	2,173
Interest paid as cash	(1,251)	(1,282)
Other income received as cash	256	226
Operating expenses paid as cash	(430)	(401)

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

Notes to the Financial Statements

For the six months ended 31 December 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 six months ended 31 December 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 six months ended 31 December 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 \$36 million have been reclassified from other income to interest income, to align with market practice. This reclassification has no impact on net profit after taxation.

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

2 Other Income

\$ millions	NZ Banking Group	
	Unaudited 31-Dec-16	Unaudited 31-Dec-15
For the six months ended		
Net fair value gain/(loss) from:		
Net fair value loss on derivatives not qualifying for hedge accounting	(1)	(1)
Hedge ineffectiveness	13	(1)
Total net fair value gain/(loss)	12	(2)
Trading income	56	51
Other operating income	216	204
Total other income	284	253

3 Financial Assets Pledged as Collateral for Liabilities

Unaudited

As at 31 December 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 31 December 2016, \$978 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 31 December 2016, the Covered Bond Trust held Mortgage Loans with a carrying value of \$5.7 billion and cash of \$179 million which have been pledged in respect of the Covered Bonds.

Notes to the Financial Statements

For the six months ended 31 December 2016

4 Advances to Customers

\$ millions	NZ Banking Group		
	Unaudited 31-Dec-16	Unaudited 31-Dec-15	Audited 30-Jun-16
As at			
Residential mortgages	50,230	45,600	47,737
Other retail	4,931	4,677	4,818
Corporate	24,440	22,367	23,210
Loans and other receivables	79,601	72,644	75,765
Fair value hedge adjustments	18	61	48
Provisions for impairment losses	(325)	(272)	(321)
Total advances to customers	79,294	72,433	75,492

5 Credit Quality Information for Advances to Customers

\$ millions	NZ Banking Group			
	Residential Mortgages ⁽¹⁾	Other Retail	Corporate	Total
As at 31 December 2016				
Unaudited				
Past due assets not impaired				
1 to 7 days	843	129	143	1,115
8 to 29 days	532	96	43	671
30 to 59 days	162	41	17	220
60 to 89 days	54	16	4	74
Over 90 days	52	20	6	78
Total past due assets not impaired	1,643	302	213	2,158
Individually impaired assets				
Balance at beginning of period	34	11	385	430
Additions	13	5	152	170
Deletions	(22)	(6)	(100)	(128)
Amounts written off	(3)	-	(10)	(13)
Total individually impaired assets	22	10	427	459
Other assets under administration	29	3	-	32

Undrawn balances on lending commitments to counterparties within the impaired asset category were \$4 million as at 31 December 2016 (31 December 2015 \$2 million, 30 June 2016 \$2 million).

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

(1) The Residential Mortgages asset class consists of mortgages which are secured by residential properties.

Notes to the Financial Statements

For the six months ended 31 December 2016

5 Credit Quality Information for Advances to Customers (continued)

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

\$ millions	NZ Banking Group			Total
	Residential Mortgages ⁽¹⁾	Other Retail	Corporate	
As at 30 June 2016				
Audited				
Past due assets not impaired				
1 to 7 days	912	162	217	1,291
8 to 29 days	460	87	54	601
30 to 59 days	194	43	14	251
60 to 89 days	72	16	10	98
Over 90 days	53	22	2	77
Total past due assets not impaired	1,691	330	297	2,318
Individually impaired assets				
Balance at beginning of year	50	9	306	365
Additions	28	8	239	275
Deletions	(38)	(4)	(149)	(191)
Amounts written off	(6)	(2)	(11)	(19)
Total individually impaired assets	34	11	385	430
Other assets under administration	32	6	-	38

(1) The Residential Mortgages asset class consists of mortgages which are secured by residential properties.

Notes to the Financial Statements

For the six months ended 31 December 2016

6 Provisions for Impairment Losses

\$ millions	NZ Banking Group			Total
	Residential Mortgages	Other Retail	Corporate	
As at 31 December 2016				
Unaudited				
Collective provision				
Balance at beginning of period	26	92	147	265
(Recovered from)/charged to Income Statement	(1)	3	5	7
Balance at end of period	25	95	152	272
Individually assessed provisions				
Balance at beginning of period	7	2	47	56
Add/(less):				
Charged to Income Statement:				
New and increased provisions	4	3	26	33
Write-back of provisions no longer required	(4)	(1)	(18)	(23)
Write-offs against individually assessed provisions	(3)	-	(10)	(13)
Balance at end of period	4	4	45	53
Total provisions for impairment losses	29	99	197	325
Impairment losses on advances				
Movement in collective provision	(1)	3	5	7
New and increased individually assessed provisions net of write-backs	-	2	8	10
Bad debts written off directly to the Income Statement	-	33	-	33
Recovery of amounts previously written off	-	(6)	(1)	(7)
Total impairment losses on advances	(1)	32	12	43

Notes to the Financial Statements

For the six months ended 31 December 2016

6 Provisions for Impairment Losses (continued)

\$ millions	NZ Banking Group			Total
	Residential Mortgages	Other Retail	Corporate	
As at 31 December 2015				
Unaudited				
Collective provision				
Balance at beginning of period	39	75	87	201
(Recovered from)/charged to Income Statement	(5)	6	19	20
Balance at end of period	34	81	106	221
Individually assessed provisions				
Balance at beginning of period	10	1	43	54
Add/(less):				
Charged to Income Statement:				
New and increased provisions	8	2	10	20
Write-back of provisions no longer required	(6)	-	(11)	(17)
Write-offs against individually assessed provisions	(4)	(1)	(1)	(6)
Balance at end of period	8	2	41	51
Total provisions for impairment losses	42	83	147	272
Impairment losses on advances				
Movement in collective provision	(5)	6	19	20
New and increased individually assessed provisions net of write-backs	2	2	(1)	3
Bad debts written off directly to the Income Statement	-	26	-	26
Recovery of amounts previously written off	(1)	(6)	(2)	(9)
Total impairment losses on advances	(4)	28	16	40

