

ASB  
Disclosure Statement  
For the nine months ended 31 March 2012





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# General Disclosures

(To be read in conjunction with the Financial Statements)

## 31 March 2012

This Disclosure Statement has been issued by ASB Bank Limited in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2012.

### CORPORATE INFORMATION

ASB Bank Limited (the "Bank") is a company incorporated under the Companies Act 1955 on 16 August 1988 and is registered under AK398445. The registered office of the Bank is Level 28, ASB Bank Centre, 135 Albert Street, Auckland. The Bank was re-registered under the Companies Act 1993 on 30 June 1995.

The reporting entity is ASB Bank Limited and its subsidiaries (the "Banking Group").

### ULTIMATE PARENT BANK

The ultimate parent bank of ASB Bank Limited is Commonwealth Bank of Australia, its registered office being Ground Floor, Tower 1, 201 Sussex Street, Sydney, NSW, Australia.

### DIRECTORS

J.L. Freeman was appointed as Director of the Bank with effect from 1 March 2012.

R.D. Jesudason was appointed as a Director of the Bank with effect from 23 January 2012.

D.M. Elder resigned as a Director of the Bank with effect from 31 December 2011.

I.M. Narev resigned as a Director of the Bank with effect from 30 November 2011.

G.J. Judd resigned as Chairman of the Bank with effect from 3 August 2011.

G.R. Walker was appointed as Chairman of the Bank with effect from 3 August 2011.

There have been no other changes to the Directors since the 30 June 2011 Disclosure Statement was signed.

### CREDIT RATINGS

As at the date of the signing of this Disclosure Statement, the following ratings were assigned to the Bank's long term New Zealand dollar debt:

Moody's Investors Service, Inc ("Moody's")	Aa3
Standard & Poor's (Australia) Pty Limited ("S&P")	AA-
Fitch Ratings Ltd ("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 <sup>(a)</sup>	S&P <sup>(b)</sup>	Fitch Ratings <sup>(b)</sup>
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 to each generic rating category from Aa to B, indicating that the counterparty is (1) in the higher end of its letter rating category, (2) in mid-range, (3) in lower end.

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

# General Disclosures (continued)

(To be read in conjunction with the Financial Statements)

## **GUARANTEE ARRANGEMENTS**

### **Covered Bond Guarantee**

On 11 August 2011, the ASB Covered Bond Trust was established to acquire and hold certain Residential Mortgage Loans originated by the Bank. The trustee of the ASB Covered Bond Trust, ASB Covered Bond Trustee Limited (the "Covered Bond Guarantor") provides guarantees over the Covered Bonds issued by the Bank or its subsidiary ASB Finance Limited.

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 Guarantor. Covered Bonds of \$500m were guaranteed as at 31 March 2012. In addition, a further CHF200m of Covered Bonds were issued and guaranteed on 2 May 2012. 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 March 2012, the Covered Bonds issued have been assigned a long term rating of 'AAA' by Fitch Ratings and 'Aaa' by Moody's.

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

### **Pending Proceedings or Arbitration**

The Banking Group is not a party to any pending proceedings or arbitration which are expected to have a material adverse effect on the financial position, or results, of the Bank or the Banking Group.

# Income Statement

\$ millions For the period ended	Note	Consolidated	
		Unaudited 31-Mar-12 9 months	Unaudited 31-Mar-11 9 months
Interest Income		2,701	2,911
Interest Expense		1,697	1,968
<b>Net Interest Earnings</b>		<b>1,004</b>	943
Other Income	2	288	254
<b>Total Operating Income</b>		<b>1,292</b>	1,197
Impairment Losses on Advances	6(b)	27	80
<b>Total Operating Income after Impairment Losses</b>		<b>1,265</b>	1,117
<b>Total Operating Expenses</b>		<b>533</b>	524
Salaries and Other Staff Expenses		317	314
Building Occupancy and Equipment Expenses		80	82
Information Technology Expenses		58	56
Other Expenses		78	72
<b>Net Profit before Taxation</b>		<b>732</b>	593
Taxation		200	178
<b>Net Profit after Taxation</b>		<b>532</b>	415

These statements are to be read in conjunction with the notes on pages 10 to 17.

