ASB Disclosure Statement.

For the six months ended 31 December 2013.

Contents

General Disclosures		**2 - 3**
Income Statement		**4**
Statement of Comprehensive Income		**5**
Statement of Changes in Equity		**6**
Balance Sheet		**7**
Condensed Cash Flow Statement		**8**
Notes to the Financial Statements		**9 - 26**
1	Statement of Accounting Policies	9
2	Other Income	9
3	Taxation	9
4	Financial Assets Pledged as Collateral	9
5	Advances to Customers	9
6	Credit Risk Management and Asset Quality	10 - 13
7	Deposits and Other Public Borrowings	13
8	Debt Issues	13
9	Contingent Liabilities	14
10	Related Party Transactions and Balances	14
11	Fair Value of Financial Instruments	15
12	Capital Adequacy	16 - 22
13	Insurance Business, Marketing and Distribution of Insurance Products	23
14	Changes in the Composition of the Banking Group during the Reporting Period	23
15	Financial Reporting by Operating Segments	23 - 24
16	Risk Management	24 - 26
17	Events after the Reporting Period	26
Directors' Statement		**27**
Independent Accountant's Report		**28 - 29**

General Disclosures

(To be read in conjunction with the Financial Statements)

31 December 2013

This Disclosure Statement has been issued by ASB Bank Limited (the "Bank") in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order (No 3) 2013 (the "Order").

Corporate Information

The Bank is a company incorporated under the Companies Act 1955 on 16 August 1988. The registered office of the Bank is Level 2, ASB North Wharf, 12 Jellicoe Street, Auckland 1010, New Zealand. The Bank was re-registered under the Companies Act 1993 on 30 June 1995.

The "Banking Group" consists of the Bank and its controlled entities.

Ultimate Parent Bank

The ultimate parent bank of the Bank is the Commonwealth Bank of Australia ("CBA"), its registered office being Ground Floor, Tower 1, 201 Sussex Street, Sydney, NSW, Australia.

Directors

J.P. Ling resigned as a Director of ASB Bank Limited with effect from 31 August 2013.

G.L. Mackrell resigned as a Director of ASB Bank Limited with effect from 2 December 2013.

There have been no other changes to the Board of Directors since the signing of the 30 June 2013 Disclosure Statement.

Credit Ratings

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

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

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 Aaa 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.

General Disclosures (continued)

(To be read in conjunction with the Financial Statements)

Guarantee Arrangements

On 11 August 2011, the ASB Covered Bond Trust (the "Covered Bond Trust") was established to acquire and hold certain residential mortgage loans ("Mortgage Loans") originated by the Bank. ASB Covered Bond Trustee Limited (the "Covered Bond Guarantor"), solely in its capacity as trustee of the Covered Bond Trust provides guarantees over certain debt securities ("Covered Bonds") issued by the Bank 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. Covered Bonds (including accrued interest) of $2.467b were guaranteed as at 31 December 2013. The Covered Bond Guarantor's address for service is Level 10, 141 Willis Street, Wellington, New Zealand. The Covered Bond Guarantor is not a member of the Banking Group and has no credit ratings applicable to its long term senior unsecured obligations payable in New Zealand dollars. As at 31 December 2013 the Covered Bonds issued have been assigned a long term rating of 'AAA' by Fitch Ratings and 'Aaa' by Moody's. Further information about this guarantee arrangement is included in the Bank's Disclosure Statement for the year ended 30 June 2013, a copy of which is available, free of charge, at the internet address www.asb.co.nz. A printed copy will also be made available, free of charge, upon request.

As at the signing date of this Disclosure Statement, other material obligations of the Bank are not guaranteed.

Pending Proceedings or Arbitration

The Bank is a party to the legal proceedings described in Note 3. If the provision described in that Note is inadequate, those proceedings may have a material adverse effect on the financial performance of the Bank for the relevant financial year.

Except as stated above, the Banking Group is not a party to any other pending legal proceedings or arbitration that may have a material adverse effect on the Bank or the Banking Group.

Conditions of Registration

Since 30 September 2013 the Conditions of Registration have been amended by the Reserve Bank of New Zealand ("RBNZ") with effect from 1 October 2013. The main purpose of the amendments was to put into effect restrictions on high loan-to-valuation residential mortgage lending. The changes also clarified various aspects of the RBNZ's implementation of the Basel III capital standards and consisted of other minor updates to the Conditions of Registration.

Auditor

PricewaterhouseCoopers is the appointed auditor of the Banking Group. The auditor's address is PricewaterhouseCoopers Tower, 188 Quay Street, Auckland 1142, New Zealand.

Income Statement

$ millions **For the six months ended**	Note	**Banking Group** **Unaudited** **31-Dec-13**	 Unaudited 31-Dec-12
Interest Income		**1,785**	1,724
Interest Expense		**1,014**	1,036
Net Interest Earnings		**771**	688
Other Income	2	**213**	205
Total Operating Income		**984**	893
Impairment Losses on Advances	6(c)	**21**	28
Total Operating Income after Impairment Losses		**963**	865
Total Operating Expenses		**387**	358
Salaries and Other Staff Expenses		**232**	208
Building Occupancy and Equipment Expenses		**62**	56
Information Technology Expenses		**42**	38
Other Expenses		**51**	56
Net Profit before Taxation		**576**	507
Taxation		**160**	142
Net Profit after Taxation		**416**	365

These statements are to be read in conjunction with the notes on pages 9 to 26 and the Independent Accountant's Report on pages 28 to 29.

Statement of Comprehensive Income

$ millions For the six months ended	Banking Group Unaudited 31-Dec-13	 Unaudited 31-Dec-12
Net Profit after Taxation	**416**	365
Other Comprehensive Income / (Expense), Net of Taxation		
Items That Will Not Be Reclassified to the Income Statement:		
Net Change in Asset Revaluation Reserve	**1**	-
	1	-
Items That May Be Reclassified Subsequently to the Income Statement:		
Net Change in Available for Sale Reserve	**1**	(1)
Net Change in Cash Flow Hedge Reserve	**(17)**	(15)
	(16)	(16)
Total Other Comprehensive Expense, Net of Taxation	**(15)**	(16)
Total Comprehensive Income	**401**	349

These statements are to be read in conjunction with the notes on pages 9 to 26 and the Independent Accountant's Report on pages 28 to 29.

Statement of Changes in Equity

$ millions	Contributed Capital	Asset Revaluation Reserve	Available for Sale Reserve	Banking Group Cash Flow Hedge Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total Shareholders' Equity
For the six months ended 31 December 2013							
Unaudited							
Balance at Beginning of Period	**3,048**	**29**	**11**	**24**	**1**	**1,912**	**5,025**
Net Profit after Taxation	**-**	**-**	**-**	**-**	**-**	**416**	**416**
Other Comprehensive Income / (Expense)	**-**	**1**	**1**	**(17)**	**-**	**-**	**(15)**
Total Comprehensive Income / (Expense)	**-**	**1**	**1**	**(17)**	**-**	**416**	**401**
Transfer from Asset Revaluation Reserve to Retained Earnings	**-**	**(7)**	**-**	**-**	**-**	**7**	**-**
Ordinary Dividends Paid	**-**	**-**	**-**	**-**	**-**	**(50)**	**(50)**
Perpetual Preference Dividends Paid	**-**	**-**	**-**	**-**	**-**	**(7)**	**(7)**
Balance as at 31 December 2013	**3,048**	**23**	**12**	**7**	**1**	**2,278**	**5,369**
For the six months ended 31 December 2012							
Unaudited							
Balance at Beginning of Period	2,798	30	6	41	1	1,311	4,187
Net Profit after Taxation	-	-	-	-	-	365	365
Other Comprehensive Expense	-	-	(1)	(15)	-	-	(16)
Total Comprehensive (Expense) / Income	-	-	(1)	(15)	-	365	349
Share Capital Issued	250	-	-	-	-	-	250
Ordinary Dividends Paid	-	-	-	-	-	(70)	(70)
Perpetual Preference Dividends Paid	-	-	-	-	-	(7)	(7)
Balance as at 31 December 2012	3,048	30	5	26	1	1,599	4,709

These statements are to be read in conjunction with the notes on pages 9 to 26 and the Independent Accountant's Report on pages 28 to 29.