\$ millions	NZ Banking Group			Total
	Residential Mortgages	Other Retail	Corporate	
As at 30 June 2016				
Audited				
Collective provision				
Balance at beginning of year	39	75	87	201
(Recovered from)/charged to Income Statement	(13)	17	60	64
Balance at end of year	26	92	147	265
Individually assessed provisions				
Balance at beginning of year	10	1	43	54
Add/(less):				
Charged to Income Statement:				
New and increased provisions	14	4	28	46
Write-back of provisions no longer required	(11)	(1)	(13)	(25)
Write-offs against individually assessed provisions	(6)	(2)	(11)	(19)
Balance at end of year	7	2	47	56
Total provisions for impairment losses	33	94	194	321
Impairment losses on advances				
Movement in collective provision	(13)	17	60	64
New and increased individually assessed provisions net of write-backs	3	3	15	21
Bad debts written off directly to the Income Statement	-	58	-	58
Recovery of amounts previously written off	(2)	(11)	(1)	(14)
Total impairment losses on advances	(12)	67	74	129

Notes to the Financial Statements

For the six months ended 31 December 2016

7 Concentrations of Credit Exposures Unaudited

The following table presents the maximum exposure to credit risk of financial assets and other credit exposures, before taking account of any collateral held or other credit enhancements unless such credit enhancements meet the offsetting criteria in NZ IAS 32 *Financial Instruments: Presentation*.

For financial assets recognised on the Balance Sheet, the maximum exposure to credit risk equals their carrying values. Other credit exposures include irrevocable lending commitments, guarantees, standby letters of credit and other off balance sheet credit commitments. The maximum exposure to credit risk for guarantees and standby letters of credit is the maximum amount that the NZ Banking Group would have to pay if the facilities were called upon. For irrevocable lending commitments and other credit commitments, the maximum exposure to credit risk is the full amount of the committed facilities.

Taxation assets, property, plant and equipment, intangible assets, and other assets have been excluded from the analysis below, on the basis that any credit exposure is insignificant or nil.

Australian and New Zealand Standard Industrial Classification ("ANZSIC") codes have been used as the basis for disclosing customer industry sectors.

\$ millions	NZ Banking Group			
	Financial Assets at Amortised Cost	Financial Assets at Fair Value	Other Credit Exposures	Total Credit Exposures
As at 31 December 2016				
Concentration by industry				
Agriculture	10,117	22	846	10,985
Government and public authorities	386	2,146	498	3,030
Property and business services	8,267	37	1,163	9,467
Finance, investment and insurance	4,949	4,810	565	10,324
Utilities	668	36	357	1,061
Transport and storage	804	1	343	1,148
Housing	50,230	-	7,671	57,901
Construction	637	-	206	843
Personal	1,736	-	2,138	3,874
Health and community services	1,186	4	359	1,549
Other commercial and industrial	4,198	25	2,414	6,637
Total credit exposures by industry	83,178	7,081	16,560	106,819
Concentration by geographic region				
Auckland	49,203	2,223	11,750	63,176
Rest of New Zealand	31,269	1,837	4,801	37,907
Overseas	2,706	3,021	9	5,736
Total credit exposures by geographic region	83,178	7,081	16,560	106,819

8 Concentration of Credit Exposures to Individual Counterparties Unaudited

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

Notes to the Financial Statements

For the six months ended 31 December 2016

9 Deposits and Other Public Borrowings

\$ millions	NZ Banking Group		
	Unaudited 31-Dec-16	Unaudited 31-Dec-15	Audited 30-Jun-16
As at			
Certificates of deposit	2,621	2,355	2,910
Term deposits	25,525	23,126	23,097
On demand and short term deposits	24,216	24,494	25,083
Deposits not bearing interest	3,933	3,379	3,503
Repurchase agreements	-	32	-
Total deposits and other public borrowings	56,295	53,386	54,593

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

10 Debt Issues

\$ millions	NZ Banking Group		
	Unaudited 31-Dec-16	Unaudited 31-Dec-15	Audited 30-Jun-16
As at			
Debt issues at fair value through Income Statement	865	1,548	1,646
Debt issues at amortised cost	17,580	10,421	12,631
Total debt issues	18,445	11,969	14,277
Movement in debt issues			
Balance at beginning of period	14,277	11,489	11,489
Issuances during the period	8,823	4,520	10,971
Repayments during the period	(4,417)	(3,700)	(7,420)
Foreign exchange and fair value movements during the period	(238)	(340)	(763)
Balance at end of period	18,445	11,969	14,277

11 Contingent Liabilities

\$ millions	NZ Banking Group Notional Amount		
	Unaudited 31-Dec-16	Unaudited 31-Dec-15	Audited 30-Jun-16
As at			
Guarantees	143	144	146
Standby letters of credit	130	80	112
Other credit facilities	176	112	167
Total contingent liabilities	449	336	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 seriously prejudice the position of the NZ Banking Group.

Notes to the Financial Statements

For the six months ended 31 December 2016

12 Related Party Transactions and Balances

During the six months ended 31 December 2016, the NZ Banking Group has entered into, or had in place various financial transactions with members of the Overseas Banking Group, and other related parties. ASB provides administrative functions to certain subsidiaries and related companies for which no payments have been made. In all other cases, arrangements with related parties were conducted on an arm's length basis and on normal commercial terms, and within the NZ Banking Group's approved policies. Loans to and borrowings from related parties are unsecured.

