

Commonwealth Bank of Australia New Zealand Operations

Disclosure Statement

For the nine months ended 31 March 2017

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Commonwealth Bank of Australia New Zealand Operations

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Commonwealth Bank of Australia New Zealand Banking Group

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General Disclosures

(To be read in conjunction with the Financial Statements)

31 March 2017

This Disclosure Statement has been issued in accordance with the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the "Order").

In this Disclosure Statement, reference is made to the following reporting entities:

- Commonwealth Bank of Australia Group (the "Overseas Banking Group") is domiciled in Australia and comprises the Commonwealth Bank of Australia ("Overseas Bank" or "CBA"), the worldwide activities of CBA, and its controlled entities;
- Commonwealth Bank of Australia New Zealand Banking Group (the "NZ Banking Group") refers to the New Zealand banking operations of the Overseas Banking Group, including those entities whose business is required to be reported in financial statements for the Overseas Banking Group's New Zealand banking business. Controlled entities of the NZ Banking Group as at 30 June 2016 are set out in note 23 of the financial statements of the NZ Banking Group for the year ended 30 June 2016;
- Commonwealth Bank of Australia New Zealand Life Insurance Group (the "NZ Life Group") refers to all of the New Zealand operations of the Overseas Banking Group that are not included in the NZ Banking Group, including those entities whose business is required to be reported in the financial statements of the Overseas Banking Group's New Zealand non-banking business. Controlled entities of the NZ Life Group as at 30 June 2016 are set out in note 15 of the financial statements of the NZ Life Group for the year ended 30 June 2016; and
- Commonwealth Bank of Australia New Zealand Branch (the "Branch") refers to the New Zealand branch of the Overseas Bank and includes all banking business transacted in New Zealand through the Branch.

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

General Matters

1.0 Address for Service - Branch

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

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

2.0 Address for Service - Overseas Bank

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

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

3.0 Guarantee Arrangements

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

4.0 Conditions of Registration

The Reserve Bank of New Zealand ("RBNZ") amended the Conditions of Registration of the Branch, effective 1 October 2016, to incorporate changes to the loan-to-valuation ratios that apply to property and non-property investment residential mortgage lending. The amendments also refer to the revised "*Framework for Restrictions on High-LVR Residential Mortgage Lending*" (BS19).

5.0 Other Material Matters

As disclosed in the CBA NZ Operations Disclosure Statement for the year ended 30 June 2016, APRA informed CBA that it will be required to reduce its non-equity exposure to ASB Bank Limited and its subsidiaries to below a limit of five percent of CBA's Level 1 Tier 1 Capital, over a five-year period commencing on 1 January 2016. APRA confirmed it will allow, on agreeable terms, the Australian parent banks to provide contingent funding support to their New Zealand banking subsidiaries in times of financial stress. At this time, only covered bonds meet the criteria for contingent funding arrangements. ASB Bank Limited understands that CBA expects to be compliant with APRA's requirements by the end of the transition period.

General Disclosures (continued)

(To be read in conjunction with the Financial Statements)

6.0 Directors

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

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

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

6.1 Directors of the Overseas Bank and the New Zealand Chief Executive Officer of the Branch

Directors of the Overseas Bank

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

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

S.M. (Shirish) Apte
Singapore

Sir D.H. (David) Higgins
England

L.K. (Launa) Inman
Australia

M.L. (Mary) Padbury
Australia

B.J. (Brian) Long
Australia

A.M. (Andrew) Mohl
Australia

W.M. (Wendy) Stops
Australia

H.H. (Harrison) Young
Australia

New Zealand Chief Executive Officer of the Branch

B.J. (Barbara) Chapman
New Zealand

7.0 Name and Address for Service of Auditor

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

General Disclosures (continued)

(To be read in conjunction with the Financial Statements)

8.0 Credit Rating of the Overseas Bank

As at the date of the signing of this Disclosure Statement, the following long term credit ratings were assigned to the Overseas Bank by these rating agencies:

Rating Agency	Current Long Term Credit Rating	Credit Rating Outlook
Moody's Investors Service Pty Limited ("Moody's")	Aa2	Negative
Standard & Poor's (Australia) Pty Limited ("S&P")	AA-	Negative
Fitch Australia Pty Limited ("Fitch Ratings")	AA-	Stable

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

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

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

(a) Moody's applies numeric modifiers 1, 2, and 3 to each generic rating category from Aa to Caa, indicating that the counterparty is (1) in the higher end of its letter rating category, (2) in the mid-range and (3) in the lower end.

(b) S&P applies plus (+) or minus (-) signs to ratings from 'AA' to 'CCC' to indicate relative standing within the major rating categories.

(c) Fitch Ratings applies plus (+) or minus (-) signs to ratings from 'AA' to 'B' to indicate relative standing within the major rating categories.

CBA New Zealand Operations Disclosure Statement

Statements by the Directors and the New Zealand Chief Executive Officer


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

- the Disclosure Statement contains all the information required by the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended); and
- the Disclosure Statement is not false or misleading.

Each Director and the New Zealand Chief Executive Officer believes, after due enquiry, that for the nine months ended 31 March 2017:

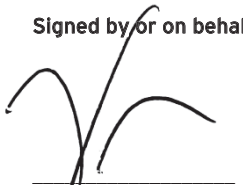
- the Registered Bank has complied with all Conditions of Registration imposed by the Reserve Bank under section 74 of the Reserve Bank of New Zealand Act 1989 that applied during that period; and
- the New Zealand business of the Registered Bank had systems in place to monitor and control adequately the material risks of the Registered Bank's Banking Group, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk and other material business risks, and that those systems were being properly applied.

Signed on behalf of the New Zealand Chief Executive Officer of the Commonwealth Bank of Australia New Zealand



J.E. Raby
22 May 2017

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



I.M. Narev
Managing Director and Chief Executive Officer

For himself and on behalf of each other Director
22 May 2017

Part A

Commonwealth Bank of Australia
New Zealand Banking Group

Financial Statements

For the nine months ended 31 March 2017

Income Statement

\$ millions	NZ Banking Group	
	Unaudited 31-Mar-17	Unaudited 31-Mar-16
For the nine months ended	Note	
Interest income		3,097
Interest expense		1,804
Net interest earnings		1,293
Other income	2	428
Total operating income		1,721
Impairment losses on advances	5(b)	53
Total operating income after impairment losses		1,668
Total operating expenses		623
Salaries and other staff expenses		378
Building occupancy and equipment expenses		89
Information technology expenses		77
Other expenses		79
Net profit before taxation		1,045
Taxation		292
Net profit after taxation		753
Attributable to:		
Parent company shareholders		743
Non-controlling interests		10
Net profit after taxation		753

These statements are to be read in conjunction with the notes on pages 6 to 15.

