

Commonwealth Bank of Australia New Zealand Operations

Disclosure Statement

For the six months ended 31 December 2017

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Commonwealth Bank of Australia New Zealand Operations

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General Disclosures

(To be read in conjunction with the Financial Statements)

31 December 2017

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 2017 are set out in note 23 of the financial statements of the NZ Banking Group for the year ended 30 June 2017;
- 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 2017 are set out in note 15 of the financial statements of the NZ Life Group for the year ended 30 June 2017; 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 Directors

R. Whitfield was appointed as an independent non-executive director on the CBA Board with effect from 4 September 2017.

L.K. Inman retired as a director of the CBA Board with effect from 16 November 2017.

H.H. Young retired as a director of the CBA Board with effect from 16 November 2017.

There have been no other changes to the Board of Directors of CBA since the balance date for the 30 June 2017 Disclosure Statement.

3.1 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
S.M. (Shirish) Apte
Singapore
B.J. (Brian) Long
Australia
W.M. (Wendy) Stops
Australia
R. (Robert) Whitfield
Australia

I.M. (Ian) Narev (Managing Director and Chief Executive Officer)
Australia
Sir D.H. (David) Higgins
England
M.L. (Mary) Padbury
Australia
A.M. (Andrew) Mohl
Australia

New Zealand Chief Executive Officer of the Branch

V.A.J. (Vittoria) Shortt
New Zealand

General Disclosures (continued)

(To be read in conjunction with the Financial Statements)

4.0 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	Credit Rating Outlook
Moody's Investors Service Pty Limited ("Moody's")	Aa3	Stable
Standard & Poor's (Australia) Pty Limited ("S&P")	AA-	Negative
Fitch Australia Pty Limited ("Fitch Ratings")	AA-	Stable

The ratings for S&P and Fitch Ratings have remained unchanged during the 2 years immediately preceding the balance date. On 19 June 2017 Moody's downgraded the long-term credit ratings of the major Australian banks by one notch. CBA's long term rating was revised to Aa3 from Aa2 and the outlook revised to stable from 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.

5.0 Guarantee Arrangements

No material obligations of the Branch are guaranteed as at the date of signing this Disclosure Statement.

6.0 Other Material Matters

Legally Enforceable Restrictions

On 25 November 2015, the Australian Prudential Regulation Authority ("APRA") informed CBA that it will be required to reduce its non-equity exposure to ASB Bank Limited ("ASB") 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.

Australian Transaction Reports and Analysis Centre Civil Proceedings

On 3 August 2017, Australian Transaction Reports and Analysis Centre ("AUSTRAC") commenced civil penalty proceedings in the Federal Court of Australia in Sydney against CBA. The AUSTRAC statement of claim relates to alleged past and ongoing contraventions of four provisions of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) ("AML/CTF Act").

On 13 December 2017, in accordance with the Court's orders, CBA filed its defence to the AUSTRAC proceedings. In the defence filed, CBA contested a number of allegations but admitted others. Specifically CBA confirmed in its defence:

- It was late in filing 53,506 threshold transaction reports ("TTRs"), which all resulted from the same systems-related error, representing 2.3% of TTRs reported by CBA to AUSTRAC between 2012 and 2015;
- It did not adequately adhere to risk assessment requirements for Intelligent Deposit Machines ("IDMs") - but does not accept that this amounted to eight separate contraventions;
- It did not adhere to all its transaction monitoring requirements in relation to certain affected accounts;
- Admitted 91 (in whole or in part) but denied a further 83 of the allegations concerning suspicious matter reports ("SMRs"); and
- Admitted 52 (in whole or in part) but denied a further 19 allegations concerning ongoing customer due diligence requirements.

On 14 December 2017, CBA was served with an amended statement of claim from AUSTRAC, alleging further contraventions of the AML/CTF Act. The new allegations, amongst other things, increase the total number of alleged contraventions from approximately 53,700 to 53,800. They comprise:

- 6 further allegations concerning risk assessments in relation to the IDMs;
- 56 allegations concerning SMRs; and
- 38 allegations concerning ongoing customer due diligence.

General Disclosures (continued)

(To be read in conjunction with the Financial Statements)

6.0 Other Material Matters (continued)

CBA takes the allegations made by AUSTRAC very seriously and is in the process of carefully considering the amended claim. The parties have approached the Court to set a timetable for CBA to file an amended defence to address the new allegations. The proposal, yet to be agreed by the Court, is that CBA file its amended defence by 16 March 2018 and the matter be listed for a further case management hearing on 8 May 2018. No formal orders have yet been made by the Court in respect of this proposed revised timetable.

What we can say about these proceedings is limited until they have run their course. However, there is no evidence of deliberate circumvention of the law.

The actual outcome in this matter will be determined by a Court in accordance with established legal principles. A Court will ordinarily take into account a range of factors in setting penalties. One factor is the extent to which any contraventions arise from a single course of conduct. For example, AUSTRAC alleges (and CBA has admitted) that approximately 53,506 threshold transaction reports were lodged late. Late lodgement carried a penalty of up to AUD18 million during the period in issue. However, these alleged contraventions could be considered to arise from a single course of conduct to the extent that they emanated from the same error.

The Overseas Banking Group has provided for a civil penalty in the amount of AUD375 million. The Overseas Banking Group believes this to be a reliable estimate of the level of penalty that a Court may impose. This takes into account currently available information, including legal advice received by the Overseas Banking Group in relation to AUSTRAC's claim. The Overseas Banking Group has also provided for legal costs expected to be incurred.

The proceedings are complex and ongoing and other factors may arise that could affect the outcome. The penalty determined by the Court may therefore be higher or lower than the amount provided for. Ultimately, a Court will seek to ensure that, overall, any civil penalties are just and appropriate and do not exceed what is proper having regard to the totality of established contraventions.

CBA has made significant progress in strengthening its policies, systems and processes relating to its obligations under the AML/CTF Act through the Program of Action which was commenced in 2015 and is ongoing.

As CBA continues to strengthen its financial crimes compliance it will continue to work closely with regulators across those jurisdictions in which it operates. The Overseas Banking Group has provided for the costs of running the Program of Action.

Australian Securities and Investments Commission's investigation

On 11 August 2017, following the commencement of the civil proceedings against CBA by AUSTRAC, Australian Securities and Investments Commission ("ASIC") confirmed it would investigate the Overseas Banking Group's disclosure in respect of the allegations raised in connection with the AUSTRAC proceedings. ASIC is investigating, among other things, whether the officers and directors at CBA complied with their continuous disclosure obligations under the Corporations Act. CBA continues to engage with ASIC in respect of the investigation and respond to requests made by ASIC. It is currently not possible to predict the ultimate outcome of this investigation, if any, on the Overseas Banking Group. The Overseas Banking Group has provided for the costs expected to be incurred in relation to this investigation.

Shareholder Class Action

On 9 October 2017, the Overseas Banking Group was served with a class action proceeding filed in the Federal Court of Australia in Melbourne. The proceeding filed by Maurice Blackburn is on behalf of shareholders who acquired an interest in CBA's shares between 1 July 2015 and 3 August 2017 and who suffered loss as alleged in the statement of claim. It is currently not possible to determine the ultimate impact of this matter, if any, on the Overseas Banking Group. The Overseas Banking Group intends to vigorously defend this claim. CBA's defence is due to be filed on 23 February 2018 and the matter is next listed for a case management conference on 16 March 2018 when further directions will be given for the future conduct of the proceedings. The Overseas Banking Group has provided for legal costs expected to be incurred to defend this claim.