Balance Sheet

$ millions **As at**	Note	**Banking Group** **Unaudited** **31-Dec-13**	 Unaudited 31-Dec-12	 Audited 30-Jun-13
ASSETS				
Cash and Liquid Assets		**2,198**	2,130	2,194
Due from Financial Institutions		**252**	477	524
Assets at Fair Value through Income Statement:				
Trading Securities		**1,288**	1,897	1,433
Derivative Assets		**1,095**	1,722	1,598
Available for Sale Securities		**2,553**	2,899	2,425
Advances to Customers	5	**59,297**	55,485	57,726
Current Taxation Asset		**92**	99	33
Other Assets		**338**	207	207
Property, Plant and Equipment		**199**	185	221
Intangible Assets		**158**	159	160
Deferred Taxation Asset		**52**	49	49
Total Assets		**67,522**	65,309	66,570
Total Interest Earning and Discount Bearing Assets		***65,520***	*62,803*	*64,417*
LIABILITIES				
Deposits and Other Public Borrowings	7	**43,862**	40,548	41,551
Due to Financial Institutions		**4,345**	4,657	4,469
Other Liabilities at Fair Value through Income Statement		**942**	1,510	1,742
Derivative Liabilities		**996**	1,676	1,172
Other Liabilities		**505**	443	526
Debt Issues:				
At Fair Value through Income Statement	8	**2,753**	4,139	4,626
At Amortised Cost	8	**8,750**	7,627	7,459
Total Liabilities		**62,153**	60,600	61,545
SHAREHOLDERS' EQUITY				
Contributed Capital – Ordinary Shares		**2,498**	2,498	2,498
Reserves		**43**	62	65
Retained Earnings		**2,278**	1,599	1,912
Ordinary Shareholder's Equity		**4,819**	4,159	4,475
Contributed Capital – Perpetual Preference Shares		**550**	550	550
Total Shareholders' Equity		**5,369**	4,709	5,025
Total Liabilities and Shareholders' Equity		**67,522**	65,309	66,570
Total Interest and Discount Bearing Liabilities		***57,963***	*55,924*	*57,454*

These statements are to be read in conjunction with the notes on pages 9 to 26 and the Independent Accountant's Report on pages 28 to 29.

Condensed Cash Flow Statement

$ millions For the six months ended	Banking Group Unaudited 31-Dec-13	 Unaudited 31-Dec-12
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit before Taxation	**576**	507
Reconciliation of Net Profit before Taxation to Net Cash Flows from Operating Activities		
Non-cash Items included in Net Profit before Taxation	**72**	65
Net Increase in Operating Assets	**(1,571)**	(1,370)
Net Increase in Operating Liabilities	**1,253**	1,760
Net Taxation Paid	**(215)**	(199)
Net Cash Flows from Operating Activities	**115**	763
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Outflows Used in Investing Activities	**(24)**	(54)
Net Cash Flows from Investing Activities	**(24)**	(54)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Inflows Provided by Financing Activities	**-**	250
Cash Outflows Used in Financing Activities	**(57)**	(442)
Net Cash Flows from Financing Activities	**(57)**	(192)
SUMMARY OF MOVEMENTS IN CASH FLOWS		
Net Increase in Cash and Cash Equivalents	**34**	517
Add: Cash and Cash Equivalents at Beginning of Period	**1,358**	901
Cash and Cash Equivalents at End of Period	**1,392**	1,418
CASH AND CASH EQUIVALENTS		
Cash and Liquid Assets	**2,198**	2,130
Less: Reverse Repurchase Agreements included in Cash and Liquid Assets	**(744)**	(902)
Add: Cash Equivalents in Due from Financial Institutions	**252**	477
Less: Cash Equivalents in Due to Financial Institutions	**(314)**	(287)
Cash and Cash Equivalents at End of Period	**1,392**	1,418
ADDITIONAL OPERATING CASH FLOW INFORMATION		
Interest Received as Cash	**1,806**	1,740
Interest Paid as Cash	**(1,055)**	(1,060)
Other Income Received as Cash	**211**	192
Operating Expenses Paid as Cash	**(380)**	(362)

These statements are to be read in conjunction with the notes on pages 9 to 26 and the Independent Accountant's Report on pages 28 to 29.

Notes to the Financial Statements

For the six months ended 31 December 2013

1. STATEMENT OF ACCOUNTING POLICIES

The condensed interim financial statements of the Banking Group for the six months ended 31 December 2013 (the "financial statements") have been incorporated in this Disclosure Statement. These financial statements consolidate the financial statements of the Bank and its controlled entities. They have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") as appropriate for profit-oriented entities, NZ IAS 34 *Interim Financial Reporting* and the Order. These financial statements do not include all the information and disclosures required in annual financial statements and should therefore be read in conjunction with the Banking Group's financial statements for the year ended 30 June 2013.

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

The following new accounting standards and amendments to standards have been adopted from 1 July 2013 and have been applied in the preparation of these financial statements: NZ IFRS 10 *Consolidated Financial Statements*, NZ IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011), NZ IFRS 13 *Fair Value Measurement* and NZ IAS 34 *Interim Financial Reporting* (consequential amendments).

Adoption of these standards has not resulted in any material change to the Banking Group's reported result or financial position. However, amendments to NZ IAS 34 require the inclusion of certain fair value disclosures in interim financial statements and accordingly a new note has been included (Note 11 Fair Value of Financial Instruments). The content of these fair value disclosures is prescribed by NZ IFRS 13 and it does not require comparative information in the first year of application.

There have been no material changes to accounting policies during the six months ended 31 December 2013. All policies have been applied on a basis consistent with that used in the financial year ended 30 June 2013.

Certain comparatives have been restated to ensure consistency with the current period's presentation. This includes the reclassification of funds management expenses of $3m from Other Expenses to offset Other Income in the Income Statement. This reclassification has no impact on Net Profit after Taxation.

2. OTHER INCOME

	Banking Group	
$ millions	**Unaudited**	Unaudited
For the six months ended	**31-Dec-13**	31-Dec-12
Net Fair Value Gain / (Loss) from:		
Other Derivatives at Fair Value	**(2)**	1
Hedge Ineffectiveness	**3**	-
Total Net Fair Value Gain	**1**	1
Trading Income	**29**	27
Other Operating Income	**183**	177
Total Other Income	**213**	205

3. TAXATION

As at 31 December 2013 the Banking Group had a tax position relating to a liquidity funding transaction that was subject to revised assessments issued by the Inland Revenue Department for the 2008 and 2009 years. The Bank has commenced legal proceedings to challenge those assessments. The tax position has a potential liability of $153m plus interest and penalties (30 June 2013: potential liability of $153m plus interest and penalties). The Bank has made what it considers to be adequate provision for this matter based on its assessment of the merits of the arguments and independent advice received.

4. FINANCIAL ASSETS PLEDGED AS COLLATERAL

As at 31 December 2013 New Zealand Government Securities of $94m had been pledged as collateral under repurchase agreements.

The Bank has entered into Credit Support Annexes ("CSAs") in respect of certain credit exposures relating to certain derivative transactions. As at 31 December 2013 $37m included in Due from Financial Institutions had been advanced as collateral to offset Derivative Liabilities.

5. ADVANCES TO CUSTOMERS

		Banking Group	
$ millions	**Unaudited**	Unaudited	Audited
As at	**31-Dec-13**	31-Dec-12	30-Jun-13
Residential Mortgages	**41,024**	38,670	40,328
Other Retail	**4,424**	4,225	4,309
Corporate	**14,084**	12,789	13,304
Loans and Other Receivables	**59,532**	55,684	57,941
Fair Value Hedge Adjustments	**(45)**	5	(19)
Provisions for Impairment Losses	**(190)**	(204)	(196)
Total Advances to Customers	**59,297**	55,485	57,726

Notes to the Financial Statements

For the six months ended 31 December 2013

6. CREDIT RISK MANAGEMENT AND ASSET QUALITY

(a) Credit Quality Information for Advances to Customers

	Banking Group			
$ millions	Residential Mortgages[1]	Other Retail	Corporate	Total
As at 31 December 2013				
Unaudited				
Past Due Assets Not Impaired				
Less than 30 Days	**1,411**	**218**	**233**	**1,862**
30 to 59 Days	**177**	**31**	**8**	**216**
60 to 89 Days	**76**	**15**	**2**	**93**
Over 90 Days	**72**	**20**	**20**	**112**
Total Past Due Assets Not Impaired	**1,736**	**284**	**263**	**2,283**
Individually Impaired Assets				
Balance at Beginning of Period	**98**	**9**	**195**	**302**
Additions	**18**	**6**	**67**	**91**
Deletions	**(50)**	**(1)**	**(91)**	**(142)**
Amounts Written Off	**(6)**	**(2)**	**(8)**	**(16)**
Total Individually Impaired Assets	**60**	**12**	**163**	**235**
Other Assets Under Administration	**35**	**3**	**1**	**39**

The undrawn lending commitments to counterparties for whom drawn balances are classified as individually impaired were $2m as at 31 December 2013 (31 December 2012 $2m, 30 June 2013 $2m).

