

Commonwealth Bank of Australia New Zealand Operations

Disclosure Statement

For the three months ended 30 September 2017

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Commonwealth Bank of Australia New Zealand Operations

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General Disclosures

(To be read in conjunction with the Financial Statements)

30 September 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 2017 are set out in note 23 of the financial statements of the NZ Banking Group for the year ended 30 June 2017;
- Commonwealth Bank of Australia New Zealand Life Insurance Group (the "NZ Life Group") refers to all of the New Zealand operations of the Overseas Banking Group that are not included in the NZ Banking Group, including those entities whose business is required to be reported in the financial statements of the Overseas Banking Group's New Zealand non-banking business. Controlled entities of the NZ Life Group as at 30 June 2017 are set out in note 15 of the financial statements of the NZ Life Group for the year ended 30 June 2017; and
- Commonwealth Bank of Australia New Zealand Branch (the "Branch") refers to the New Zealand branch of the Overseas Bank and includes all banking business transacted in New Zealand through the Branch.

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

General Matters

1.0 Address for Service - Branch

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

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

2.0 Address for Service - Overseas Bank

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

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

3.0 Directors

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

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

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

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

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

Directors of the Overseas Bank

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

S.M. (Shirish) Apte
Singapore

B.J. (Brian) Long
Australia

W.M. (Wendy) Stops
Australia

R. (Robert) Whitfield
Australia

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

Sir D.H. (David) Higgins
England

M.L. (Mary) Padbury
Australia

A.M. (Andrew) Mohl
Australia

New Zealand Chief Executive Officer of the Branch

B.J. (Barbara) Chapman
New Zealand

General Disclosures

(To be read in conjunction with the Financial Statements)

4.0 Credit Rating of the Overseas Bank

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

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

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

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

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

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

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

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

5.0 Guarantee Arrangements

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

6.0 Other Material Matters

Legally Enforceable Restrictions

On 25 November 2015, 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.

Australian Transaction Reports and Analysis Centre Civil Proceedings

On 3 August 2017, Australian Transaction Reports and Analysis Centre ("AUSTRAC") commenced civil penalty proceedings against CBA relating to alleged past and ongoing contraventions by CBA of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (the "Act"). CBA takes the allegations made by AUSTRAC very seriously and intends to file a defence in relation to this matter, by 15 December 2017, with AUSTRAC's response expected to be filed by 16 March 2018. The actual outcome in this matter will be determined by a Court in accordance with established legal principles. The AUSTRAC statement of claim relates to alleged past and ongoing contraventions of four provisions of the Act. To the extent that contraventions may be established, a Court will ordinarily take into account a range of factors in setting penalties. One factor is the extent to which any contraventions arise from a single course of conduct. For example, AUSTRAC alleges that approximately 53,000 threshold transaction reports were lodged late. During the relevant period, the alleged contraventions carried a penalty of up to AUD18 million for each contravention, other than one alleged contravention which carried a penalty of up to AUD21 million. However, these alleged contraventions could be considered to arise from a single course of conduct to the extent that they emanated from the same systems error. Ultimately, a Court will seek to ensure that, overall, any civil penalties are just and appropriate and do not exceed what is proper having regard to the totality of established contraventions. Under the Act, the only mechanism available to AUSTRAC to secure a pecuniary penalty from CBA is by taking court action.

At this time CBA is unable to reliably estimate the possible financial effect on the Overseas Banking Group.

General Disclosures (continued)

(To be read in conjunction with the Financial Statements)

6.0 Other Material Matters (continued)

Related threatened class action

On 23 August 2017 Maurice Blackburn Lawyers and IMF Bentham announced that they are investigating a potential shareholder class action against CBA. The claims being investigated relate to CBA's continuous disclosure obligations in relation to the claims in the AUSTRAC proceedings. On 5 September 2017 IMF Bentham announced that it has made a formal decision to fund on a conditional basis, an open class action against CBA relating to the alleged breaches by CBA of the Act. CBA has not been served with any proceedings.

NZ Life Group

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

7.0 Conditions of Registration

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

8.0 Name and Address for Service of Auditor

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

CBA New Zealand Operations Disclosure Statement

Statements by the Directors and the New Zealand Chief Executive Officer

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

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

Each Director and the New Zealand Chief Executive Officer believes, after due enquiry, that for the three months ended 30 September 2017:

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

Signed by the New Zealand Chief Executive Officer of the Commonwealth Bank of Australia New Zealand



B.J. Chapman
November 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
November 2017