Statement of Comprehensive Income

\$ millions

NZ Banking Group

For the nine months ended

Unaudited Unaudited
31-Mar-17 31-Mar-16

Net profit after taxation	753	697
Other comprehensive income/(expense), net of taxation		
Items that may be reclassified subsequently to the Income Statement:		
Net change in available-for-sale reserve	9	(20)
Net change in cash flow hedge reserve	34	(58)
Total other comprehensive income/(expense), net of taxation	43	(78)
Total comprehensive income	796	619
Attributable to:		
Parent company shareholders	786	606
Non-controlling interests	10	13
Total comprehensive income	796	619

These statements are to be read in conjunction with the notes on pages 6 to 15.

Statement of Changes in Equity

\$ millions	NZ Banking Group								
	Head Office Contribution	Contributed Capital	Asset Revaluation Reserve	Available for-Sale Reserve	Cash Flow Hedge Reserve	Foreign Currency Translation Reserve	Retained Earnings	Non-controlling Interests	Total Shareholders' Equity
For the nine months ended 31 March 2017									
Unaudited									
Balance at beginning of period	462	1,738	28	(10)	(121)	1	2,849	550	5,497
Net profit after taxation	-	-	-	-	-	-	743	10	753
Other comprehensive income	-	-	-	9	34	-	-	-	43
Total comprehensive income	-	-	-	9	34	-	743	10	796
Redemption of redeemable preference share capital	-	(1,034)	-	-	-	-	-	-	(1,034)
Repurchase of ordinary share capital	-	(37)	-	-	-	-	-	-	(37)
Transfer from asset revaluation reserve to retained earnings	-	-	(3)	-	-	-	3	-	-
Ordinary dividends paid	-	-	-	-	-	-	(322)	-	(322)
Redeemable preference dividends paid	-	-	-	-	-	-	(90)	-	(90)
Perpetual preference dividends paid to non-controlling interests	-	-	-	-	-	-	-	(10)	(10)
Profit repatriation	-	-	-	-	-	-	(14)	-	(14)
Balance as at 31 March 2017	462	667	25	(1)	(87)	1	3,169	550	4,786
For the nine months ended 31 March 2016									
Unaudited									
Balance at beginning of period	462	2,184	27	7	(89)	1	2,178	550	5,320
Net profit after taxation	-	-	-	-	-	-	684	13	697
Other comprehensive expense	-	-	-	(20)	(58)	-	-	-	(78)
Total comprehensive (expense)/income	-	-	-	(20)	(58)	-	684	13	619
Redemption of redeemable preference share capital	-	(446)	-	-	-	-	-	-	(446)
Ordinary dividends paid	-	-	-	-	-	-	(175)	-	(175)
Redeemable preference dividends paid	-	-	-	-	-	-	(34)	-	(34)
Perpetual preference dividends paid to non-controlling interests	-	-	-	-	-	-	-	(13)	(13)
Profit repatriation	-	-	-	-	-	-	(7)	-	(7)
Balance as at 31 March 2016	462	1,738	27	(13)	(147)	1	2,646	550	5,264

These statements are to be read in conjunction with the notes on pages 6 to 15.

Balance Sheet

\$ millions	NZ Banking Group			
	Note	Unaudited 31-Mar-17	Unaudited 31-Mar-16	Audited 30-Jun-16
As at				
Assets				
Cash and liquid assets		2,870	2,046	1,407
Due from financial institutions		869	1,520	1,095
Trading securities		1,519	1,864	1,075
Derivative assets		1,307	1,788	1,560
Available-for-sale securities		4,340	4,348	4,454
Advances to customers	4	80,135	73,794	75,492
Current taxation asset		6	82	-
Other assets		245	261	243
Property, plant and equipment		184	180	187
Intangible assets		452	438	449
Deferred taxation asset		150	129	165
Total assets		92,077	86,450	86,127
<i>Total interest earning and discount bearing assets</i>		89,689	83,366	83,417
Liabilities				
Deposits and other public borrowings	7	57,614	54,069	54,593
Due to financial institutions		1,634	3,588	2,229
Other liabilities at fair value through Income Statement		329	953	1,340
Derivative liabilities		1,714	2,186	2,428
Current taxation liability		-	-	51
Other liabilities		549	557	578
Debt issues:				
At fair value through Income Statement	8	567	1,769	1,646
At amortised cost	8	17,412	11,398	12,631
Loan capital		7,472	6,666	5,134
Total liabilities		87,291	81,186	80,630
Shareholders' Equity				
Head office contribution		462	462	462
Contributed capital - ordinary shares		667	704	704
Reserves		(62)	(132)	(102)
Retained earnings		3,169	2,646	2,849
Ordinary shareholders' equity		4,236	3,680	3,913
Contributed capital - redeemable preference shares		-	1,034	1,034
Non-controlling interests		550	550	550
Total shareholders' equity		4,786	5,264	5,497
Total liabilities and shareholders' equity		92,077	86,450	86,127
<i>Total interest and discount bearing liabilities</i>		80,925	74,664	73,849

These statements are to be read in conjunction with the notes on pages 6 to 15.

