Commonwealth Bank of Australia
New Zealand Operations

Disclosure Statement

For the six months ended 31 December 2019

Contents

Commonwealth Bank of Australia New Zealand Operations

Commonwealth Bank of Australia New Zealand Banking Group

General Disclosures

(To be read in conjunction with the Financial Statements)

31 December 2019

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 2019 are set out in note 25 of the financial statements of the NZ Banking Group for the year ended 30 June 2019 and changes since 30 June 2019 are set out in note 20 of this Disclosure Statement; 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.

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 Changes to Directors

Sir D.H. Higgins retired as a director of the CBA Board with effect from 31 December 2019.

There have been no other changes to the Board of Directors of CBA since the balance date for the 30 June 2019 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

W.M. (Wendy) Stops
Australia

R.J. (Robert) Whitfield
Australia

Professor G. (Genevieve) Bell
Australia

M.P. (Matt) Comyn (Managing Director and Chief Executive Officer)
Australia

M.L. (Mary) Padbury
Australia

A.L. (Anne) Templeman-Jones
Australia

P.F. (Paul) O'Malley
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
Standard & Poor's (Australia) Pty Limited ("S&P")	AA-	Stable
Fitch Australia Pty Limited ("Fitch Ratings")	AA-	Negative
Moody's Investors Service Pty Limited ("Moody's")	Aa3	Stable

- On 9 July 2019, S&P affirmed CBA's long-term issuer default rating at AA- and revised the outlook to stable from negative.
- On 7 May 2018, Fitch Ratings affirmed CBA's long-term issuer default rating at AA- and revised the outlook to negative from stable.
- The rating for Moody's has remained unchanged during the two years immediately preceding the signing date.

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 Changes to Conditions of Registration

There have been no changes to Conditions of Registration between 30 June 2019 and 31 December 2019.

7.0 Other Material Matters

Aligned Advice Remediation

During the year ended 30 June 2019, the Overseas Banking Group raised a AUD534 million provision for Aligned Advice remediation issues (including interest) and program costs, including ongoing service fees charged where no service was provided. Aligned advisors are not employed by the Overseas Banking Group but are representatives authorised to provide financial advice under the licences of the Overseas Banking Group's subsidiaries, Financial Wisdom Limited, Count Financial Limited and Commonwealth Financial Planning Limited (Pathways only). As at 31 December 2019, the Overseas Banking Group holds a provision of AUD529 million in relation to Aligned Advice remediation.

The Overseas Banking Group's estimate of the proportion of fees to be refunded is based on sample testing and assumes a refund rate of 24%. This compares to a refund rate of 22% which was paid for the Overseas Banking Group's salaried advisors. An increase/ (decrease) in the failure rate by 1% would result in an increase/ (decrease) in the provision of approximately AUD20 million.

The Overseas Banking Group is continuing to engage with Australian Securities and Investments Commission ("ASIC") in relation to its remediation approach.

Banking and Other Wealth Customer Remediation

During the year ended 30 June 2019, the Overseas Banking Group raised a AUD384 million provision for Banking and other Wealth Management customer remediation programs. The provision raised for banking remediation includes an estimate of refunds and interest to customers relating to business banking products, including bank guarantees, cash deposit accounts, merchants billing and certain commercial lending products. The wealth remediation provision includes an estimate of refunds and interest relating to advice quality, fees where no service was provided in the Commonwealth Financial Planning business, the Loan Protection Insurance product and certain other products. The provision held in relation to these matters as at 31 December 2019 was AUD262 million.

General Disclosures (continued)

(To be read in conjunction with the Financial Statements)

7.0 Other Material Matters (continued)

Shareholder Class Action

In October 2017 and June 2018, two separate shareholder class action proceedings against CBA were filed in the Federal Court of Australia, alleging breaches of CBA's continuous disclosure obligations and misleading and deceptive conduct in relation to the subject matter of the civil penalty proceedings brought against CBA by the Australian Transaction Reports and Analysis Centre ("AUSTRAC"). The AUSTRAC proceedings concerned contraventions of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth). The resolution of the proceedings was approved by the Federal Court on 20 June 2018 with CBA paying a penalty of AUD700 million and legal costs.

It is alleged in the class actions that CBA shareholders who acquired an interest in CBA shares between 16 June 2014 and 3 August 2017 suffered losses as a result of the alleged conduct. The two class actions are being case managed together, with a single harmonised statement of claim. CBA denies the allegations made against it, and it is currently not possible to determine the ultimate impact of these claims, if any, on the Overseas Banking Group. The Overseas Banking Group has provided for legal costs expected to be incurred in the defence of the claims.

Superannuation Class Actions

The Overseas Banking Group is also defending the following class action claims in relation to superannuation products.

On 9 October 2018, a class action was filed against CBA and Colonial First State Investments Limited ("CFSIL") in the Federal Court of Australia. The claim relates to investment in cash and deposit options (which are cash and deposit products provided by CBA) in the Colonial First State First Choice Superannuation Trust and Commonwealth Essential Super. The primary allegation is that members invested in these cash and deposit options received lower interest rates than they could have received had CFSIL offered similar products made available in the market by an Authorised Deposit-taking Institution ("ADI") with comparable risk. It is claimed that CBA was involved in CFSIL's alleged breaches as a trustee of the funds and as a Responsible Entity of the underlying managed investment schemes. Both CBA and CFSIL deny the allegations and are defending the proceedings. The Court has ordered the parties participate in a mediation of this matter by 29 May 2020.

On 18 October 2019, another class action was commenced in the Federal Court of Australia against CFSIL. The claim relates to certain fees charged to members of the Colonial First State First Choice Superannuation Trust. It is alleged that CFSIL breached its duties as trustee because it failed, between 2013 and 2019, to take steps to avoid the payment of grandfathered commissions to financial advisers, which would have resulted in a reduction of the fees paid by members' in respect of whom those commissions were paid. CFSIL denies the allegations and is defending the proceedings.

On 24 October 2019 a third class action was filed in the Federal Court of Australia against CFSIL and a former executive director of CFSIL, relating to alleged contraventions of statutory obligations under superannuation law in the period 2013 to 2017. The class action relates to the transfer of certain default balances held by members of First Choice Employer Super to a My Super product. The key allegation is that members should have been transferred to a My Super product earlier than they were, and that the alleged failure to effect the transfer as soon as reasonably practical caused affected members to pay higher fees and receive lower investment returns during the point of delay. The allegations are denied and CFSIL and its former director are defending the class action. It is currently not possible to determine the ultimate impact of these three claims, if any, on the Overseas Banking Group. The Overseas Banking Group has provided for the legal costs expected to be incurred in the defence of the claims.

On 22 January 2020 a class action was filed against CFSIL and Colonial Mutual Life Assurance Society ("CMLA") in the Federal Court of Australia. The class action alleges that CFSIL did not act in the best interests of members and breached its trustee duties when taking out group insurance policies obtained from CMLA. The key allegation is that CFSIL entered into and maintained insurance policies with CMLA on terms that were less favourable to members than would have reasonably been available in the market. It is alleged that CMLA have knowingly been involved in CFSIL's contraventions as trustee and have profited from those contraventions. CBA and CFSIL are reviewing the claim and at this time it is not possible to determine the ultimate impact of this claim, if any, on the Overseas Banking Group.

Ongoing regulatory investigations and reviews

There are also a number of ongoing matters where regulators are investigating whether CBA or an Overseas Banking Group entity has breached a statutory obligation, and where a breach has occurred, regulators are likely to impose, or apply to a Court for, fines and/or other sanctions. These matters include investigations by Australian Prudential Regulation Authority ("APRA") and ASIC of issues which were referred to them by the Financial Services Royal Commission, as well as a number of other matters notified to, or identified by, regulators.

These investigations include ASIC's investigation regarding the AUSTRAC proceedings noted above. In September 2017, following the commencement of the civil proceedings against CBA by AUSTRAC, ASIC launched an investigation in relation to the Overseas Banking Group's disclosure concerning the matters the subject of the AUSTRAC proceedings. ASIC is also investigating, among other things, whether the directors and officers of CBA complied with other specific obligations under the Corporations Act 2001 (Cth). CBA continues to engage with ASIC in respect of the investigation and to respond to requests made by ASIC. It is currently not possible to determine the ultimate impact of this investigation, if any, on the Overseas Banking Group. The Overseas Banking Group has provided for the legal costs expected to be incurred in relation to this investigation.

CMLA Prosecution

On 19 November 2019, the CMLA, a subsidiary which became a non-consolidated entity on 1 November 2019, pleaded guilty to 87 contraventions of the anti-hawking provisions of the Corporations Act 2001 (Cth) which it had previously reported to, and which were investigated by ASIC. The contraventions related to telephone sales of insurance products by CMLA in the period 7 October 2014 to 16 December 2014, a practice that ceased at the end of 2014. CMLA was fined AUD700,000 for the contraventions.

Fair Work Ombudsman ("FWO") Investigation

The FWO has commenced an investigation in relation to CBA's self-disclosure of discrepancies in employee arrangements and entitlements, and. CBA continues to engage with the FWO and respond to its requests for information. It is currently not possible to determine the ultimate impact of this investigation on the Overseas Banking Group. CBA is continuing with its broad review of employee entitlements and is remediating impacted current and former employees as the review progresses. CBA continue to update both the FWO and the Finance Sector Union on the review. The review is substantially complete and will be finalised this financial year. The Overseas Banking Group holds a provision for remediation and program costs related to this matter.