APRA's Prudential Inquiry into CBA

On 28 August 2017, APRA announced it would establish an independent prudential inquiry (the "Inquiry") into the Overseas Banking Group with the goal of identifying shortcomings in the governance, culture and accountability frameworks and whether practices within the Overseas Banking Group, and make recommendations as to how they are promptly addressed. The Inquiry will consider if the Overseas Banking Group's organisational structure, governance, financial objectives, remuneration and accountability frameworks are conflicting with sound risk management and compliance outcomes. The Inquiry is being conducted by the independent inquiry panel (the "Panel") appointed by APRA. The Panel is being provided with support by APRA, and may obtain other external expertise and advice as it sees fit. The Panel published a progress report on 1 February 2018 and currently intends to publish a final report by 30 April 2018. APRA intends to make these reports public. It is currently not possible to predict the ultimate outcome of the Inquiry, if any, on the Overseas Banking Group. The Overseas Banking Group has provided for the costs expected to be incurred in relation to the conduct of the Inquiry.

The Royal Commission

On 30 November 2017, the Government released draft terms of reference for the establishment of a Royal Commission into misconduct in the banking, superannuation and financial services industry (the "Royal Commission"). CBA will continue to monitor developments in relation to, and will fully cooperate with, the Royal Commission.

Inquiries and announcements can involve additional costs and can adversely affect investor confidence. If any changes in law are made as a result of these inquiries or announcements, those changes may adversely affect CBA's business and operations.

The Overseas Banking Group has provided for the cost expected to be incurred in relation to the conduct of the Royal Commission.

NZ Life Group

On 21 September 2017, CBA announced the sale of 100% of its life insurance businesses in Australia ("CommInsure Life") and New Zealand ("Sovereign") to AIA Group Limited ("AIA") for AUD3.8 billion. The sale agreement includes a 20-year partnership with AIA for the provision of life insurance products to customers in Australia and New Zealand. As a result of the announcement, the NZ Life Group within CBA New Zealand Operations is considered held for sale and its net assets are measured at the lower of carrying amount and fair value less costs to sell.

The Transaction is subject to certain conditions and regulatory approvals in Australia and New Zealand and is also conditional upon the transfer of CBA's equity interest in BoComm Life Insurance Company Limited out of CommInsure Life. This is expected to be completed in calendar year 2018.

ASIC Claim

On 30 January 2018, as part of the industry wide review into the trading activities of participants in the bank bill market, the ASIC filed a claim against CBA. ASIC alleges that CBA engaged in market manipulation and unconscionable conduct in relation to the Bank Bill Swap rate between January 2012 and October 2012. CBA has fully co-operated with ASIC's investigation over the last two years.

General Disclosures (continued)

(To be read in conjunction with the Financial Statements)

6.0 Other Material Matters (continued)

CBA disputes the allegations made by ASIC and accordingly has not recognised a provision. The ultimate impact for CBA, if any, remains uncertain. It is not appropriate to disclose any further information as the matter is before the courts and such information would highly likely be prejudicial to CBA's position.

7.0 Conditions of Registration

There were no changes to the Conditions of Registration between 30 June 2017 and 31 December 2017.

8.0 Name and Address for Service of Auditor

PricewaterhouseCoopers
Chartered Accountants
PwC Tower
188 Quay Street
Auckland 1010
New Zealand

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 2017:

- 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



V.A.J. Shortt
16 February 2018

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
16 February 2018

Part A

Commonwealth Bank of Australia
New Zealand Banking Group

Financial Statements

For the six months ended 31 December 2017

Income Statement

\$ millions	NZ Banking Group	
	Unaudited 31-Dec-17	Unaudited 31-Dec-16
For the six months ended	Note	
Interest income		2,147
Interest expense		2,075
Net interest earnings		927
Other income	2	284
Total operating income		1,228
Impairment losses on advances	6	43
Total operating income after impairment losses		1,219
Total operating expenses		431
Salaries and other staff expenses		264
Building occupancy and equipment expenses		57
Information technology expenses		54
Other expenses		56
Net profit before taxation		788
Taxation		221
Net profit after taxation		567
Attributable to:		
Parent company shareholders		561
Non-controlling interests		6
Net profit after taxation		567

Statement of Comprehensive Income

\$ millions	NZ Banking Group	
	Unaudited 31-Dec-17	Unaudited 31-Dec-16
For the six months ended		
Net profit after taxation	567	498
Other comprehensive income/(expense), net of taxation		
Items that may be reclassified subsequently to the Income Statement:		
Net change in available-for-sale reserve	7	2
Net change in cash flow hedge reserve	15	66
Total other comprehensive income, net of taxation	22	68
Total comprehensive income	589	566
Attributable to:		
Parent company shareholders	583	559
Non-controlling interests	6	7
Total comprehensive income	589	566

These statements are to be read in conjunction with the notes on pages 5 to 21 and the Independent Review Report from 22 to 23.

Statement of Changes in Equity

\$ millions	NZ Banking Group								
	Head Office Contribution	Contributed Capital	Asset Revaluation Reserve	Available-for-Sale Reserve	Cash Flow Hedge Reserve	Foreign Currency Translation Reserve	Retained Earnings	Non-controlling Interests	Total Shareholders' Equity
For the six months ended 31 December 2017									
Unaudited									
Balance at beginning of period	462	667	26	2	(118)	1	3,412	550	5,002
Net profit after taxation	-	-	-	-	-	-	561	6	567
Other comprehensive income	-	-	-	7	15	-	-	-	22
Total comprehensive income	-	-	-	7	15	-	561	6	589
Capital injection	2,425	-	-	-	-	-	-	-	2,425
Ordinary dividends paid	-	-	-	-	-	-	(250)	-	(250)
Perpetual preference dividends paid to non-controlling interests	-	-	-	-	-	-	-	(6)	(6)
Profit repatriation	-	-	-	-	-	-	(8)	-	(8)
Balance as at 31 December 2017	2,887	667	26	9	(103)	1	3,715	550	7,752

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

These statements are to be read in conjunction with the notes on pages 5 to 21 and the Independent Review Report from 22 to 23.

Balance Sheet

\$ millions	NZ Banking Group			
	Unaudited 31-Dec-17	Unaudited 31-Dec-16	Audited 30-Jun-17	
As at	Note			
Assets				
Cash and liquid assets		1,333	2,221	2,570
Due from financial institutions		777	1,663	947
Trading securities		3,562	1,373	1,578
Derivative assets		1,336	1,471	1,037
Available-for-sale securities		6,192	4,237	4,425
Advances to customers	4	83,502	79,294	81,232
Other assets		274	242	240
Property, plant and equipment		181	184	186
Intangible assets		460	454	453
Deferred taxation asset		145	142	160
Total assets		97,762	91,281	92,828
<i>Total interest earning and discount bearing assets</i>		<i>95,389</i>	<i>88,738</i>	<i>90,732</i>
Liabilities				
Deposits and other borrowings	9	60,740	56,295	58,147
Due to financial institutions		1,295	2,319	1,168
Other liabilities at fair value through Income Statement		1,593	169	1,065
Derivative liabilities		1,155	2,279	1,885
Current taxation liability		48	26	108
Other liabilities		530	512	592
Debt issues:				
At fair value through Income Statement	10	196	865	407
At amortised cost	10	16,971	17,580	17,273
Loan capital		7,482	5,410	7,181
Total liabilities		90,010	85,455	87,826
Shareholders' Equity				
Head office contribution		2,887	462	462
Contributed capital - ordinary shares		667	667	667
Reserves		(67)	(37)	(89)
Retained earnings		3,715	3,150	3,412
Ordinary shareholders' equity		7,202	4,242	4,452
Contributed capital - redeemable preference shares		-	1,034	-
Non-controlling interests		550	550	550
Total shareholders' equity		7,752	5,826	5,002
Total liabilities and shareholders' equity		97,762	91,281	92,828
<i>Total interest and discount bearing liabilities</i>		<i>83,653</i>	<i>78,688</i>	<i>81,227</i>

These statements are to be read in conjunction with the notes on pages 5 to 21 and the Independent Review Report from 22 to 23.