Cash Flow Statement

\$ millions	NZ Banking Group	
For the nine months ended	Unaudited 31-Mar-17	Unaudited 31-Mar-16
Cash flows from operating activities		
Net profit before taxation	1,045	970
Reconciliation of net profit before taxation to net cash flows from operating activities		
Non-cash items included in net profit before taxation:		
Depreciation of property, plant and equipment	25	27
Amortisation of intangible assets	33	32
Net change in provisions for impairment losses and bad debts written off	67	83
Other movements	13	67
Net (increase)/decrease in operating assets:		
Net increase in reverse repurchase agreements	(1,267)	(368)
Net decrease/(increase) in due from financial institutions	226	(68)
Net increase in trading securities	(445)	(670)
Net decrease/(increase) in available-for-sale securities	125	(888)
Net increase in advances to customers	(4,856)	(4,752)
Net (increase)/decrease in other assets	(3)	303
Net increase/(decrease) in operating liabilities:		
Net increase in deposits and other public borrowings	3,011	2,080
Net (decrease)/increase in due to financial institutions	(595)	341
Net (decrease)/increase in other liabilities at fair value through Income Statement	(1,009)	770
Net decrease in other liabilities	(16)	(64)
Net taxation paid	(350)	(374)
Net cash flows from operating activities	(3,996)	(2,511)
Cash flows from investing activities		
Cash was provided from:		
Proceeds from sale of property, plant and equipment	7	-
Total cash inflows provided from investing activities	7	-
Cash was applied to:		
Purchase of property, plant and equipment	(28)	(22)
Purchase of intangible assets	(44)	(31)
Total cash outflows applied to investing activities	(72)	(53)
Net cash flows from investing activities	(65)	(53)
Cash flows from financing activities		
Cash was provided from:		
Issue of loan capital (net of issue costs)	2,181	1,605
Issue of debt securities (net of issue costs)	11,635	6,904
Total cash inflows provided from financing activities	13,816	8,509
Cash was applied to:		
Repurchase of ordinary share capital	(37)	-
Redemption of redeemable preference share capital	(1,034)	(446)
Dividends paid	(412)	(209)
Redemption of loan capital	-	(1,099)
Redemption of issued debt securities	(8,066)	(4,301)
Dividends paid to non-controlling interests	(10)	(13)
Total cash outflows applied to financing activities	(9,559)	(6,068)
Net cash flows from financing activities	4,257	2,441
Summary of movements in cash flows		
Net increase/(decrease) in cash and cash equivalents	196	(123)
Add: cash and cash equivalents at beginning of period	952	1,416
Cash and cash equivalents at end of period	1,148	1,293
Cash and cash equivalents comprise:		
Cash and liquid assets	2,870	2,046
Less: reverse repurchase agreements included in cash and liquid assets	(1,722)	(753)
Cash and cash equivalents at end of period	1,148	1,293
Additional operating cash flow information		
Interest received as cash	3,127	3,227
Interest paid as cash	(1,822)	(1,900)
Other income received as cash	383	360
Operating expenses paid as cash	(603)	(562)

These statements are to be read in conjunction with the notes on pages 6 to 15.

Notes to the Financial Statements

For the nine months ended 31 March 2017

1 Statement of Accounting Policies

The reporting entity is the NZ Banking Group which is an aggregation of the Branch, ASB Holdings Limited, ASB Funding Limited, ASB Bank Limited ("ASB") and its controlled entities, CBA Funding (NZ) Limited and its subsidiaries, CBA NZ Holding Limited and its subsidiary, CBA USD Funding Limited, and, up until 5 July 2016, CBA Real Estate Funding (NZ) Limited. The basis of aggregation is an addition of the NZ Banking Group entities' individual financial statements. All transactions and balances between entities within the NZ Banking Group have been fully eliminated.

The condensed interim financial statements of the NZ Banking Group for the nine months ended 31 March 2017 (the "financial statements") have been incorporated in this Disclosure Statement. They have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") as appropriate for profit-oriented entities, NZ IAS 34 *Interim Financial Reporting* and the Order. These interim financial statements do not include all the information and disclosures required in annual financial statements and should therefore be read in conjunction with the NZ Banking Group's financial statements for the year ended 30 June 2016.

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

There have been no material changes to accounting policies during the nine months ended 31 March 2017. All policies have been applied on a basis consistent with that used in the financial year ended 30 June 2016.

Certain comparatives relating to fixed rate prepayment cost recoveries of \$48 million have been reclassified from other income to interest income, to align with market practice. This reclassification has no impact on net profit after taxation.

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

2 Other Income

\$ millions	NZ Banking Group	
	Unaudited 31-Mar-17	Unaudited 31-Mar-16
For the nine months ended		
Net fair value gain/(loss) from:		
Net fair value gain on derivatives not qualifying for hedge accounting	-	3
Hedge ineffectiveness	25	(16)
Total net fair value gain/(loss)	25	(13)
Trading income	80	74
Other operating income	323	299
Total other income	428	360

3 Financial Assets Pledged as Collateral for Liabilities

Unaudited

As at 31 March 2017 New Zealand government securities of \$12 million were pledged as collateral under repurchase agreements.

The NZ Banking Group has entered into credit support annexes in respect of certain credit exposures relating to certain derivative transactions. As at 31 March 2017, \$830 million included in due from financial institutions had been advanced as cash collateral to counterparties with whom the NZ Banking Group has net derivative liability positions.

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

The Covered Bond Guarantor has guaranteed payments of interest and principal under the Covered Bonds pursuant to a guarantee which is secured over the Mortgage Loans, related security and other assets of the Covered Bond Trust. As at 31 March 2017, the Covered Bond Trust held Mortgage Loans with a carrying value of \$6.1 billion and cash of \$168 million which have been pledged in respect of the Covered Bonds.

Notes to the Financial Statements

For the nine months ended 31 March 2017

4 Advances to Customers

\$ millions	NZ Banking Group		
	Unaudited 31-Mar-17	Unaudited 31-Mar-16	Audited 30-Jun-16
As at			
Residential mortgages	50,641	46,400	47,737
Other retail	4,957	4,762	4,818
Corporate	24,849	22,842	23,210
Loans and other receivables	80,447	74,004	75,765
Fair value hedge adjustments	8	77	48
Provisions for impairment losses	(320)	(287)	(321)
Total advances to customers	80,135	73,794	75,492

5 Asset Quality and Provisions for Impairment Losses

\$ millions	NZ Banking Group		
	Unaudited 31-Mar-17	Unaudited 31-Mar-16	Audited 30-Jun-16
As at			
(a) Asset Quality and Provisions for Impairment Losses			
Individually impaired assets	450	340	430
Individually assessed provisions	55	53	56
Collective provision	265	234	265
90 day past due assets not impaired	90	104	77

\$ millions	NZ Banking Group	
	Unaudited 31-Mar-17	Unaudited 31-Mar-16
For the nine months ended		
(b) Impairment losses on advances		
Movement in collective provision	-	33
New and increased individually assessed provisions net of write-backs	13	9
Bad debts written off directly to the Income Statement	52	41
Recovery of amounts previously written off	(12)	(12)
Total impairment losses on advances	53	71

6 Concentration of Credit Exposures to Individual Counterparties

Unaudited

There were no balance date aggregate credit exposures to individual counterparties which equalled or exceeded 10% of the Overseas Banking Group's shareholders' equity as at 31 December 2016, which is the most recent publicly disclosed amount. For the three months ended 31 March 2017, there were no peak end-of-day aggregate credit exposures to individual counterparties which equalled or exceeded 10% of the Overseas Banking Group's shareholders' equity as at 31 December 2016.