General Disclosures (continued)

(To be read in conjunction with the Financial Statements)

7.0 Other Material Matters (continued)

Home Loan Pricing Inquiry

In October 2019 the Australian Competition and Consumer Commission ("ACCC") commenced an industry-wide inquiry into home loan pricing. The inquiry involves consideration of a wide range of issues including the interest rates paid by new and existing customers, how the cost of financing for banks has affected bank decisions on interest rates and barriers to customers switching home loans with the focus on the period since 1 January 2019. CBA is co-operating with the ACCC in its requests for information. The final report from the inquiry is due by 30 September 2020.

Enforceable Undertaking to ASIC (Foreign Exchange)

In December 2016, CBA provided an Enforceable Undertaking ("EU") to ASIC arising from an investigation into institutional foreign exchange ("FX") trading between 2008 and 2013. The EU included the engagement of an independent expert, to review and assess the changes CBA have made to its trading operating model in recent years, including in training, procedures and oversight.

It also included a voluntary contribution of AUD2.5 million to support the further development of financial literacy education relating to changes to delivery of care in the aged care sector. CBA provided details of the implementation of its Final FX EU Program to ASIC in March 2019. The independent expert conducted an assessment of CBA's implementation and submitted its final expert report on 31 May 2019. The report highlighted certain terms of the consolidated Final FX EU Program which were yet to be implemented, certain matters that could not be assessed and some other areas for improvement. CBA has addressed the matters raised in the independent expert's report. CBA is having ongoing discussions with ASIC in respect of the FX EU Program.

Prudential Inquiry into CBA and Enforceable Undertaking

On 28 August 2017, APRA announced it would establish an independent prudential inquiry ("the Inquiry") into the Overseas Banking Group focusing on the governance, culture and accountability frameworks and practices within the Overseas Banking Group. The final report of the Inquiry was released on 1 May 2018 ("the Final Report").

The Final Report made a number of findings regarding the complex interplay of organisational and cultural factors within the Overseas Banking Group and the need for enhanced management of non-financial risks. In response to the Final Report, the Overseas Banking Group acknowledged that it will implement all of the recommendations and agreed to adjust its minimum operational risk capital requirements by an additional AUD1 billion (an impact to risk weighted assets of AUD12.5 billion) until such time as the recommendations are implemented to APRA's satisfaction.

CBA has entered into an EU under which CBA's remedial action ("Remedial Action Plan") in response to the Final Report would be agreed and monitored regularly by APRA. The Remedial Action Plan provides a detailed program of change outlining how CBA will improve the way it runs its business, manages risk, and works with regulators. The Remedial Action Plan also provides a comprehensive assurance framework, with Promontory Australasia (Sydney) Pty Ltd ("Promontory") having been appointed as the independent reviewer, and which is required to report to APRA on the Overseas Banking Group's progress against committed milestones every 3 months.

Promontory is continuing to provide APRA with quarterly progress reports, and CBA is committed to report publicly on its progress against the Remedial Action Plan twice a year. Six Promontory reports have been released by CBA. Promontory has noted that the Remedial Action Plan program of work remains on track and CBA's commitment to implementing the Inquiry's recommendations in a timely and comprehensive way continued to be strong with all 173 milestones on schedule to be delivered by the applicable due dates.

Financial Crime Compliance

As noted above, in 2018 the Overseas Banking Group resolved the AUSTRAC proceedings relating to contraventions of anti-money laundering/counter-terrorism financing ("AML/CTF") laws. Recognising the crucial role that the Overseas Banking Group plays, it continues to strengthen and invest significantly in its financial crime capabilities, including in its AML/CTF Compliance team and through the Program of Action with coverage across all aspects of financial crime (including anti-money laundering/counter-terrorism financing, sanctions and anti-bribery and corruption) and all business units. The Overseas Banking Group has provided for costs of running the Program of Action.

The Overseas Banking Group provides updates to AUSTRAC and the Overseas Banking Group's other regulators on the Program of Action implemented by the Overseas Banking Group following the civil penalty proceedings commenced against it by AUSTRAC. However, there is no assurance that AUSTRAC or the Overseas Banking Group's other regulators will agree that the Overseas Banking Group's Program of Action will be adequate or that the Program of Action will effectively enhance the Overseas Banking Group's financial crime compliance programs across its business units and the jurisdictions in which it operates.

While the Overseas Banking Group is not currently aware of any other enforcement action by other domestic or foreign regulators in respect of its financial crime compliance, there can be no assurance that the Overseas Banking Group will not be subject to such enforcement actions in the future.

Enforceable Undertaking to ASIC ("BBSW")

On 21 June 2018, the Federal Court approved an agreement between CBA and ASIC to resolve proceedings concerning alleged market manipulation and unconscionable conduct in respect of the bank bill market. CBA paid a civil penalty of AUD5 million and a community benefit payment of AUD15 million to Financial Literacy Australia. It also agreed to pay ASIC's costs of the investigation and legal costs. The Overseas Banking Group provided for these costs in an earlier period.

As part of the settlement, CBA also entered into an EU with ASIC under which CBA undertook to engage an independent expert to assess changes it has made (and will make) to its policies, procedures, controls systems, training, guidance and framework for the monitoring and supervision of employees and trading in Prime Bank Bills and CBA's BBSW-referenced product businesses. On 5 October 2018, CBA appointed EY as the independent expert. CBA provided its BBSW Program of remediation work to ASIC and EY on 21 December 2018. EY reviewed the BBSW Program and provided certain recommendations in its report dated 23 April 2019. CBA considered those recommendations with ASIC and EY and delivered its Final BBSW Program to ASIC and EY on 23 July 2019. EY delivered its report on CBA's Final BBSW Program on 30 August 2019. CBA and ASIC will next agree the terms of the Final BBSW Program to be implemented. The Overseas Banking Group has provided for costs associated with implementation of the BBSW program.

General Disclosures (continued)

(To be read in conjunction with the Financial Statements)

7.0 Other Material Matters (continued)

Enforceable Undertaking to the Office of Australian Information Commissioner ("OAIC")

In June 2019 the Australian Information Commissioner ("Commissioner") accepted an EU offered by CBA, which requires further enhancements to the management and retention of customer personal information within CBA and certain subsidiaries.

The EU follows CBA's work to address two incidents: one relating to the disposal by a third party of magnetic data tapes containing historical customer statements and the other relating to potential unauthorised internal user access to certain systems and applications containing customer personal information. CBA reported the incidents to the Commissioner in 2016 and 2018 respectively and has since been working to address these incidents and respond to inquiries made by the Commissioner. CBA found no evidence that its customers' personal information was compromised by the incident reported in 2016, and has found no evidence to date that there have been any instances of unauthorised access by CBA employees or third parties as a result of the incident reported in 2018.

The Overseas Banking Group has provided for certain costs associated with implementation and compliance with the EU provided to the Commissioner.

Exposures to divested businesses

The Overseas Banking Group has potential exposures to divested businesses, including through the provision of services, warranties and indemnities. These exposures may have an adverse impact on the Overseas Banking Group's financial performance and position. The Overseas Banking Group has recognised provisions where payments in relation to the exposures are probable and reliably measurable.

Financial Wisdom

Financial Wisdom Limited, a subsidiary of the Overseas Banking Group, has agreements pre-dating 2013, which provide authorised representatives with the ability to sell their client book to the subsidiary in certain circumstances contingent upon a number of key conditions being met. The agreements provide for the sale at a multiple of ongoing revenue subject to a range of criteria (including potential discount factors). The authorised representative must apply to commence the conditional sale process. To date, one application has been received. It is not currently possible to reliably estimate the potential financial impact of these agreements.

8.0 Name and Address for Service of Auditor

PricewaterhouseCoopers New Zealand
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 of the Branch believe, 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 of the Branch believe, after due enquiry, that for the six months ended 31 December 2019:

- 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 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
17 February 2020

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

M.P. Comyn
Managing Director and Chief Executive Officer

For himself and on behalf of each other Director
17 February 2020

Commonwealth Bank of Australia New Zealand Banking Group

Financial Statements

For the six months ended 31 December 2019

Income Statement

$ millions		NZ Banking Group	
		Unaudited	Unaudited
For the six months ended	Note	**31-Dec-19**	31-Dec-18
Interest income		**2,180**	2,261
Interest expense		**1,160**	1,246
Net interest income		**1,020**	1,015
Other income	2	**341**	341
Total operating income		**1,361**	1,356
Impairment losses on financial assets	7	**20**	44
Total operating income after impairment losses		**1,341**	1,312
Total operating expenses		**538**	479
Salaries and other staff expenses		**291**	267
Building occupancy and equipment expenses		**52**	52
Information technology expenses		**82**	73
Other expenses		**113**	87
Net profit before tax		**803**	833
Tax expense		**241**	244
Net profit after tax		**562**	589
Attributable to:			
Parent company shareholders		**562**	583
Non-controlling interests		**-**	6
Net profit after tax		**562**	589

Statement of Comprehensive Income

$ millions	NZ Banking Group	
	Unaudited	Unaudited
For the six months ended	**31-Dec-19**	31-Dec-18
Net profit after tax	**562**	589
Other comprehensive (expense)/income, net of tax		
Items that will not be reclassified to the Income Statement:		
Net change in asset revaluation reserve	**(1)**	-
Items that may be reclassified subsequently to the Income Statement:		
Net change in fair value through other comprehensive income reserve	**(1)**	(10)
Net change in cash flow hedge reserve	**11**	(17)
Net change in foreign currency translation reserve	**-**	(1)
	10	(28)
Total other comprehensive income/(expense), net of tax	**9**	(28)
Total comprehensive income	**571**	561
Attributable to:		
Parent company shareholders	**571**	555
Non-controlling interests	**-**	6
Total comprehensive income	**571**	561

These statements are to be read in conjunction with the notes on pages 5 to 28 and the Independent Review Report from 29 to 30.