Cash Flow Statement

\$ millions	NZ Banking Group	
	Unaudited 31-Dec-17	Unaudited 31-Dec-16
For the period ended		
Cash flows from operating activities		
Net profit before taxation	788	691
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	16	17
Amortisation of intangible assets	24	21
Net change in provisions for impairment losses	16	51
Net change in fair value of financial instruments and hedged items	(46)	(298)
Other movements	37	11
Net (increase)/decrease in operating assets:		
Net change in reverse repurchase agreements	1,117	(305)
Net change in due from financial institutions	170	(568)
Net change in trading securities	(1,989)	(301)
Net change in available-for-sale securities	(1,758)	219
Net change in advances to customers	(2,323)	(3,918)
Net change in other assets	(35)	1
Net increase/(decrease) in operating liabilities:		
Net change in deposits and other borrowings	2,515	1,714
Net change in due to financial institutions	123	87
Net change in other liabilities at fair value through Income Statement	527	(1,168)
Net change in other liabilities	(59)	(50)
Net taxation paid	(274)	(224)
Net cash flows from operating activities	(1,151)	(4,020)
Cash flows from investing activities		
Cash was provided from:		
Proceeds from sale of property, plant and equipment	3	7
Total cash inflows provided from investing activities	3	7
Cash was applied to:		
Purchase of property, plant and equipment	(16)	(17)
Purchase of intangible assets	(31)	(33)
Total cash outflows applied to investing activities	(47)	(50)
Net cash flows from investing activities	(44)	(43)
Cash flows from financing activities		
Cash was provided from:		
Issue of loan capital (net of issue costs)	(6)	394
Issue of debt securities (net of issue costs)	4,188	8,823
Head office contribution	2,425	-
Total cash inflows provided from financing activities	6,607	9,217
Cash was applied to:		
Repurchase of ordinary share capital	-	(37)
Dividends paid	(250)	(184)
Redemption of issued debt issues	(5,276)	(4,417)
Dividends paid to non-controlling interests	(6)	(7)
Total cash outflows applied to financing activities	(5,532)	(4,645)
Net cash flows from financing activities	1,075	4,572
Summary of movements in cash flows		
Net (decrease)/increase in cash and cash equivalents	(120)	509
Add: cash and cash equivalents at beginning of period	1,414	952
Cash and cash equivalents at end of period	1,294	1,461
Cash and cash equivalents comprise:		
Cash and liquid assets	1,333	2,221
Less: reverse repurchase agreements included in cash and liquid assets	(39)	(760)
Cash and cash equivalents at end of period	1,294	1,461
Additional operating cash flow information		
Interest received as cash	2,141	2,115
Interest paid as cash	(1,204)	(1,251)
Other income received as cash	267	256
Operating expenses paid as cash	(436)	(430)

These statements are to be read in conjunction with the notes on pages 5 to 21 and the Independent Review Report from 22 to 23.

Notes to the Financial Statements

For the six months ended 31 December 2017

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 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 5 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 2017 (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 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 2017. These financial statements also comply with IAS 34.

The financial statements are presented in New Zealand dollars, which is the functional and presentation currency of the entities within the NZ Banking Group. All amounts contained in this Disclosure Statement are presented in millions, unless otherwise stated.

All policies have been applied on a basis consistent with that used in the financial year ended 30 June 2017.

Changes to Comparatives

Cash Flow Statement

Certain comparatives have been reclassified in the Cash Flow Statement to ensure consistency with the presentation in the current period. Cash flows in relation to fair value movements of financial instruments and hedged items are now included in operating activities rather than financing activities. The reclassification was made to better reflect the Banking Group's cash flows from financing activities and has no effect on the Balance Sheet or the Income Statement.

The following amounts have been restated for the period ended 31 December 2016:

\$ millions	NZ Banking Group	
	Reported	Restated
Net cash flows from operating activities	(3,783)	(4,020)
Net cash flows from financing activities	4,335	4,572

Other comparatives

Other comparative information has been reclassified or restated to ensure consistency with presentation in the current period. Significant changes have been footnoted throughout the financial statements. These reclassifications and restatements have no impact on net profit after taxation.

2 Other Income

\$ millions	NZ Banking Group	
	Unaudited 31-Dec-17	Unaudited 31-Dec-16
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	6	13
Total net fair value gain	5	12
Trading income	58	56
Other operating income	238	216
Total other income	301	284

Notes to the Financial Statements

For the six months ended 31 December 2017

3 Financial Assets Pledged as Collateral for Liabilities Unaudited

As at 31 December 2017, 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 2017, \$393 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 2017, the Covered Bond Trust held Mortgage Loans with a carrying value of \$5.9 billion and cash of \$142 million which have been pledged in respect of the Covered Bonds.

4 Advances to Customers

\$ millions	NZ Banking Group		
	Unaudited 31-Dec-17	Unaudited 31-Dec-16	Audited 30-Jun-17
As at			
Residential mortgages	52,580	50,230	51,128
Other retail	5,111	4,931	5,026
Corporate	26,110	24,440	25,395
Loans and other receivables	83,801	79,601	81,549
Fair value hedge adjustments	-	18	-
Provisions for impairment losses	(299)	(325)	(317)
Total advances to customers	83,502	79,294	81,232

5 Credit Quality Information for Advances to Customers

\$ millions	NZ Banking Group			
	Residential Mortgages	Other Retail	Corporate	Total
As at 31 December 2017				
Unaudited				
Past due assets not impaired				
1 to 7 days	745	115	164	1,024
8 to 29 days	582	98	49	729
30 to 59 days	205	49	13	267
60 to 89 days	80	24	4	108
90 days and over	63	22	1	86
Total past due assets not impaired	1,675	308	231	2,214
Individually impaired assets				
Balance at beginning of period	20	6	358	384
Additions	11	4	241	256
Deletions	(13)	(2)	(97)	(112)
Amounts written off	(1)	(1)	(5)	(7)
Total individually impaired assets	17	7	497	521
Other assets under administration	28	3	4	35

Undrawn balances on lending commitments to counterparties within the impaired asset category were \$7 million as at 31 December 2017 (31 December 2016 \$4 million, 30 June 2017 \$4 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.