The basis of calculation of the NZ Banking Group's aggregate concentration of credit exposure to individual counterparties is the actual credit exposure. Credit exposures to the central government of any country with a long term credit rating of A- or A3 or above, or its equivalent, banks with a long term credit rating of A- or A3 or above, or its equivalent, and connected persons are excluded. Credit exposures to individual counterparties do not include exposures to those counterparties if they are booked outside New Zealand.

The peak end-of-day aggregate concentration of credit exposure to individual counterparties has been calculated by determining the maximum end-of-day aggregate amount of credit exposure over the relevant three-month period and then dividing that amount by the Overseas Banking Group's equity as at 31 December 2016.

Notes to the Financial Statements

For the nine months ended 31 March 2017

7 Deposits and Other Public Borrowings

\$ millions	NZ Banking Group		
	Unaudited 31-Mar-17	Unaudited 31-Mar-16	Audited 30-Jun-16
As at			
Certificates of deposit	2,472	2,318	2,910
Term deposits	27,305	22,691	23,097
On demand and short term deposits	23,731	25,565	25,083
Deposits not bearing interest	4,094	3,483	3,503
Repurchase agreements	12	12	-
Total deposits and other public borrowings	57,614	54,069	54,593

As at 31 March 2017 the Branch did not have any retail deposits (deposits with natural persons, excluding deposits with an outstanding balance which exceeds \$250,000).

8 Debt Issues

\$ millions	NZ Banking Group		
	Unaudited 31-Mar-17	Unaudited 31-Mar-16	Audited 30-Jun-16
As at			
Debt issues at fair value through Income Statement	567	1,769	1,646
Debt issues at amortised cost	17,412	11,398	12,631
Total debt issues	17,979	13,167	14,277
Movement in debt issues			
Balance at beginning of period	14,277	11,489	11,489
Issuances during the period	11,635	6,924	10,971
Repayments during the period	(7,792)	(4,866)	(7,420)
Foreign exchange and fair value movements during the period	(141)	(380)	(763)
Balance at end of period	17,979	13,167	14,277

9 Contingent Liabilities

\$ millions	NZ Banking Group Notional Amount		
	Unaudited 31-Mar-17	Unaudited 31-Mar-16	Audited 30-Jun-16
As at			
Guarantees	154	147	146
Standby letters of credit	141	75	112
Other credit facilities	185	116	167
Total contingent liabilities	480	338	425

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

The NZ Banking Group has other contingent liabilities in respect of actual and potential claims and proceedings. An assessment of the NZ Banking Group's likely loss in respect of these matters has been made on a case-by-case basis and provision made in the financial statements where required by NZ GAAP. Information relating to any provision or contingent liability is not disclosed where it can be expected to prejudice seriously the position of the NZ Banking Group.

Notes to the Financial Statements

For the nine months ended 31 March 2017

10 Related Party Transactions and Balances

During the nine months ended 31 March 2017, the NZ Banking Group has entered into, or had in place various financial transactions with members of the Overseas Banking Group, and other related parties. ASB provides administrative functions to certain subsidiaries and related companies for which no compensation has been received. In all other cases, arrangements with related parties were conducted on an arm's length basis and on normal commercial terms, and within the NZ Banking Group's approved policies. Loans to and borrowings from related parties are unsecured.

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

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

\$ millions	NZ Banking Group		
	Unaudited 31-Mar-17	Unaudited 31-Mar-16	Audited 30-Jun-16
As at			
Amounts due to related parties			
Overseas Banking Group	1,440	4,544	2,444
NZ Life Group	242	286	261
Superannuation schemes and unit trusts managed by a subsidiary of ASB	731	635	656
Superannuation schemes and unit trusts managed or administered by NZ Life Group	17	3	4
Total amounts due to related parties	2,430	5,468	3,365
Amounts due from related parties			
Overseas Banking Group	1,039	1,146	676
NZ Life Group	6	11	7
Total amounts due from related parties	1,045	1,157	683

For the nine months ended 31 March 2017 interest charged on balances due to the Overseas Banking Group was \$103 million (31 March 2016 \$107 million).

11 Fair Value of Financial Instruments

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

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

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

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

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

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

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

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

Notes to the Financial Statements

For the nine months ended 31 March 2017

11 Fair Value of Financial Instruments (continued)

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

\$ millions	NZ Banking Group			Total
	Level 1	Level 2	Level 3	
As at 31 March 2017				
Unaudited				
Financial assets				
Trading securities	681	838	-	1,519
Derivative assets	1	1,306	-	1,307
Available-for-sale securities	3,254	1,086	-	4,340
Total financial assets measured at fair value	3,936	3,230	-	7,166
Financial liabilities				
Other liabilities at fair value through Income Statement	-	329	-	329
Derivative liabilities	1	1,713	-	1,714
Debt issues at fair value through Income Statement	-	567	-	567
Total financial liabilities measured at fair value	1	2,609	-	2,610
As at 31 March 2016				
Unaudited				
Financial assets				
Trading securities	1,356	508	-	1,864
Derivative assets	2	1,786	-	1,788
Available-for-sale securities	2,940	1,408	-	4,348
Total financial assets measured at fair value	4,298	3,702	-	8,000
Financial liabilities				
Other liabilities at fair value through Income Statement	-	953	-	953
Derivative liabilities	-	2,186	-	2,186
Debt issues at fair value through Income Statement	-	1,769	-	1,769
Total financial liabilities measured at fair value	-	4,908	-	4,908
As at 30 June 2016				
Audited				
Financial assets				
Trading securities	458	617	-	1,075
Derivative assets	-	1,560	-	1,560
Available-for-sale securities	3,102	1,352	-	4,454
Total financial assets measured at fair value	3,560	3,529	-	7,089
Financial liabilities				
Other liabilities at fair value through Income Statement	-	1,340	-	1,340
Derivative liabilities	-	2,428	-	2,428
Debt issues at fair value through Income Statement	-	1,646	-	1,646
Total financial liabilities measured at fair value	-	5,414	-	5,414

The NZ Banking Group determines the valuation of financial instruments classified in level 2 as follows:

Derivative Assets and Derivative Liabilities

The fair values are obtained from market yields and discounted cash flow models or option pricing models as appropriate.