Part A

Commonwealth Bank of Australia New Zealand Banking Group

Financial Statements

For the three months ended 30 September 2017

Income Statement

\$ millions	NZ Banking Group	
	Unaudited 30-Sep-17	Unaudited 30-Sep-16
For the three months ended	Note	
Interest income		1,062
Interest expense		601
Net interest earnings		452
Other income	2	135
Total operating income		600
Impairment (recoveries)/losses on advances	5(b)	(16)
Total operating income after impairment losses		616
Total operating expenses		210
Salaries and other staff expenses		128
Building occupancy and equipment expenses		29
Information technology expenses		28
Other expenses		25
Net profit before taxation		406
Taxation		114
Net profit after taxation		292
Attributable to:		
Parent company shareholders		289
Non-controlling interests		3
Net profit after taxation		292

Statement of Comprehensive Income

\$ millions	NZ Banking Group	
	Unaudited 30-Sep-17	Unaudited 30-Sep-16
Net profit after taxation	292	245
Other comprehensive income, net of taxation		
Items that may be reclassified subsequently to the Income Statement:		
Net change in available-for-sale reserve	-	(1)
Net change in cash flow hedge reserve	12	7
Total other comprehensive income, net of taxation	12	6
Total comprehensive income	304	251
Attributable to:		
Parent company shareholders	301	248
Non-controlling interests	3	3
Total comprehensive income	304	251

These statements are to be read in conjunction with the notes on pages 5 to 14.

Statement of Changes in Equity

\$ millions	NZ Banking Group								
	Head Office Contribution	Contributed Capital	Asset Revaluation Reserve	Available-for-Sale Reserve	Cash Flow Hedge Reserve	Foreign Currency Translation Reserve	Retained Earnings	Non-controlling Interests	Total Shareholders' Equity
For the three months ended 30 September 2017									
Unaudited									
Balance at beginning of period	462	667	26	2	(118)	1	3,412	550	5,002
Net profit after taxation	-	-	-	-	-	-	289	3	292
Other comprehensive income	-	-	-	-	12	-	-	-	12
Total comprehensive income	-	-	-	-	12	-	289	3	304
Ordinary dividends paid	-	-	-	-	-	-	(250)	-	(250)
Perpetual preference dividends paid to non-controlling interests	-	-	-	-	-	-	-	(3)	(3)
Profit repatriation	-	-	-	-	-	-	(2)	-	(2)
Balance as at 30 September 2017	462	667	26	2	(106)	1	3,449	550	5,051
For the three months ended 30 September 2016									
Unaudited									
Balance at beginning of period	462	1,738	28	(10)	(121)	1	2,849	550	5,497
Net profit after taxation	-	-	-	-	-	-	242	3	245
Other comprehensive (expense)/income	-	-	-	(1)	7	-	-	-	6
Total comprehensive (expense)/income	-	-	-	(1)	7	-	242	3	251
Ordinary dividends paid	-	-	-	-	-	-	(100)	-	(100)
Redeemable preference dividends paid	-	-	-	-	-	-	(62)	-	(62)
Perpetual preference dividends paid to non-controlling interests	-	-	-	-	-	-	-	(3)	(3)
Profit repatriation	-	-	-	-	-	-	(5)	-	(5)
Balance as at 30 September 2016	462	1,738	28	(11)	(114)	1	2,924	550	5,578

These statements are to be read in conjunction with the notes on pages 5 to 14.

Balance Sheet

\$ millions	NZ Banking Group			
	Note	Unaudited 30-Sep-17	Unaudited 30-Sep-16	Audited 30-Jun-17
As at				
Assets				
Cash and liquid assets		1,978	1,497	2,570
Due from financial institutions		532	1,282	947
Trading securities		1,397	1,426	1,578
Derivative assets		1,097	1,540	1,037
Available-for-sale securities		4,546	4,397	4,425
Advances to customers	4	82,217	78,041	81,232
Other assets		250	230	240
Property, plant and equipment		179	188	186
Intangible assets		457	453	453
Deferred taxation asset		148	163	160
Total assets		92,801	89,217	92,828
<i>Total interest earning and discount bearing assets</i>		<i>90,697</i>	<i>86,572</i>	<i>90,732</i>
Liabilities				
Deposits and other borrowings	7	59,018	54,455	58,147
Due to financial institutions		1,141	2,300	1,168
Other liabilities at fair value through Income Statement		1,036	278	1,065
Derivative liabilities		1,301	2,425	1,885
Current taxation liability		84	46	108
Other liabilities		541	510	592
Debt issues:				
At fair value through Income Statement	8	277	1,593	407
At amortised cost	8	16,948	16,884	17,273
Loan capital		7,404	5,148	7,181
Total liabilities		87,750	83,639	87,826
Shareholders' Equity				
Head office contribution		462	462	462
Contributed capital - ordinary shares		667	704	667
Reserves		(77)	(96)	(89)
Retained earnings		3,449	2,924	3,412
Ordinary shareholders' equity		4,501	3,994	4,452
Contributed capital - redeemable preference shares		-	1,034	-
Non-controlling interests		550	550	550
Total shareholders' equity		5,051	5,578	5,002
Total liabilities and shareholders' equity		92,801	89,217	92,828
<i>Total interest and discount bearing liabilities</i>		<i>81,645</i>	<i>76,625</i>	<i>81,227</i>

These statements are to be read in conjunction with the notes on pages 5 to 14.