Notes to the Financial Statements

For the six months ended 31 December 2017

5 Credit Quality Information for Advances to Customers (continued)

\$ millions	NZ Banking Group			Total
	Residential Mortgages	Other Retail	Corporate	
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
90 days and over	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

\$ millions	NZ Banking Group			Total
	Residential Mortgages	Other Retail	Corporate	
As at 30 June 2017				
Audited				
Past due assets not impaired				
1 to 7 days	1,160	183	240	1,583
8 to 29 days	506	92	21	619
30 to 59 days	189	47	10	246
60 to 89 days	55	15	3	73
90 days and over	59	22	15	96
Total past due assets not impaired	1,969	359	289	2,617
Individually impaired assets				
Balance at beginning of year	34	11	385	430
Additions	16	5	168	189
Deletions	(26)	(9)	(181)	(216)
Amounts written off	(4)	(1)	(14)	(19)
Total individually impaired assets	20	6	358	384
Other assets under administration	29	2	-	31

Notes to the Financial Statements

For the six months ended 31 December 2017

6 Provisions for Impairment Losses

\$ millions	NZ Banking Group			Total
	Residential Mortgages	Other Retail	Corporate	
As at 31 December 2017				
Unaudited				
Collective provision				
Balance at beginning of period	31	95	136	262
(Recovered from)/charged to Income Statement	(1)	3	(18)	(16)
Balance at end of period	30	98	118	246
Individually assessed provisions				
Balance at beginning of period	4	3	48	55
Add/(less):				
Charged to Income Statement:				
New and increased provisions	2	1	21	24
Write-back of provisions no longer required	(2)	(1)	(22)	(25)
Write-offs against individually assessed provisions	(1)	(1)	(5)	(7)
Add: Write-back of provisions on guarantee	-	-	6	6
Balance at end of period	3	2	48	53
Total provisions for impairment losses	33	100	166	299
Impairment losses on advances				
Movement in collective provision	(1)	3	(18)	(16)
New and increased individually assessed provisions net of write-backs	-	-	(1)	(1)
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)	30	(20)	9

Notes to the Financial Statements

For the six months ended 31 December 2017

6 Provisions for Impairment Losses (continued)

\$ 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

\$ millions	NZ Banking Group			Total
	Residential Mortgages	Other Retail	Corporate	
As at 30 June 2017				
Audited				
Collective provision				
Balance at beginning of year	26	92	147	265
Charged to/(recovered from) Income Statement	5	3	(11)	(3)
Balance at end of year	31	95	136	262
Individually assessed provisions				
Balance at beginning of year	7	2	47	56
Add/(less):				
Charged to Income Statement:				
New and increased provisions	8	4	28	40
Write-back of provisions no longer required	(7)	(2)	(13)	(22)
Write-offs against individually assessed provisions	(4)	(1)	(14)	(19)
Balance at end of year	4	3	48	55
Total provisions for impairment losses	35	98	184	317
Impairment losses on advances				
Movement in collective provision	5	3	(11)	(3)
New and increased individually assessed provisions net of write-backs	1	2	15	18
Bad debts written off directly to the Income Statement	1	68	-	69
Recovery of amounts previously written off	(2)	(12)	(4)	(18)
Total impairment losses on advances	5	61	-	66

Notes to the Financial Statements

For the six months ended 31 December 2017

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, on the basis that any credit exposure is insignificant or nil.

Concentrations of credit arise when a number of customers are engaged in similar business activities or activities within the same geographic region, or when they have similar risk characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Australian and New Zealand Standard Industrial Classification ("ANZSIC") codes have been used as the basis for disclosing customer industry sectors. The significant categories shown are in line with the level one New Zealand Standard Industry Output Categories ("NZSIOC"), except that Agriculture is shown separately as required by the Order.

The industry and geographical classifications presented in the following table have changed from those previously reported to align disclosure with Reserve Bank statistical reporting requirements.

\$ millions	NZ Banking Group			
	Financial Assets at Amortised Cost	Financial Assets at Fair Value	Other Credit Exposures	Total Credit Exposures
As at 31 December 2017				
Concentration by industry				
Agriculture	10,212	-	801	11,013
Forestry and fishing, agriculture services	227	-	68	295
Manufacturing	1,413	11	740	2,164
Electricity, Gas, Water and Waste Services	520	32	331	883
Construction	508	-	266	774
Wholesale Trade	888	5	318	1,211
Retail Trade and Accommodation	1,222	1	340	1,563
Transport, Postal and Warehousing	913	-	507	1,420
Financial and Insurance Services	2,995	6,705	156	9,856
Rental, Hiring and Real Estate Services	29,604	-	1,496	31,100
Professional, Scientific, Technical, Administrative and Support Services	499	1	328	828
Public Administration and Safety	18	4,334	300	4,652
Education and Training	364	-	131	495
Health Care and Social Assistance	1,540	-	398	1,938
Arts, Recreation and Other Services	316	1	207	524
Households	34,143	-	9,825	43,968
All other	230	-	158	388
Total credit exposures by industry	85,612	11,090	16,370	113,072
Concentration by geographic region				
Auckland	42,602	1,889	9,700	54,191
Rest of New Zealand	41,566	4,249	6,484	52,299
Overseas	1,444	4,952	186	6,582
Total credit exposures by geographic region	85,612	11,090	16,370	113,072

Notes to the Financial Statements

For the six months ended 31 December 2017

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 2017. For the three months ended 31 December 2017, 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 2017.

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 2017, which is the most recent publicly disclosed amount.

9 Deposits and Other Borrowings

\$ millions	NZ Banking Group		
	Unaudited 31-Dec-17	Unaudited 31-Dec-16	Audited 30-Jun-17
As at			
Certificates of deposit	2,374	2,621	2,528
Term deposits	30,664	25,525	28,748
On demand and short term deposits	23,041	24,216	22,805
Deposits not bearing interest	4,661	3,933	4,037
Repurchase agreements	-	-	29
Total deposits and other borrowings	60,740	56,295	58,147

As at 31 December 2017 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-17	Unaudited 31-Dec-16	Audited 30-Jun-17
As at			
Debt issues at fair value through Income Statement	196	865	407
Debt issues at amortised cost	16,971	17,580	17,273
Total debt issues	17,167	18,445	17,680
Movement in debt issues			
Balance at beginning of period	17,680	14,277	14,277
Issuances during the period	4,188	8,823	12,831
Repayments during the period	(5,276)	(4,417)	(9,136)
Foreign exchange and fair value movements during the period	575	(238)	(292)
Balance at end of period	17,167	18,445	17,680

11 Contingent Liabilities

\$ millions	NZ Banking Group Notional Amount		
	Unaudited 31-Dec-17	Unaudited 31-Dec-16	Audited 30-Jun-17
As at			
Guarantees	192	143	166
Standby letters of credit	126	130	119
Other credit facilities	193	176	186
Total contingent liabilities	511	449	471

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.

Notes to the Financial Statements

For the six months ended 31 December 2017

12 Related Party Transactions and Balances

During the six months ended 31 December 2017 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 some subsidiaries and related companies for which no compensation has been received. In all other cases, arrangements with related parties were conducted on an arm's length basis and on normal commercial terms, and within the NZ Banking Group's approved policies. Loans to and borrowings from related parties are unsecured.

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

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

\$ millions	NZ Banking Group		
	Unaudited 31-Dec-17	Unaudited 31-Dec-16	Audited 30-Jun-17
As at			
Amounts due to related parties			
Overseas Banking Group	730	2,248	1,405
NZ Life Group	249	233	224
Superannuation schemes and unit trusts managed by a subsidiary of ASB	905	747	780
Superannuation schemes and unit trusts managed or administered by NZ Life Group	-	61	3
Total amounts due to related parties	1,884	3,289	2,412
Amounts due from related parties			
Overseas Banking Group	693	1,135	615
NZ Life Group	-	4	1
Superannuation schemes and unit trusts managed by a subsidiary of ASB ⁽¹⁾	13	9	10
Total amounts due from related parties	706	1,148	626

(1) Certain comparative information has been restated to ensure consistency with presentation in the current period.

For the six months ended 31 December 2017 interest charged on balances due to the Overseas Banking Group was \$46 million (31 December 2016 \$70 million).