Statement of Changes in Equity

		NZ Banking Group									
$ millions	Note	Head Office Contribution	Contributed Capital	Asset Revaluation Reserve	Available-for-Sale Reserve	Cash Flow Hedge Reserve	Foreign Currency Translation Reserve	FVOCI Reserve(1)	Retained Earnings	Non-controlling Interests	Total Share-holders' Equity
For the six months ended 31 December 2019											
Unaudited											
Balance at beginning of the period		**2,887**	**667**	**30**	**-**	**(143)**	**-**	**5**	**4,486**	**-**	**7,932**
Net profit after tax		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**562**	**-**	**562**
Other comprehensive (expense)/income		**-**	**-**	**(1)**	**-**	**11**	**-**	**(1)**	**-**	**-**	**9**
Total comprehensive (expense)/income		**-**	**-**	**(1)**	**-**	**11**	**-**	**(1)**	**562**	**-**	**571**
Share capital issued	12	**-**	**2,500**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,500**
Ordinary dividends paid	13	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,848)**	**-**	**(2,848)**
Profit repatriation		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5)**	**-**	**(5)**
Balance as at 31 December 2019		**2,887**	**3,167**	**29**	**-**	**(132)**	**-**	**4**	**2,195**	**-**	**8,150**
For the six months ended 31 December 2018											
Unaudited											
Balance at 30 June 2018		2,887	667	29	14	(116)	1	-	3,965	550	7,997
Effects of new accounting standards (NZ IFRS 9 and NZ IFRS 15)		-	-	-	(14)	-	-	14	(30)	-	(30)
Balance at beginning of the period		2,887	667	29	-	(116)	1	14	3,935	550	7,967
Net profit after tax		-	-	-	-	-	-	-	583	6	589
Other comprehensive expense		-	-	-	-	(17)	(1)	(10)	-	-	(28)
Total comprehensive (expense)/income		-	-	-	-	(17)	(1)	(10)	583	6	561
Ordinary dividends paid	13	-	-	-	-	-	-	-	(175)	-	(175)
Perpetual preference dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	(6)	(6)
Profit repatriation		-	-	-	-	-	-	-	(6)	-	(6)
Balance as at 31 December 2018		2,887	667	29	-	(133)	-	4	4,337	550	8,341

(1) FVOCI Reserve refers to Fair value through other comprehensive income reserve.

These statements are to be read in conjunction with the notes on pages 5 to 28 and the Independent Review Report from 29 to 30.

Balance Sheet

$ millions		NZ Banking Group		
		Unaudited	Unaudited	Audited
As at	Note	**31-Dec-19**	31-Dec-18	30-Jun-19
Assets				
Cash and liquid assets		**4,403**	3,538	5,010
Due from financial institutions		**491**	539	518
Securities at fair value through other comprehensive income		**9,589**	8,472	8,685
Derivative assets		**1,040**	1,286	1,263
Advances to customers	4	**92,485**	88,138	90,413
Other assets		**359**	353	319
Property, plant and equipment		**457**	192	197
Intangible assets		**458**	464	478
Deferred tax assets		**181**	174	192
Total assets		**109,463**	103,156	107,075
Total interest earning and discount bearing assets		***106,986***	*100,674*	*104,858*
Liabilities				
Deposits and other borrowings	9	**71,193**	65,591	68,602
Due to financial institutions		**952**	914	1,184
Derivative liabilities		**1,079**	935	949
Current tax liabilities		**41**	73	170
Other liabilities		**834**	572	646
Debt issues:				
At fair value through Income Statement	10	**584**	214	585
At amortised cost	10	**19,832**	19,300	20,171
Loan capital		**6,798**	7,216	6,836
Total liabilities		**101,313**	94,815	99,143
Shareholders' Equity				
Head office contribution		**2,887**	2,887	2,887
Contributed capital - ordinary shares	12	**3,167**	667	667
Reserves		**(99)**	(100)	(108)
Retained earnings		**2,195**	4,337	4,486
Ordinary shareholders' equity		**8,150**	7,791	7,932
Non-controlling interests		**-**	550	-
Total shareholders' equity		**8,150**	8,341	7,932
Total liabilities and shareholders' equity		**109,463**	103,156	107,075
Total interest and discount bearing liabilities		***92,429***	*87,801*	*91,418*

These statements are to be read in conjunction with the notes on pages 5 to 28 and the Independent Review Report from 29 to 30.

Cash Flow Statement

$ millions		NZ Banking Group	
		Unaudited	Unaudited
For the period ended	**Notes**	**31-Dec-19**	31-Dec-18
Cash flows from operating activities			
Net profit before tax		**803**	833
Reconciliation of net profit before tax to net cash flows from operating activities			
Non-cash items included in net profit before tax:			
Depreciation of property, plant and equipment		**38**	16
Amortisation of intangible assets		**27**	25
Net change in allowance for expected credit loss and bad debts written off		**26**	55
Amortisation of loan establishment fees		**37**	41
Net change in fair value of financial instruments and hedged items		**16**	(11)
Other non-cash items		**(2)**	-
Items classified as investing activities included in net profit before tax:			
Loss on sale from disposal of subsidiaries	20	**28**	-
Net (increase)/decrease in operating assets:			
Net change in reverse repurchase agreements		**841**	(677)
Net change in due from financial institutions		**17**	200
Net change in securities at fair value through other comprehensive income		**(963)**	778
Net change in derivative assets		**149**	512
Net change in advances to customers		**(2,140)**	(2,578)
Net change in other assets		**(41)**	(41)
Net increase/(decrease) in operating liabilities:			
Net change in deposits and other borrowings		**2,547**	2,174
Net change in due to financial institutions		**(233)**	(298)
Net change in derivative liabilities		**40**	(163)
Net change in other liabilities		**(80)**	(57)
Net tax paid		**(363)**	(293)
Net cash flows from operating activities		**747**	516
Cash flows from investing activities			
Cash was provided from:			
Proceeds from disposal of subsidiaries	20	**21**	-
Total cash inflows provided from investing activities		**21**	**-**
Cash was applied to:			
Purchase of property, plant and equipment		**(19)**	(24)
Purchase of intangible assets		**(48)**	(30)
Total cash outflows applied to investing activities		**(67)**	(54)
Net cash flows from investing activities		**(46)**	(54)
Cash flows from financing activities			
Cash was provided from:			
Issue of debt securities (net of issue costs)	10	**2,190**	4,265
Total cash inflows provided from financing activities		**2,190**	4,265
Cash was applied to:			
Redemption of debt securities	10	**(2,346)**	(4,254)
Payment of lease liabilities		**(18)**	-
Ordinary dividends paid	13	**(348)**	(175)
Dividends paid to non-controlling interests		**-**	(6)
Total cash outflows applied to financing activities		**(2,712)**	(4,435)
Net cash flows from financing activities		**(522)**	(170)
Summary of movements in cash flows			
Net increase in cash and cash equivalents		**179**	292
Add: cash and cash equivalents at beginning of period		**999**	1,051
Cash and cash equivalents at end of period		**1,178**	1,343
Cash and cash equivalents comprise:			
Cash and liquid assets		**4,403**	3,538
Less: reverse repurchase agreements included in cash and liquid assets		**(3,225)**	(2,195)
Cash and cash equivalents at end of period		**1,178**	1,343
Additional operating cash flow information			
Interest received as cash		**2,243**	2,280
Interest paid as cash		**(1,185)**	(1,263)

These statements are to be read in conjunction with the notes on pages 5 to 28 and the Independent Review Report from 29 to 30.

Notes to the Financial Statements

For the six months ended 31 December 2019

1 Statement of Accounting Policies

The reporting entity is the NZ Banking Group which is an aggregation of the Branch, ASB Holdings Limited, ASB Bank Limited ("ASB") and its controlled entities, CBA Funding (NZ) Limited and its subsidiaries, CBA NZ Holding Limited and its subsidiary, ASB Funding Limited (up until 1 November 2019) and First State Investments (NZ) Limited (up until 29 April 2019). 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 2019 (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 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 2019. These financial statements comply with both IAS 34 *Interim Financial Reporting* and NZ 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 2019, except as set out below:

NZ IFRS 16 *Leases*

NZ IFRS 16, which replaced NZ IAS 17 *Leases*, was adopted on 1 July 2019. NZ IFRS 16 requires lessees to recognise a right of use asset and a lease liability for future payments arising from lease contracts, unless the underlying asset is of low value or the lease has a term of 12 months or less. Lessees recognise an interest expense on the lease liability and a straight-line depreciation charge on the right of use asset rather than a lease expense. This changes the timing of expense recognition with a higher expense recognised in the earlier stages of a lease as the interest expense is determined based on the lease liability (which will reduce over the lease term).

The NZ Banking Group has elected to apply the modified retrospective approach whereby the right of use asset on adoption is equal to the net present value of the liability for future payments, being $288 million.

There is no impact to Retained earnings, and comparatives have not been restated.

The NZ Banking Group applied the following practical expedients on adoption of NZ IFRS 16:

- Reliance on previous assessments of whether a lease contract is onerous; and
- Accounting for leases with a remaining lease term of less than 12 months as short-term leases.

The following table reconciles the operating lease commitments disclosed at 30 June 2019 to the liability recognised on adoption:

$ millions	NZ Banking Group
Non-cancellable operating lease commitments as at 30 June 2019	**329**
GST excluded under NZ IFRS 16	**(43)**
Effect of reassessing the lease term for extension options	**31**
Low value and short term leases	**(4)**
Total undiscounted lease payments	**313**
Effect of discounting (at a weighted average incremental borrowing rate of 3.12%)	**(38)**
Associated make-good obligations	**13**
Liability as at 1 July 2019	**288**

The new accounting policy for leases, effective 1 July 2019 is set out below.