Cash Flow Statement

\$ millions

NZ Banking Group

Unaudited Unaudited

30-Sep-17 30-Sep-16

For the three months ended

Cash flows from operating activities

Net profit before taxation 406 340

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 8 9

Amortisation of intangible assets 12 10

Net change in provisions for impairment losses and bad debts written off (12) 28

Net change in fair value of financial instruments and hedged items 2 (218)

Other movements 20 10

Net (increase)/decrease in operating assets:

Net change in reverse repurchase agreements 480 (42)

Net change in due from financial institutions 415 (187)

Net change in trading securities 178 (352)

Net change in available-for-sale securities (122) 54

Net change in advances to customers (991) (2,611)

Net change in other assets (11) 13

Net increase/(decrease) in operating liabilities:

Net change in deposits and other borrowings 821 (101)

Net change in due to financial institutions (25) 79

Net change in other liabilities at fair value through Income Statement (30) (1,061)

Net change in other liabilities (48) (54)

Net taxation paid (134) (100)

Net cash flows from operating activities

969 **(4,183)**

Cash flows from investing activities

Cash was provided from:

Proceeds from sale of property, plant and equipment 3 -

Total cash inflows provided from investing activities 3 -

Cash was applied to:

Purchase of property, plant and equipment (6) (9)

Purchase of intangible assets (18) (24)

Total cash outflows applied to investing activities (24) (33)

Net cash flows from investing activities

(21) **(33)**

Cash flows from financing activities

Cash was provided from:

Issue of debt securities (net of issue costs) 2,177 6,268

Total cash inflows provided from financing activities 2,177 6,268

Cash was applied to:

Dividends paid (250) (162)

Redemption of issued debt securities (2,984) (1,839)

Dividends paid to non-controlling interests (3) (3)

Total cash outflows applied to financing activities (3,237) (2,004)

Net cash flows from financing activities

(1,060) **4,264**

Summary of movements in cash flows

Net (decrease)/increase in cash and cash equivalents (112) 48

Add: cash and cash equivalents at beginning of period 1,414 952

Cash and cash equivalents at end of period **1,302** **1,000**

Cash and cash equivalents comprise:

Cash and liquid assets 1,978 1,497

Less: reverse repurchase agreements included in cash and liquid assets (676) (497)

Cash and cash equivalents at end of period **1,302** **1,000**

Additional operating cash flow information

Interest received as cash 1,067 1,053

Interest paid as cash (591) (606)

Other income received as cash 142 129

Operating expenses paid as cash (241) (253)

These statements are to be read in conjunction with the notes on pages 5 to 14.

Notes to the Financial Statements

For the three months ended 30 September 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 three months ended 30 September 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 2017.

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.

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

Changes to Comparatives

Cash Flow Statement

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

The following amounts have been restated for the period ended 30 September 2016:

\$ millions	NZ Banking Group	
	Reported	Restated
Net cash flows from operating activities	(4,003)	(4,183)
Net cash flows from financing activities	4,084	4,264

Other comparatives

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

2 Other Income

\$ millions	NZ Banking Group	
	Unaudited 30-Sep-17	Unaudited 30-Sep-16
For the three months ended		
Net fair value gain/(loss) from:		
Net fair value loss on derivatives not qualifying for hedge accounting	-	(1)
Hedge ineffectiveness	4	6
Total net fair value gain	4	5
Trading income	27	25
Other operating income	117	105
Total other income	148	135

3 Financial Assets Pledged as Collateral for Liabilities Unaudited

As at 30 September 2017, no securities were pledged as collateral under repurchase agreements.

The NZ Banking Group has entered into credit support annexes in respect of certain credit exposures relating to certain derivative transactions. As at 30 September 2017, \$526 million included in due from financial institutions had been advanced as cash collateral to counterparties with whom the NZ Banking Group has net derivative liability positions.

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

The Covered Bond Guarantor has guaranteed payments of interest and principal under the Covered Bonds pursuant to a guarantee which is secured over the Mortgage Loans, related security and other assets of the Covered Bond Trust. As at 30 September 2017, the Covered Bond Trust held Mortgage Loans with a carrying value of \$6.3 billion and cash of \$109 million which have been pledged in respect of the Covered Bonds.