Notes to the Financial Statements

For the six months ended 31 December 2017

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 2017				
Unaudited				
Financial assets				
Trading securities	2,663	899	-	3,562
Derivative assets	-	1,336	-	1,336
Available-for-sale securities	5,828	364	-	6,192
Total financial assets measured at fair value	8,491	2,599	-	11,090
Financial liabilities				
Other liabilities at fair value through Income Statement	-	1,593	-	1,593
Derivative liabilities	-	1,155	-	1,155
Debt issues at fair value through Income Statement	-	196	-	196
Total financial liabilities measured at fair value	-	2,944	-	2,944
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

Notes to the Financial Statements

For the six months ended 31 December 2017

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 2017				
Audited				
Financial assets				
Trading securities	776	802	-	1,578
Derivative assets	-	1,037	-	1,037
Available-for-sale securities	4,033	392	-	4,425
Total financial assets measured at fair value	4,809	2,231	-	7,040
Financial liabilities				
Other liabilities at fair value through Income Statement	-	1,065	-	1,065
Derivative liabilities	1	1,884	-	1,885
Debt issues at fair value through Income Statement	-	407	-	407
Total financial liabilities measured at fair value	1	3,356	-	3,357

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-17		NZ Banking Group Unaudited 31-Dec-16		Audited 30-Jun-17	
	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets						
Cash and liquid assets	1,333	1,333	2,221	2,221	2,570	2,570
Due from financial institutions	777	777	1,663	1,663	947	947
Advances to customers	83,522	83,502	79,309	79,294	81,150	81,232
Other assets	250	250	213	213	220	220
Total	85,882	85,862	83,406	83,391	84,887	84,969
Financial liabilities						
Deposits and other borrowings	60,818	60,740	56,375	56,295	58,228	58,147
Due to financial institutions	1,295	1,295	2,342	2,319	1,168	1,168
Other liabilities	530	530	512	512	592	592
Debt issues at amortised cost	17,117	16,971	17,625	17,580	17,355	17,273
Loan capital	7,651	7,482	5,386	5,410	7,239	7,181
Total	87,411	87,018	82,240	82,116	84,582	84,361

Notes to the Financial Statements

For the six months ended 31 December 2017

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			
	Interest Rate Risk	Foreign Currency Risk	Equity Risk	Total
Exposures as at 31 December 2017				
Implied risk-weighted exposure	2,766	197	-	2,963
Aggregate capital charge	221	16	-	237

\$ millions	NZ Banking Group			
	Interest Rate Risk	Foreign Currency Risk	Equity Risk	Total
Peak exposures for the six months ended 31 December 2017				
Implied risk-weighted exposure	2,800	234	-	3,034
Aggregate capital charge	224	19	-	243

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

Unaudited

\$ millions	NZ Banking Group			
	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
LVR Range				
As at 31 December 2017				
Value of exposures	55,815	3,048	1,518	60,381
Expressed as a percentage of total exposures	92.4%	5.1%	2.5%	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 2017	
Reconciliation of mortgage-related amounts	
Residential mortgages in advances to customers (refer to note 4)	52,580
Add/(less):	
Off balance sheet exposures	7,963
Unamortised loan establishment fees and expenses	(162)
Residential mortgages in LVR disclosure	60,381

Notes to the Financial Statements

For the six months ended 31 December 2017

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 2017 the minimum capital requirements were met.

As at	Overseas Bank		Overseas Banking Group	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Capital ratios				
Common equity tier one capital ratio	11.1%	10.3%	10.4%	9.9%
Tier one capital ratio	12.8%	11.6%	12.4%	11.5%
Total capital ratio	15.2%	13.7%	14.8%	13.7%

Overseas Banking Group

Asset quality

As at 31 December 2017

Total gross individually impaired assets	AUD3,367 million
Total individually impaired assets as a % of total assets	0.4%
Total individually assessed provisions	AUD978 million
Total individually assessed provisions as a % of total gross individually impaired assets	29.0%
Total collective provision	AUD2,772 million

Profitability

Net profit after taxation for the six months ended 31 December 2017	AUD4,906 million
Net profit after taxation as a % of average total assets for the year ended 31 December 2017	1.0%

Size

As at 31 December 2017

Total assets	AUD961,930 million
% change in total assets from previous 31 December	-1.0%

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 \$6,720 million as at 31 December 2017 (31 December 2016 \$4,630, 30 June 2017 \$6,400 million).

Notes to the Financial Statements

For the six months ended 31 December 2017

17 Insurance Business, Marketing and Distribution of Insurance Products Unaudited

The NZ Banking Group does not conduct any insurance business. However, certain general, travel 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 Banking	Business Banking	Institutional Banking and Markets	Private Banking, Wealth and Insurance	Other	
Income Statement						
For the six months ended 31 December 2017						
Net interest earnings	499	412	5	25	(14)	927
Other income/(loss)	133	73	27	103	(35)	301
Total operating income/(loss)	632	485	32	128	(49)	1,228
Impairment losses/(recoveries) on advances	31	(5)	(16)	-	(1)	9
Segment operating expenses (excluding impairment losses)	197	165	7	61	1	431
Segment net profit/(loss) before taxation	404	325	41	67	(49)	788
Taxation	113	91	12	19	(14)	221
Segment net profit/(loss) after taxation	291	234	29	48	(35)	567

Balance Sheet

As at 31 December 2017

	Retail Banking	Business Banking	Institutional Banking and Markets	Private Banking, Wealth and Insurance	Other	Total
Total assets	41,936	38,426	3,201	2,246	11,953	97,762
Total liabilities	33,261	20,022	1,692	3,979	31,056	90,010

\$ millions	NZ Banking Group					Total
	Retail Banking	Business Banking	Institutional Banking and Markets	Private Banking, Wealth and Insurance	Other	
Income Statement⁽¹⁾						
For the six months ended 31 December 2016						
Net interest earnings	465	378	9	22	(8)	866
Other income/(loss)	125	69	23	90	(23)	284
Total operating income/(loss)	590	447	32	112	(31)	1,150
Impairment losses on advances	26	23	(6)	-	-	43
Segment operating expenses (excluding impairment losses)	195	162	6	55	(2)	416
Segment net profit/(loss) before taxation	369	262	32	57	(29)	691
Taxation	103	73	9	16	(8)	193
Segment net profit/(loss) after taxation	266	189	23	41	(21)	498

Balance Sheet⁽¹⁾

As at 31 December 2016

	Retail Banking	Business Banking	Institutional Banking and Markets	Private Banking, Wealth and Insurance	Other	Total
Total assets	40,619	37,682	3,830	1,895	7,255	91,281
Total liabilities	31,581	19,734	1,458	3,068	29,614	85,455

(1) The basis of segmentation has changed from 1 July 2017. Private Banking has been merged into the Wealth and Insurance segment and Business Banking has been merged into the Corporate Commercial and Rural segment. Both Private Banking and Business Banking were previously reported under the Retail and Business Banking segment. As a result of this restructure, the Retail and Business Banking segment has been renamed Retail Banking, the Corporate, Commercial and Rural segment has been renamed Business Banking, and the Wealth and Insurance segment has been renamed Private Banking, Wealth and Insurance. The basis of segmentation disclosed at 31 December 2017 follows reporting to the Chief Operating Decision Maker at that date.

Notes to the Financial Statements

For the six months ended 31 December 2017

18 Financial Reporting by Operating Segments (continued)

Unaudited

Retail Banking:

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

Business Banking:

The Business Banking segment provides services to corporate, commercial, rural and small business customers. It also comprises ASB'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.

Private Banking, Wealth and Insurance:

The Private Banking, Wealth and Insurance segment provides securities, investment and insurance services to customers, and a personalised banking service to high net worth individuals.