A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time. The NZ Banking Group's leased assets mainly comprise of premises. Where the NZ Banking Group is a lessee, it recognises a right of use asset representing its right to use the leased asset, and a lease liability for future lease payments.

Lease liability

The lease liability is initially measured at the net present value of lease payments, which include fixed payments less any lease incentives receivable and variable lease payments that are based on an index or a rate.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined the incremental borrowing rate is used, being the rate that the NZ Banking Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The lease liability is included within Other liabilities and each lease payment is allocated between the liability and interest expense. The interest expense is charged to the Income Statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Notes to the Financial Statements

For the six months ended 31 December 2019

1 Statement of Accounting Policies (continued)

Right of use asset

The right of use asset is initially measured at cost comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct cost; and
- An estimate of make-good costs.

The right of use asset is included within Property, plant and equipment and is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

Determining the lease term

Extension options are included in a number of leases, and provide operational flexibility. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. An extension option is only included in the lease term if it is assessed as reasonably certain to be exercised. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and is within the control of the NZ Banking Group.

Excluded leases

A scope exemption has been applied to leases of intangible assets, short term leases with a lease term of 12 months or less, and low value leases. These continue to be expensed on a straight-line basis.

Interest Rate Benchmark Reform

In November 2019, the New Zealand Accounting Standards Board issued *Interest Rate Benchmark Reform - Amendments to NZ IFRS 9, NZ IAS 39 and NZ IFRS 7*, which amends certain specific hedge accounting requirements to provide temporary relief from the uncertainty caused by the interest rate benchmark reform. The NZ Banking Group is required to adopt the amendments from 1 July 2020, with earlier application permitted.

These amendments require an entity to assume no impact to existing hedge accounting relationships in the period leading up to the reform. The NZ Banking Group has elected to early adopt these amendments from 1 July 2019.

Changes to Comparatives

Comparative information has been restated or reclassified to ensure consistency with presentation in the current period. Significant changes are footnoted throughout the financial statements. All restatements and reclassifications have no impact on the previously reported Balance Sheet or Net profit after tax.

Notes to the Financial Statements

For the six months ended 31 December 2019

2 Other Income

Unaudited

$ millions	NZ Banking Group	
For the six months ended	**31-Dec-19**	31-Dec-18 (1)
Net fair value gain/(loss) from:		
Derivatives not qualifying for hedge accounting	**2**	(2)
Hedge ineffectiveness	**(2)**	10
Total net fair value gain	**-**	8
Trading income	**54**	52
Other operating income		
Revenue from contracts with customers	**286**	279
Other	**1**	2
Total other operating income	**287**	281
Total other income	**341**	341

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

The portion of Other Income relating to revenue from contracts with customers is disaggregated across the following categories, consistent with the segment descriptions detailed in note 21:

$ millions	NZ Banking Group						
For the six months ended 31 December 2019	**Retail Banking**	**Business Banking**	**Corporate Banking**	**Institutional Banking and Markets**	**Private Banking, Wealth and Insurance**	**Other**	**Total**
Revenue from contracts with customers							
Lending fees	**8**	**11**	**15**	**10**	**-**	**-**	**44**
Commission and other fees	**125**	**32**	**7**	**1**	**40**	**(39)**	**166**
Funds management income	**58**	**4**	**-**	**-**	**76**	**(62)**	**76**
Total revenue from contracts with customers	**191**	**47**	**22**	**11**	**116**	**(101)**	**286**

$ millions	NZ Banking Group						
For the six months ended 31 December 2018	**Retail Banking**	**Business Banking**	**Corporate Banking**	**Institutional Banking and Markets**	**Private Banking, Wealth and Insurance**	**Other**	**Total**
Revenue from contracts with customers							
Lending fees	9	10	13	11	-	-	43
Commission and other fees (1)	124	34	6	1	39	(36)	168
Funds management income	50	3	-	-	68	(53)	68
Total revenue from contracts with customers	183	47	19	12	107	(89)	279

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

3 Financial Assets Pledged as Collateral for Liabilities

Unaudited

As at 31 December 2019, $2,918 million of 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 derivative transactions. As at 31 December 2019, $305 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 (the "Covered Bond Trust"), a controlled entity of ASB holds certain Mortgage Loans originated by ASB. ASB Covered Bond Trustee Limited (the "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 2019, the Covered Bond Trust held Mortgage Loans with a carrying value of $4.5 billion and $109 million cash, which have been pledged in respect of the Covered Bonds.

Notes to the Financial Statements

For the six months ended 31 December 2019

4 Advances to Customers

$ millions	NZ Banking Group		
	Unaudited	Unaudited	Audited
As at	**31-Dec-19**	31-Dec-18	30-Jun-19
Residential mortgages (refer to note 5(a))	**58,870**	55,339	57,194
Other retail (refer to note 5(b))	**5,226**	5,204	5,275
Corporate (refer to note 5(c))	**28,769**	27,982	28,360
Total gross carrying amount of advances to customers	**92,865**	88,525	90,829
Allowance for expected credit loss (refer to note 5(d))	**(380)**	(387)	(416)
Total advances to customers	**92,485**	88,138	90,413

5 Allowance for Expected Credit Loss

Unaudited

Information is presented separately for the following categories of Advances to customers, as prescribed by the Order:

- Residential mortgages, presented in section (a);
- Other retail, presented in section (b); and
- Corporate, presented in section (c).

Information on total Advances to customers is presented in section (d), and is an aggregate of the above asset categorisations.

Information is not presented in respect of other financial assets as the related allowances for Expected Credit Loss ("ECL") are not material to the NZ Banking Group.

Movement in allowance for ECL

The movement in allowance for ECL tables set out on the following pages summarise changes in the NZ Banking Group's allowance for ECL for the six months ended 31 December 2019.

They are presented on the following basis:

- Changes in collective allowances due to transfers between ECL stages include the impact of both the initial transfer and subsequent remeasurement of the allowance for ECL. The remeasurement of transferred amounts occurs in the Stage to which the allowance for ECL has transferred;
- The effect of any Stage 3 discount unwind is included within other changes in collective allowances and within new and increased individually assessed allowances. This discount unwind is presented in the Income Statement as a reduction in Interest income;
- Other changes in collective allowances also includes the impact of non-significant changes in the credit quality of existing lending, changes in the expected life of existing lending, changes in future forecast economic assumptions and other changes in models or assumptions; and
- The impact of additions, deletions and transfers between stages on the allowance for ECL will be impacted by the credit quality of the underlying gross carrying amounts.

Movement in gross carrying amount

The movement in gross carrying amount tables set out on the following pages summarise changes in gross carrying amounts to explain changes in the NZ Banking Group's allowance for ECL for the six months ended 31 December 2019.

They are presented on the following basis:

- Additions include amounts drawn either from existing or new facilities; and
- Deletions include amounts which have been repaid on facilities.

5 Allowance for Expected Credit Loss (continued)

Unaudited

(a) Residential Mortgages

$ millions	NZ Banking Group				
Movement in Allowance for Expected Credit Loss	**Collective Allowances**			**Individually Assessed Allowances**	
As at 31 December 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	22	40	10	3	75
(Credited against)/charged to the Income Statement					
Changes in collective allowances due to transfers between ECL stages					
Stage 1 to Stage 2	(2)	5	-	-	3
Stage 1 to Stage 3	-	-	6	-	6
Stage 2 to Stage 1	1	(2)	-	-	(1)
Stage 2 to Stage 3	-	(2)	6	-	4
Stage 3 to Stage 1	-	-	-	-	-
Stage 3 to Stage 2	-	1	(4)	-	(3)
Net transfers to Stage 3 individually assessed allowances	-	-	(1)	-	(1)
Changes in collective allowances due to transfers between ECL stages	(1)	2	7	-	8
Changes in collective allowances due to additions and deletions	1	(1)	(2)	-	(2)
Changes in collective allowances due to amounts written off	-	-	-	-	-
Total changes in collective allowances due to movements in gross carrying amounts	-	1	5	-	6
Other changes in collective allowances	-	(5)	(1)	-	(6)
Changes in individually assessed allowances due to transfers from collective allowances	-	-	-	1	1
New and increased individually assessed allowances	-	-	-	4	4
Write-back of individually assessed allowances no longer required	-	-	-	(3)	(3)
Total (credited against)/charged to the Income Statement	-	(4)	4	2	2
Amounts written off from individually assessed allowances	-	-	-	-	-
Balance at end of period	22	36	14	5	77

$ millions	NZ Banking Group				
Movement in Gross Carrying Amounts	**Collectively Assessed**			**Individually Assessed**	
As at 31 December 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	50,447	6,453	273	21	57,194
Changes due to transfers between ECL stages					
Stage 1 to Stage 2	(649)	649	-	-	-
Stage 1 to Stage 3	(158)	-	158	-	-
Stage 2 to Stage 1	538	(538)	-	-	-
Stage 2 to Stage 3	-	(173)	173	-	-
Stage 3 to Stage 1	-	-	-	-	-
Stage 3 to Stage 2	-	137	(137)	-	-
Net transfers (from)/to Stage 3 individually assessed	(5)	(1)	(9)	15	-
Total changes due to transfers between ECL stages	(274)	74	185	15	-
Additions and deletions					
Additions	7,679	267	5	-	7,951
Deletions (excluding amounts written off)	(5,550)	(659)	(59)	(7)	(6,275)
Net additions/(deletions)	2,129	(392)	(54)	(7)	1,676
Amounts written off	-	-	-	-	-
Balance at end of period	52,302	6,135	404	29	58,870