Notes to the Financial Statements

For the three months ended 30 September 2017

4 Advances to Customers

\$ millions	NZ Banking Group		
	Unaudited 30-Sep-17	Unaudited 30-Sep-16	Audited 30-Jun-17
As at			
Residential mortgages	51,808	49,201	51,128
Other retail	5,061	4,873	5,026
Corporate	25,640	24,254	25,395
Loans and other receivables	82,509	78,328	81,549
Fair value hedge adjustments	-	34	-
Provisions for impairment losses	(292)	(321)	(317)
Total advances to customers	82,217	78,041	81,232

5 Asset Quality and Provisions for Impairment Losses

\$ millions	NZ Banking Group		
	Unaudited 30-Sep-17	Unaudited 30-Sep-16	Audited 30-Jun-17
As at			
(a) Asset Quality and Provisions for Impairment Losses			
Individually impaired assets	371	470	384
Individually assessed provisions	44	56	55
Collective provision	248	265	262
90 days and over past due assets not impaired	78	76	96

\$ millions	NZ Banking Group	
	Unaudited 30-Sep-17	Unaudited 30-Sep-16
For the three months ended		
(b) Impairment losses on advances		
Movement in collective provision	(14)	-
New and increased individually assessed provisions net of write-backs	(14)	13
Bad debts written off directly to the Income Statement	16	15
Recovery of amounts previously written off	(4)	(4)
Total impairment losses on advances	(16)	24

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 30 June 2017, which is the most recent publicly disclosed amount. For the three months ended 30 September 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 30 June 2017.

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

The peak end-of-day aggregate concentration of credit exposure to individual counterparties has been calculated by determining the maximum end-of-day aggregate amount of credit exposure over the relevant three-month period and then dividing that amount by the Overseas Banking Group's equity as at 30 June 2017.

Notes to the Financial Statements

For the three months ended 30 September 2017

7 Deposits and Other Borrowings

\$ millions	NZ Banking Group		
	Unaudited 30-Sep-17	Unaudited 30-Sep-16	Audited 30-Jun-17
As at			
Certificates of deposit	2,404	2,861	2,528
Term deposits	29,597	23,655	28,748
On demand and short term deposits	22,814	24,252	22,805
Deposits not bearing interest	4,203	3,687	4,037
Repurchase agreements	-	-	29
Total deposits and other borrowings	59,018	54,455	58,147

As at 30 September 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 30-Sep-17	Unaudited 30-Sep-16	Audited 30-Jun-17
As at			
Debt issues at fair value through Income Statement	277	1,593	407
Debt issues at amortised cost	16,948	16,884	17,273
Total debt issues	17,225	18,477	17,680
Movement in debt issues			
Balance at beginning of period	17,680	14,277	14,277
Issuances during the period	2,177	6,268	12,831
Repayments during the period	(2,984)	(1,839)	(9,136)
Foreign exchange and fair value movements during the period	352	(229)	(292)
Balance at end of period	17,225	18,477	17,680

9 Contingent Liabilities

\$ millions	NZ Banking Group Notional Amount		
	Unaudited 30-Sep-17	Unaudited 30-Sep-16	Audited 30-Jun-17
As at			
Guarantees	174	139	166
Standby letters of credit	130	122	119
Other credit facilities	190	174	186
Total contingent liabilities	494	435	471

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

The NZ Banking Group has other contingent liabilities in respect of actual and potential claims and proceedings. An assessment of the NZ Banking Group's likely loss in respect of these matters has been made on a case-by-case basis and provision made in the financial statements where required by NZ GAAP.

Notes to the Financial Statements

For the three months ended 30 September 2017

10 Related Party Transactions and Balances

During the three months ended 30 September 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 borrowings, debt issues, loan capital, other assets, other liabilities, derivative assets and derivative liabilities:

\$ millions	NZ Banking Group		
	Unaudited 30-Sep-17	Unaudited 30-Sep-16	Audited 30-Jun-17
As at			
Amounts due to related parties			
Overseas Banking Group	750	2,436	1,405
NZ Life Group	216	256	224
Superannuation schemes and unit trusts managed by a subsidiary of ASB	786	641	780
Superannuation schemes and unit trusts managed or administered by NZ Life Group	-	3	3
Total amounts due to related parties	1,752	3,336	2,412
Amounts due from related parties			
Overseas Banking Group	545	785	615
NZ Life Group	-	2	1
Superannuation schemes and unit trusts managed by a subsidiary of ASB ⁽¹⁾	11	9	10
Total amounts due from related parties	556	796	626