The facilities that are reported as impaired and past due are collateralised in accordance with the Bank's credit risk management policy.

	Residential Mortgages[1]	Other Retail	Corporate	Total
As at 31 December 2012				
Unaudited				
Past Due Assets Not Impaired				
Less than 30 Days	1,560	194	188	1,942
30 to 59 Days	291	37	14	342
60 to 89 Days	107	16	3	126
Over 90 Days	108	17	18	143
Total Past Due Assets Not Impaired	2,066	264	223	2,553
Individually Impaired Assets				
Balance at Beginning of Period	116	13	122	251
Additions	46	8	148	202
Deletions	(58)	(4)	(30)	(92)
Amounts Written Off	(13)	(4)	(15)	(32)
Total Individually Impaired Assets	91	13	225	329
Other Assets Under Administration	31	3	-	34
As at 30 June 2013				
Audited				
Past Due Assets Not Impaired				
Less than 30 Days	1,408	177	209	1,794
30 to 59 Days	248	45	6	299
60 to 89 Days	76	14	6	96
Over 90 Days	99	17	21	137
Total Past Due Assets Not Impaired	1,831	253	242	2,326
Individually Impaired Assets				
Balance at Beginning of Year	116	13	122	251
Additions	70	4	148	222
Deletions	(66)	(2)	(46)	(114)
Amounts Written Off	(22)	(6)	(29)	(57)
Total Individually Impaired Assets	98	9	195	302
Other Assets Under Administration	33	3	1	37

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

For the six months ended 31 December 2013

6. CREDIT RISK MANAGEMENT AND ASSET QUALITY (CONTINUED)

(b) Provisions for Impairment Losses

	Banking Group			
$ millions	Residential Mortgages	Other Retail	Corporate	Total
As at 31 December 2013				
Unaudited				
Collective Provision				
Balance at Beginning of Period	**48**	**43**	**58**	**149**
(Recovered from) / Charged to Income Statement	**(7)**	**4**	**7**	**4**
Balance at End of Period	**41**	**47**	**65**	**153**
Individually Assessed Provisions				
Balance at Beginning of Period	**18**	**2**	**27**	**47**
Charged to Income Statement:				
New Provisions	**8**	**4**	**12**	**24**
Amounts Recovered	**(8)**	**(1)**	**(9)**	**(18)**
Write-offs against Individually Assessed Provisions	**(6)**	**(2)**	**(8)**	**(16)**
Balance at End of Period	**12**	**3**	**22**	**37**
Total Provisions for Impairment Losses	**53**	**50**	**87**	**190**
As at 31 December 2012				
Unaudited				
Collective Provision				
Balance at Beginning of Period	45	33	62	140
(Recovered from) / Charged to Income Statement	(3)	4	(3)	(2)
Balance at End of Period	42	37	59	138
Individually Assessed Provisions				
Balance at Beginning of Period	35	4	38	77
Charged to Income Statement:				
New Provisions	17	2	18	37
Amounts Recovered	(11)	(1)	(4)	(16)
Write-offs against Individually Assessed Provisions	(13)	(4)	(15)	(32)
Balance at End of Period	28	1	37	66
Total Provisions for Impairment Losses	70	38	96	204
As at 30 June 2013				
Audited				
Collective Provision				
Balance at Beginning of Year	45	33	62	140
Charged to / (Recovered from) Income Statement	3	10	(4)	9
Balance at End of Year	48	43	58	149
Individually Assessed Provisions				
Balance at Beginning of Year	35	4	38	77
Charged to Income Statement:				
New Provisions	28	5	31	64
Amounts Recovered	(23)	(1)	(13)	(37)
Write-offs against Individually Assessed Provisions	(22)	(6)	(29)	(57)
Balance at End of Year	18	2	27	47
Total Provisions for Impairment Losses	66	45	85	196

6. CREDIT RISK MANAGEMENT AND ASSET QUALITY (CONTINUED)

(c) Impairment Losses on Advances

	Banking Group			
$ millions	Residential Mortgages	Other Retail	Corporate	Total
For the six months ended 31 December 2013				
Unaudited				
Movement in Collective Provision	(7)	4	7	4
Movement in Individually Assessed Provisions	-	3	3	6
Bad Debts Written Off	1	15	-	16
Bad Debts Recovered	(1)	(4)	-	(5)
Total Impairment (Recoveries) / Losses on Advances	(7)	18	10	21
For the six months ended 31 December 2012				
Unaudited				
Movement in Collective Provision	(3)	4	(3)	(2)
Movement in Individually Assessed Provisions	6	1	14	21
Bad Debts Written Off	1	14	-	15
Bad Debts Recovered	(1)	(4)	(1)	(6)
Total Impairment Losses on Advances	3	15	10	28

(d) Concentrations of Credit Exposures

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

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

Taxation Assets, Property, Plant and Equipment, Intangible Assets and Other Assets have been excluded from the analysis below, on the basis that any credit exposure is insignificant or nil.

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

	Banking Group			
$ millions	Financial Assets at Amortised Cost	Financial Assets at Fair Value	Other Credit Exposures	Total Credit Exposures
As at 31 December 2013				
Unaudited				
Concentration by Industry				
Agriculture	7,572	11	647	8,230
Government and Public Authorities	294	1,140	84	1,518
Property and Business Services	4,822	14	410	5,246
Finance and Insurance	7,562	3,559	386	11,507
Utilities	88	142	80	310
Transport and Storage	289	26	85	400
Housing[1]	36,925	-	5,614	42,539
Construction	377	-	173	550
Personal	1,357	1	1,883	3,241
Other Commercial and Industrial	2,461	43	943	3,447
Total Credit Exposures by Industry	61,747	4,936	10,305	76,988

(1) The Housing sector for Financial Assets at Amortised Cost includes advances which are used for the purchase of residential properties that are owner-occupied. Advances which are used for the purchase of investment properties are included in the Finance and Insurance sector under Financial Assets at Amortised Cost.

Concentration by Geographic Region				
Auckland	36,089	295	5,862	42,246
Rest of New Zealand	25,375	2,855	4,443	32,673
Overseas	283	1,786	-	2,069
Total Credit Exposures by Geographic Region	61,747	4,936	10,305	76,988

6. CREDIT RISK MANAGEMENT AND ASSET QUALITY (CONTINUED)

(e) Concentration of Credit Exposures to Individual Counterparties

The basis of calculation of the Banking Group's aggregate concentration of credit exposures 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.

There were no peak end-of-day aggregate credit exposures to individual counterparties which exceeded 10% of the Banking Group's Equity for the three months ended 31 December 2013. There were no balance date aggregate credit exposures to individual counterparties which exceeded 10% of the Banking Group's Equity as at 31 December 2013.

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 Banking Group's Equity as at 31 December 2013.

		Banking Group	
$ millions	**Unaudited**	Unaudited	Audited
As at	**31-Dec-13**	31-Dec-12	30-Jun-13
7. DEPOSITS AND OTHER PUBLIC BORROWINGS			
Certificates of Deposit	**84**	444	96
Term Deposits	**21,551**	22,311	22,503
On Demand and Short Term Deposits	**19,454**	15,131	16,441
Deposits Not Bearing Interest	**2,679**	2,422	2,345
Repurchase Agreements	**94**	240	166
Total Deposits and Other Public Borrowings	**43,862**	40,548	41,551
8. DEBT ISSUES			
Debt Issues at Fair Value through Income Statement	**2,753**	4,139	4,626
Debt Issues at Amortised Cost	**8,750**	7,627	7,459
Total Debt Issues	**11,503**	11,766	12,085
Movement in Debt Issues			
Balance at Beginning of Period	**12,085**	8,957	8,957
Issuances During the Period	**5,607**	4,993	7,060
Repayments During the Period	**(6,110)**	(2,144)	(4,213)
Foreign Exchange and Fair Value Movements During the Period	**(79)**	(40)	281
Balance at End of Period	**11,503**	11,766	12,085

9. CONTINGENT LIABILITIES

$ millions As at	Banking Group Notional Amount Unaudited 31-Dec-13	Unaudited 31-Dec-12	Audited 30-Jun-13
Guarantees	**113**	105	106
Standby Letters of Credit	**82**	85	108
Other Credit Facilities	**97**	99	120
Total	**292**	289	334

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

The Banking Group has other contingent liabilities in respect of actual and potential claims and proceedings. An assessment of the 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 matter is not disclosed where it can be expected to prejudice seriously the position of the Banking Group.