# Statement of Comprehensive Income

\$ millions For the period ended	Consolidated	
	Unaudited 31-Mar-12 9 months	Unaudited 31-Mar-11 9 months
<b>Net Profit after Taxation</b>	<b>532</b>	<b>415</b>
<b>Other Comprehensive Income, Net of Taxation</b>		
Movement in Asset Revaluation Reserve	-	(1)
Net Change in Available for Sale Reserve	(21)	2
Net Change in Cash Flow Hedge Reserve	72	71
Transfer from Asset Revaluation Reserve to Retained Earnings	-	1
<b>Total Other Comprehensive Income, Net of Taxation</b>	<b>51</b>	<b>73</b>
<b>Total Comprehensive Income</b>	<b>583</b>	<b>488</b>

These statements are to be read in conjunction with the notes on pages 10 to 17.

# Statement of Changes in Equity

\$ millions	Consolidated						Total Shareholders' Equity
	Contributed Capital	Asset Revaluation Reserve	Available for Sale Reserve	Cash Flow Hedge Reserve	Foreign Currency Translation Reserve	Retained Earnings	
<b>For the Nine Months Ended 31 March 2012</b>							
<b>Unaudited</b>							
Balance at Beginning of Period	2,798	29	27	(50)	1	1,142	3,947
Net Profit after Taxation	-	-	-	-	-	532	532
Other Comprehensive (Loss) / Income	-	-	(21)	72	-	-	51
<b>Total Comprehensive (Loss) / Income</b>	-	-	(21)	72	-	532	583
Ordinary Dividends Paid	-	-	-	-	-	(500)	(500)
Perpetual Preference Dividends Paid	-	-	-	-	-	(12)	(12)
<b>Balance as at 31 March 2012</b>	<b>2,798</b>	<b>29</b>	<b>6</b>	<b>22</b>	<b>1</b>	<b>1,162</b>	<b>4,018</b>
<b>For the Nine Months Ended 31 March 2011</b>							
<b>Unaudited</b>							
Balance at Beginning of Period	2,798	29	15	(166)	1	871	3,548
Net Profit after Taxation	-	-	-	-	-	415	415
Other Comprehensive Income	-	-	2	71	-	-	73
<b>Total Comprehensive Income</b>	-	-	2	71	-	415	488
Transfer from Asset Revaluation Reserve to Retained Earnings	-	(1)	-	-	-	1	-
Ordinary Dividends Paid	-	-	-	-	-	(80)	(80)
Perpetual Preference Dividends Paid	-	-	-	-	-	(14)	(14)
<b>Balance as at 31 March 2011</b>	<b>2,798</b>	<b>28</b>	<b>17</b>	<b>(95)</b>	<b>1</b>	<b>1,193</b>	<b>3,942</b>

These statements are to be read in conjunction with the notes on pages 10 to 17.