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. Other than the residential mortgage-backed securities, 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 2017						
Cash	165	-	-	-	-	165
Call deposits with the central bank	1,129	-	-	-	-	1,129
Local authority securities	-	222	21	-	2	245
New Zealand government securities	39	984	492	-	17	1,532
Overseas government securities	-	2,337	-	-	9	2,346
Corporate bonds	-	967	-	-	6	973
Treasury bills	-	-	62	-	-	62
RBNZ Bills	-	-	2,062	-	-	2,062
Bank bills	-	-	899	-	-	899
Kauri bonds	-	1,682	26	-	20	1,728
Residential mortgage-backed securities	-	-	-	3,645	-	3,645
Total qualifying liquid assets	1,333	6,192	3,562	3,645	54	14,786

Notes to the Financial Statements

For the six months ended 31 December 2017

20 Interest Rate Repricing Schedule

Unaudited

The following tables include the NZ Banking Group's assets and liabilities at their carrying amounts. The repricing gaps are based upon contractual repricing. 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 2017								
Assets								
Cash and liquid assets	1,211	-	-	-	-	122	1,333	
Due from financial institutions	777	-	-	-	-	-	777	
Trading securities	2,986	13	49	514	-	-	3,562	
Derivative assets	-	-	-	-	-	1,336	1,336	
Available-for-sale securities	685	-	128	1,104	4,275	-	6,192	
Advances to customers	37,836	7,813	15,114	14,955	7,929	(145)	83,502	
Other assets	-	-	-	-	-	1,060	1,060	
Total assets	43,495	7,826	15,291	16,573	12,204	2,373	97,762	
Liabilities								
Deposits and other borrowings	38,241	10,336	4,581	2,037	884	4,661	60,740	
Due to financial institutions	1,276	-	-	-	-	19	1,295	
Other liabilities at fair value through Income Statement	1,355	238	-	-	-	-	1,593	
Derivative liabilities	-	-	-	-	-	1,155	1,155	
Other liabilities	-	-	-	-	-	578	578	
Debt issues:								
At fair value through Income Statement	57	-	139	-	-	-	196	
At amortised cost	6,170	-	1,380	602	8,863	(44)	16,971	
Loan capital	6,694	-	-	400	400	(12)	7,482	
Total liabilities	53,793	10,574	6,100	3,039	10,147	6,357	90,010	
Net derivative notionals	13,767	(5,073)	(791)	(10,996)	3,093	-	-	
Interest rate sensitivity gap	3,469	(7,821)	8,400	2,538	5,150	(3,984)	7,752	

Notes to the Financial Statements

For the six months ended 31 December 2017

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 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 2017								
Non-derivative financial assets								
Cash and liquid assets	1,294	39	-	-	-	-	1,333	1,333
Due from financial institutions	396	382	-	-	-	-	778	777
Trading securities	-	3,025	56	501	-	-	3,582	3,562
Available-for-sale securities	-	538	232	1,258	2,456	2,441	6,925	6,192
Advances to customers	1,103	12,888	5,380	10,051	22,610	59,169	111,201	83,502
Other assets	-	250	-	-	-	-	250	250
Total non-derivative financial assets	2,793	17,122	5,668	11,810	25,066	61,610	124,069	95,616
Derivative financial assets								
Inflows from derivatives	-	2,570	2,612	1,137	10,984	5,308	22,611	
Outflows from derivatives	-	(2,161)	(2,436)	(1,175)	(11,016)	(5,196)	(21,984)	
	-	409	176	(38)	(32)	112	627	
Non-derivative financial liabilities								
Deposits and other borrowings	27,702	25,776	4,639	2,080	914	-	61,111	60,740
Due to financial institutions	820	477	-	-	-	-	1,297	1,295
Other liabilities at fair value through Income Statement	-	1,608	-	-	-	-	1,608	1,593
Other liabilities	80	433	10	7	-	-	530	530
Debt issues:								
At fair value through Income Statement	-	58	141	-	-	-	199	196
At amortised cost	-	3,046	2,749	1,453	7,112	3,517	17,877	16,971
Loan capital	-	151	151	303	908	7,747	9,260	7,482
Total non-derivative financial liabilities	28,602	31,549	7,690	3,843	8,934	11,264	91,882	88,807
Derivative financial liabilities								
Inflows from derivatives	-	1,409	1,253	1,068	4,573	1,997	10,300	
Outflows from derivatives	-	(2,037)	(1,490)	(1,251)	(4,880)	(2,155)	(11,813)	
	-	(628)	(237)	(183)	(307)	(158)	(1,513)	
Off balance sheet items								
Lending commitments	12,554	3,305	-	-	-	-	15,859	
Guarantees	-	192	-	-	-	-	192	
Other contingent liabilities	-	319	-	-	-	-	319	
Total off balance sheet items	12,554	3,816	-	-	-	-	16,370	

Notes to the Financial Statements

For the six months ended 31 December 2017

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. The significant categories shown are in line with the NZSIOC.

The industry and geographical classifications presented in the following table have changed from those previously reported to align disclosure with Reserve Bank statistical reporting requirements.

\$ millions As at	NZ Banking Group 31-Dec-17
Total funding comprises:	
Deposits and other borrowings	60,740
Due to financial institutions	1,295
Other liabilities at fair value through Income Statement	1,593
Debt issues:	
At fair value through Income Statement	196
At amortised cost	16,971
Loan capital	7,482
Total funding	88,277
Concentration by industry	
Agricultural, forestry and fishing	1,026
Manufacturing	671
Construction	719
Wholesale trade	560
Retail trade and accommodation	1,189
Transport, postal and warehousing	659
Information media and telecommunications	281
Financial and insurance services	32,739
Rental, hiring and real estate services	2,859
Professional, scientific, technical, administrative and support services	4,312
Public administration and safety	623
Education and training	1,402
Health care and social assistance	924
Arts, recreation and other services	1,659
Households	38,332
All other	322
Total funding by industry	88,277
Concentration by geographic region	
New Zealand	59,574
Overseas	28,703
Total funding by geographic region	88,277

23 Events after the Reporting Period

Unaudited

On 17 January 2018, ASB entered into an agreement to sell its 25% shareholding in Paymark Limited to Ingenico Group. The investment in the associate is considered held for sale and is measured at the lower of carrying amount and fair value less costs to sell. The transaction is subject to regulatory consents.

On 17 January 2018 the Directors of ASB Capital Limited declared a quarterly gross perpetual preference dividend of \$1 million, being 0.8250 cents per share, including imputation credits. The cash dividend of 0.5940 cents per share was paid on 15 February 2018 to all registered holders of perpetual preference shares as at 5.00pm on 5 February 2018.

On 17 January 2018 the Directors of ASB Capital No.2 Limited declared a quarterly gross perpetual preference dividend of \$2 million, being 0.7575 cents per share, including imputation credits. The cash dividend of 0.5454 cents per share was paid on 15 February 2018 to all registered holders of perpetual preference shares as at 5.00pm on 5 February 2018.

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

Independent Review Report



Independent Review Report – New Zealand Banking Group

To the Directors of Commonwealth Bank of Australia

Report on the Financial Statements

We have reviewed pages 1 to 21 of the Disclosure Statement for the six months ended 31 December 2017 of Commonwealth Bank of Australia (the “Company”) in respect of the New Zealand Banking Group (the “NZ Banking Group”), which includes the interim 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 2017, 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 and supplementary information for the NZ Banking Group.

Directors’ Responsibility for the Financial Statements

The Directors of the Company (the “Directors”) are responsible on behalf of the Company, for the preparation and fair presentation of the 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 financial statements that are 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 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 financial statements including 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;
- 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) and International Accounting Standard 34: *Interim Financial Reporting* (IAS 34);
- 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; and
- 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 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.

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Independent Review Report (continued)



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). As auditor of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review 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 the financial statements.