In June 2013 a group comprising lawyers Andrew Hooker, Slater & Gordon and Litigation Lending Services (NZ) Limited announced that it had issued proceedings against ANZ Bank in relation to exception fees. The group has announced that similar proceedings will be issued against other banks, including ASB. In November 2013 the group commenced proceedings against Kiwibank Limited. At the date of this Disclosure Statement, no such proceedings have been issued against ASB. If proceedings are issued against ASB, any impact will be assessed at that time.

In December 2013 the Commerce Commission advised ASB that it intends to issue proceedings against ASB under the Fair Trading Act 1986 in respect of the sale of interest rate swap contracts to rural customers. The Commission has stated it aims to file the proceedings in March 2014. As at the date of this Disclosure Statement no such proceedings have been issued. If proceedings are issued against ASB, any impact will be assessed at that time.

10. RELATED PARTY TRANSACTIONS AND BALANCES

The Bank is wholly owned by ASB Holdings Limited, a company incorporated in New Zealand. The ultimate parent bank is CBA. The Commonwealth Bank Group refers to CBA and the various companies and other entities owned and controlled by CBA. The Commonwealth Bank of Australia New Zealand Life Insurance Group ("NZ Life Group") includes Colonial First State Investments (NZ) Limited group of companies, ASB Group (Life) Limited group of companies, First State Investments (NZ) Limited and Colonial Holding Company Limited (Branch).

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, Other Assets, Other Liabilities, Derivative Assets and Derivative Liabilities:

$ millions As at	Banking Group Unaudited 31-Dec-13	Unaudited 31-Dec-12	Audited 30-Jun-13
Commonwealth Bank Group	**4,364**	4,928	4,368
NZ Life Group	**604**	520	550
ASB Holdings Limited	**39**	59	25
Total Amounts Due to Related Parties	**5,007**	5,507	4,943
Commonwealth Bank Group	**347**	349	441
NZ Life Group	**5**	13	27
Total Amounts Due from Related Parties	**352**	362	468

For the six months ended 31 December 2013 interest charged on balances due to the Commonwealth Bank Group was $68m (31 December 2012 $106m).

The Bank's new head office premises are leased from Kiwi Income Property Trust (the "Trust"). Up until 12 December 2013, the Trust was managed by Colonial First State Investments (NZ) Limited, a member of the NZ Life Group. The Trust is now managed by a company external to the CBA Group and therefore ceased to be a related party on 12 December 2013.

Notes to the Financial Statements

For the six months ended 31 December 2013

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Banking Group's financial assets and financial liabilities are measured on an on-going basis either at fair value or at 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) Comparison of Fair Values and Carrying Values

The following tables provide a comparison between the carrying amounts and fair values of the Banking Group's financial assets and financial liabilities that are not presented at fair value in the Balance Sheet.

	Banking Group	
$ millions	**Carrying Value**	**Fair Value**
As at 31 December 2013		
Unaudited		
Financial Assets		
Cash and Liquid Assets	2,198	2,198
Due from Financial Institutions	252	252
Advances to Customers	59,297	59,211
Other Assets	313	313
Total Financial Assets Measured at Amortised Cost	**62,060**	**61,974**
Financial Liabilities		
Deposits and Other Public Borrowings	43,862	43,914
Due to Financial Institutions	4,345	4,338
Other Liabilities	505	505
Debt Issues at Amortised Cost	8,750	8,816
Total Financial Liabilities Measured at Amortised Cost	**57,462**	**57,573**

(b) Fair Value Hierarchy

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.

The tables below categorise financial instruments that are recognised and measured at fair value on a recurring basis into three levels. These levels are based on the hierarchy of the inputs to the valuation techniques used to measure fair values:

> Level 1: inputs are quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities that the Banking Group can access.

> Level 2: where quoted 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.

	Banking Group			
$ millions	**Level 1**	**Level 2**	**Level 3**	**Total**
As at 31 December 2013				
Unaudited				
Financial Assets				
Assets at Fair Value through Income Statement:				
Trading Securities	24	1,264	-	1,288
Derivative Assets	-	1,095	-	1,095
Available for Sale Securities	833	1,720	-	2,553
Total Financial Assets Measured at Fair Value	**857**	**4,079**	**-**	**4,936**
Financial Liabilities				
Other Liabilities at Fair Value through Income Statement	6	936	-	942
Derivative Liabilities	-	996	-	996
Debt Issues at Fair Value through Income Statement	-	2,753	-	2,753
Total Financial Liabilities Measured at Fair Value	**6**	**4,685**	**-**	**4,691**

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

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

Trading Securities, Available for Sale Securities, Other Liabilities at Fair Value through Income Statement and Debt Issues at Fair Value through Income Statement
The fair values are estimated using present value or other market acceptable valuation techniques, using methods or assumptions that are based on observable market conditions and risks existing as at balance date.

Notes to the Financial Statements

For the six months ended 31 December 2013

12. CAPITAL ADEQUACY

Unaudited

The Banking Group is subject to regulation by the RBNZ. The RBNZ has set minimum regulatory capital requirements for New Zealand registered banks that are consistent with the internationally agreed framework developed by the Basel Committee on Banking Supervision, commonly known as Basel III. These requirements define what is acceptable as capital and provide for methods of measuring the risks incurred by the Banking Group.

The Banking Group must comply with RBNZ minimum capital adequacy ratios under the Bank's Conditions of Registration. These Conditions of Registration require capital adequacy ratios for the Banking Group to be calculated in accordance with the RBNZ document *Capital Adequacy Framework (Internal Models Based Approach)* (BS2B) dated September 2013. The Banking Group is accredited by the RBNZ to adopt the internal ratings based ("IRB") approach for calculating regulatory capital requirements.

During the reporting period the Banking Group complied with all of the RBNZ capital requirements to which it is subject.

CAPITAL UNDER BASEL III IRB APPROACH

$ millions **As at**	**Banking Group** **31-Dec-13**
Tier One Capital	
Common Equity Tier One Capital	
Issued and Fully Paid-up Ordinary Share Capital	**2,498**
Retained Earnings	**2,278**
Accumulated Other Comprehensive Income and Other Disclosed Reserves	**19**
Deductions from Common Equity Tier One Capital:	
Goodwill and Other Intangible Assets	**(158)**
Deferred Taxation Assets	**(52)**
Cash Flow Hedge Reserve	**(7)**
Excess of Expected Loss Over Eligible Allowance for Impairment	**(150)**
Total Common Equity Tier One Capital	**4,428**
Additional Tier One Capital	
Perpetual Fully Paid-up Non-cumulative Preference Shares (Classified as Shareholders' Equity)[1]	**550**
Total Additional Tier One Capital	**550**
Total Tier One Capital	**4,978**
Tier Two Capital	
Asset Revaluation Reserve	**23**
Foreign Currency Translation Reserve	**1**
Total Tier Two Capital	**24**
Total Capital	**5,002**

As at	**Banking Group** **31-Dec-13** **Basel III**	31-Dec-12 Basel II	30-Jun-13 Basel III	**Bank** **31-Dec-13** **Basel III**	31-Dec-12 Basel II	30-Jun-13 Basel III
Capital Ratios						
Common Equity Tier One Capital Ratio	**11.1%**	N/A	10.4%	**11.1%**	N/A	10.3%
Tier One Capital Ratio	**12.4%**	12.2%	11.8%	**12.4%**	12.1%	11.8%
Total Capital Ratio	**12.5%**	12.2%	11.9%	**12.5%**	12.1%	11.8%
Buffer Ratio[2]	**4.5%**	N/A	3.9%	**4.5%**	N/A	3.8%
Minimum Ratio Requirement						
Common Equity Tier One Capital Ratio	**4.5%**	N/A	4.5%	**4.5%**	N/A	4.5%
Tier One Capital Ratio	**6.0%**	4.0%	6.0%	**6.0%**	4.0%	6.0%
Total Capital Ratio	**8.0%**	8.0%	8.0%	**8.0%**	8.0%	8.0%

$ millions **As at 31 December 2013**	**Banking Group** **Total Exposure[3]**	**RWE[4]**	**Capital Requirement**
CAPITAL REQUIREMENTS			
Total Credit Risk	**77,247**	**34,831**	**2,786**
Operational Risk	**N/A**	**3,475**	**278**
Market Risk	**N/A**	**1,685**	**135**
Total Capital Requirement		**39,991**	**3,199**

(1) This instrument is subject to phase-out from Additional Tier One Capital in accordance with BS2B. The phase-out will take place over five years, with the percentage of the instrument that qualifies as Additional Tier One Capital declining by 20% per calendar year commencing 1 January 2014 and ending 1 January 2018.