# Balance Sheet

\$ millions As at	Note	Consolidated			
		Unaudited 31-Mar-12	Restated Unaudited 31-Mar-11	Restated Unaudited 30-Jun-11	Restated Unaudited 30-Jun-10
<b>ASSETS</b>					
Cash and Liquid Assets		2,846	956	1,273	1,175
Due from Financial Institutions		346	-	-	-
Assets at Fair Value through Income Statement:					
Trading Securities		2,110	3,456	3,486	5,011
Other		73	1,713	1,528	1,276
Derivative Assets		1,709	2,008	1,760	1,951
Available for Sale Securities		3,846	1,524	2,013	32
Advances to Customers	5	52,783	52,808	52,351	53,477
Current Taxation Asset		96	115	69	9
Other Assets		223	230	196	215
Property, Plant and Equipment		165	139	158	136
Intangible Assets		143	115	124	116
Deferred Taxation Asset		56	125	92	159
<b>Total Assets</b>		<b>64,396</b>	<b>63,189</b>	<b>63,050</b>	<b>63,557</b>
<i>Total Interest Earning and Discount Bearing Assets</i>		<i>61,859</i>	<i>60,287</i>	<i>60,519</i>	<i>60,835</i>
<b>LIABILITIES</b>					
Deposits and Other Public Borrowings	7	40,219	33,978	34,170	32,189
Due to Financial Institutions		6,417	6,325	6,279	6,488
Liabilities at Fair Value through Income Statement		1,533	4,483	4,629	4,907
Derivative Liabilities		1,858	2,123	2,363	2,474
Other Liabilities		451	542	540	499
Debt Issues:					
At Fair Value through Income Statement	8	4,603	4,325	3,576	8,803
At Amortised Cost	8	4,667	6,627	6,905	3,801
Subordinated Debt		630	844	641	848
<b>Total Liabilities</b>		<b>60,378</b>	<b>59,247</b>	<b>59,103</b>	<b>60,009</b>
<b>SHAREHOLDERS' EQUITY</b>					
Contributed Capital - Ordinary Shares		2,248	2,248	2,248	2,248
Reserves		58	(49)	7	(121)
Retained Earnings		1,162	1,193	1,142	871
<b>Ordinary Shareholder's Equity</b>		<b>3,468</b>	<b>3,392</b>	<b>3,397</b>	<b>2,998</b>
Contributed Capital - Perpetual Preference Shares		550	550	550	550
<b>Total Shareholders' Equity</b>		<b>4,018</b>	<b>3,942</b>	<b>3,947</b>	<b>3,548</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>64,396</b>	<b>63,189</b>	<b>63,050</b>	<b>63,557</b>
<i>Total Interest and Discount Bearing Liabilities</i>		<i>55,937</i>	<i>54,533</i>	<i>54,178</i>	<i>55,127</i>

These statements are to be read in conjunction with the notes on pages 10 to 17.

# Condensed Cash Flow Statement

\$ millions For the period ended	Consolidated	
	Unaudited 31-Mar-12 9 months	Unaudited 31-Mar-11 9 months
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest Received	2,696	2,904
Interest Paid	(1,813)	(2,081)
Other Cash Inflows Provided by Operating Activities	286	72
Other Cash Outflows Used in Operating Activities	(757)	(755)
Cash Flows from Operating Profits before Changes in Operating Assets and Liabilities	412	140
Net Changes in Operating Assets and Liabilities	(32)	(645)
<b>Net Cash Flows from Operating Activities</b>	<b>380</b>	<b>(505)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash Inflows Provided by Investing Activities	29	35
Cash Outflows Used in Investing Activities	(77)	(46)
<b>Net Cash Flows from Investing Activities</b>	<b>(48)</b>	<b>(11)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash Inflows Provided by Financing Activities	-	-
Cash Outflows Used in Financing Activities	(512)	(94)
<b>Net Cash Flows from Financing Activities</b>	<b>(512)</b>	<b>(94)</b>
<b>SUMMARY OF MOVEMENTS IN CASH FLOWS</b>		
Net Decrease in Cash and Cash Equivalents	(180)	(610)
Cash and Cash Equivalents at Beginning of Period	1,592	1,691
<b>Cash and Cash Equivalents at End of Period</b>	<b>1,412</b>	<b>1,081</b>

These statements are to be read in conjunction with the notes on pages 10 to 17.

# Condensed Cash Flow Statement (continued)

\$ millions For the period ended	Consolidated	
	Unaudited 31-Mar-12 9 months	Unaudited 31-Mar-11 9 months
<b>RECONCILIATION OF NET PROFIT AFTER TAXATION TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net Profit after Taxation</b>	<b>532</b>	<b>415</b>
Add: Non-cash Items	<b>336</b>	<b>124</b>
Add: Movements in Balance Sheet Items	<b>(488)</b>	<b>(1,044)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>380</b>	<b>(505)</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET</b>		
Cash and Liquid Assets	<b>2,846</b>	<b>956</b>
Less: Liquid Assets	<b>(1,591)</b>	<b>-</b>
Add: Call Deposits Due from Financial Institutions	<b>378</b>	<b>383</b>
Add: Call Deposits Due to Financial Institutions	<b>(221)</b>	<b>(258)</b>
<b>Total Cash and Cash Equivalents at End of Period</b>	<b>1,412</b>	<b>1,081</b>

These statements are to be read in conjunction with the notes on pages 10 to 17.