We are independent of the Company and the NZ Banking Group. Our firm carries out other assignments for the New Zealand branch of the Company (the "NZ Branch") and the NZ Banking Group with respect to assurance over compliance with regulations and internal controls where the NZ Banking Group acts as a service organisation, audit related agreed upon procedure engagements and an NZ IFRS 9 *Financial Instruments* scenario testing advisory engagement. In addition, certain partners and employees of our firm may deal with the NZ Branch and the NZ Banking Group on normal terms within the ordinary course of trading activities of the NZ Branch and the NZ Banking Group. These matters have not impaired our independence as auditor of the NZ Branch and the NZ Banking Group. We have no other interests in the NZ Branch or the NZ Banking Group.

Conclusion

We have examined the financial statements including the supplementary information and based on our review, nothing has come to our attention that causes us to believe that:

- a) the financial statements on pages 1 to 21 (excluding the supplementary information) have not been prepared in all material respects, in accordance with NZ IAS 34 and IAS 34;
- 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 credit and market risk exposures and 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.

For and on behalf of:

A handwritten signature in black ink, appearing to read 'Priscilla Haselopas', written in a cursive style.

Chartered Accountants
16 February 2018

Auckland

Part B

Commonwealth Bank of Australia
New Zealand Life Insurance Group

Financial Statements

For the six months ended 31 December 2017

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Income Statement

\$ millions		NZ Life Group	
		Unaudited 31-Dec-17	Unaudited 31-Dec-16
For the six months ended			
	Note		
Premium income		358	357
Less: Reinsurance expense		(25)	(25)
Net premium income		333	332
Investment income	2	100	3
Other income		3	-
Total operating income		436	335
Claims expense		192	194
Less: Reinsurance recoveries		(18)	(19)
Net claims expense		174	175
Other operating expenses		138	141
Decrease in life insurance contract liabilities		(1)	(10)
Increase in life investment contract liabilities		43	17
		354	323
Net profit before taxation		82	12
Taxation expense/(benefit)	3	28	(33)
Net profit after taxation		54	45

Statement of Comprehensive Income

\$ millions	NZ Life Group	
	Unaudited 31-Dec-17	Unaudited 31-Dec-16
For the six months ended		
Net profit after taxation	54	45
Other comprehensive expense, net of taxation		
Items that will not be reclassified to the Income Statement:		
Remeasurement of defined benefit plans net of tax	-	(1)
Total other comprehensive expense, net of taxation	-	(1)
Total comprehensive income	54	44

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 2017			
Unaudited			
Balance at beginning of period	1,080	203	1,283
Net profit after taxation	-	54	54
Total comprehensive income	-	54	54
Ordinary dividend paid	-	(70)	(70)
Balance as at 31 December 2017	1,080	187	1,267
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

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-17	Unaudited 31-Dec-16	Audited 30-Jun-17
Assets					
	Cash and cash equivalents		497	573	544
	Trade and other receivables		48	49	48
	Securities		1,623	1,627	1,594
	Derivative assets		5	5	11
	Liabilities ceded under reinsurance		14	11	13
	Current taxation asset		-	8	-
	Property, plant and equipment		16	17	16
	Intangible assets		523	522	523
	Retirement benefit surplus		-	1	-
	Total assets		2,726	2,813	2,749
	<i>Total interest earning and discount bearing assets</i>		<i>1,354</i>	<i>1,427</i>	<i>1,383</i>
Liabilities					
	Trade and other payables		93	96	108
	Derivative liabilities		-	4	1
	Life investment contract liabilities		741	773	739
	Life insurance contract liabilities		100	139	100
	Current taxation liability		3	-	9
	Deferred taxation liability	8	522	495	509
	Total liabilities		1,459	1,507	1,466
Shareholders' equity					
	Contributed capital		1,080	1,080	1,080
	Retained earnings		187	226	203
	Total shareholders' equity		1,267	1,306	1,283
	Total liabilities and shareholders' equity		2,726	2,813	2,749
	<i>Total interest and discount bearing liabilities</i>		<i>10</i>	<i>8</i>	<i>9</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-17	Unaudited 31-Dec-16
For the six months ended		
Cash flows from operating activities		
Premium and deposit premium receipts	364	376
Reinsurance receipts	19	18
Interest receipts	24	24
Dividend receipts	7	8
Claims, surrenders and maturities payments	(249)	(282)
Reinsurance payments	(26)	(25)
Net other cash outflows used in operating activities	(163)	(180)
Net cash flows from operating activities	(24)	(61)
Cash flows from investing activities		
Cash inflows provided by investing activities	184	334
Cash outflows used in investing activities	(137)	(272)
Net cash flows from investing activities	47	62
Cash flows from financing activities		
Dividend paid	(70)	-
Net cash flows from financing activities	(70)	-
Summary of movements in cash flows		
Net (decrease)/increase in cash and cash equivalents	(47)	1
Add: cash and cash equivalents at beginning of period	544	572
Cash and cash equivalents at end of period	497	573
Reconciliation of net profit after taxation to net cash flows from operating activities		
Net profit after taxation	54	45
Add: non-cash items	(26)	42
Add: movements in Balance Sheet items	(52)	(148)
Net cash flows from operating activities	(24)	(61)

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 2017

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 financial statements of the NZ Life Group for the six months ended 31 December 2017 (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 for-profit entities, NZ IAS 34 *Interim Financial Reporting* and to the extent applicable to the NZ Life Group, 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 Life Group's financial statements for the year ended 30 June 2017. These financial statements also comply with IAS 34.

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. These reclassifications and restatements have no impact on net profit after taxation.

There have been no material changes to accounting policies during the six months ended 31 December 2017. All policies have been applied on a basis consistent with that used in the financial year ended 30 June 2017.

2 Investment Income

\$ millions	NZ Life Group	
	Unaudited 31-Dec-17	Unaudited 31-Dec-16
For the six months ended		
Dividends	14	13
Realised and unrealised gains	55	22
Total equity securities and fund certificates	69	35
Dividends	2	2
Realised and unrealised gains/(losses)	4	(4)
Total property securities	6	(2)
Interest	25	25
Realised and unrealised gains/(losses)	14	(62)
Total fixed interest securities and cash	39	(37)
Realised and unrealised (losses)/gains	(14)	7
Total derivatives	(14)	7
Total investment income	100	3

3 Taxation

\$ millions	Note	NZ Life Group	
		Unaudited 31-Dec-17	Unaudited 31-Dec-16
For the six months ended			
Current taxation expense		15	4
Deferred taxation expense/(benefit)	8	13	(37)
Total taxation expense/(benefit) recognised in the Income Statement		28	(33)
The taxation expense on the NZ Life Group's net profit before taxation differs from the theoretical amount that would arise using the domestic rate as follows:			
Net profit before taxation		82	12
Income tax at the current rate of 28% (Dec 2016 28%)		23	3
Investment income adjustments		(17)	(5)
Imputation credit adjustments		(1)	(1)
Movement in investment contract liabilities and adjustments		13	6
Movement in insurance contract liabilities, reserves and adjustments		10	(35)
Prior period adjustments		-	(1)
Total taxation expense/(benefit) recognised in the Income Statement		28	(33)
Weighted average effective tax rate		34%	(275%)

Notes to the Financial Statements

For the six months ended 31 December 2017

4 Liquid Assets

Unaudited

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

\$ millions	NZ Life Group		
	Cash and Cash Equivalents	Securities	Total
As at 31 December 2017			
Cash and cash equivalents	494	-	494
Foreign currency deposits	3	-	3
Equity securities	-	694	694
Property securities	-	72	72
Government stock	-	832	832
Corporate bonds	-	25	25
Total liquid assets	497	1,623	2,120

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 2017 (31 December 2016 nil, 30 June 2017 nil).