(2) Effective 1 January 2014, the Bank became subject to a minimum capital conservation buffer of 2.5% of risk weighted exposures. This imposes constraints on the Bank's ability to distribute earnings should the buffer ratio fall below the minimum. As at 31 December 2013, the prescribed minimum buffer ratio of 2.5% was not yet in force.

(3) Total Exposure is after Credit Risk Mitigation.

(4) Risk Weighted Exposures or Implied Risk Weighted Exposures.

12. CAPITAL ADEQUACY (CONTINUED)

Unaudited

CAPITAL STRUCTURE

Ordinary Shares

All Ordinary Shares have equal voting rights and share equally in dividends and any profit on winding up, after the obligations to holders of ASB Bank Limited Perpetual Preference Shares ("PPS") are satisfied. Dividends are declared, subject in all cases to the applicable Directors' resolutions being passed.

Perpetual Preference Shares

The Bank issued 200,000,000 of 2006 Series 1 PPS and 350,000,000 of Series 2 PPS. The PPS have no fixed term, are non-redeemable and carry limited voting rights. Dividends are payable quarterly in arrears, are non-cumulative and payable at the discretion of the Directors.

The dividend payable on the 2006 Series 1 PPS is based on the one year swap rate plus a margin of 1.3%. Rates are reset annually on 15 November or the succeeding business day. The rate was reset on 15 November 2013 to 4.31% per annum. The next dividend reset date is 17 November 2014.

The dividend payable on the 2006 Series 2 PPS is based on the one year swap rate plus a margin of 1.0%. Rates are reset annually on 15 May or the succeeding business day. The rate was reset on 15 May 2013 to 3.68% per annum. The next dividend reset date is 15 May 2014.

In the event of the liquidation of the Bank, payment of the issue price and cumulative dividends on the PPS ranks:

- before all rights of ordinary shareholders;
- after all rights of holders of shares of the Bank other than ordinary or preference shares; and
- after all rights of creditors of the Bank.

Available for Sale Reserve

The Available for Sale Reserve includes the cumulative net change in the fair value of Available for Sale Financial Assets until the investment is derecognised or impaired.

Asset Revaluation Reserve

The Asset Revaluation Reserve relates to revaluation gains on land and buildings carried at valuation, except that to the extent that the gain reverses a revaluation loss on the same asset previously recognised in the Income Statement, the gain is recognised in the Income Statement.

Foreign Currency Translation Reserve

The Foreign Currency Translation Reserve comprises exchange differences arising on translation of foreign currency assets and liabilities of an overseas subsidiary.

Notes to the Financial Statements

For the six months ended 31 December 2013

12. CAPITAL ADEQUACY (CONTINUED)

Unaudited
As at 31 December 2013

	Banking Group					
PD[1] Grade	Weighted Average PD	Exposure Amount $ millions	Exposure Weighted LGD[2]	Exposure Weighted Risk Weight	Risk Weighted Exposures[3] $ millions	Minimum Capital Requirement $ millions
CREDIT RISK EXPOSURES SUBJECT TO THE IRB APPROACH BY EXPOSURE CLASS						
Sovereign Exposures						
Less than and including 0.03%	0.02%	2,549	52%	5%	126	10
Over 0.03% up to and including 0.05%	0.05%	10	24%	10%	1	-
Over 0.05% up to and including 0.07%	-	-	-	-	-	-
Over 0.07% up to and including 0.26%	0.16%	28	61%	39%	11	1
Over 0.26% up to and including 99.99%	-	-	-	-	-	-
Default PD Grade	100.00%	-	-	-	-	-
Total Sovereign Exposures	0.02%	2,587	52%	5%	138	11
Bank Exposures						
Less than and including 0.03%	0.03%	2,660	51%	16%	455	36
Over 0.03% up to and including 0.05%	0.04%	98	49%	14%	15	1
Over 0.05% up to and including 0.07%	0.06%	548	40%	21%	123	10
Over 0.07% up to and including 0.26%	0.11%	101	61%	57%	61	5
Over 0.26% up to and including 99.99%	0.27%	1	33%	-	1	-
Default PD Grade	100.00%	-	-	-	-	-
Total Bank Exposures	0.04%	3,408	50%	18%	655	52
Exposures Secured by Residential Mortgages						
Less than and including 0.50%	0.32%	15,312	23%	16%	2,551	204
Over 0.50% up to and including 0.85%	0.67%	19,189	24%	26%	5,402	432
Over 0.85% up to and including 3.26%	1.39%	11,189	25%	45%	5,336	427
Over 3.26% up to and including 7.76%	4.39%	635	27%	96%	646	52
Over 7.76% up to and including 99.99%	21.15%	735	24%	133%	1,040	83
Default PD Grade	100.00%	211	27%	-	-	-
Total Exposures Secured by Residential Mortgages	1.54%	47,271	24%	30%	14,975	1,198
Other Retail Exposures						
Less than and including 0.50%	-	-	-	-	-	-
Over 0.50% up to and including 0.85%	0.83%	682	95%	89%	641	51
Over 0.85% up to and including 3.26%	1.61%	1,533	95%	112%	1,820	146
Over 3.26% up to and including 7.76%	3.77%	194	93%	134%	273	22
Over 7.76% up to and including 99.99%	27.03%	14	94%	236%	34	3
Default PD Grade	100.00%	9	92%	-	-	-
Total Other Retail Exposures	2.07%	2,432	94%	107%	2,768	222
Corporate Exposures – Small and Medium Enterprises						
Less than and including 0.20%	0.09%	423	45%	19%	87	7
Over 0.20% up to and including 0.50%	0.33%	1,587	29%	32%	535	43
Over 0.50% up to and including 1.00%	0.76%	5,181	32%	54%	2,963	237
Over 1.00% up to and including 2.30%	1.44%	5,227	33%	70%	3,872	310
Over 2.30% up to and including 99.99%	5.33%	2,338	30%	89%	2,214	177
Default PD Grade	100.00%	173	39%	388%	711	57
Total Corporate Exposures – Small and Medium Enterprises	2.80%	14,929	32%	66%	10,382	831
Other Corporate Exposures						
Less than and including 0.20%	0.07%	999	34%	17%	180	14
Over 0.20% up to and including 0.50%	0.33%	284	47%	49%	148	12
Over 0.50% up to and including 1.00%	0.68%	341	46%	75%	271	22
Over 1.00% up to and including 2.30%	1.31%	128	45%	92%	125	10
Over 2.30% up to and including 99.99%	16.92%	111	44%	150%	177	14
Default PD Grade	100.00%	1	69%	-	-	-
Total Other Corporate Exposures	1.37%	1,864	39%	46%	901	72

(1) Probability of Default
(2) Loss Given Default
(3) Risk Weighted Exposures include a scalar of 1.06 in accordance with the Bank's Conditions of Registration.

12. CAPITAL ADEQUACY (CONTINUED)

Unaudited

As at 31 December 2013

Included in the tables on the previous page are the following Off Balance Sheet Exposures:

	Banking Group			
	Undrawn Commitments and Other Off Balance Sheet Amounts		Market Related Contracts	
$ millions	Value	EAD	Value	EAD
Sovereign Exposures	-	-	1,047	-
Bank Exposures	162	168	82,106	609
Exposures Secured by Residential Mortgages	5,908	6,044	-	-
Other Retail Exposures	1,616	1,584	-	-
Corporate Exposures – Small and Medium Enterprises	1,552	1,558	2,890	61
Other Corporate Exposures	570	570	2,472	42
	9,808	9,924	88,515	712

	Banking Group					
LVR Range	**0%-60% $ millions**	**60.1%-70% $ millions**	**70.1%-80% $ millions**	**80.1%-90% $ millions**	**90.1%-100% $ millions**	**Total $ millions**
RESIDENTIAL MORTGAGES BY LOAN-TO-VALUATION RATIO ("LVR")						
On Balance Sheet Exposures	11,252	7,517	13,079	6,187	3,192	41,227
Off Balance Sheet Exposures	2,529	1,175	1,691	299	350	6,044
Total Value of Exposures	13,781	8,692	14,770	6,486	3,542	47,271
Expressed as a Percentage of Total Exposures	29.2%	18.4%	31.2%	13.7%	7.5%	100%

Exposures included in the LVR calculation are residential mortgages subject to the IRB approach, including commitments to lend. The valuation used in the calculation of each LVR is based on the valuation of the associated residential property at the date of loan origination. On balance sheet and off balance sheet exposures for which no LVR information is available are included in the greater than 90% range.