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

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

\$ millions	NZ Banking Group		
	Unaudited 31-Dec-16	Unaudited 31-Dec-15	Audited 30-Jun-16
As at			
Amounts due to related parties			
Overseas Banking Group	2,248	4,258	2,444
NZ Life Group	233	261	261
Superannuation schemes and unit trusts managed by a subsidiary of ASB	747	582	656
Superannuation schemes and unit trusts managed or administered by NZ Life Group	61	4	4
Total amounts due to related parties	3,289	5,105	3,365
Amounts due from related parties			
Overseas Banking Group	1,135	476	676
NZ Life Group	4	9	7
Total amounts due from related parties	1,139	485	683

For the six months ended 31 December 2016 interest charged on balances due to the Overseas Banking Group was \$70 million (31 December 2015 \$70 million).

Notes to the Financial Statements

For the six months ended 31 December 2016

13 Fair Value of Financial Instruments

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

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

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

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

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

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

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

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

\$ millions	NZ Banking Group			Total
	Level 1	Level 2	Level 3	
As at 31 December 2016				
Unaudited				
Financial assets				
Trading securities	314	1,059	-	1,373
Derivative assets	-	1,471	-	1,471
Available-for-sale securities	3,090	1,147	-	4,237
Total financial assets measured at fair value	3,404	3,677	-	7,081
Financial liabilities				
Other liabilities at fair value through Income Statement	-	169	-	169
Derivative liabilities	-	2,279	-	2,279
Debt issues at fair value through Income Statement	-	865	-	865
Total financial liabilities measured at fair value	-	3,313	-	3,313
As at 31 December 2015				
Unaudited				
Financial assets				
Trading securities	155	341	-	496
Derivative assets	-	1,514	-	1,514
Available-for-sale securities	2,521	1,337	-	3,858
Total financial assets measured at fair value	2,676	3,192	-	5,868
Financial liabilities				
Other liabilities at fair value through Income Statement	-	815	-	815
Derivative liabilities	1	1,876	-	1,877
Debt issues at fair value through Income Statement	-	1,548	-	1,548
Total financial liabilities measured at fair value	1	4,239	-	4,240

Notes to the Financial Statements

For the six months ended 31 December 2016

13 Fair Value of Financial Instruments (continued)

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

\$ millions	NZ Banking Group			Total
	Level 1	Level 2	Level 3	
As at 30 June 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 and risks existing as at balance date.

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

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

\$ millions	Unaudited 31-Dec-16		NZ Banking Group Unaudited 31-Dec-15		Audited 30-Jun-16	
	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets						
Cash and liquid assets	2,221	2,221	2,281	2,281	1,407	1,407
Due from financial institutions	1,663	1,663	648	648	1,095	1,095
Advances to customers	79,309	79,294	72,482	72,433	75,520	75,492
Other assets	213	213	236	236	216	216
Total	83,406	83,391	75,647	75,598	78,238	78,210
Financial liabilities						
Deposits and other public borrowings	56,375	56,295	53,519	53,386	54,717	54,593
Due to financial institutions	2,342	2,319	1,966	1,967	2,229	2,229
Other liabilities	512	512	558	558	578	578
Debt issues at amortised cost	17,625	17,580	10,436	10,421	12,643	12,631
Loan capital	5,386	5,410	5,486	5,887	4,749	5,134
Total	82,240	82,116	71,965	72,219	74,916	75,165

Notes to the Financial Statements

For the six months ended 31 December 2016

14 Market Risk Capital Charges

Unaudited

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

\$ millions	NZ Banking Group			Total
	Interest Rate Risk	Foreign Currency Risk	Equity Risk	
Exposures as at 31 December 2016				
Implied risk-weighted exposure	2,324	17	-	2,341
Aggregate capital charge	186	1	-	187

\$ millions	NZ Banking Group			Total
	Interest Rate Risk	Foreign Currency Risk	Equity Risk	
Peak exposures for the six months ended 31 December 2016				
Implied risk-weighted exposure	2,744	57	-	2,801
Aggregate capital charge	220	5	-	225

15 Residential mortgages by loan-to-valuation ratio ("LVR")

Unaudited

\$ millions	NZ Banking Group			Total
	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	
LVR Range				
As at 31 December 2016				
Value of exposures	51,151	4,872	2,065	58,088
Expressed as a percentage of total exposures	88.0%	8.4%	3.6%	100.0%

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

\$ millions	NZ Banking Group
As at 31 December 2016	
Reconciliation of mortgage-related amounts	
Residential mortgages in advances to customers (refer to note 4)	50,230
Add/(less):	
Off balance sheet exposures	8,046
Unamortised loan establishment fees	(188)
Residential mortgages in LVR disclosure	58,088

Notes to the Financial Statements

For the six months ended 31 December 2016

16 Overseas Bank and Overseas Banking Group Unaudited

Capital Adequacy

The Overseas Banking Group is accredited to use the Advanced Internal Ratings Based Approach ("AIRB") for credit risk and the Advanced Measurement Approach ("AMA") for operational risk, which have been adopted in the calculation of the Overseas Banking Group's risk weighted exposures.

The 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).

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

As at	Overseas Bank		Overseas Banking Group	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Capital ratios				
Common equity tier one capital ratio	10.3%	10.7%	9.9%	10.2%
Tier one capital ratio	11.6%	12.6%	11.5%	12.2%
Total capital ratio	13.7%	14.5%	13.7%	14.1%

Overseas Banking Group

Asset quality

As at 31 December 2016

Total gross individually impaired assets	AUD3,375 million
Total individually impaired assets as a % of total assets	0.3%
Total individually assessed provisions	AUD1,017 million
Total individually assessed provisions as a % of total gross individually impaired assets	30.1%
Total collective provision	AUD2,807 million

Profitability

Net profit after taxation for the six months ended 31 December 2016	AUD4,895 million
Net profit after taxation as a % of average total assets for the year ended 31 December 2016	1.0%

Size

As at 31 December 2016

Total assets	AUD971,719 million
% change in total assets from previous 31 December	7.6%

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 \$4,630 million as at 31 December 2016 (31 December 2015 \$3,225, 30 June 2016 \$4,739 million).