Trading Securities, Available-for-Sale Securities, Other Liabilities at Fair Value through Income Statement and Debt Issues at Fair Value through Income Statement

The fair values are estimated using present value or other market acceptable valuation techniques, using methods or assumptions that are based on observable market conditions existing as at balance date.

Notes to the Financial Statements

For the nine months ended 31 March 2017

11 Fair Value of Financial Instruments (continued)

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

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

\$ millions	Unaudited 31-Mar-17		NZ Banking Group Unaudited 31-Mar-16		Audited 30-Jun-16	
	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets						
Cash and liquid assets	2,870	2,870	2,046	2,046	1,407	1,407
Due from financial institutions	869	869	1,520	1,520	1,095	1,095
Advances to customers	79,998	80,135	73,836	73,794	75,520	75,492
Other assets	220	220	238	238	216	216
Total	83,957	84,094	77,640	77,598	78,238	78,210
Financial liabilities						
Deposits and other public borrowings	57,702	57,614	54,209	54,069	54,717	54,593
Due to financial institutions	1,634	1,634	3,588	3,588	2,229	2,229
Other liabilities	549	549	557	557	578	578
Debt issues at amortised cost	17,464	17,412	11,408	11,398	12,643	12,631
Loan capital	7,430	7,472	6,200	6,666	4,749	5,134
Total	84,779	84,681	75,962	76,278	74,916	75,165

12 Market Risk Capital Charges

Unaudited

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

\$ millions	NZ Banking Group			
	Interest Rate Risk	Foreign Currency Risk	Equity Risk	Total
Exposures as at 31 March 2017				
Implied risk-weighted exposure	2,123	14	-	2,137
Aggregate capital charge	170	1	-	171

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

Unaudited

\$ millions	NZ Banking Group			Total
	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	
As at 31 March 2017				
Value of exposures	53,282	3,336	1,738	58,356
Expressed as a percentage of total exposures	91.3%	5.7%	3.0%	100.0%

LVR data has been derived in accordance with BS2A. Exposures comprise Balance Sheet claims secured by residential mortgages and undrawn commitments that when drawn down will be secured by mortgage over residential property. In accordance with RBNZ requirements the "Exceeds 90%" LVR range includes exposures for which no LVR information is available. As at 31 March 2017, LVR was calculated as the current balance divided by the valuation of the security at the date of loan origination in line with recent approval from the RBNZ. Previously LVR was calculated using the origination balance at the date of loan origination divided by the valuation of the associated residential property at the date of loan origination.

Notes to the Financial Statements

For the nine months ended 31 March 2017

14 Overseas Bank and Overseas Banking Group Unaudited

Capital Adequacy

The RBNZ requires the disclosure of the most recent publicly available information. As certain information is only publicly available semi-annually, some disclosures only include data for December 2016.

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

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

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

The Overseas Banking Group is required by APRA to hold minimum capital specified under the Basel III (AIRB) approach. As at 31 March 2017 the minimum capital requirements were met.

As at	Overseas Bank		Overseas Banking Group	
	31-Dec-16	31-Dec-15	31-Mar-17	31-Mar-16
Capital ratios				
Common equity tier one capital ratio	10.3%	10.7%	9.6%	10.0%
Tier one capital ratio	11.6%	12.6%	11.6%	11.9%
Total capital ratio	13.7%	14.5%	13.8%	13.7%

Overseas Banking Group

Asset quality

As at 31 December 2016

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

Profitability

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

Size

As at 31 December 2016

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

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

The total liabilities of the Branch net of amounts due to related parties were \$6,693 million as at 31 March 2017 (31 March 2016 \$4,961 million, 30 June 2016 \$4,739 million).

Notes to the Financial Statements

For the nine months ended 31 March 2017

15 Insurance Business, Marketing and Distribution of Insurance Products Unaudited

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

16 Financial Reporting by Operating Segments Unaudited

\$ millions	NZ Banking Group					Total
	Retail and Business Banking	Corporate, Commercial and Rural	Institutional Banking and Markets	Wealth and Insurance	Other	
Income Statement						
For the nine months ended 31 March 2017						
Net interest earnings	855	439	12	7	(20)	1,293
Other income/(expense)	191	109	32	130	(34)	428
Total operating income/(expense)	1,046	548	44	137	(54)	1,721
Impairment losses/(recoveries) on advances	43	17	(6)	-	(1)	53
Segment operating expenses (excluding impairment losses)	367	184	10	62	-	623
Segment net profit/(loss) before taxation	636	347	40	75	(53)	1,045
Taxation	178	97	12	21	(16)	292
Segment net profit/(loss) after taxation	458	250	28	54	(37)	753

Balance Sheet

As at 31 March 2017

\$ millions	NZ Banking Group					Total
	Retail and Business Banking	Corporate, Commercial and Rural	Institutional Banking and Markets	Wealth and Insurance	Other	
Total assets	51,453	28,250	3,775	170	8,429	92,077
Total liabilities	38,184	16,107	1,517	365	31,118	87,291

\$ millions	NZ Banking Group					Total
	Retail and Business Banking	Corporate, Commercial and Rural	Institutional Banking and Markets	Wealth and Insurance	Other	
Income Statement						
For the nine months ended 31 March 2016						
Net interest earnings	850	414	19	8	14	1,305
Other income/(expense)	180	99	29	121	(69)	360
Total operating income/(expense)	1,030	513	48	129	(55)	1,665
Impairment losses on advances	46	26	(1)	-	-	71
Segment operating expenses (excluding impairment losses)	355	185	9	65	10	624
Segment net profit/(loss) before taxation	629	302	40	64	(65)	970
Taxation	177	85	11	18	(18)	273
Segment net profit/(loss) after taxation	452	217	29	46	(47)	697

Balance Sheet

As at 31 March 2016

\$ millions	NZ Banking Group					Total
	Retail and Business Banking	Corporate, Commercial and Rural	Institutional Banking and Markets	Wealth and Insurance	Other	
Total assets	47,396	25,235	4,360	182	9,277	86,450
Total liabilities	35,920	14,810	2,295	326	27,835	81,186