Certain loans within the above table are insured by third parties. This Lender's Mortgage Insurance ("LMI") has not been taken into account in classifying the above exposures by LVR range.

Percentage of Exposures:						
With 100% LMI	0.5%	0.3%	0.4%	1.1%	0.4%	0.5%
With Top 20% LMI	2.0%	2.6%	2.6%	6.5%	5.8%	3.2%

$ millions	Banking Group
RECONCILIATION OF MORTGAGE-RELATED AMOUNTS	
Housing Loans (Refer to Note 6(d))	42,539
Add / (Less):	
Housing Loans to Other Retail and Corporate Customers	(1,515)
Residential Mortgages in Credit Quality Disclosure (Refer to Note 5)	41,024
Add / (Less):	
Off Balance Sheet Exposures	6,044
EAD Adjustments	256
Unamortised Loan Establishment Fees	(53)
Residential Mortgages in LVR Disclosure	47,271

Notes to the Financial Statements

For the six months ended 31 December 2013

12. CAPITAL ADEQUACY (CONTINUED)

Unaudited

As at 31 December 2013

	Banking Group			
Balance Sheet Exposures Subject to the Slotting Approach	**Total Exposure after Credit Risk Mitigation $ millions**	**Risk Weight**	**Risk Weighted Exposures(1) $ millions**	**Minimum Pillar One Capital Requirement $ millions**
SPECIALISED LENDING				
Strong	70	70%	52	4
Good	222	90%	212	17
Satisfactory	30	116%	37	3
Weak	1	283%	3	-
	323		304	24

	Banking Group			
Off Balance Sheet Exposures Subject to the Slotting Approach	**EAD $ millions**	**Average Risk Weight**	**Risk Weighted Exposures(1) $ millions**	**Minimum Pillar One Capital Requirement $ millions**
Undrawn Commitments	5	94%	5	-
Other Off Balance Sheet Exposures	8	71%	6	1
Total Off Balance Sheet Exposures Subject to the Slotting Approach	13		11	1

	Banking Group			
Balance Sheet Exposures	**Total Exposure after Credit Risk Mitigation $ millions**	**Average Risk Weight**	**Risk Weighted Exposures(1) $ millions**	**Minimum Pillar One Capital Requirement $ millions**
CREDIT RISK EXPOSURES SUBJECT TO THE STANDARDISED APPROACH				
Cash	184	-	-	-
Residential Mortgages	9	31%	3	-
Other Assets	4,063	100%	4,306	344
Total Balance Sheet Exposures	4,256		4,309	344

	Banking Group					
Off Balance Sheet Exposures Subject to the Standardised Approach	**Total Exposure or Principal Amount $ millions**	**Average Credit Conversion Factor**	**Credit Equivalent Amount $ millions**	**Average Risk Weight**	**Risk Weighted Exposures(1) $ millions**	**Minimum Pillar One Capital Requirement $ millions**
Undrawn Commitments	86	100%	86	93%	85	7
Other Off Balance Sheet Exposures	66	100%	66	100%	70	5
Market Related Contracts	12	100%	12	100%	13	1
Total Off Balance Sheet Exposures Subject to the Standardised Approach	164		164		168	13

(1) Risk Weighted Exposures include a scalar of 1.06 in accordance with the Bank's Conditions of Registration.

12. CAPITAL ADEQUACY (CONTINUED)

Unaudited

As at 31 December 2013

	Banking Group		
$ millions	Total Exposure after Credit Risk Mitigation	Total Risk Weighted Exposures	Capital Requirement
TOTAL CREDIT RISK			
Exposures Subject to the IRB Approach	72,491	29,819	2,386
Specialised Lending Subject to the Slotting Approach	336	315	25
Exposures Subject to the Standardised Approach	4,420	4,477	357
Credit Valuation Adjustment	-	220	18
Total Credit Risk	77,247	34,831	2,786

Exposures Subject to the IRB Approach	
Sovereign Exposures	Exposures to the Crown, Local Authorities, and their trading entities; RBNZ; any other Sovereign and its central bank.
Bank Exposures	Exposures to banks and securities firms.
Secured by Residential Mortgages	Home lending fully or partially secured by residential property.
Other Retail Exposures	Personal credit cards.
Corporate Exposures	Other Corporate Exposures – clients where turnover exceeds $50m; Small and Medium Enterprises - clients where turnover is less than $50m and group exposure exceeds $1m.
Exposures Subject to the Slotting Approach	
Specialised Lending	Project finance; Income producing real estate.
Exposures Subject to the Standardised Approach	
Secured by Residential Mortgages	A small non-scored Home Loan portfolio that is being wound down.
Other Assets	Small and Medium Enterprises where group exposure is less than $1m, other personal lending, and all other assets not falling within any other asset class.

CREDIT RISK MITIGATION

The Banking Group assesses the integrity and ability of debtors or counterparties to meet their contracted financial obligations for repayment. Collateral security in the form of real property or a security interest in personal property is generally taken for business credit except for major government, bank and corporate counterparties of strong financial standing. Longer term consumer finance (e.g. housing loans), is generally secured against real estate while short term revolving consumer credit is generally unsecured.

As at 31 December 2013 none of the credit risk exposures subject to the Standardised Approach are covered by eligible financial collateral (i.e. cash, debt securities or equity securities). Across all portfolios, no exposures are covered by credit derivatives. Information on the total value of exposures covered by financial guarantees is not disclosed, as the effect of these guarantees on the underlying credit risk exposures is not considered to be material.

OPERATIONAL RISK

The Advanced Measurement Approach has been implemented to determine capital requirements for Operational Risk.

The Implied Risk Weighted Exposure for Operational Risk as at 31 December 2013 was $3,475m.

The Total Operational Risk Capital Requirement as at 31 December 2013 was $278m.

12. CAPITAL ADEQUACY (CONTINUED)

Unaudited

MARKET RISK CAPITAL CHARGES

The Banking Group's aggregate market risk exposure is derived in accordance with the RBNZ documents *Capital Adequacy Framework (Internal Models Based Approach)* (BS2B) and *Market Risk Guidance Notes* (BS6). The peak end-of-day exposure is derived by taking the highest market exposure over the six months ended 31 December 2013.

Interest rate risk and foreign exchange risk are calculated on a daily basis. Equity risk is calculated on a monthly basis (on the last working day of the month). For each category, the peak end-of-day market risk exposure may not have occurred at the same time.

Exposures as at 31 December 2013		Banking Group		
$ millions	Interest Rate Risk	Foreign Currency Risk	Equity Risk	Total
Implied Risk Weighted Exposure	1,679	6	-	1,685
Aggregate Capital Charge	135	-	-	135

Peak Exposures for the six months ended 31 December 2013		Banking Group		
$ millions	Interest Rate Risk	Foreign Currency Risk	Equity Risk	Total
Implied Risk Weighted Exposure	1,893	24	6	1,923
Aggregate Capital Charge	151	2	-	153

CAPITAL FOR OTHER MATERIAL RISKS

The Banking Group has an Internal Capital Adequacy Assessment Process ("ICAAP") which complies with the requirements set out in the RBNZ document BS12 *Guidelines on a Bank's Internal Capital Adequacy Assessment Process ("ICAAP")* in accordance with the Bank's Conditions of Registration. The Board of Directors is responsible for ensuring that the Banking Group has adequate overall capital in relation to its risk profile.

Under RBNZ rules, a bank that is a member of a wider banking group may base its approach on group wide methodologies. The Banking Group, as a member of the wider CBA banking group, has based its ICAAP processes on that of CBA, after taking account of New Zealand and Bank conditions.

The Banking Group's ICAAP is a documented process that describes not only the risk appetite and tolerances of the Banking Group, but also the levels of capital held against these risks, including credit, market, operational, strategic, and fixed asset risks. As at 31 December 2013 and during the comparative periods shown, the Banking Group held actual capital at significant levels above the regulatory capital requirements (refer to Basel III Capital ratios on page 16).

The Banking Group's ICAAP is reviewed on a regular basis by senior management before annual approval by the Board, and the process includes consideration of stress tests and future strategic requirements.

As at 31 December 2013 internal capital allocations of $243m had been made for Other Material Risks including strategic risk and fixed asset risk.