Notes to the Financial Statements

For the six months ended 31 December 2016

17 Insurance Business, Marketing and Distribution of Insurance Products Unaudited

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

18 Financial Reporting by Operating Segments Unaudited

\$ millions	NZ Banking Group					Total
	Retail and Business Banking	Corporate, Commercial and Rural	Institutional Banking and Markets	Wealth and Insurance	Other	
Income Statement						
For the six months ended 31 December 2016						
Net interest earnings	575	292	9	5	(15)	866
Other income/(expense)	127	73	23	87	(26)	284
Total operating income/(expense)	702	365	32	92	(41)	1,150
Impairment losses/(recoveries) on advances	29	20	(6)	-	-	43
Segment operating expenses (excluding impairment losses)	245	125	6	41	(1)	416
Segment net profit/(loss) before taxation	428	220	32	51	(40)	691
Taxation	119	61	9	14	(10)	193
Segment net profit/(loss) after taxation	309	159	23	37	(30)	498
Balance Sheet						
As at 31 December 2016						
Total assets	51,134	28,903	3,830	144	7,270	91,281
Total liabilities	37,517	16,523	1,458	342	29,615	85,455

\$ millions	NZ Banking Group					Total
	Retail and Business Banking	Corporate, Commercial and Rural	Institutional Banking and Markets	Wealth and Insurance	Other	
Income Statement						
For the six months ended 31 December 2015						
Net interest earnings	570	276	13	6	2	867
Other income/(expense)	122	67	20	81	(37)	253
Total operating income/(expense)	692	343	33	87	(35)	1,120
Impairment losses on advances	23	18	(1)	-	-	40
Segment operating expenses (excluding impairment losses)	239	125	6	44	3	417
Segment net profit/(loss) before taxation	430	200	28	43	(38)	663
Taxation	121	56	8	12	(11)	186
Segment net profit/(loss) after taxation	309	144	20	31	(27)	477
Balance Sheet						
As at 31 December 2015						
Total assets	46,637	24,597	4,246	172	6,570	82,222
Total liabilities	35,656	14,178	2,052	326	24,247	76,459

Notes to the Financial Statements

For the six months ended 31 December 2016

18 Financial Reporting by Operating Segments (continued)

Unaudited

Retail and Business Banking:

The Retail and Business Banking segment provides services to private individuals and small business customers. In addition, net income is attributed to this segment for the distribution of wealth management products through the retail distribution network.

Corporate, Commercial and Rural:

The Corporate, Commercial and Rural segment provides services to corporate, commercial and rural customers. It also comprises the NZ Banking Group's financial markets activities, including financial instruments trading and sales of financial instruments to customers.

Institutional Banking and Markets:

Institutional Banking and Markets, services the NZ Banking Group's sophisticated corporate, institutional and government clients using a relationship management model based on industry expertise and local insights. The Total Capital Solutions offering includes debt and equity capital raising, financial and commodities price risk management and transactional banking capabilities. The New Zealand operations are part of CBA Institutional Banking and Markets' international operations.

Wealth and Insurance:

The Wealth and Insurance segment provides securities, investment and insurance services to customers.

Other primarily includes:

- business units that do not meet the definition of operating segments under NZ IFRS 8 *Operating Segments*, including the NZ Banking Group's Treasury function and other functions that supply 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.

19 Qualifying Liquid Assets

Unaudited

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

If ASB enters into a repurchase agreement with the RBNZ, the qualifying liquid assets sold under the agreement are subject to a reduction in value ("haircut") in accordance with the RBNZ's 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					
	Cash and Liquid Assets	Available for Sale Securities	Trading Securities	Advances to Customers	Other Assets	Total
As at 31 December 2016						
Cash	213	-	-	-	-	213
Call deposits with the central bank	1,248	-	-	-	-	1,248
Local authority securities	-	321	21	-	3	345
New Zealand government securities	760	1,061	313	-	10	2,144
Overseas government securities	-	425	-	-	2	427
Corporate bonds	-	475	-	-	4	479
Bank bills	-	-	1,037	-	-	1,037
Kauri bonds	-	1,603	2	-	19	1,624
Floating rate notes	-	352	-	-	1	353
Residential mortgage-backed securities	-	-	-	3,481	-	3,481
Total qualifying liquid assets	2,221	4,237	1,373	3,481	39	11,351

Notes to the Financial Statements

For the six months ended 31 December 2016

20 Interest Rate Repricing Schedule

Unaudited

The following tables include the NZ Banking Group's assets and liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The carrying amounts of derivative financial instruments, which are principally used to reduce the NZ Banking Group's exposure to interest rate movements, are included under the heading "Non-interest Bearing".