# Notes to the Financial Statements

For the nine months ended 31 March 2012

## 1. STATEMENT OF ACCOUNTING POLICIES

The financial statements of the Banking Group incorporated in this Disclosure Statement have been prepared in accordance with New Zealand Generally Accepted Accounting Practice and the New Zealand equivalent to International Accounting Standard 34 *Interim Financial Reporting* as appropriate for profit-oriented entities and should be read in conjunction with the Disclosure Statement for the year ended 30 June 2011.

There have been no material changes to accounting policies during the nine months ended 31 March 2012. All policies have been applied on a basis consistent with that used in the financial year ended 30 June 2011.

### Designation of Financial Instruments

During the period ended 30 September 2011, new financial instruments in various classes that were formerly designated as at Fair Value through Income Statement were on initial recognition classified as at Amortised Cost. This change closely matches the way these financial instruments are now being managed and no accounting mismatch results from measuring them at Amortised Cost.

These financial instruments include nostro and vostro balances, repurchase and reverse repurchase agreements, amounts due to and due from other banks, advances to customers and deposits from customers.

### Reclassification of Categories

Various classification changes have been made to the financial statements in order to provide more relevant information to the users of the financial statements and to better align with the way the Bank is managed. As a result of the classification changes, certain comparative periods have been reclassified to conform with the current reporting period's presentation.

The following table and narrative disclose the impact of the reclassification changes:

\$ millions	As Reported	Reclassification of Categories	Restated	Revised Categories
<b>Original Categories</b>				
<b>As at 31 March 2011 (Unaudited)</b>				
<b>Assets</b>				
Cash and Call Deposits with the Central Bank	956	-	956	(a) Cash and Liquid Assets
Due from Other Banks	1,561	(1,561)	-	(b) Due from Financial Institutions
Money Market Advances	68	(68)	-	
Securities	5,064	(5,064)	-	
		3,456	3,456	(c) Trading Securities
		1,713	1,713	(d) Other
		1,524	1,524	(e) Available for Sale Securities
Other Assets	222	8	230	Other Assets
Investment Property	8	(8)	-	
<b>Liabilities</b>				
Deposits from Customers	33,429	549	33,978	(f) Deposits and Other Public Borrowings
Due to Other Banks	6,808	(483)	6,325	(g) Due to Financial Institutions
Money Market Deposits	15,501	(15,501)	-	
		4,483	4,483	(h) Liabilities at Fair Value through Income Statement
Other Liabilities	526	16	542	Other Liabilities
		4,325	4,325	(i) At Fair Value through Income Statement
		6,627	6,627	(j) At Amortised Cost
Subordinated Debt	860	(16)	844	Subordinated Debt
<b>As at 30 June 2011 (Unaudited)</b>				
<b>Assets</b>				
Cash and Call Deposits with the Central Bank	1,273	-	1,273	(a) Cash and Liquid Assets
Due from Other Banks	888	(888)	-	(b) Due from Financial Institutions
Money Market Advances	640	(640)	-	
Securities	5,499	(5,499)	-	
		3,486	3,486	(c) Trading Securities
		1,528	1,528	(d) Other
		2,013	2,013	(e) Available for Sale Securities
Other Assets	187	9	196	Other Assets
Investment Property	9	(9)	-	
<b>Liabilities</b>				
Deposits from Customers	33,706	464	34,170	(f) Deposits and Other Public Borrowings
Due to Other Banks	6,891	(612)	6,279	(g) Due to Financial Institutions
Money Market Deposits	14,962	(14,962)	-	
		4,629	4,629	(h) Liabilities at Fair Value through Income Statement
Other Liabilities	536	4	540	Other Liabilities
		3,576	3,576	(i) At Fair Value through Income Statement
		6,905	6,905	(j) At Amortised Cost
Subordinated Debt	645	(4)	641	Subordinated Debt