Notes to the Financial Statements

For the nine months ended 31 March 2017

16 Financial Reporting by Operating Segments (continued)

Unaudited

- Retail and Business Banking:** The Retail and Business Banking segment provides services to private individuals and small business customers. In addition, net income is attributed to this segment for the distribution of wealth management products through the retail distribution network.
- Corporate, Commercial and Rural:** The Corporate, Commercial and Rural segment provides services to corporate, commercial and rural customers. It also comprises the NZ Banking Group's financial markets activities, including financial instruments trading and sales of financial instruments to customers.
- Institutional Banking and Markets:** Institutional Banking and Markets, services the NZ Banking Group's sophisticated corporate, institutional and government clients using a relationship management model based on industry expertise and local insights. The Total Capital Solutions offering includes debt and equity capital raising, financial and commodities price risk management and transactional banking capabilities. The New Zealand operations are part of CBA Institutional Banking and Markets' international operations.
- Wealth and Insurance:** The Wealth and Insurance segment provides securities, investment and insurance services to customers.
- Other primarily includes:**
- business units that do not meet the definition of operating segments under NZ IFRS 8 *Operating Segments*, including the NZ Banking Group's Treasury function and other functions that supply support and services to the segments; and
 - elimination entries on consolidation of the results, assets and liabilities of the NZ Banking Group's controlled entities in the preparation of the consolidated financial statements of the NZ Banking Group.

Operating income in each segment includes transfer pricing adjustments to reflect inter-segment funding arrangements. Inter-segment pricing is determined on an arm's length basis. Inter-segment transactions are eliminated for the purposes of reporting the consolidated NZ Banking Group's results and are included in the Other segment.

The NZ Banking Group operates predominantly in the banking industry within New Zealand. The NZ Banking Group has very limited exposure to risks associated with operating in different economic environments or political conditions in other countries. On this basis no geographical segment information is provided.

17 Qualifying Liquid Assets

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

If ASB enters into a repurchase agreement with the RBNZ, the qualifying liquid assets sold under the agreement are subject to a reduction in value ("haircut") in accordance with the RBNZ's Operating Rules. This haircut can range from 1 to 19 percent, depending on the qualifying asset, and reduces the value of the qualifying liquid assets available for liquidity purposes. The qualifying liquid assets in the table below are not adjusted for this haircut.

\$ millions	NZ Banking Group						Total
	Cash and Liquid Assets	Available for Sale Securities	Trading Securities	Advances to Customers	Deposits and Other Public Borrowings ⁽¹⁾	Other Assets	
As at 31 March 2017							
Unaudited							
Cash	193	-	-	-	-	-	193
Call deposits with the central bank	955	-	-	-	-	-	955
Local authority securities	-	247	21	-	-	5	273
New Zealand government securities	1,722	1,270	679	-	(12)	18	3,677
Overseas government securities	-	425	-	-	-	-	425
Corporate bonds	-	478	-	-	-	5	483
Bank bills	-	-	817	-	-	-	817
Kauri bonds	-	1,559	2	-	-	11	1,572
Floating rate notes	-	361	-	-	-	1	362
Residential mortgage-backed securities	-	-	-	3,517	-	-	3,517
Total qualifying liquid assets	2,870	4,340	1,519	3,517	(12)	40	12,274

(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 nine months ended 31 March 2017

18 Events after the Reporting Period **Unaudited**

On 12 April 2017 the Directors of ASB Capital Limited declared a gross perpetual preference dividend of \$2 million, being 0.8550 cents per share, including imputation credits. The cash dividend of 0.6156 cents per share was paid on 15 May 2017 to all registered holders of perpetual preference shares as at 5.00pm on 5 May 2017.

On 12 April 2017 the Directors of ASB Capital No.2 Limited declared a gross perpetual preference dividend of \$3 million, being 0.8000 cents per share, including imputation credits. The cash dividend of 0.5760 was paid on 15 May 2017 to all registered holders of perpetual preference shares as at 5.00pm on 5 May 2017.

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

Part B

Commonwealth Bank of Australia
New Zealand Life Insurance Group

Financial Statements

For the nine months ended 31 March 2017

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Income Statement

\$ millions		NZ Life Group	
		Unaudited 31-Mar-17	Unaudited 31-Mar-16
For the nine months ended		Note	
Premium income			517
Less: Reinsurance expense			(37)
Net premium income			480
Investment income		2	112
Other income			4
Total operating income			596
Claims expense			276
Less: Reinsurance recoveries			(28)
Net claims expense			248
Other operating expenses			218
Decrease in life insurance contract liabilities			(28)
Increase in life investment contract liabilities			9
Total operating expenses			447
Net profit before taxation			149
Taxation		3	56
Net profit after taxation			93

Statement of Comprehensive Income

\$ millions	NZ Life Group	
	Unaudited 31-Mar-17	Unaudited 31-Mar-16
Net profit after taxation	79	93
Other comprehensive expense, net of taxation		
Items that will not be reclassified to the Income Statement:		
Actuarial losses from defined benefit superannuation plans net of tax	(1)	-
Total other comprehensive expense, net of taxation	(1)	-
Total comprehensive income	78	93

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

Statement of Changes in Equity

\$ millions	NZ Life Group		Total Shareholders' Equity
	Contributed Capital	Retained Earnings	
For the nine months ended 31 March 2017			
Unaudited			
Balance at beginning of period	1,080	182	1,262
Net profit after taxation	-	79	79
Other comprehensive expense, net of taxation	-	(1)	(1)
Total comprehensive income	-	78	78
Balance as at 31 March 2017	1,080	260	1,340
For the nine months ended 31 March 2016			
Unaudited			
Balance at beginning of period	1,080	234	1,314
Net profit after taxation	-	93	93
Total comprehensive income	-	93	93
Ordinary dividend paid	-	(114)	(114)
Balance as at 31 March 2016	1,080	213	1,293