\$ millions	NZ Banking Group						Non-interest Bearing	Total
	Up to 3 Months	Over 3 Months and up to 6 Months	Over 6 Months and up to 1 Year	Over 1 Year and up to 2 Years	Over 2 Years			
As at 31 December 2016								
Assets								
Cash and liquid assets	2,048	-	-	-	-	173	2,221	
Due from financial institutions	1,660	-	-	-	-	3	1,663	
Trading securities	988	50	261	-	74	-	1,373	
Derivative assets	-	-	-	-	-	1,471	1,471	
Available-for-sale securities	528	30	448	454	2,777	-	4,237	
Advances to customers	36,225	6,759	12,079	15,299	9,058	(126)	79,294	
Other assets	-	-	-	-	-	1,022	1,022	
Total assets	41,449	6,839	12,788	15,753	11,909	2,543	91,281	
Liabilities								
Deposits and other public borrowings	35,487	8,443	5,529	1,934	969	3,933	56,295	
Due to financial institutions	1,903	-	-	-	400	16	2,319	
Other liabilities at fair value through Income Statement	169	-	-	-	-	-	169	
Derivative liabilities	-	-	-	-	-	2,279	2,279	
Other liabilities	-	-	-	-	-	538	538	
Debt issues:								
At fair value through Income Statement	865	-	-	-	-	-	865	
At amortised cost	8,488	315	1,452	1,287	6,030	8	17,580	
Loan capital	4,617	-	-	-	800	(7)	5,410	
Total liabilities	51,529	8,758	6,981	3,221	8,199	6,767	85,455	
Net derivative notionals	14,881	(2,345)	(2,489)	(11,055)	1,008	-	-	
Interest rate sensitivity gap	4,801	(4,264)	3,318	1,477	4,718	(4,224)	5,826	

Notes to the Financial Statements

For the six months ended 31 December 2016

21 Maturity Analysis for Undiscounted Contractual Cash Flows Unaudited

The following tables present the NZ Banking Group's cash flows by remaining contractual maturities as at balance date. The amounts disclosed in the tables are the contractual undiscounted cash flows and include principal and future interest cash flows, and therefore will not agree to the carrying values on the Balance Sheet.

Actual cash flows may differ significantly from the contractual cash flows presented below as a result of future actions of the NZ Banking Group and its counterparties, such as early repayments or refinancing of term loans.

The majority of the longer term advances to customers are housing loans which are likely to be repaid earlier than their contractual terms. Deposits and other public borrowings include substantial customer savings deposits and cheque accounts, which are at call. History demonstrates that such accounts provide a stable source of long term funding for the NZ Banking Group. It should be noted that the NZ Banking Group does not manage its liquidity risk on the basis of the information below.

\$ millions	NZ Banking Group						Total	Carrying Value
	On Demand	Within 6 Months	Between 6-12 Months	Between 1-2 Years	Between 2-5 Years	Over 5 Years		
As at 31 December 2016								
Non-derivative financial assets								
Cash and liquid assets	1,461	763	-	-	-	-	2,224	2,221
Due from financial institutions	984	680	-	-	-	-	1,664	1,663
Trading securities	-	1,053	255	2	73	-	1,383	1,373
Available-for-sale securities	-	306	643	700	2,294	700	4,643	4,237
Advances to customers	1,062	11,063	5,062	10,026	20,531	64,772	112,516	79,294
Other assets	-	213	-	-	-	-	213	213
Total non-derivative financial assets	3,507	14,078	5,960	10,728	22,898	65,472	122,643	89,001
Derivative financial assets								
Inflows from derivatives	-	3,546	2,474	1,947	3,328	899	12,194	
Outflows from derivatives	-	(2,848)	(2,310)	(1,707)	(3,166)	(932)	(10,963)	
	-	698	164	240	162	(33)	1,231	
Non-derivative financial liabilities								
Deposits and other public borrowings	28,118	19,959	5,594	1,977	1,001	-	56,649	56,295
Due to financial institutions	863	952	6	34	508	-	2,363	2,319
Other liabilities at fair value through Income Statement	-	171	-	-	-	-	171	169
Other liabilities	77	389	46	-	-	-	512	512
Debt issues:								
At fair value through Income Statement	-	866	-	-	-	-	866	865
At amortised cost	-	3,850	4,146	2,851	5,958	1,454	18,259	17,580
Loan capital	-	114	114	227	586	5,858	6,899	5,410
Total non-derivative financial liabilities	29,058	26,301	9,906	5,089	8,053	7,312	85,719	83,150
Derivative financial liabilities								
Inflows from derivatives	-	1,235	2,067	2,178	6,115	5,123	16,718	
Outflows from derivatives	-	(2,193)	(2,411)	(2,785)	(7,056)	(5,599)	(20,044)	
	-	(958)	(344)	(607)	(941)	(476)	(3,326)	
Off balance sheet items								
Lending commitments	12,713	3,398	-	-	-	-	16,111	
Guarantees	-	143	-	-	-	-	143	
Other contingent liabilities	-	306	-	-	-	-	306	
Total off balance sheet items	12,713	3,847	-	-	-	-	16,560	

Notes to the Financial Statements

For the six months ended 31 December 2016

22 Concentrations of Funding

Unaudited

The following tables present the NZ Banking Group's concentrations of funding, which are reported by industry and geographic region.

ANZSIC codes have been used as the basis for disclosing industry sectors.

\$ millions As at	NZ Banking Group 31-Dec-16
Total funding comprises:	
Deposits and other public borrowings	56,295
Due to financial institutions	2,319
Other liabilities at fair value through Income Statement	169
Debt issues:	
At fair value through Income Statement	865
At amortised cost	17,580
Loan capital	5,410
Total funding	82,638
Concentration by industry	
Agricultural, forestry and fishing	746
Government and public authorities	1,587
Property and business services	6,340
Finance and insurance	30,187
Utilities	232
Transport and storage	629
Personal	38,423
Other commercial and industrial	4,494
Total funding by industry	82,638
Concentration by geographic region	
New Zealand	57,571
Overseas	25,067
Total funding by geographic region	82,638

23 Events after the Reporting Period

Unaudited

On 19 January 2017 the Directors of ASB Capital Limited declared a gross perpetual preference dividend of \$2 million, being 0.8550 cents per share, including imputation credits. The cash dividend of 0.6156 cents per share was paid on 15 February 2017 to all registered holders of perpetual preference shares as at 5.00pm on 7 February 2017.

On 19 January 2017 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 cents per share was paid on 15 February 2017 to all registered holders of perpetual preference shares as at 5.00pm on 7 February 2017.