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

For the three months ended 30 September 2017 interest charged on balances due to the Overseas Banking Group was \$21 million (30 September 2016 \$29 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 three months ended 30 September 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 30 September 2017				
Unaudited				
Financial assets				
Trading securities	849	548	-	1,397
Derivative assets	-	1,097	-	1,097
Available-for-sale securities	4,174	372	-	4,546
Total financial assets measured at fair value	5,023	2,017	-	7,040
Financial liabilities				
Other liabilities at fair value through Income Statement	-	1,036	-	1,036
Derivative liabilities	-	1,301	-	1,301
Debt issues at fair value through Income Statement	-	277	-	277
Total financial liabilities measured at fair value	-	2,614	-	2,614
As at 30 September 2016				
Unaudited				
Financial assets				
Trading securities	317	1,109	-	1,426
Derivative assets	-	1,540	-	1,540
Available-for-sale securities	3,147	1,250	-	4,397
Total financial assets measured at fair value	3,464	3,899	-	7,363
Financial liabilities				
Other liabilities at fair value through Income Statement	-	278	-	278
Derivative liabilities	1	2,424	-	2,425
Debt issues at fair value through Income Statement	-	1,593	-	1,593
Total financial liabilities measured at fair value	1	4,295	-	4,296
As at 30 June 2017				
Audited				
Financial assets				
Trading securities	776	802	-	1,578
Derivative assets	-	1,037	-	1,037
Available-for-sale securities	4,033	392	-	4,425
Total financial assets measured at fair value	4,809	2,231	-	7,040
Financial liabilities				
Other liabilities at fair value through Income Statement	-	1,065	-	1,065
Derivative liabilities	1	1,884	-	1,885
Debt issues at fair value through Income Statement	-	407	-	407
Total financial liabilities measured at fair value	1	3,356	-	3,357

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

Derivative Assets and Derivative Liabilities

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

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

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

Notes to the Financial Statements

For the three months ended 30 September 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 30-Sep-17		NZ Banking Group Unaudited 30-Sep-16		Audited 30-Jun-17	
	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets						
Cash and liquid assets	1,978	1,978	1,497	1,497	2,570	2,570
Due from financial institutions	532	532	1,282	1,282	947	947
Advances to customers	82,194	82,217	77,996	78,041	81,150	81,232
Other assets	226	226	205	205	220	220
Total	84,930	84,953	80,980	81,025	84,887	84,969
Financial liabilities						
Deposits and other borrowings	59,102	59,018	54,552	54,455	58,228	58,147
Due to financial institutions	1,141	1,141	2,300	2,300	1,168	1,168
Other liabilities	541	541	510	510	592	592
Debt issues at amortised cost	17,037	16,948	16,930	16,884	17,355	17,273
Loan capital	7,526	7,404	4,863	5,148	7,239	7,181
Total	85,347	85,052	79,155	79,297	84,582	84,361

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 30 September 2017				
Implied risk-weighted exposure	2,593	71	-	2,664
Aggregate capital charge	207	6	-	213

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 30 September 2017				
Value of exposures	54,981	3,088	1,549	59,618
Expressed as a percentage of total exposures	92.2%	5.2%	2.6%	100.0%

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

Notes to the Financial Statements

For the three months ended 30 September 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 June 2017.

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 30 September 2017 the minimum capital requirements were met.

As at	Overseas Bank		Overseas Banking Group	
	30-Jun-17	30-Jun-16	30-Sep-17	30-Sep-16
Capital ratios				
Common equity tier one capital ratio	10.7%	11.0%	10.1%	9.4%
Tier one capital ratio	12.4%	12.4%	12.1%	11.0%
Total capital ratio	14.5%	14.5%	14.1%	12.7%

Overseas Banking Group

Asset quality

As at 30 June 2017

Total gross individually impaired assets	AUD3,187 million
Total individually impaired assets as a % of total assets	0.3%
Total individually assessed provisions	AUD980 million
Total individually assessed provisions as a % of total gross individually impaired assets	30.7%
Total collective provision	AUD2,747 million

Profitability

Net profit after taxation	AUD9,928 million
Net profit after taxation as a % of average total assets	1.0%

Size

As at 30 June 2017

Total assets	AUD976,374 million
% change in total assets from previous 30 June	4.6%

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 \$6,644 million as at 30 September 2017 (30 September 2016 \$4,744 million, 30 June 2017 \$6,400 million).

Notes to the Financial Statements

For the three months ended 30 September 2017

15 Insurance Business, Marketing and Distribution of Insurance Products Unaudited

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

16 Financial Reporting by Operating Segments Unaudited

\$ millions	NZ Banking Group					Total
	Retail Banking	Business Banking	Institutional Banking and Markets	Private Banking, Wealth and Insurance	Other	
Income Statement						
For the three months ended 30 September 2017						
Net interest earnings	246	204	3	12	(13)	452
Other income/(expense)	64	35	14	51	(16)	148
Total operating income/(expense)	310	239	17	63	(29)	600
Impairment losses/(recoveries) on advances	12	(15)	(6)	-	(7)	(16)
Segment operating expenses (excluding impairment losses)	95	80	3	29	3	210
Segment net profit/(loss) before taxation	203	174	20	34	(25)	406
Taxation	57	49	5	10	(7)	114
Segment net profit/(loss) after taxation	146	125	15	24	(18)	292

Balance Sheet

As at 30 September 2017

Total assets	41,348	36,448	3,108	2,181	9,716	92,801
Total liabilities	32,689	17,844	1,363	3,732	32,122	87,750