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

Balance Sheet

\$ millions	Note	NZ Life Group		
		Unaudited 31-Mar-17	Unaudited 31-Mar-16	Audited 30-Jun-16
As at				
Assets				
Cash and cash equivalents		586	602	572
Trade and other receivables		55	59	53
Securities		1,646	1,693	1,690
Derivative assets		-	10	29
Liabilities ceded under reinsurance		10	11	9
Current taxation asset		7	-	-
Property, plant and equipment		16	18	17
Intangible assets		521	524	522
Retirement benefit surplus		1	-	1
Total assets		2,842	2,917	2,893
<i>Total interest earning and discount bearing assets</i>		<i>1,443</i>	<i>1,451</i>	<i>1,445</i>
Liabilities				
Trade and other payables		95	107	95
Derivative liabilities		6	5	1
Life investment contract liabilities		767	851	835
Life insurance contract liabilities		130	149	146
Current taxation liability		-	6	22
Deferred taxation liability	8	504	506	532
Total liabilities		1,502	1,624	1,631
Shareholders' equity				
Contributed capital		1,080	1,080	1,080
Retained earnings		260	213	182
Total shareholders' equity		1,340	1,293	1,262
Total liabilities and shareholders' equity		2,842	2,917	2,893
<i>Total interest and discount bearing liabilities</i>		<i>11</i>	<i>12</i>	<i>10</i>

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

Condensed Cash Flow Statement

\$ millions	NZ Life Group	
	Unaudited 31-Mar-17	Unaudited 31-Mar-16
For the nine months ended		
Cash flows from operating activities		
Premium and deposit premium receipts	553	538
Interest receipts	28	35
Dividend receipts	12	15
Claims, surrenders and maturities payments	(400)	(339)
Net other cash outflows used by operating activities	(262)	(241)
Net cash flows from operating activities	(69)	8
Cash flows from investing activities		
Cash inflows provided by investing activities	414	518
Cash outflows used in investing activities	(331)	(411)
Net cash flows from investing activities	83	107
Cash flows from financing activities		
Dividend paid	-	(114)
Net cash flows from financing activities	-	(114)
Summary of movements in cash flows		
Net increase in cash and cash equivalents	14	1
Add: cash and cash equivalents at beginning of period	572	601
Cash and cash equivalents at end of period	586	602
Reconciliation of net profit after taxation to net cash flows from operating activities		
Net profit after taxation	79	93
Add: non-cash items	23	(65)
Add: movements in Balance Sheet items	(171)	(20)
Net cash flows from operating activities	(69)	8

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

Notes to the Financial Statements

For the nine months ended 31 March 2017

1 Statement of Accounting Policies

The reporting entity is the NZ Life Group, comprising the aggregated results of ASB Group (Life) Limited and its subsidiaries ("ASBGL") and First State Investments (NZ) Limited ("FSI"). The basis of aggregation is an addition of the NZ Life Group entities' individual financial statements. All transactions and balances between entities within the NZ Life Group have been fully eliminated. The NZ Life Group is 100% owned by Commonwealth Insurance Holdings Limited. The NZ Life Group's principal areas of business are life insurance and investment management.

The condensed interim consolidated financial statements of the NZ Life Group for the nine months ended 31 March 2017 have been incorporated in this Disclosure Statement. They have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") as appropriate for profit-oriented entities, NZ IAS 34 *Interim Financial Reporting* and to the extent applicable to the NZ Life Group, the Order. These interim financial statements do not include all the information and disclosures required in annual financial statements and should therefore be read in conjunction with the NZ Life Group's financial statements for the year ended 30 June 2016.

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

There have been no material changes to accounting policies during the nine months ended 31 March 2017. All policies and methods of computation have been applied on a basis consistent with that used in the financial year ended 30 June 2016.

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

2 Investment Income

\$ millions	NZ Life Group	
	Unaudited 31-Mar-17	Unaudited 31-Mar-16
For the nine months ended		
Dividends	19	21
Realised and unrealised gains/(losses)	57	(6)
Total equity securities and fund certificates	76	15
Dividends	5	3
Realised and unrealised (losses)/gains	(6)	4
Total property securities	(1)	7
Interest	37	43
Realised and unrealised (losses)/gains	(56)	22
Total fixed interest securities and cash	(19)	65
Realised and unrealised gains	-	25
Total derivatives	-	25
Total investment income	56	112

3 Taxation

\$ millions	NZ Life Group	
	Unaudited 31-Mar-17	Unaudited 31-Mar-16
For the nine months ended		
Current taxation	14	28
Deferred taxation	(28)	28
Total taxation charged to the Income Statement	(14)	56

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

Net profit before taxation	65	149
Income tax at the current rate of 28% (2016 28%)	18	42
Investment income adjustments	(11)	3
Imputation credit adjustments	(2)	(2)
Movement in investment contract liabilities and adjustments	10	2
Movement in insurance contract liabilities, reserves and adjustments	(26)	23
Other non-deductible expenditure	-	1
Prior period adjustments	(3)	(13)
Total taxation charged to the Income Statement	(14)	56
Weighted average effective tax rate	(22%)	38%

Notes to the Financial Statements

For the nine months ended 31 March 2017

4 Liquid Assets

Unaudited

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

\$ millions	NZ Life Group		Total
	Cash and Cash Equivalents	Securities	
As at 31 March 2017			
Cash and cash equivalents	584	-	584
Foreign currency deposits	2	-	2
Equity securities and fund certificates	-	713	713
Property securities	-	76	76
Government stock	-	811	811
Corporate bonds	-	27	27
Total liquid assets	586	1,627	2,213

Management of liquidity risk is designed to ensure that the NZ Life Group has the ability to meet its financial obligations as they fall due. This risk is managed by holding a pool of readily tradable investment assets and deposits on call.

5 Asset Quality

Unaudited

There were no material impaired or past due assets as at 31 March 2017 (31 March 2016 nil, 30 June 2016 nil).

6 Contingent Liabilities and Capital Commitments

Unaudited

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

7 Concentration of Credit Exposures to Individual Counterparties

Unaudited

As at 31 March 2017 there were no balance date aggregate credit exposures to individual counterparties which equaled or exceeded 10% of the Overseas Banking Group's shareholders' equity as at 31 December 2016. For the three months ended 31 March 2017, there were no peak end-of-day aggregate credit exposures to individual counterparties which equaled or exceeded 10% of the Overseas Banking Group's shareholders' equity as at 31 December 2016.

The basis of calculation of the NZ Life Group's aggregate concentration of credit exposure to individual counterparties is the actual credit exposure. Credit exposures to the central government of any country with a long term credit rating of A- or A3 or above, or its equivalent, banks with a long term credit rating of A- or A3 or above, or its equivalent, and connected persons are excluded. Credit exposures to individual counterparties do not include exposures to those counterparties if they are booked outside New Zealand.