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

Independent Review Report



Independent Review Report – NZ Banking Group

To the Directors of Commonwealth Bank of Australia

Report on the Financial Statements

We have reviewed pages 1 to 22 of the half year Disclosure Statement prepared by Commonwealth Bank of Australia (the “Company”) in respect of its New Zealand business, which includes financial statements required by Clause 26 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the “Order”) and the supplementary information required by Schedules 5, 7, 9, 10, 12 and 14 of the Order. The financial statements comprise the balance sheet as at 31 December 2016, the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the six months then ended, and the notes to the financial statements that include the statement of accounting policies and selected explanatory information for the Company’s New Zealand banking group (the “NZ Banking Group”).

Directors’ Responsibility for the Financial Statements

The Directors of the Company as a body (the “Directors”) are responsible, on behalf of the Company, for the preparation and fair presentation of the half year Disclosure Statement, which includes financial statements prepared in accordance with Clause 26 of the Order and for such internal controls as the Directors determine are necessary to enable the preparation of the half year Disclosure Statement that is free from material misstatement, whether due to fraud or error.

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

Our Responsibility

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

Our responsibility is to express a conclusion on the financial statements (excluding the supplementary information) whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the financial statements have not been prepared, in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* (“NZ IAS 34”).

Our responsibility is to express a conclusion on the supplementary information (excluding the supplementary information relating to credit and market risk exposures and capital adequacy) whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information does not fairly state the matters to which it relates in accordance with Schedules 5, 7, 10, 12 and 14 of the Order.

Our responsibility is to express a conclusion on the supplementary information relating to capital adequacy whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information is not, in all material respects:

- a) prepared in accordance with the Capital Adequacy Framework (Standardised Approach) (BS2A); and
- b) disclosed in accordance with Schedule 9 of the Order.

Independent Review Report (continued)



Independent Review Report – NZ Banking Group Commonwealth Bank of Australia

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

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

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

Conclusion

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

- a) the financial statements on pages 1 to 22 (excluding the supplementary information) have not been prepared in all material respects, in accordance with NZ IAS 34; and
- b) the supplementary information prescribed by Schedules 5, 7, 10, 12 and 14 of the Order, does not fairly state the matters to which it relates in accordance with those Schedules; and
- c) the supplementary information relating to capital adequacy prescribed by Schedule 9 of the Order is not, in all material respects:
 - i. prepared in accordance with the Capital Adequacy Framework (Standardised Approach) (BS2A); and
 - ii. disclosed in accordance with Schedule 9 of the Order.

Restriction on Use of our Report

This report is made solely to the Directors. Our review work has been undertaken so that we might state to the Directors those matters which we are required to state to them in our review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors for our review procedures, for this report, or for the conclusions we have formed.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive script.

Chartered Accountants
22 February 2017

Auckland

Part B

Commonwealth Bank of Australia
New Zealand Life Insurance Group

Financial Statements

For the six months ended 31 December 2016

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Income Statement

\$ millions	Note	NZ Life Group	
		Unaudited 31-Dec-16	Unaudited 31-Dec-15
For the six months ended			
Premium income		357	345
Less: Reinsurance expense		(25)	(25)
Net premium income		332	320
Investment income	2	3	51
Other income		-	4
Total operating income		335	375
Claims expense		194	184
Less: Reinsurance recoveries		(19)	(18)
Net claims expense		175	166
Other operating expenses		141	149
Decrease in life insurance contract liabilities		(10)	(21)
Increase in life investment contract liabilities		17	1
Total operating expenses		323	295
Net profit before taxation		12	80
Taxation	3	(33)	24
Net profit after taxation		45	56

Statement of Comprehensive Income

\$ millions	NZ Life Group	
	Unaudited 31-Dec-16	Unaudited 31-Dec-15
For the six months ended		
Net profit after taxation	45	56
Other comprehensive expense, net of taxation		
Items that will not be reclassified to the Income Statement:		
Actuarial losses from defined benefit superannuation plans net of tax	(1)	-
Total other comprehensive expense, net of taxation	(1)	-
Total comprehensive income	44	56

These statements are to be read in conjunction with the notes on pages 6 to 10 and the Independent Review Report on pages 11 to 12.

Statement of Changes in Equity

\$ millions	NZ Life Group		Total Shareholders' Equity
	Contributed Capital	Retained Earnings	
For the six months ended 31 December 2016			
Unaudited			
Balance at beginning of period	1,080	182	1,262
Net profit after taxation	-	45	45
Other comprehensive expense, net of taxation	-	(1)	(1)
Total comprehensive income	-	44	44
Balance as at 31 December 2016	1,080	226	1,306
For the six months ended 31 December 2015			
Unaudited			
Balance at beginning of period	1,080	234	1,314
Net profit after taxation	-	56	56
Total comprehensive income	-	56	56
Ordinary dividend paid	-	(114)	(114)
Balance as at 31 December 2015	1,080	176	1,256

These statements are to be read in conjunction with the notes on pages 6 to 10 and the Independent Review Report on pages 11 to 12.

Balance Sheet

\$ millions	As at	Note	NZ Life Group		
			Unaudited 31-Dec-16	Unaudited 31-Dec-15	Audited 30-Jun-16
Assets					
	Cash and cash equivalents		573	539	572
	Trade and other receivables		50	54	54
	Securities		1,627	1,696	1,690
	Derivative assets		5	19	29
	Liabilities ceded under reinsurance		11	14	9
	Current taxation asset		8	-	-
	Property, plant and equipment		17	18	17
	Intangible assets		522	524	522
	Total assets		2,813	2,864	2,893
	<i>Total interest earning and discount bearing assets</i>		<i>1,427</i>	<i>1,404</i>	<i>1,445</i>
Liabilities					
	Trade and other payables		96	102	95
	Derivative liabilities		4	-	1
	Life investment contract liabilities		773	857	835
	Life insurance contract liabilities		139	159	146
	Current taxation liability		-	11	22
	Deferred taxation liability	8	495	479	532
	Total liabilities		1,507	1,608	1,631
Shareholders' equity					
	Contributed capital		1,080	1,080	1,080
	Retained earnings		226	176	182
	Total shareholders' equity		1,306	1,256	1,262
	Total liabilities and shareholders' equity		2,813	2,864	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 and the Independent Review Report on pages 11 to 12.