\$ millions	NZ Banking Group					Total
	Retail Banking	Business Banking	Institutional Banking and Markets	Private Banking, Wealth and Insurance	Other	
Income Statement⁽¹⁾						
For the three months ended 30 September 2016						
Net interest earnings	233	187	6	11	(3)	434
Other income/(expense)	60	31	11	45	(12)	135
Total operating income/(expense)	293	218	17	56	(15)	569
Impairment losses on advances	8	15	-	-	1	24
Segment operating expenses (excluding impairment losses)	96	80	3	27	(1)	205
Segment net profit/(loss) before taxation	189	123	14	29	(15)	340
Taxation	53	34	4	8	(4)	95
Segment net profit/(loss) after taxation	136	89	10	21	(11)	245

Balance Sheet⁽¹⁾

As at 30 September 2016

Total assets	39,875	34,967	3,911	1,828	8,636	89,217
Total liabilities	30,985	16,834	1,125	3,063	31,632	83,639

(1) The basis of segmentation has changed from 1 July 2017. Private Banking has been merged into the Wealth and Insurance segment and Business Banking has been merged into the Corporate Commercial and Rural segment. Both Private Banking and Business Banking were previously reported under the Retail and Business Banking segment. As a result of this restructure, the Retail and Business Banking segment has been renamed Retail Banking, the Corporate, Commercial and Rural segment has been renamed Business Banking, and the Wealth and Insurance segment has been renamed Private Banking, Wealth and Insurance. The basis of segmentation disclosed at 30 September 2017 follows reporting to the Chief Operating Decision Maker at that date.

Notes to the Financial Statements

For the three months ended 30 September 2017

16 Financial Reporting by Operating Segments (continued)

Unaudited

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

Business Banking: The Business Banking segment provides services to corporate, commercial, rural and small business customers. It also comprises the Bank's financial markets activities, including financial instruments trading and sales of financial instruments to customers.

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

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

Other primarily includes:

- business units that do not meet the definition of operating segments under NZ IFRS 8 *Operating Segments*, including the NZ Banking Group's Treasury function and other functions that supply support and services to the segments; and
- elimination entries on consolidation of the results, assets and liabilities of the NZ Banking Group's controlled entities in the preparation of the consolidated financial statements of the NZ Banking Group.

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

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

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					
	Cash and Liquid Assets	Available for Sale Securities	Trading Securities	Advances to Customers	Other Assets	Total
As at 30 September 2017						
Unaudited						
Cash	139	-	-	-	-	139
Call deposits with the central bank	1,162	-	-	-	-	1,162
Local authority securities	-	230	21	-	5	256
New Zealand government securities	652	1,263	748	-	18	2,681
Overseas government securities	-	414	-	-	4	418
Corporate bonds	-	974	-	-	7	981
Treasury bills	25	-	-	-	-	25
RBNZ Bills	-	-	54	-	-	54
Bank bills	-	-	548	-	-	548
Kauri bonds	-	1,665	26	-	12	1,703
Residential mortgage-backed securities	-	-	-	3,557	-	3,557
Total qualifying liquid assets	1,978	4,546	1,397	3,557	46	11,524

Notes to the Financial Statements

For the three months ended 30 September 2017

18 Events after the Reporting Period

Unaudited

Between 3 October and 8 November 2017 the Branch received four loans from CBA totaling \$2,425 million. The Branch has invested these funds in US Treasury notes and has hedged this exposure by way of cross currency swaps.

On 19 October 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 November 2017 to all registered holders of perpetual preference shares as at 5.00pm on 6 November 2017.

On 19 October 2017 the Directors of ASB Capital No.2 Limited declared a gross perpetual preference dividend of \$3 million, being 0.7575 cents per share, including imputation credits. The cash dividend of 0.5454 was paid on 15 November 2017 to all registered holders of perpetual preference shares as at 5.00pm on 6 November 2017.

On 25 October 2017 CBA USD Funding Limited has been removed from the New Zealand Companies register.

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

Part B

Commonwealth Bank of Australia
New Zealand Life Insurance Group

Financial Statements

For the three months ended 30 September 2017

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Income Statement

\$ millions		Note	NZ Life Group	
			Unaudited 30-Sep-17	Unaudited 30-Sep-16
For the three months ended				
Premium income			179	176
Less: Reinsurance expense			(13)	(12)
Net premium income			166	164
Investment income		2	39	49
Total operating income			205	213
Claims expense			102	94
Less: Reinsurance recoveries			(7)	(8)
Net claims expense			95	86
Other operating expenses			70	71
Decrease in life insurance contract liabilities			(3)	(1)
Increase in life investment contract liabilities			17	21
Total operating expenses			179	177
Net profit before taxation			26	36
Taxation		3	6	14
Net profit after taxation			20	22

Statement of Comprehensive Income

\$ millions		NZ Life Group	
		Unaudited 30-Sep-17	Unaudited 30-Sep-16
For the three months ended			
Net profit after taxation		20	22
Total comprehensive income		20	22