5 Allowance for Expected Credit Loss (continued)

Unaudited

(b) Other Retail

$ millions	NZ Banking Group				
Movement in Allowance for Expected Credit Loss	**Collective Allowances**			**Individually Assessed Allowances**	
As at 31 December 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	51	33	23	3	110
(Credited against)/charged to the Income Statement					
Changes in collective allowances due to transfers between ECL stages					
Stage 1 to Stage 2	(10)	20	-	-	10
Stage 1 to Stage 3	-	-	4	-	4
Stage 2 to Stage 1	3	(8)	-	-	(5)
Stage 2 to Stage 3	-	(5)	16	-	11
Stage 3 to Stage 1	-	-	-	-	-
Stage 3 to Stage 2	-	2	(7)	-	(5)
Net transfers to Stage 3 individually assessed allowances	-	-	-	-	-
Changes in collective allowances due to transfers between ECL stages	(7)	9	13	-	15
Changes in collective allowances due to additions and deletions	1	(3)	(3)	-	(5)
Changes in collective allowances due to amounts written off	-	(3)	(6)	-	(9)
Total changes in collective allowances due to movements in gross carrying amounts	(6)	3	4	-	1
Other changes in collective allowances	4	(4)	-	-	-
Changes in individually assessed allowances due to transfers from collective allowances	-	-	-	-	-
New and increased individually assessed allowances	-	-	-	2	2
Write-back of individually assessed allowances no longer required	-	-	-	(1)	(1)
Total (credited against)/charged to the Income Statement	(2)	(1)	4	1	2
Amounts written off from individually assessed allowances	-	-	-	(1)	(1)
Balance at end of period	49	32	27	3	111

$ millions	NZ Banking Group				
Movement in Gross Carrying Amounts	**Collectively Assessed**			**Individually Assessed**	
As at 31 December 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	4,857	345	65	8	5,275
Changes due to transfers between ECL stages					
Stage 1 to Stage 2	(230)	230	-	-	-
Stage 1 to Stage 3	(10)	-	10	-	-
Stage 2 to Stage 1	183	(183)	-	-	-
Stage 2 to Stage 3	-	(46)	46	-	-
Stage 3 to Stage 1	4	-	(4)	-	-
Stage 3 to Stage 2	-	19	(19)	-	-
Net transfers (from)/to Stage 3 individually assessed	(1)	-	(2)	3	-
Total changes due to transfers between ECL stages	(54)	20	31	3	-
Additions and deletions					
Additions	2,322	51	14	-	2,387
Deletions (excluding amounts written off)	(2,296)	(79)	(25)	(2)	(2,402)
Net additions/(deletions)	26	(28)	(11)	(2)	(15)
Amounts written off	(3)	(17)	(13)	(1)	(34)
Balance at end of period	4,826	320	72	8	5,226

Notes to the Financial Statements

For the six months ended 31 December 2019

5 Allowance for Expected Credit Loss (continued)

Unaudited

(c) Corporate

$ millions	NZ Banking Group				
Movement in Allowance for Expected Credit Loss	**Collective Allowances**			**Individually Assessed Allowances**	
As at 31 December 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	50	115	3	63	231
(Credited against)/charged to the Income Statement					
Changes in collective allowances due to transfers between ECL stages					
Stage 1 to Stage 2	(2)	8	-	-	6
Stage 1 to Stage 3	-	-	-	-	-
Stage 2 to Stage 1	2	(8)	-	-	(6)
Stage 2 to Stage 3	-	-	-	-	-
Stage 3 to Stage 1	-	-	-	-	-
Stage 3 to Stage 2	-	-	-	-	-
Net transfers to Stage 3 individually assessed allowances	-	(3)	-	-	(3)
Changes in collective allowances due to transfers between ECL stages	-	(3)	-	-	(3)
Changes in collective allowances due to additions and deletions	1	(3)	(1)	-	(3)
Changes in collective allowances due to amounts written off	-	-	-	-	-
Total changes in collective allowances due to movements in gross carrying amounts	1	(6)	(1)	-	(6)
Other changes in collective allowances	(1)	(2)	-	-	(3)
Changes in individually assessed allowances due to transfers from collective allowances	-	-	-	3	3
New and increased individually assessed allowances	-	-	-	8	8
Write-back of individually assessed allowances no longer required	-	-	-	(7)	(7)
Total (credited against)/charged to the Income Statement	-	(8)	(1)	4	(5)
Amounts written off from individually assessed allowances	-	-	-	(34)	(34)
Balance at end of period	50	107	2	33	192

$ millions	NZ Banking Group				
Movement in Gross Carrying Amounts	**Collectively Assessed**			**Individually Assessed**	
As at 31 December 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	17,025	10,955	39	341	28,360
Changes due to transfers between ECL stages					
Stage 1 to Stage 2	(1,170)	1,170	-	-	-
Stage 1 to Stage 3	-	-	-	-	-
Stage 2 to Stage 1	1,275	(1,275)	-	-	-
Stage 2 to Stage 3	-	(16)	16	-	-
Stage 3 to Stage 1	-	-	-	-	-
Stage 3 to Stage 2	-	2	(2)	-	-
Net transfers (from)/to Stage 3 individually assessed	-	(66)	(7)	73	-
Total changes due to transfers between ECL stages	105	(185)	7	73	-
Additions and deletions					
Additions	4,053	1,839	4	-	5,896
Deletions (excluding amounts written off)	(3,213)	(2,085)	(14)	(141)	(5,453)
Net additions/(deletions)	840	(246)	(10)	(141)	443
Amounts written off	-	-	-	(34)	(34)
Balance at end of period	17,970	10,524	36	239	28,769

5 Allowance for Expected Credit Loss (continued)

Unaudited

(d) Total Advances to Customers

$ millions	NZ Banking Group				
Movement in Allowance for Expected Credit Loss	**Collective Allowances**			**Individually Assessed Allowances**	
As at 31 December 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	123	188	36	69	416
(Credited against)/charged to the Income Statement					
Changes in collective allowances due to transfers between ECL stages					
Stage 1 to Stage 2	(14)	33	-	-	19
Stage 1 to Stage 3	-	-	10	-	10
Stage 2 to Stage 1	6	(18)	-	-	(12)
Stage 2 to Stage 3	-	(7)	22	-	15
Stage 3 to Stage 1	-	-	-	-	-
Stage 3 to Stage 2	-	3	(11)	-	(8)
Net transfers to Stage 3 individually assessed allowances	-	(3)	(1)	-	(4)
Changes in collective allowances due to transfers between ECL stages	(8)	8	20	-	20
Changes in collective allowances due to additions and deletions	3	(7)	(6)	-	(10)
Changes in collective allowances due to amounts written off	-	(3)	(6)	-	(9)
Total changes in collective allowances due to movements in gross carrying amounts	(5)	(2)	8	-	1
Other changes in collective allowances	3	(11)	(1)	-	(9)
Changes in individually assessed allowances due to transfers from collective allowances	-	-	-	4	4
New and increased individually assessed allowances	-	-	-	14	14
Write-back of individually assessed allowances no longer required	-	-	-	(11)	(11)
Total (credited against)/charged to the Income Statement	(2)	(13)	7	7	(1)
Amounts written off from individually assessed allowances	-	-	-	(35)	(35)
Balance at end of period	121	175	43	41	380

$ millions	NZ Banking Group				
Movement in Gross Carrying Amounts	**Collectively Assessed**			**Individually Assessed**	
As at 31 December 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	72,329	17,753	377	370	90,829
Changes due to transfers between ECL stages					
Stage 1 to Stage 2	(2,049)	2,049	-	-	-
Stage 1 to Stage 3	(168)	-	168	-	-
Stage 2 to Stage 1	1,996	(1,996)	-	-	-
Stage 2 to Stage 3	-	(235)	235	-	-
Stage 3 to Stage 1	4	-	(4)	-	-
Stage 3 to Stage 2	-	158	(158)	-	-
Net transfers (from)/to Stage 3 individually assessed	(6)	(67)	(18)	91	-
Total changes due to transfers between ECL stages	(223)	(91)	223	91	-
Additions and deletions					
Additions	14,054	2,157	23	-	16,234
Deletions (excluding amounts written off)	(11,059)	(2,823)	(98)	(150)	(14,130)
Net additions/(deletions)	2,995	(666)	(75)	(150)	2,104
Amounts written off	(3)	(17)	(13)	(35)	(68)
Balance at end of period	75,098	16,979	512	276	92,865

Notes to the Financial Statements

For the six months ended 31 December 2019

6 Credit Quality Information for Advances to Customers

Unaudited

$ millions	NZ Banking Group			
As at 31 December 2019	**Residential Mortgages**	**Other Retail**	**Corporate**	**Total**
Past due assets not individually impaired				
1 to 7 days	1,004	152	251	1,407
8 to 29 days	597	98	38	733
1 to 29 days	1,601	250	289	2,140
30 to 59 days	196	43	2	241
60 to 89 days	74	21	-	95
90 days and over	74	29	1	104
Total past due assets not individually impaired	1,945	343	292	2,580
Other assets under administration	9	4	-	13
Undrawn lending commitments to customers with individually impaired assets	-	-	2	2

7 Impairment Losses on Financial Assets

Unaudited

$ millions	NZ Banking Group			
For the six months ended 31 December 2019	**Residential Mortgages**	**Other Retail**	**Corporate**	**Total**
Impairment losses credited against the Income Statement for collective allowances	-	-	(8)	(8)
Impairment losses charged to the Income Statement for individually assessed allowances	2	-	-	2
Bad debts written off directly to the Income Statement	-	33	-	33
Recovery of amounts previously written off	-	(7)	-	(7)
Total impairment losses recognised in the Income Statement	2	26	(8)	20

Impairment losses on other financial assets are not material to the NZ Banking Group.