Condensed Cash Flow Statement

\$ millions	NZ Life Group	
	Unaudited 31-Dec-16	Unaudited 31-Dec-15
For the six months ended		
Cash flows from operating activities		
Premium and deposit premium receipts	376	363
Interest receipts	24	30
Dividend receipts	8	10
Claims, surrenders and maturities payments	(282)	(235)
Net other cash outflows used by operating activities	(187)	(167)
Net cash flows from operating activities	(61)	1
Cash flows from investing activities		
Cash inflows provided by investing activities	300	272
Cash outflows used in investing activities	(238)	(221)
Net cash flows from investing activities	62	51
Cash flows from financing activities		
Dividend paid	-	(114)
Net cash flows from financing activities	-	(114)
Summary of movements in cash flows		
Net increase/(decrease) in cash and cash equivalents	1	(62)
Add: cash and cash equivalents at beginning of period	572	601
Cash and cash equivalents at end of period	573	539
Reconciliation of net profit after taxation to net cash flows from operating activities		
Net profit after taxation	45	56
Add: non-cash items	42	(26)
Add: movements in Balance Sheet items	(148)	(29)
Net cash flows from operating activities	(61)	1

These statements are to be read in conjunction with the notes on pages 6 to 10 and the Independent Review Report on pages 11 to 12.

Notes to the Financial Statements

For the six months ended 31 December 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 six months ended 31 December 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.

Certain 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 six months ended 31 December 2016. All policies and methods of computation 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 31-Dec-16	Unaudited 31-Dec-15
For the six months ended		
Dividends	13	15
Realised and unrealised gains/(losses)	26	(8)
Total equity securities and fund certificates	39	7
Dividends	2	2
Realised and unrealised (losses)/gains	(4)	2
Total property securities	(2)	4
Interest	25	30
Realised and unrealised (losses)/gains	(59)	10
Total fixed interest securities and cash	(34)	40
Total investment income	3	51

3 Taxation

\$ millions	NZ Life Group	
	Unaudited 31-Dec-16	Unaudited 31-Dec-15
For the six months ended		
Current taxation	4	23
Deferred taxation	(37)	1
Total taxation charged to the Income Statement	(33)	24

The taxation benefit 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	12	80
Income tax at the current rate of 28% (2015 28%)	3	22
Investment income adjustments	(5)	4
Imputation credit adjustments	(1)	(1)
Movement in investment contract liabilities and adjustments	5	-
Movement in insurance contract liabilities, reserves and adjustments	(34)	(2)
Other non-deductible expenditure	-	1
Prior period adjustments	(1)	-
Total taxation charged to the Income Statement	(33)	24
Weighted average effective tax rate	(275%)	30%

Notes to the Financial Statements

For the six months ended 31 December 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 31 December 2016			
Cash and cash equivalents	571	-	571
Foreign currency deposits	2	-	2
Equity securities and fund certificates	-	697	697
Property securities	-	76	76
Government stock	-	808	808
Corporate bonds	-	26	26
Total liquid assets	573	1,607	2,180

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 31 December 2016 (31 December 2015 nil, 30 June 2016 nil).

6 Contingent Liabilities and Capital Commitments

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

7 Concentration of Credit Exposures to Individual Counterparties

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

Notes to the Financial Statements

For the six months ended 31 December 2016

8 Deferred Taxation Liability

\$ millions	Note	NZ Life Group		
		Unaudited 31-Dec-16	Unaudited 31-Dec-15	Audited 30-Jun-16
As at				
Balance at beginning of period		532	478	478
Recognised in the Income Statement	3	(37)	1	54
Total deferred taxation liability		495	479	532
Deferred taxation relates to:				
Life insurance and life investment contract liabilities		491	474	527
Other		4	5	5
Total deferred taxation liability		495	479	532
Deferred taxation recognised in the Income Statement:				
Life insurance and life investment contract liabilities		(36)	2	55
Other		(1)	(1)	(1)
Total deferred taxation recognised in the Income Statement	3	(37)	1	54

9 Related Party Transactions and Balances

During the six months ended 31 December 2016, the NZ Life Group has entered into, or had in place, various financial transactions with members of the Overseas Banking Group, and other related parties. Arrangements with related parties were conducted on an arm's length basis and on normal commercial terms, and within the NZ Life Group's approved policies. Loans to and borrowings from related parties are unsecured.

\$ millions	NZ Life Group	
	Unaudited 31-Dec-16	Unaudited 31-Dec-15
For the six months ended		
Related party transactions		
Income		
Interest received from NZ Banking Group	2	4
Interest and dividends received from Overseas Banking Group	6	6
Fees received from NZ Banking Group	1	2
	9	12
Expenses		
Paid to NZ Banking Group for administrative services	6	6
Paid to NZ Banking Group for insurance commission	21	19
	27	25

\$ millions	NZ Life Group		
	Unaudited 31-Dec-16	Unaudited 31-Dec-15	Audited 30-Jun-16
As at			
Related party balances			
Assets Overseas Banking Group			
Securities	390	332	400
Assets NZ Banking Group			
Cash and cash equivalents	227	241	231
Trade and other receivables	1	1	1
Derivative assets	5	19	29
	233	261	261
Liabilities NZ Banking Group			
Derivative liabilities	4	-	1
Other liabilities	-	9	6
	4	9	7

The NZ Life Group manages and administers investment products that are closed to new business. As at 31 December 2016 the NZ Life Group had \$846 million funds under management and administration (31 December 2015 \$933 million, 30 June 2016 \$913 million).