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

Statement of Changes in Equity

\$ millions	NZ Life Group		Total Shareholders' Equity
	Contributed Capital	Retained Earnings	
For the three months ended 30 September 2017			
Unaudited			
Balance at beginning of period	1,080	203	1,283
Net profit after taxation	-	20	20
Total comprehensive income	-	20	20
Balance as at 30 September 2017	1,080	223	1,303
For the three months ended 30 September 2016			
Unaudited			
Balance at beginning of period	1,080	182	1,262
Net profit after taxation	-	22	22
Total comprehensive income	-	22	22
Balance as at 30 September 2016	1,080	204	1,284

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

Balance Sheet

\$ millions As at	Note	NZ Life Group		
		Unaudited 30-Sep-17	Unaudited 30-Sep-16	Audited 30-Jun-17
Assets				
Cash and cash equivalents		538	595	544
Trade and other receivables		56	58	48
Securities		1,594	1,701	1,594
Derivative assets		2	-	11
Liabilities ceded under reinsurance		15	9	13
Property, plant and equipment		16	17	16
Intangible assets		524	522	523
Retirement benefit surplus		-	1	-
Total assets		2,745	2,903	2,749
<i>Total interest earning and discount bearing assets</i>		<i>1,375</i>	<i>1,471</i>	<i>1,383</i>
Liabilities				
Trade and other payables		96	98	108
Derivative liabilities		-	2	1
Life investment contract liabilities		734	828	739
Life insurance contract liabilities		99	145	100
Current taxation liability		-	11	9
Deferred taxation liability	8	513	535	509
Total liabilities		1,442	1,619	1,466
Shareholders' equity				
Contributed capital		1,080	1,080	1,080
Retained earnings		223	204	203
Total shareholders' equity		1,303	1,284	1,283
Total liabilities and shareholders' equity		2,745	2,903	2,749
<i>Total interest and discount bearing liabilities</i>		<i>7</i>	<i>10</i>	<i>9</i>

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

Condensed Cash Flow Statement

\$ millions	NZ Life Group	
	Unaudited 30-Sep-17	Unaudited 30-Sep-16
For the three months ended		
Cash flows from operating activities		
Premium and deposit premium receipts	183	188
Reinsurance receipts	8	10
Interest receipts	5	5
Dividend receipts	3	4
Claims, surrenders and maturities payments	(132)	(126)
Reinsurance payments	(14)	(12)
Net other cash outflows used in operating activities	(87)	(98)
Net cash flows from operating activities	(34)	(29)
Cash flows from investing activities		
Cash inflows provided by investing activities	98	121
Cash outflows used in investing activities	(70)	(69)
Net cash flows from investing activities	28	52
Summary of movements in cash flows		
Net (decrease)/increase in cash and cash equivalents	(6)	23
Add: cash and cash equivalents at beginning of period	544	572
Cash and cash equivalents at end of period	538	595
Reconciliation of net profit after taxation to net cash flows from operating activities		
Net profit after taxation	20	22
Add: non-cash items	(7)	(9)
Add: movements in Balance Sheet items	(47)	(42)
Net cash flows from operating activities	(34)	(29)

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

Notes to the Financial Statements

For the three months ended 30 September 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 three months ended 30 September 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 2017.

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

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

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

2 Investment Income

\$ millions	NZ Life Group	
	Unaudited 30-Sep-17	Unaudited 30-Sep-16
For the three months ended		
Dividends	12	11
Realised and unrealised gains	21	19
Total equity securities and fund certificates	33	30
Dividends	1	1
Realised and unrealised losses	-	(1)
Total property securities	1	-
Interest	12	12
Realised and unrealised gains/(losses)	3	(5)
Total fixed interest securities and cash	15	7
Realised and unrealised (losses)/gains	(10)	12
Total derivatives	(10)	12
Total investment income	39	49

3 Taxation

\$ millions	Note	NZ Life Group	
		Unaudited 30-Sep-17	Unaudited 30-Sep-16
For the three months ended			
Current taxation		2	11
Deferred taxation	8	4	3
Total taxation charged to the Income Statement		6	14

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

Net profit before taxation	26	36
Income tax at the current rate of 28% (2016 28%)	7	10
Investment income adjustments	(6)	(5)
Imputation credit adjustments	(1)	(1)
Movement in investment contract liabilities and adjustments	5	6
Movement in insurance contract liabilities, reserves and adjustments	1	4
Total taxation charged to the Income Statement	6	14
Weighted average effective tax rate	23%	39%

Notes to the Financial Statements

For the three months ended 30 September 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 30 September 2017			
Cash and cash equivalents	535	-	535
Foreign currency deposits	3	-	3
Equity securities	-	686	686
Property securities	-	71	71
Government stock	-	812	812
Corporate bonds	-	25	25
Total liquid assets	538	1,594	2,132

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

5 Asset Quality

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

6 Contingent Liabilities and Capital Commitments

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

7 Concentration of Credit Exposures to Individual Counterparties

As at 30 September 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 30 June 2017, which is the most recent publicly disclosed amount. For the three months ended 30 September 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 30 June 2017.