8 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, financial guarantees, letters of credit and other off balance sheet credit commitments. The maximum exposure to credit risk for financial guarantees and 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.

Other financial 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 categorising 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.

$ millions	NZ Banking Group			
As at 31 December 2019	**Financial Assets at Amortised Cost**	**Financial Assets at Fair Value**	**Other Credit Exposures**	**Total Credit Exposures**
Concentration by industry				
Agriculture	**10,365**	**19**	**727**	**11,111**
Forestry and Fishing, Agriculture Services	**471**	**3**	**62**	**536**
Manufacturing	**1,134**	**19**	**858**	**2,011**
Electricity, Gas, Water and Waste Services	**472**	**68**	**305**	**845**
Construction	**622**	**-**	**319**	**941**
Wholesale Trade	**1,104**	**12**	**477**	**1,593**
Retail Trade and Accommodation	**1,675**	**2**	**458**	**2,135**
Transport, Postal and Warehousing	**1,040**	**4**	**366**	**1,410**
Financial and Insurance Services	**5,855**	**5,105**	**628**	**11,588**
Rental, Hiring and Real Estate Services	**32,697**	**52**	**1,506**	**34,255**
Professional, Scientific, Technical, Administrative and Support Services	**541**	**1**	**374**	**916**
Public Administration and Safety	**99**	**5,334**	**291**	**5,724**
Education and Training	**310**	**1**	**120**	**431**
Health Care and Social Assistance	**1,233**	**8**	**295**	**1,536**
Arts, Recreation and Other Services	**344**	**1**	**180**	**525**
Households	**39,299**	**-**	**9,496**	**48,795**
All Other	**118**	**-**	**170**	**288**
Total credit exposures by industry	**97,379**	**10,629**	**16,632**	**124,640**
Concentration by geographic region				
Auckland	**46,743**	**1,951**	**10,070**	**58,764**
Rest of New Zealand	**45,938**	**2,222**	**6,425**	**54,585**
Overseas	**4,698**	**6,456**	**137**	**11,291**
Total credit exposures by geographic region	**97,379**	**10,629**	**16,632**	**124,640**

Notes to the Financial Statements

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9 Deposits and Other Borrowings

$ millions	NZ Banking Group		
	Unaudited	Unaudited	Audited
As at	**31-Dec-19**	31-Dec-18	30-Jun-19
Certificates of deposit	**3,368**	3,628	3,377
Term deposits	**33,829**	33,107	34,034
On demand and short term deposits	**24,493**	23,479	23,187
Deposits not bearing interest	**6,585**	5,377	5,530
Repurchase agreements	**2,918**	-	2,474
Total deposits and other borrowings	**71,193**	65,591	68,602

As at 31 December 2019 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	Unaudited	Audited
As at	**31-Dec-19**	31-Dec-18[(1)]	30-Jun-19
Debt issues at fair value through Income Statement	**584**	214	585
Debt issues at amortised cost	**19,832**	19,300	20,171
Total debt issues	**20,416**	19,514	20,756
Movement in debt issues			
Balance at beginning of period	**20,756**	19,401	19,401
Issuances during the period	**2,190**	4,265	8,869
Repayments during the period	**(2,346)**	(4,254)	(7,978)
Fair value movements	**(90)**	83	408
Foreign exchange and other movements	**(94)**	19	56
Balance at end of period	**20,416**	19,514	20,756

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

Notes to the Financial Statements

For the six months ended 31 December 2019

11 Credit and Capital Commitments, and Contingent Liabilities

$ millions	NZ Banking Group Notional Amount		
	Unaudited	Unaudited	Audited
As at	**31-Dec-19**	31-Dec-18	30-Jun-19
Credit and capital commitments			
Lending commitments approved but not yet advanced[1]	**15,942**	16,042	16,459
Capital expenditure commitments	**9**	-	3
Total credit and capital commitments	**15,951**	16,042	16,462
Credit related contingent liabilities			
Financial guarantees	**187**	173	184
Letters of credit	**108**	132	125
Other credit facilities	**395**	223	387
Total credit related contingent liabilities	**690**	528	696

(1) These amounts include irrevocable lending commitments determined in accordance with accounting standards.

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

In addition to the above, the Labour Inspectorate of the Ministry of Business, Innovation, and Employment is undertaking a programme of compliance audits on a number of New Zealand organisations, including ASB, in respect of the Holidays Act 2003 (the "Holidays Act"). On 18 December 2018, ASB received the Labour Inspectorate's report of its findings on ASB's compliance with the Holidays Act.

The report included the Labour Inspectorate's finding that ASB has not complied with the requirements of the Holidays Act by not including certain incentive payments in ASB's calculation of gross earnings under the Holidays Act. ASB's position in relation to the Labour Inspectorate's finding, is that the application of the law is uncertain and yet to be definitively determined. If extrapolated to ASB's entire workforce, that finding would result in an estimated liability of $32 million in total for the preceding six years' annual holiday payments. ASB continues to engage with the Labour Inspectorate on the matter.

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.

12 Contributed Capital

	NZ Banking Group					
	Number of shares			$ millions		
	Unaudited	Unaudited	Audited	**Unaudited**	Unaudited	Audited
As at	**31-Dec-19**	31-Dec-18	30-Jun-19	**31-Dec-19**	31-Dec-18	30-Jun-19
Issued and fully paid ordinary share capital						
Balance at beginning of period	**690,561,572**	690,561,572	690,561,572	**667**	667	667
Share capital issued [1]	**2,500,000,000**	-	-	**2,500**	-	-
Balance at end of period	**3,190,561,572**	690,561,572	690,561,572	**3,167**	667	667

(1) Refer to note 13 for further information.

Notes to the Financial Statements

For the six months ended 31 December 2019

13 Ordinary Dividends Unaudited

$ millions	NZ Banking Group	
	Unaudited	Unaudited
For the six months ended	**31-Dec-19**	31-Dec-18
Ordinary dividends paid	**2,848**	175
Total ordinary dividends paid	**2,848**	175

On 10 October 2019, ASB Holdings Limited issued 2,500,000,000 ordinary shares to CBA and raised $2.5 billion from this issuance. Effected on the same date, the Directors of ASB Holdings Limited resolved to pay a dividend of $2.5 billion. Neither transaction required settlement in cash.

During the period, ASB Holdings Limited paid a dividend of $300 million and CBA Funding (NZ) Limited paid a dividend of $48 million.

On 5 February 2020, the Directors of ASB Holdings Limited resolved to pay a dividend to CBA, subject to certain conditions being satisfied, of $500 million on 16 March 2020, being 15.67 cents per share on 3,190 million ordinary shares.

14 Related Party Transactions and Balances

During the six months ended 31 December 2019 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. The ultimate parent bank of the Overseas Banking Group is CBA. ASB provides administrative functions to some related companies and entities 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 managed investment schemes are managed by ASB Group Investments Limited, a wholly owned subsidiary of ASB. Related party balances between these schemes, and the Banking Group are disclosed below.

Colonial First State Global Asset Management ("CFSGAM") provides investment management services to the NZ Banking Group. CFSGAM was part of the Commonwealth Bank Group until 2 August 2019, when CBA finalised the sale of this company to Mitsubishi UFJ Trust and Banking Corporation. From that date CFSGAM is no longer considered to be a related party of the NZ Banking Group. CFSGAM changed its name to First Sentier Investors on 21 October 2019.

The following balances represent amounts due from and due to related parties classified within Cash and liquid assets, Due to financial institutions, Due from financial institutions, Deposits and other borrowings, Other assets, Other liabilities, Derivative assets and Derivative liabilities:

$ millions	NZ Banking Group		
	Unaudited	Unaudited	Audited
As at	**31-Dec-19**	31-Dec-18	30-Jun-19
Amounts due from related parties			
Overseas Banking Group	**3,282**	827	2,856
Superannuation schemes and managed investment schemes managed by ASB Group Investments Limited	**18**	15	16
Total amounts due from related parties	**3,300**	842	2,872
Amounts due to related parties			
Overseas Banking Group	**3,460**	630	3,464
Superannuation schemes and managed investment schemes managed by ASB Group Investments Limited	**1,046**	940	976
Total amounts due to related parties	**4,506**	1,570	4,440

For the six months ended 31 December 2019, significant related party transactions included interest expense paid to the Overseas Banking Group of $56 million (31 December 2018 $43 million) and management and administration fees received from schemes managed by a subsidiary of ASB of $59 million (31 December 2018 $51 million). Shares issued and dividends paid are disclosed in notes 12 and 13 respectively.

Notes to the Financial Statements

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15 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.

The NZ Banking Group's categorises financial assets and financial liabilities at fair value into fair value hierarchy as required by NZ IFRS 13 *Fair Value Measurement* based on the observability of inputs used to measure fair values:

- Level 1 - fair values are based on 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; or
- 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.

There were no transfers between levels for recurring fair value measurements for the period ended 31 December 2019.