On 30 November 2016, the Prudential Assurance Company Limited New Zealand Pension Scheme ("the Scheme") was wound up. The Scheme was managed by Sovereign Assurance Company Limited ("SACL"), a subsidiary of ASB Group (Life) Limited. On 1 December 2016 the Scheme's assets, totalling \$3m, were transferred to SACL, and SACL issued Sovereign Superannuation Trustees Limited, the trustee of the Scheme, with annuity policies with benefits comparable to those offered by the Scheme prior to its termination.

Refer to the Statement of Changes in Equity for details of dividends paid to the shareholder.

Notes to the Financial Statements

For the six months ended 31 December 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 31 December 2016				
Unaudited				
Financial assets				
Securities				
Equity securities and fund certificates	224	473	-	697
Property securities	76	-	-	76
Fixed interest securities	820	14	-	834
Loans to policyholders	-	-	20	20
Derivative assets	-	5	-	5
Total financial assets measured at fair value	1,120	492	20	1,632
Financial liabilities				
Derivative liabilities	-	4	-	4
Life investment contract liabilities	-	773	-	773
Total financial liabilities measured at fair value	-	777	-	777
As at 31 December 2015				
Unaudited				
Financial assets				
Securities				
Equity securities and fund certificates	315	426	-	741
Property securities	90	-	-	90
Fixed interest securities	841	-	-	841
Loans to policyholders	-	-	24	24
Derivative assets	-	19	-	19
Total financial assets measured at fair value	1,246	445	24	1,715
Financial liabilities				
Life investment contract liabilities	-	857	-	857
Total financial liabilities measured at fair value	-	857	-	857

Notes to the Financial Statements

For the six months ended 31 December 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 and fund certificates	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

There were no material transfers made between the levels during the reporting period.

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

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

\$ millions	Unaudited 31-Dec-16		NZ Life Group Unaudited 31-Dec-15		Audited 30-Jun-16	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount
Financial assets						
Cash and cash equivalents	573	573	539	539	572	572
Trade and other receivables	47	47	54	54	54	54
Total financial assets	620	620	593	593	626	626
Financial liabilities						
Trade and other payables	23	23	28	28	29	29
Total financial liabilities	23	23	28	28	29	29

11 Maturity Analysis of Financial Liabilities

\$ millions	NZ Life Group						Total	Carrying Value
	On Demand	Within 6 Months	Between 6 - 12 Months	Between 1 - 2 Years	Between 2 - 5 Years	Later than 5 Years		
As at 31 December 2016								
Unaudited								
Trade and other payables	6	17	-	-	-	-	23	23
Derivative liabilities	-	4	-	-	-	-	4	4
Life investment contracts	677	2	4	8	19	92	802	773
Total financial liabilities	683	23	4	8	19	92	829	800

12 Events after the Reporting Period

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

Independent Auditor's Report



Independent Review Report – NZ Life Group

To the Directors of Commonwealth Bank of Australia

Report on the Financial Statements

We have reviewed pages 2 to 10 of the half year Disclosure Statement prepared by Commonwealth Bank of Australia (the “Company”) in respect of its New Zealand life insurance business, which includes financial statements required by Clause 26 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the “Order”) and the supplementary information required by Schedules 5, 7, 10, 12 and 14 of the Order. The financial statements comprise the balance sheet as at 31 December 2016, the income statement, the statement of comprehensive income, the statement of changes in equity and the condensed cash flow statement for the six months then ended, and the notes to the financial statements that include the statement of accounting policies and selected explanatory information for the Company’s New Zealand life insurance group (the “NZ Life Group”).

Directors’ Responsibility for the Financial Statements

The Directors of the Company as a body (the “Directors”) are responsible, on behalf of the Company, for the preparation and fair presentation of the half year Disclosure Statement, which includes financial statements prepared in accordance with Clause 26 of the Order and for such internal controls as the Directors determine are necessary to enable the preparation of the half year Disclosure Statement that is free from material misstatement, whether due to fraud or error.

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

Our Responsibility

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

Our responsibility is to express a conclusion on the financial statements (excluding the supplementary information) whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the financial statements have not been prepared, in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* (“NZ IAS 34”).

Our responsibility is to express a conclusion on the supplementary information whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information does not fairly state the matters to which it relates in accordance with Schedules 5, 7, 10, 12 and 14 of the Order.

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

Independent Auditor's Report (continued)



Independent Review Report – NZ Life Group

Commonwealth Bank of Australia

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

We are independent of the Company and the NZ Life Group. We carry out other assignments on behalf of the NZ Life Group for audit-related and other assurance services. In addition, certain partners and employees of our firm may deal with the NZ Life Group on normal terms within the ordinary course of trading activities of the NZ Life Group. These matters have not impaired our independence. We have no other interests in the NZ Life Group.

Conclusion

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

- a) the financial statements on pages 2 to 10 (excluding the supplementary information) have not been prepared in all material respects, in accordance with NZ IAS 34; and
- b) the supplementary information prescribed by Schedules 5, 7, 10, 12 and 14 of the Order, does not fairly state the matters to which it relates in accordance with those Schedules.

Restriction on Use of our Report

This report is made solely to the Directors. Our review work has been undertaken so that we might state to the Directors those matters which we are required to state to them in our review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors for our review procedures, for this report, or for the conclusions we have formed.

PricewaterhouseCoopers

Chartered Accountants
22 February 2017

Auckland