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

The peak end-of-day aggregate concentration of credit exposure to individual counterparties has been calculated by determining the maximum end-of-day aggregate amount of credit exposure over the relevant three-month period and then dividing that amount by the Overseas Banking Group's equity as at 30 June 2017.

Notes to the Financial Statements

For the three months ended 30 September 2017

8 Deferred Taxation Liability

\$ millions	Note	NZ Life Group		
		Unaudited 30-Sep-17	Unaudited 30-Sep-16	Audited 30-Jun-17
As at				
Balance at beginning of period		509	532	532
Recognised in the Income Statement	3	4	3	(23)
Total deferred taxation liability		513	535	509
Deferred taxation relates to:				
Life insurance and life investment contract liabilities		511	530	510
Other		2	5	(1)
Total deferred taxation liability		513	535	509
Deferred taxation recognised in the Income Statement:				
Life insurance and life investment contract liabilities		1	3	(17)
Other		3	-	(6)
Total deferred taxation recognised in the Income Statement	3	4	3	(23)

9 Related Party Transactions and Balances

During the three months ended 30 September 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 30-Sep-17	Unaudited 30-Sep-16
For the three months ended		
Related party transactions		
Income		
Interest received from NZ Banking Group	1	1
Dividends received from Overseas Banking Group	4	4
Fees received from NZ Banking Group	1	2
Net realised/unrealised gains on fund certificates managed by the Overseas Banking Group	-	7
Net realised/unrealised gains on fund certificates managed by the NZ Banking Group	12	-
Net realised/unrealised (losses)/gains on derivatives issued by the NZ Banking Group	(10)	12
	8	26
Expenses		
Paid to NZ Banking Group for administrative services	3	3
Paid to NZ Banking Group for insurance commission	11	10
	14	13

\$ millions	NZ Life Group		
	Unaudited 30-Sep-17	Unaudited 30-Sep-16	Audited 30-Jun-17
As at			
Related party balances			
Assets Overseas Banking Group			
Securities*	42	418	377
Assets NZ Banking Group			
Cash and cash equivalents	213	256	212
Securities*	340	-	-
Trade and other receivables	1	-	1
Derivative assets	2	-	11
	556	256	224
Liabilities NZ Banking Group			
Derivative liabilities	-	2	1
	-	2	1

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

The NZ Life Group manages and administers investment products that are closed to new business. As at 30 September 2017 the NZ Life Group had \$731 million funds under management and administration (30 September 2016 \$887 million, 30 June 2017 \$737 million). The NZ Life Group utilises external fund managers and investment consultants in the management of these funds, including entities which are fellow CBA subsidiaries.

Notes to the Financial Statements

For the three months ended 30 September 2017

10 Fair Value of Financial Instruments

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

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

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

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

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

\$ millions	NZ Life Group			Total
	Level 1	Level 2	Level 3	
As at 30 September 2017				
Unaudited				
Financial assets				
Securities				
Equity securities and fund certificates	211	475	-	686
Fixed interest securities	824	13	-	837
Property securities	71	-	-	71
Derivative assets	-	2	-	2
Total financial assets measured at fair value	1,106	490	-	1,596
Financial liabilities				
Life investment contract liabilities	-	734	-	734
Total financial liabilities measured at fair value	-	734	-	734
As at 30 September 2016				
Unaudited				
Financial assets				
Securities				
Equity securities and fund certificates	224	520	-	744
Fixed interest securities	853	-	-	853
Property securities	81	-	-	81
Loans to policyholders	-	-	23	23
Total financial assets measured at fair value	1,158	520	23	1,701
Financial liabilities				
Derivative liabilities	-	2	-	2
Life investment contract liabilities	-	828	-	828
Total financial liabilities measured at fair value	-	830	-	830

Notes to the Financial Statements

For the three months ended 30 September 2017

10 Fair Value of Financial Instruments (continued)

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

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

The NZ Life Group considers transfers between levels, if any, to have occurred at the end of the reporting period for which the financial statements are prepared. There were no transfers made during the reporting period.

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

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

\$ millions	Unaudited 30-Sep-17		NZ Life Group Unaudited 30-Sep-16		Audited 30-Jun-17	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount
Financial assets						
Cash and cash equivalents	538	538	595	595	544	544
Trade and other receivables	56	56	57	57	48	48
Total financial assets	594	594	652	652	592	592
Financial liabilities						
Trade and other payables	74	74	70	70	82	82
Total financial liabilities	74	74	70	70	82	82

11 Events after the Reporting Period

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