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

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

Unaudited				
$ millions		**NZ Banking Group**		
As at 31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Securities at fair value through other comprehensive income	**8,482**	**1,107**	**-**	**9,589**
Derivative assets	**-**	**1,040**	**-**	**1,040**
Total financial assets measured at fair value	**8,482**	**2,147**	**-**	**10,629**
Financial liabilities				
Derivative liabilities	**1**	**1,078**	**-**	**1,079**
Debt issues at fair value through Income Statement	**-**	**584**	**-**	**584**
Total financial liabilities measured at fair value	**1**	**1,662**	**-**	**1,663**

Unaudited				
$ millions		**NZ Banking Group**		
As at 31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Securities at fair value through other comprehensive income	7,565	907	-	8,472
Derivative assets	1	1,285	-	1,286
Total financial assets measured at fair value	7,566	2,192	-	9,758
Financial liabilities				
Derivative liabilities	-	935	-	935
Debt issues at fair value through Income Statement	-	214	-	214
Total financial liabilities measured at fair value	-	1,149	-	1,149

Notes to the Financial Statements

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15 Fair Value of Financial Instruments (continued)

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

Audited $ millions **As at 30 June 2019**	**Level 1**	**NZ Banking Group** **Level 2**	**Level 3**	**Total**
Financial assets				
Securities at fair value through other comprehensive income	7,653	1,032	-	8,685
Derivative assets	1	1,262	-	1,263
Total financial assets measured at fair value	7,654	2,294	-	9,948
Financial liabilities				
Derivative liabilities	-	949	-	949
Debt issues at fair value through Income Statement	-	585	-	585
Total financial liabilities measured at fair value	-	1,534	-	1,534

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.

Securities at fair value through other comprehensive income and Debt issues at fair value through Income Statement
The fair value is based on quoted market prices, where available, or calculated using discounted cash flow models based on current market rates.

(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. Other financial liabilities excludes the lease liability of $258m as no fair value disclosure is required in respect to lease liabilities.

$ millions	NZ Banking Group					
	Unaudited		Unaudited		Audited	
	31-Dec-19		31-Dec-18		30-Jun-19	
As at	**Fair Value**	**Carrying Value**	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets						
Cash and liquid assets	**4,403**	**4,403**	3,538	3,538	5,010	5,010
Due from financial institutions	**491**	**491**	539	539	518	518
Advances to customers	**92,691**	**92,485**	88,252	88,138	90,590	90,413
Other financial assets	**306**	**306**	327	327	303	303
Total	**97,891**	**97,685**	92,656	92,542	96,421	96,244
Financial liabilities						
Deposits and other borrowings	**71,308**	**71,193**	65,669	65,591	68,720	68,602
Due to financial institutions	**952**	**952**	914	914	1,184	1,184
Other financial liabilities	**526**	**526**	547	547	617	617
Debt issues at amortised cost	**19,924**	**19,832**	19,312	19,300	20,220	20,171
Loan capital	**6,910**	**6,798**	7,285	7,216	7,001	6,836
Total	**99,620**	**99,301**	93,727	93,568	97,742	97,410

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16 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") and *Market Risk Guidance Notes* ("BS6"). The peak end-of-day exposure is derived by taking the highest market exposure over the six months ended 31 December 2019.

Interest rate risk, foreign exchange and equity risk are calculated on a daily basis. For each category, the peak end-of-day market risk exposure may not have occurred at the same time.

$ millions	NZ Banking Group			
Exposures as at 31 December 2019	**Interest Rate Risk**	**Foreign Currency Risk**	**Equity Risk**	**Total**
Implied risk-weighted exposure	**2,515**	**249**	**-**	**2,764**
Notional capital charge	**201**	**20**	**-**	**221**

$ millions	NZ Banking Group			
Peak exposures for the six months ended 31 December 2019	**Interest Rate Risk**	**Foreign Currency Risk**	**Equity Risk**	**Total**
Implied risk-weighted exposure	**3,389**	**634**	**1**	**4,024**
Notional capital charge	**271**	**51**	**-**	**322**

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

Unaudited

$ millions	NZ Banking Group					
LVR Range	**0%-60%**	**60.1%-70%**	**70.1%-80%**	**80.1%-90%**	**>90%**	**Total**
As at 31 December 2019						
Value of exposures	**30,652**	**14,124**	**17,191**	**3,624**	**1,479**	**67,070**
Expressed as a percentage of total exposures	**45.7%**	**21.1%**	**25.6%**	**5.4%**	**2.2%**	**100.0%**

LVR is calculated as the current balance divided by the valuation of the security at the date of loan origination. Off balance sheet exposures include commitments to lend. On balance sheet and off balance sheet exposures for which no LVR information is available are included in the greater than 90% range.

$ millions	
As at 31 December 2019	**NZ Banking Group**
Reconciliation of mortgage-related amounts	
Residential mortgages in Advances to customers (refer to note 4)	**58,870**
Add/(less):	
Off balance sheet exposures	**7,786**
Exposure at default adjustments	**599**
Unamortised loan establishment fees and expenses	**(185)**
Residential mortgages in LVR disclosure	**67,070**

18 Overseas Bank and Overseas Banking Group

Unaudited

Capital Adequacy

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

APRA prudential standards require a minimum CET1 ratio of 4.5%, 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% as specified under Basel III.

The Overseas Banking Group is required to disclose capital adequacy information quarterly. This information is made available to users via the Overseas Bank's website (www.commbank.com.au).

The Overseas Banking Group is required by APRA to hold minimum capital, which is at least equal to that specified under the Basel III (AIRB) approach. As at 31 December 2019 the minimum capital requirements were met.

	Overseas Bank		Overseas Banking Group	
As at	**31-Dec-19**	31-Dec-18	**31-Dec-19**	31-Dec-18
Capital ratios				
Common equity tier one capital ratio	**12.1%**	11.3%	**11.7%**	10.8%
Tier one capital ratio	**14.6%**	13.3%	**14.1%**	12.9%
Total capital ratio	**18.0%**	16.3%	**17.4%**	15.8%

	Overseas Banking Group
Asset quality	
As at 31 December 2019	
Total gross individually impaired assets	**AUD3,383 million**
Total individually impaired assets as a % of total assets	**0.3%**
Total individually assessed provisions	**AUD959 million**
Total individually assessed provisions as a % of total gross individually impaired assets	**28.3%**
Total collective provision	**AUD4,067 million**
Profitability	
Net profit after tax for the six months ended 31 December 2019	**AUD6,161 million**
Net profit after tax as a % of average total assets for the year ended 31 December 2019	**1.0%**
Size	
As at 31 December 2019	
Total assets	**AUD979,868 million**
% change in total assets from previous 31 December	**-0.1%**

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 $6,430 million as at 31 December 2019 (31 December 2018 $6,465 million, 30 June 2019 $6,499 million).

19 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: IAG New Zealand Limited, Cigna Life Insurance Limited and AIA New Zealand Limited (formerly Sovereign Assurance Company Limited).

20 Changes in the Composition of the NZ Banking Group during the Reporting Period

Unaudited

In August 2019, Bond Investments No 1 Limited was removed from the New Zealand Companies Register. The removal does not have an impact on the financial statements of the NZ Banking Group.

In November 2019, ASB Funding Limited was amalgamated into ASB Holdings Limited. There was no material impact on the financial statements of the NZ Banking Group.

In December 2019, ASB sold its wholly owned subsidiaries Aegis Limited and Investment Custodial Services Limited to MMC Limited. The sale resulted in the recognition of a net loss of $28 million.

During the period, ASB acquired a 25% shareholding in Trade Window Limited which is now an associate of the NZ Banking Group. Trade Window Limited's principal business activity is the digitisation of the trade flow process using distributed ledger technology.

There were no other changes in the composition of the NZ Banking Group for the six months ended 31 December 2019.

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21 Financial Reporting by Operating Segments

Unaudited

	NZ Banking Group						
$ millions	Retail Banking	Business Banking	Corporate Banking	Institutional Banking and Markets	Private Banking, Wealth and Insurance	Other	Total
Income Statement							
For the six months ended 31 December 2019							
Net interest income/(expense)	**544**	**412**	**59**	**8**	**31**	**(34)**	**1,020**
Other income/(loss)	**208**	**62**	**28**	**19**	**123**	**(99)**	**341**
Total operating income/(expense)	**752**	**474**	**87**	**27**	**154**	**(133)**	**1,361**
Impairment losses/(recoveries) on financial assets	**29**	**(10)**	**2**	**(2)**	**1**	**-**	**20**
Segment operating expenses/(income) (excluding impairment losses)	**286**	**157**	**27**	**6**	**67**	**(5)**	**538**
Segment net profit/(loss) before tax	**437**	**327**	**58**	**23**	**86**	**(128)**	**803**
Tax expense/(benefit)	**122**	**92**	**16**	**7**	**24**	**(20)**	**241**
Segment net profit/(loss) after tax	**315**	**235**	**42**	**16**	**62**	**(108)**	**562**
Balance Sheet							
As at 31 December 2019							
Total assets	**46,304**	**37,255**	**5,675**	**3,186**	**2,686**	**14,357**	**109,463**
Total liabilities	**36,663**	**15,212**	**6,755**	**1,888**	**4,675**	**36,120**	**101,313**

	NZ Banking Group						
$ millions	Retail Banking	Business Banking	Corporate Banking	Institutional Banking and Markets	Private Banking, Wealth and Insurance	Other	Total
Income Statement (1)							
For the six months ended 31 December 2018							
Net interest income/(expense)	537	395	56	5	31	(9)	1,015
Other income/(loss)	201	64	24	21	113	(82)	341
Total operating income/(expense)	738	459	80	26	144	(91)	1,356
Impairment losses on financial assets	30	17	(2)	(1)	-	-	44
Segment operating expenses/(income) (excluding impairment)	270	149	28	7	63	(38)	479
Segment net profit/(loss) before tax	438	293	54	20	81	(53)	833
Tax expense/(benefit)	122	82	15	6	23	(4)	244
Segment net profit/(loss) after tax	316	211	39	14	58	(49)	589
Balance Sheet (1)							
As at 31 December 2018							
Total assets	43,618	35,981	5,705	3,029	2,487	12,336	103,156
Total liabilities	34,914	14,845	6,207	1,992	4,303	32,554	94,815

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

21 Financial Reporting by Operating Segments (continued)

Unaudited

Retail Banking: The Retail Banking segment provides services to personal customers. 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 commercial, rural and small business customers.