CAPITAL ADEQUACY OF ULTIMATE PARENT BANK AND ULTIMATE PARENT BANKING GROUP

The Ultimate Parent Bank of the Banking Group is CBA. The Ultimate Parent Banking Group is CBA and the various companies and other entities owned and controlled by CBA.

The Ultimate Parent 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 Ultimate Parent 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 Australian Prudential Regulation Authority ("APRA") prudential standards require a minimum Common Equity Tier One ("CET1") ratio of 4.5% effective 1 January 2013. An additional CET1 capital conservation buffer of 2.5% will be implemented on 1 January 2016, bringing the minimum CET1 requirement to 7%.

The Ultimate Parent 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 Ultimate Parent Bank's website (www.commbank.com.au).

The Ultimate Parent Banking Group is required by APRA to hold minimum capital specified under the Basel III (AIRB) approach. As at 31 December 2013 the minimum capital requirements were met (31 December 2012 minimum capital requirements under the Basel 2.5 (AIRB) approach were met).

	Ultimate Parent Bank		Ultimate Parent Banking Group	
As at	31-Dec-13 Basel III	31-Dec-12 Basel 2.5[1]	31-Dec-13 Basel III	31-Dec-12 Basel 2.5[1]
Common Equity Tier One Capital Ratio	8.3%	N/A	8.5%	8.3%
Tier One Capital Ratio	10.3%	10.8%	10.6%	10.5%
Total Capital Ratio	11.2%	10.9%	11.4%	11.2%

(1) The 31 December 2012 capital ratios reflect the APRA Basel 2.5 capital adequacy calculations in place at that time.

Notes to the Financial Statements

For the six months ended 31 December 2013

13. INSURANCE BUSINESS, MARKETING AND DISTRIBUTION OF INSURANCE PRODUCTS

The Banking Group does not conduct any insurance business. However, general and life insurance products are marketed through the Bank's branch network. The life insurance products are underwritten by Sovereign Assurance Company Limited, a wholly owned subsidiary of ASB Group (Life) Limited.

14. CHANGES IN THE COMPOSITION OF THE BANKING GROUP DURING THE REPORTING PERIOD

Mondex New Zealand Limited (an associate of the Bank) and Jacques Martin New Zealand Limited (a subsidiary of the Bank) were removed from the register of companies on 4 July 2013 and 5 December 2013 respectively. These removals had no impact on the consolidated financial statements of the Banking Group. There have been no other changes to the composition of the Banking Group since the 30 June 2013 Disclosure Statement.

15. FINANCIAL REPORTING BY OPERATING SEGMENTS

			Banking Group		
$ millions	Retail and Business Banking	Corporate, Commercial and Rural	Wealth and Insurance	Other	Total
For the six months ended 31 December 2013					
Unaudited					
Net Interest Earnings	**516**	**225**	**5**	**25**	**771**
Other Income / (Expense)	**110**	**53**	**67**	**(17)**	**213**
Total Operating Income	**626**	**278**	**72**	**8**	**984**
Operating Expenses	**223**	**108**	**45**	**11**	**387**
Impairment Losses on Advances	**9**	**12**	**-**	**-**	**21**
Net Profit before Taxation	**394**	**158**	**27**	**(3)**	**576**
Taxation	**109**	**44**	**8**	**(1)**	**160**
Net Profit after Taxation	**285**	**114**	**19**	**(2)**	**416**
Total Assets	**41,778**	**20,772**	**177**	**4,795**	**67,522**
Total Liabilities	**29,656**	**12,843**	**289**	**19,365**	**62,153**
For the six months ended 31 December 2012					
Unaudited					
Net Interest Earnings	467	201	5	15	688
Other Income / (Expense)	110	52	62	(19)	205
Total Operating Income	577	253	67	(4)	893
Operating Expenses	220	97	44	(3)	358
Impairment Losses on Advances	19	9	-	-	28
Net Profit before Taxation	338	147	23	(1)	507
Taxation	94	41	6	1	142
Net Profit after Taxation	244	106	17	(2)	365
Total Assets	39,510	20,851	187	4,761	65,309
Total Liabilities	27,768	12,560	320	19,952	60,600

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 Bank's financial markets activities, including financial instruments trading and sales of financial instruments to customers.

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 Bank's Treasury function and other functions that supply strategic support and services to the segments;

› elimination entries on consolidation of the results, assets and liabilities of the Banking Group's controlled entities in the preparation of the consolidated financial statements of the Banking Group; and

› results of certain business units excluded for management reporting purposes, but included within the consolidated financial statements of the Banking Group for statutory financial reporting purposes. This includes a portion of the former Institutional Banking and Markets segment which has been allocated to CBA as a consequence of disestablishing ASB Institutional (an unincorporated joint venture between the Bank and CBA). The remaining portion of the Institutional Banking and Markets segment has been merged with the Commercial and Rural Banking segment to form the Corporate, Commercial and Rural segment.

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

The basis of segmentation has changed since the last comparative period as a result of an internal restructure. The Commercial and Rural Banking segment has been merged with a portion of the Institutional Banking and Markets segment. Certain comparatives have been restated as part of the segment changes. In addition, the Bank has implemented a fully allocated cost framework and accordingly certain income and expense items in the comparative period have been reclassified.

Notes to the Financial Statements

For the six months ended 31 December 2013

15. FINANCIAL REPORTING BY OPERATING SEGMENTS (CONTINUED)

The Banking Group operates predominantly in the banking industry within New Zealand. The 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.

16. RISK MANAGEMENT

Interest Rate Repricing Schedule

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

	Banking Group						
$ millions	Up to 3 Months	Over 3 Months and up to 6 Months	Over 6 Months and up to 1 Year	Over 1 Year and up to 2 Years	Over 2 Years	Non-interest Bearing	Total
As at 31 December 2013							
Unaudited							
Assets							
Cash and Liquid Assets	1,947	-	-	-	-	251	2,198
Due from Financial Institutions	252	-	-	-	-	-	252
Assets at Fair Value through Income Statement:							
Trading Securities	1,026	69	93	54	46	-	1,288
Derivative Assets	-	-	-	-	-	1,095	1,095
Available for Sale Securities	721	160	10	733	929	-	2,553
Advances to Customers	33,061	3,420	8,399	9,093	5,507	(183)	59,297
Other Assets	-	-	-	-	-	839	839
Total Assets	37,007	3,649	8,502	9,880	6,482	2,002	67,522
Liabilities							
Deposits and Other Public Borrowings	28,480	5,817	4,955	1,132	799	2,679	43,862
Due to Financial Institutions	4,335	-	-	-	-	10	4,345
Other Liabilities at Fair Value through Income Statement	927	15	-	-	-	-	942
Derivative Liabilities	-	-	-	-	-	996	996
Other Liabilities	-	-	-	-	-	505	505
Debt Issues:							
At Fair Value through Income Statement	1,837	794	122	-	-	-	2,753
At Amortised Cost	3,968	-	501	248	4,033	-	8,750
Total Liabilities	39,547	6,626	5,578	1,380	4,832	4,190	62,153
Net Derivative Notionals	5,015	2,968	(2,481)	(7,735)	2,233		
Interest Rate Sensitivity Gap	2,475	(9)	443	765	3,883	(2,188)	5,369

Qualifying Liquid Assets

	Banking Group						
$ millions	Cash and Liquid Assets	Available for Sale Securities	Trading Securities	Advances to Customers	Deposits and Other Public Borrowings(1)	Other Assets	Total
As at 31 December 2013							
Unaudited							
The Banking Group has the following qualifying liquid assets for the purpose of managing liquidity risk:							
Cash	178	-	-	-	-	-	178
Call Deposits with the Central Bank	1,181	-	-	-	-	-	1,181
Local Authority Securities	-	142	89	-	-	2	233
New Zealand Government Securities	705	623	24	-	(94)	7	1,265
Corporate Bonds	-	272	35	-	-	5	312
Treasury Bills	-	210	-	-	-	-	210
Bank Bills	-	-	861	-	-	-	861
Kauri Bonds	-	768	87	-	-	12	867
Other Securities	-	538	192	-	-	2	732
Residential Mortgage Backed Securities	-	-	-	2,701	-	-	2,701
Total Qualifying Liquid Assets	2,064	2,553	1,288	2,701	(94)	28	8,540