The peak end-of-day aggregate concentration of credit exposure to individual counterparties has been calculated by determining the maximum end-of-day aggregate amount of credit exposure over the relevant three-month period and then dividing that amount by the Overseas Banking Group's equity as at 31 December 2016 which is the most recent publicly disclosed amount.

Notes to the Financial Statements

For the nine months ended 31 March 2017

8 Deferred Taxation Liability

\$ millions	Note	NZ Life Group		
		Unaudited 31-Mar-17	Unaudited 31-Mar-16	Audited 30-Jun-16
As at				
Balance at beginning of period		532	478	478
Recognised in the Income Statement	3	(28)	28	54
Total deferred taxation liability		504	506	532
Deferred taxation relates to:				
Life insurance and life investment contract liabilities		501	501	527
Other		3	5	5
Total deferred taxation liability		504	506	532
Deferred taxation recognised in the Income Statement:				
Life insurance and life investment contract liabilities		(26)	29	55
Other		(2)	(1)	(1)
Total deferred taxation recognised in the Income Statement	3	(28)	28	54

9 Related Party Transactions and Balances

During the nine months ended 31 March 2017, the NZ Life Group has entered into, or had in place, various financial transactions with members of the Overseas Banking Group, and other related parties. Arrangements with related parties were conducted on an arm's length basis and on normal commercial terms, and within the NZ Life Group's approved policies.

\$ millions	NZ Life Group	
	Unaudited 31-Mar-17	Unaudited 31-Mar-16
For the nine months ended		
Related party transactions		
Income		
Interest received from NZ Banking Group	3	6
Interest and dividends received from Overseas Banking Group	7	7
Fees received from NZ Banking Group	2	3
Fees received from superannuation schemes managed by a subsidiary of SACL	-	1
	12	17
Expenses		
Paid to Overseas Banking Group for investment management services	1	1
Paid to NZ Banking Group for administrative services	8	8
Paid to NZ Banking Group for insurance commission	31	27
	40	36

\$ millions	NZ Life Group		
	Unaudited 31-Mar-17	Unaudited 31-Mar-16	Audited 30-Jun-16
As at			
Related party balances			
Assets Overseas Banking Group			
Securities	396	341	400
Assets NZ Banking Group			
Cash and cash equivalents	242	276	231
Trade and other receivables	-	-	1
Derivative assets	-	10	29
	242	286	261
Liabilities NZ Banking Group			
Derivative liabilities	6	5	1
Other liabilities	-	6	6
	6	11	7

The Group manages and administers investment products that are closed to new business. As at 31 March 2017 the Group had \$797 million funds under management and administration (31 March 2016 \$928 million, 30 June 2016 \$913 million).

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

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

Notes to the Financial Statements

For the nine months ended 31 March 2017

10 Fair Value of Financial Instruments

The NZ Life Group's financial assets and financial liabilities are measured on an on-going basis either at fair value or amortised cost. The fair value of a financial instrument is the price that would be received to sell a financial asset, or paid to transfer a financial liability, in an orderly transaction between market participants at the measurement date.

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

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

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities that the NZ Life Group can access.
- Level 2: where quoted market prices are not available, fair values have been estimated using present value or other valuation techniques using inputs that are observable for the financial asset or financial liability, either directly or indirectly.
- Level 3: fair values are estimated using inputs that are unobservable for the financial asset or financial liability. The NZ Life Group has loans to policyholders for which fair value is estimated using valuation techniques that are not based on observable market data. Loans to policyholders are carried at estimated fair value, derived using a valuation technique that uses experienced judgement to estimate the credit risk component of the valuation. This experienced judgement is not supported by observable market prices; it is based on assessments concerning economic conditions, loss experience, and the risk characteristics associated with particular loans. These assessments are subjective in nature and the range of possible alternative assumptions is considered immaterial. A sensitivity analysis and reconciliation of movements in loans to policyholders has not been provided on the basis that these assets are not a material component of the NZ Life Group's total financial assets.

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

\$ millions	NZ Life Group			Total
	Level 1	Level 2	Level 3	
As at 31 March 2017				
Unaudited				
Financial assets				
Securities				
Equity securities and fund certificates	230	483	-	713
Property securities	76	-	-	76
Fixed interest securities	824	14	-	838
Loans to policyholders	-	-	19	19
Total financial assets measured at fair value	1,130	497	19	1,646
Financial liabilities				
Derivative liabilities	-	6	-	6
Life investment contract liabilities	-	767	-	767
Total financial liabilities measured at fair value	-	773	-	773
As at 31 March 2016				
Unaudited				
Financial assets				
Securities				
Equity securities and fund certificates	312	437	-	749
Property securities	95	-	-	95
Fixed interest securities	826	-	-	826
Loans to policyholders	-	-	23	23
Derivative assets	-	10	-	10
Total financial assets measured at fair value	1,233	447	23	1,703
Financial liabilities				
Derivative liabilities	-	5	-	5
Life investment contract liabilities	-	851	-	851
Total financial liabilities measured at fair value	-	856	-	856

Notes to the Financial Statements

For the nine months ended 31 March 2017

10 Fair Value of Financial Instruments (continued)

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

\$ millions	NZ Life Group			Total
	Level 1	Level 2	Level 3	
As at 30 June 2016				
Audited				
Financial assets				
Securities				
Equity securities and fund certificates	233	501	-	734
Property securities	83	-	-	83
Fixed interest securities	850	-	-	850
Loans to policyholders	-	-	23	23
Derivative assets	-	29	-	29
Total financial assets measured at fair value	1,166	530	23	1,719
Financial liabilities				
Derivative liabilities	-	1	-	1
Life investment contract liabilities	-	835	-	835
Total financial liabilities measured at fair value	-	836	-	836

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

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

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

\$ millions	Unaudited 31-Mar-17		NZ Life Group Unaudited 31-Mar-16		Audited 30-Jun-16	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount
Financial assets						
Cash and cash equivalents	586	586	602	602	572	572
Trade and other receivables	54	54	58	58	53	53
Total financial assets	640	640	660	660	625	625
Financial liabilities						
Trade and other payables	20	20	30	30	29	29
Total financial liabilities	20	20	30	30	29	29

11 Events after the Reporting Period

Unaudited

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