6 Contingent Liabilities and Capital Commitments

There were no contingent liabilities or capital commitments as at 31 December 2017 (31 December 2016 nil, 30 June 2017 nil).

7 Concentration of Credit Exposures to Individual Counterparties

There were no balance date aggregate credit exposures to individual counterparties which equally or exceeded 10% of the Overseas Banking Group's shareholders' equity as at 31 December 2017, which is the most recent publicly disclosed amount. For the six months ended 31 December 2017, 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 2017.

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 2017.

8 Deferred Taxation Liability

\$ millions	Note	NZ Life Group		
		Unaudited 31-Dec-17	Unaudited 31-Dec-16	Audited 30-Jun-17
As at				
Balance at beginning of period		509	532	532
Recognised in the Income Statement	3	13	(37)	(23)
Total deferred taxation liability		522	495	509
Deferred taxation relates to:				
Life insurance and life investment contract liabilities		520	491	510
Other		2	4	(1)
Total deferred taxation liability		522	495	509
Deferred taxation recognised in the Income Statement:				
Life insurance and life investment contract liabilities		10	(36)	(17)
Other		3	(1)	(6)
Total deferred taxation recognised in the Income Statement	3	13	(37)	(23)

Notes to the Financial Statements

For the six months ended 31 December 2017

9 Related Party Transactions and Balances

During the six months ended 31 December 2017, 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.

\$ millions	NZ Life Group	
	Unaudited 31-Dec-17	Unaudited 31-Dec-16
For the six months ended		
Related party transactions		
Income		
Interest received from NZ Banking Group	2	2
Dividends received from Overseas Banking Group	5	6
Fees received from NZ Banking Group	1	1
Net realised/unrealised gains on fund certificates managed by the Overseas Banking Group	2	27
Net realised/unrealised gains on fund certificates managed by the NZ Banking Group	30	-
Net realised/unrealised (losses)/gains on derivatives issued by the NZ Banking Group	(14)	7
	26	43
Expenses		
Paid to NZ Banking Group for administrative services	6	6
Paid to NZ Banking Group for insurance commission	22	21
	28	27

\$ millions	NZ Life Group		
	Unaudited 31-Dec-17	Unaudited 31-Dec-16	Audited 30-Jun-17
As at			
Related party balances			
Assets Overseas Banking Group			
Securities*	43	390	377
Assets NZ Banking Group			
Cash and cash equivalents	243	227	212
Securities*	343	-	-
Trade and other receivables	1	1	1
Derivative assets	5	5	11
	592	233	224
Liabilities NZ Banking Group			
Derivative liabilities	-	4	1
	-	4	1

* These securities balances represent investments in external fund certificates managed by the Overseas Banking Group and the NZ Banking Group. The underlying exposure to related party securities is \$1 million as at 31 December 2017 (31 December 2016 \$1 million, 30 June 2017 \$1 million).

Refer to the Statement of Changes in Equity for details of the dividend paid to the Shareholder.

The NZ Life Group manages and administers investment products that are closed to new business. As at 31 December 2017 the NZ Life Group had \$741 million funds under management and administration (31 December 2016 \$826 million, 30 June 2017 \$737 million). The NZ Life Group utilises external fund managers and investment consultants in the management of these funds, including entities which are fellow CBA subsidiaries.

The NZ Life Group is the sponsor, investment manager and assists with administration of one off-balance sheet employee superannuation scheme.

On 30 November 2016, the Prudasco scheme was wound up. The scheme was managed by a subsidiary of Sovereign Assurance Company Limited ("SACL"). Just prior to the wind up, SACL issued Sovereign Superannuation Trustees Limited, the trustees of the scheme, with annuity policies with benefits comparable to those offered by the scheme prior to its termination. On 1 December 2016, the scheme's assets, totalling \$3m, were transferred to SACL.

Notes to the Financial Statements

For the six months ended 31 December 2017

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 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 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 2017				
Unaudited				
Financial assets				
Securities				
Equity securities and fund certificates	215	479	-	694
Fixed interest securities	844	13	-	857
Property securities	72	-	-	72
Derivative assets	-	5	-	5
Total financial assets measured at fair value	1,131	497	-	1,628
Financial liabilities				
Life investment contract liabilities	-	741	-	741
Total financial liabilities measured at fair value	-	741	-	741
As at 31 December 2016				
Unaudited				
Financial assets				
Securities				
Equity securities and fund certificates	224	473	-	697
Fixed interest securities	820	14	-	834
Property securities	76	-	-	76
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

Notes to the Financial Statements

For the six months ended 31 December 2017

10 Fair Value of Financial Instruments (continued)

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

\$ millions	NZ Life Group			Total
	Level 1	Level 2	Level 3	
As at 30 June 2017				
Audited				
Financial assets				
Securities				
Equity securities and fund certificates	224	457	-	681
Fixed interest securities	825	14	-	839
Property securities	74	-	-	74
Derivative assets	-	11	-	11
Total financial assets measured at fair value	1,123	482	-	1,605
Financial liabilities				
Derivative liabilities	-	1	-	1
Life investment contract liabilities	-	739	-	739
Total financial liabilities measured at fair value	-	740	-	740

The NZ Life Group considers transfers between levels, if any, to have occurred at the end of the reporting period for which the financial statements are prepared. There were no 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-17		NZ Life Group Unaudited 31-Dec-16		Audited 30-Jun-17	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount
Financial assets						
Cash and cash equivalents	497	497	573	573	544	544
Trade and other receivables	45	45	47	47	48	48
Total financial assets	542	542	620	620	592	592
Financial liabilities						
Trade and other payables	76	76	70	70	82	82
Total financial liabilities	76	76	70	70	82	82

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 2017								
Unaudited								
Non derivative financial liabilities								
Trade and other payables	6	66	-	1	1	2	76	76
Life investment contracts	683	2	4	6	11	43	749	741
	689	68	4	7	12	45	825	817
Derivative financial liabilities								
Inflows from derivatives	-	6	-	-	-	-	6	6
Outflow from derivatives	-	(6)	-	-	-	-	(6)	(6)
	-	-	-	-	-	-	-	-

The above analysis is based on contractual undiscounted cashflows. Where the counter party has discretion in requesting payment, liabilities have been classified according to the earliest time period in which the NZ Life Group may be required to pay.

12 Events after the Reporting Period

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

Independent Review Report



Independent Review Report – NZ Life Group

To the Directors of Commonwealth Bank of Australia

Report on the Financial Statements

We have reviewed pages 2 to 10 of the Disclosure Statement for the six months ended 31 December 2017 of Commonwealth Bank of Australia (the “Company”) in respect of the Commonwealth Bank of Australia New Zealand Life Insurance Group (the “NZ Life Group”), which includes the interim 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 2017, 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 notes for the NZ Life Group.

Directors’ Responsibility for the Financial Statements

The Directors of the Company (the “Directors”) are responsible, on behalf of the Company, for the preparation and fair presentation of the 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 financial statements that are 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 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 financial statements including 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;
- 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”) and International Accounting Standard 34: *Interim Financial Reporting* (“IAS 34”); and
- 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”). As auditor of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Independent Review Report (continued)



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) and International Standards on Auditing. Accordingly, we do not express an audit opinion on the financial statements.

We are independent of the Company and the NZ Life Group. Other than in our capacity as auditors and providers of other related assurance services we have no relationship with, or interests in, the NZ Life Group. 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 as auditor of the NZ Life Group. We have no other interests in the NZ Life Group.

Conclusion

We have examined the financial statements including the supplementary information and 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 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.

For and on behalf of:

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

Chartered Accountants
16 February 2018

Auckland