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

16. RISK MANAGEMENT (CONTINUED)

Maturity Analysis for Undiscounted Contractual Cash Flows

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

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

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

	Banking Group							
$ millions	On Demand	Within 6 Months	Between 6 - 12 Months	Between 1 - 2 Years	Between 2 - 5 Years	Over 5 Years	Total	Carrying Value
As at 31 December 2013								
Unaudited								
Non-derivative Financial Assets								
Cash and Liquid Assets	1,454	746	-	-	-	-	2,200	2,198
Due from Financial Institutions	52	200	-	-	-	-	252	252
Assets at Fair Value through Income Statement:								
Trading Securities	-	1,067	92	68	39	42	1,308	1,288
Available for Sale Securities	-	333	85	990	1,295	7	2,710	2,553
Advances to Customers	2,142	6,707	2,617	5,909	11,686	56,371	85,432	59,297
Other Assets	-	313	-	-	-	-	313	313
Total Non-derivative Financial Assets	3,648	9,366	2,794	6,967	13,020	56,420	92,215	65,901
Derivative Financial Assets								
Inflows from Derivatives	-	1,588	689	1,332	3,370	610	7,589	
Outflows from Derivatives	-	(872)	(628)	(1,322)	(3,428)	(592)	(6,842)	
	-	716	61	10	(58)	18	747	
Non-derivative Financial Liabilities								
Deposits and Other Public Borrowings	22,134	14,925	5,020	1,177	819	-	44,075	43,862
Due to Financial Institutions	294	52	1,919	806	1,408	-	4,479	4,345
Other Liabilities at Fair Value through Income Statement	-	948	-	-	-	-	948	942
Other Liabilities	29	476	-	-	-	-	505	505
Debt Issues:								
At Fair Value through Income Statement	-	2,633	122	-	-	-	2,755	2,753
At Amortised Cost	-	1,457	1,535	1,195	4,369	581	9,137	8,750
Total Non-derivative Financial Liabilities	22,457	20,491	8,596	3,178	6,596	581	61,899	61,157
Derivative Financial Liabilities								
Inflows from Derivatives	-	653	1,084	607	1,204	73	3,621	
Outflows from Derivatives	-	(1,468)	(1,153)	(722)	(1,391)	(74)	(4,808)	
	-	(815)	(69)	(115)	(187)	(1)	(1,187)	
Off Balance Sheet Items								
Lending Commitments	9,710	29	43	60	165	6	10,013	
Guarantees	81	1	3	3	14	11	113	
Other Contingent Liabilities	171	1	3	1	3	-	179	
Total Off Balance Sheet Items	9,962	31	49	64	182	17	10,305	

16. RISK MANAGEMENT (CONTINUED)

Concentrations of Funding

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

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

$ millions **As at**	**Banking Group** **Unaudited** **31-Dec-13**
Total Funding comprises:	
Deposits and Other Public Borrowings	**43,862**
Due to Financial Institutions	**4,345**
Other Liabilities at Fair Value through Income Statement	**942**
Debt Issues:	
At Fair Value through Income Statement	**2,753**
At Amortised Cost	**8,750**
Total Funding	**60,652**
Concentration by Industry	
Agricultural, Forestry and Fishing	**511**
Government and Public Authorities	**1,355**
Property and Business Services	**4,061**
Finance and Insurance	**19,199**
Utilities	**189**
Transport and Storage	**516**
Personal	**31,523**
Other Commercial and Industrial	**3,298**
Total Funding by Industry	**60,652**
Concentration by Geographic Region	
New Zealand	**48,345**
Overseas	**12,307**
Total Funding by Geographic Region	**60,652**

17. EVENTS AFTER THE REPORTING PERIOD

On 5 February 2014 the Directors resolved to pay, on 17 February 2014, Perpetual Preference Dividends of $4m being 0.70 cents per share.

In addition, on 5 February 2014 the Directors resolved to pay, on 12 March 2014, Ordinary Dividends of $25m being 1.09 cents per share.

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

Directors' Statement

After due enquiry by the Directors, it is each Director's opinion that for the six months ended 31 December 2013:

- the Bank complied with the Conditions of Registration imposed by the Reserve Bank of New Zealand under section 74 of the Reserve Bank of New Zealand Act 1989;
- credit exposures to connected persons were not contrary to the interests of the Banking Group; and
- the Bank had systems in place to adequately monitor and control the Banking Group's credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other material business risks and that those systems are being properly applied.

After due enquiry by the Directors, it is each Director's opinion that as at the date of this Disclosure Statement:

- the Disclosure Statement contains all the information required by the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order (No 3) 2013; and
- the Disclosure Statement is not false or misleading.

The Disclosure Statement is signed by or on behalf of the Directors.

G.R. Walker

S.R.S. Blair

B.J. Chapman

M.B. Coomer By his agent GR Walker

J.L. Freeman

J.P. Hartley

R.D. Jesudason By his agent GR Walker

5 February 2014

Independent Accountant's Report

To the shareholder of ASB Bank Limited

Report on the financial statements

We have reviewed pages 4 to 26 of the half year Disclosure Statement of ASB Bank Limited (the "Bank") and the entities it controlled at 31 December 2013 or from time to time during the period (the "Banking Group"), which consists of the financial statements required by clause 25 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order (No 3) 2013 (the "Order") and the supplementary information required by Schedules 5, 7, 11, 13, 16 and 18 of the Order. The financial statements comprise the balance sheet as at 31 December 2013, the income statement, statement of comprehensive income, statement of changes in equity and condensed cash flow statement for the six months then ended, and the notes to the financial statements that include a statement of accounting policies and other explanatory information for the Banking Group.

Directors' Responsibility for the Financial Statements

The Directors of ASB Bank Limited (the "Directors") are responsible for the half year Disclosure Statement, which includes financial statements prepared in accordance with Clause 25 of the Order and that present fairly the financial position of the Banking Group as at 31 December 2013, and its financial performance and cash flows for the period ended on that date. The Directors are also responsible for such internal controls as the Directors determine are necessary to enable the preparation of the Disclosure Statement that is free from material misstatement whether due to fraud or error.

In addition, the Directors are responsible for including supplementary information in the half year Disclosure Statement which complies with Schedules 3, 5, 7, 11, 13, 16 and 18 of the Order.

Accountant's Responsibility

We are responsible for reviewing the financial statements and the supplementary information, disclosed in accordance with Clause 25 and Schedules 5, 7, 11, 13, 16 and 18 of the Order, presented by the Directors.

We are responsible for reviewing the interim financial statements (excluding the supplementary information) in order to report to you whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the financial statements have not been prepared, in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting.

We are responsible for reviewing the supplementary information (excluding the supplementary information relating to capital adequacy) in order to report to you whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information does not fairly state the matters to which it relates in accordance with Schedules 5, 7, 13, 16 and 18 of the Order.

We are responsible for reviewing the supplementary information relating to capital adequacy in order to report to you whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information is not in all material respects:

a) prepared in accordance with the Bank's Conditions of Registration;

b) prepared in accordance with the Bank's internal models for credit risk and operational risk as accredited by the Reserve Bank of New Zealand; and

c) disclosed in accordance with Schedule 11 of the Order.

A review is limited primarily to enquiries of the Banking Group's personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit on the financial statements and, accordingly, we do not express an audit opinion.

We have reviewed the financial statements of the Banking Group for the six months ended 31 December 2013 in accordance with the Review Engagement Standards issued in New Zealand.

PricewaterhouseCoopers, 188 Quay Street, Private Bag 92162, Auckland 1142, New Zealand
T: +64 9 355 8000, F: +64 9 355 8001, pwc.co.nz

pwc

Independent Accountant's Report
ASB Bank Limited

We carry out other assignments on behalf of the Banking Group in the areas of taxation and other assurance services. In addition, certain partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of trading activities of the Banking Group. These matters have not impaired our independence as auditor of the Banking Group. We have no other interests in the Banking Group.

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

(a) the financial statements on pages 4 to 26 (excluding the supplementary information), which have been prepared in all material respects in accordance with New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting, do not present fairly the financial position of the Banking Group as at 31 December 2013 and its financial performance and cash flows for the six months ended on that date;

(b) the supplementary information prescribed by Schedules 5, 7, 13, 16 and 18 of the Order, does not fairly state the matters to which it relates in accordance with those Schedules; and

(c) the supplementary information relating to capital adequacy prescribed by Schedule 11 of the Order, is not, in all material respects:

i. prepared in accordance with the Bank's Conditions of Registration;

ii. prepared in accordance with the Bank's internal models for credit risk and operational risk as accredited by the Reserve Bank of New Zealand; and

iii. disclosed in accordance with Schedule 11 of the Order.

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

PricewaterhouseCoopers

Chartered Accountants
5 February 2014

Auckland

Notes

Notes

Notes