Corporate Banking: The Corporate Banking segment provides services to corporate customers and transactional banking services for non-retail customers. It also comprises ASB's financial markets activities, including financial instruments trading and sales of financial instruments to customers bank wide.

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 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;
- 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; and
- Results of certain business units excluded for management reporting purposes, but included within the consolidated financial statements of the NZ Banking Group for statutory reporting purposes.

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.

Notes to the Financial Statements

For the six months ended 31 December 2019

22 Interest Rate Repricing Schedule

Unaudited

The following table represents a breakdown of the NZ Banking Group's assets and liabilities by their 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". The NZ Banking Group does not manage its interest rate risk on the basis of information below.

$ millions	NZ Banking Group						
As at 31 December 2019	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	Non-interest Bearing	Total
Assets							
Cash and liquid assets	4,210	-	-	-	-	193	4,403
Due from financial institutions	491	-	-	-	-	-	491
Securities at fair value through other comprehensive income	1,273	801	20	1,290	6,205	-	9,589
Derivative assets	-	-	-	-	-	1,040	1,040
Advances to customers	40,255	8,633	17,119	20,610	6,079	(211)	92,485
Other financial assets	-	-	-	-	-	306	306
Total financial assets	46,229	9,434	17,139	21,900	12,284	1,328	108,314
Non-financial assets							1,149
Total assets							109,463
Liabilities							
Deposits and other borrowings	45,501	10,232	6,660	1,245	970	6,585	71,193
Due to financial institutions	921	-	-	-	-	31	952
Derivative liabilities	-	-	-	-	-	1,079	1,079
Other financial liabilities	-	-	-	-	-	784	784
Debt issues:							
At fair value through Income Statement	148	436	-	-	-	-	584
At amortised cost	4,709	832	541	2,590	10,905	255	19,832
Loan capital	6,339	-	-	400	-	59	6,798
Total financial liabilities	57,618	11,500	7,201	4,235	11,875	8,793	101,222
Non-financial liabilities							91
Total liabilities							101,313
Net derivative notionals	19,141	(4,810)	(6,570)	(14,637)	6,876		
Interest rate sensitivity gap	7,752	(6,876)	3,368	3,028	7,285		

Notes to the Financial Statements

For the six months ended 31 December 2019

23 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 and Guidelines. This Haircut can range from 1 to 19 percent, depending on the qualifying asset, and reduces the value of the qualifying liquid assets available for liquidity purposes. The table below does not adjust the qualifying liquid assets for this Haircut.

$ millions	NZ Banking Group					
As at 31 December 2019	**Cash and Liquid Assets**	**Securities at Fair Value through Other Comprehensive Income**	**Advances to Customers**	**Deposits and Other Borrowings[(1)]**	**Other Assets**	**Total**
Cash	**217**	**-**	**-**	**-**	**-**	**217**
Call deposits with the central bank	**960**	**-**	**-**	**-**	**-**	**960**
Local authority securities	**-**	**343**	**-**	**-**	**3**	**346**
New Zealand government securities	**705**	**2,144**	**-**	**(397)**	**16**	**2,468**
Overseas government securities	**2,521**	**2,552**	**-**	**(2,521)**	**9**	**2,561**
Corporate bonds	**-**	**124**	**-**	**-**	**1**	**125**
Bank bills	**-**	**579**	**-**	**-**	**-**	**579**
Kauri bonds	**-**	**2,662**	**-**	**-**	**24**	**2,686**
Bank bonds	**-**	**1,185**	**-**	**-**	**5**	**1,190**
Residential mortgage-backed securities	**-**	**-**	**4,022**	**-**	**-**	**4,022**
Total qualifying liquid assets	**4,403**	**9,589**	**4,022**	**(2,918)**	**58**	**15,154**

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

Notes to the Financial Statements

For the six months ended 31 December 2019

24 Maturity Analysis for Undiscounted Contractual Cash Flows

Unaudited

The following tables present the NZ Banking Group's cash flows by remaining contractual maturities for financial liabilities as at reporting date. The amounts disclosed in the tables are the contractual undiscounted cash flows and include principal and future interest cash flows, and therefore may 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 changes in market conditions and future actions of the NZ Banking Group and its counterparties, such as early repayments or refinancing of term loans.

Deposits and other borrowings include substantial customer savings and cheque deposits, which are at call. History demonstrates that such accounts provide a stable source of long term funding for the NZ Banking Group. The NZ Banking Group does not manage its liquidity risk on the basis of the information below.

$ millions				NZ Banking Group				
As at 31 December 2019	On Demand	Within 6 Months	Between 6-12 Months	Between 1-2 Years	Between 2-5 Years	Over 5 Years	Total	Carrying Value
Non-derivative financial liabilities								
Deposits and other borrowings	31,079	31,451	6,709	1,273	947	54	71,513	71,193
Due to financial institutions	727	225	-	-	-	-	952	952
Other financial liabilities	56	447	64	42	96	121	826	784
Debt issues:								
At fair value through Income Statement	-	587	-	-	-	-	587	584
At amortised cost	-	3,330	702	3,839	8,958	3,995	20,824	19,832
Loan capital	-	112	112	223	3,733	3,544	7,724	6,798
Total non-derivative financial liabilities	31,862	36,152	7,587	5,377	13,734	7,714	102,426	100,143
Derivative financial liabilities								
Inflows from derivatives	-	1,011	380	2,980	8,985	3,372	16,728	
Outflows from derivatives	-	(1,788)	(595)	(3,410)	(9,737)	(3,702)	(19,232)	
	-	(777)	(215)	(430)	(752)	(330)	(2,504)	
Off balance sheet items								
Lending commitments	12,583	3,359	-	-	-	-	15,942	
Financial guarantees	187	-	-	-	-	-	187	
Other credit related contingent liabilities	503	-	-	-	-	-	503	
Total off balance sheet items	13,273	3,359	-	-	-	-	16,632	

Notes to the Financial Statements

For the six months ended 31 December 2019

25 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 categorising industry sectors. The significant categories shown are in line with the NZSIOC.

$ millions	NZ Banking Group
As at	**31-Dec-19**
Total funding comprises:	
Deposits and other borrowings	**71,193**
Due to financial institutions	**952**
Debt issues:	
At fair value through Income Statement	**584**
At amortised cost	**19,832**
Loan capital	**6,798**
Total funding	**99,359**
Concentration by industry	
Agricultural, Forestry and Fishing	**1,233**
Manufacturing	**822**
Construction	**942**
Wholesale Trade	**731**
Retail Trade and Accommodation	**1,017**
Transport, Postal and Warehousing	**673**
Information Media and Telecommunications	**384**
Financial and Insurance Services	**37,840**
Rental, Hiring and Real Estate Services	**3,957**
Professional, Scientific, Technical, Administrative and Support Services	**4,950**
Public Administration and Safety	**1,050**
Education and Training	**1,606**
Health Care and Social Assistance	**924**
Arts, Recreation and Other Services	**1,857**
Households	**41,028**
All Other	**345**
Total funding by industry	**99,359**
Concentration by geographic region	
New Zealand	**64,862**
Overseas	**34,497**
Total funding by geographic region	**99,359**

26 Events after the Reporting Period

Unaudited

Refer to note 13 for details of the ordinary dividend declared after the reporting period.

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

Independent Review Report

To the Directors of the Commonwealth Bank of Australia

Report on the Disclosure Statement

We have reviewed pages 1 to 28 of the Disclosure Statement for the six months ended 31 December 2019 of the Commonwealth Bank of Australia (the 'Company') in respect of the New Zealand Banking Group (the 'NZ Banking Group'), which includes the condensed interim financial statements (the '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, 12 and 14 of the Order. The financial statements comprise the balance sheet as at 31 December 2019, 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 notes.

Directors' responsibility for the Disclosure Statement

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 control as the Directors determine is 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 the preparation and fair presentation of supplementary information in the Disclosure Statement which complies with Schedules 3, 5, 7, 9, 12 and 14 of the Order.

Our responsibility

Our responsibility is to express the following conclusions on the financial statements and supplementary information 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, 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 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 NZ Banking Group, 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) and International Standards on Auditing. Accordingly we do not express an audit opinion on the financial statements and supplementary information.

We are independent of the NZ Banking Group. Our firm carries out other services for the NZ Banking Group. These services are audit and assurance services in respect to funds managed by the NZ Banking Group, and other assurance and audit related services. Other assurance and audit related services include assurance over compliance with regulations, internal controls and audit related agreed upon procedure engagements. We have also performed a cybersecurity maturity assessment. In addition, certain partners and employees of our firm may deal with the NZ Banking Group on normal terms within the ordinary course of trading activities of the NZ Banking Group. These matters have not impaired our independence as auditor of the NZ Banking Group.

Conclusions

We have examined the financial statements and 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 28 (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, 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 disclosed in accordance with Schedule 9 of the Order.

Who we report to

This report is made solely to the Directors, as a body. 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, as a body, for our review procedures, for this report, or for the conclusions we have formed.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
17 February 2020

Auckland