# Notes to the Financial Statements

For the nine months ended 31 March 2012

## 1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

\$ millions Original Categories	As Reported	Reclassification of Categories	Restated	Revised Categories
<b>As at 30 June 2010 (Unaudited)</b>				
<b>Assets</b>				
Cash and Call Deposits with the Central Bank	1,175	-	1,175	(a) Cash and Liquid Assets
Due from Other Banks	1,021	(1,021)	-	(b) Due from Financial Institutions
Money Market Advances	132	(132)	-	
Securities	5,166	(5,166)	-	
		5,011	5,011	Assets at Fair Value through Income Statement:
		1,276	1,276	(c) Trading Securities
		32	32	(d) Other
		8	215	(e) Available for Sale Securities
Other Assets	207	8	215	Other Assets
Investment Property	8	(8)	-	
<b>Liabilities</b>				
Deposits from Customers	31,483	706	32,189	(f) Deposits and Other Public Borrowings
Due to Other Banks	6,842	(354)	6,488	(g) Due to Financial Institutions
Money Market Deposits	17,863	(17,863)	-	
		4,907	4,907	(h) Liabilities at Fair Value through Income Statement
Other Liabilities	495	4	499	Other Liabilities
		8,803	8,803	Debt Issues:
		3,801	3,801	(i) At Fair Value through Income Statement
		(4)	848	(j) At Amortised Cost
Subordinated Debt	852	(4)	848	Subordinated Debt

### Narratives:

- Cash and Call Deposits with the Central Bank has been reclassified to Cash and Liquid Assets. Cash and Liquid Assets includes cash at branches, cash at central bank, nostro balances and securities held under reverse repurchase agreements carried at Amortised Cost.
- Due from Other Banks has been reclassified to Due from Financial Institutions and now includes loans and settlement amounts carried at Amortised Cost and defined by the nature of the counterparty.
- Assets at Fair Value through Income Statement: Trading Securities includes securities classified as Held for Trading.
- Assets at Fair Value through Income Statement: Other includes all assets designated as at Fair Value through Income Statement other than securities classified as Held for Trading.
- Available for Sale Securities includes all securities designated as Available for Sale.
- Deposits from Customers has been reclassified to Deposits and Other Public Borrowings and now includes deposits and other public borrowings including certificates of deposits, term deposits, savings deposits, other demand deposits, repurchase agreements and debentures. This category excludes any of these products measured as at Fair Value through Income Statement.
- Due to Other Banks has been reclassified to Due to Other Financial Institutions and now includes deposits, vostro balances and settlement accounts carried at Amortised Cost and defined by the nature of the counterparty.
- Liabilities at Fair Value through Income Statement includes all liabilities designated as at Fair Value through Income Statement, except Debt Issues disclosed below.
- Debt Issues: At Fair Value through Income Statement includes all debt issues designated as at Fair Value through Income Statement.
- Debt Issues: At Amortised Cost includes all debt issues carried at Amortised Cost.

### Reclassification of Condensed Cash Flow Statement

For the period ended 31 March 2011, certain amounts have been reclassified in the Condensed Cash Flow Statement. These comparatives figures have been reclassified to conform to the current period's presentation. The following table discloses the impact of the classification changes.

\$ millions	As Reported	Reclassification	Restated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Changes in Operating Assets and Liabilities	(1,047)	402	(645)
Net Cash Flows from Operating Activities	(907)	402	(505)
<b>SUMMARY OF MOVEMENTS IN CASH FLOWS</b>			
Net Decrease in Cash and Cash Equivalents	(1,012)	402	(610)
Cash and Cash Equivalents at End of Period	679	402	1,081
<b>RECONCILIATION OF NET PROFIT AFTER TAXATION TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Add: Movements in Balance Sheet Items	(1,446)	402	(1,044)
Net Cash Flows from Operating Activities	(907)	402	(505)
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>			
Add: Call Deposits Due from Financial Institutions	268	115	383
Add: Call Deposits Due to Financial Institutions	(545)	287	(258)
Total Cash and Cash Equivalents at End of Period	679	402	1,081

# Notes to the Financial Statements

For the nine months ended 31 March 2012

\$ millions For the period ended	Consolidated	
	Unaudited 31-Mar-12 9 months	Unaudited 31-Mar-11 9 months
<b>2. OTHER INCOME</b>		
<b>Net Fair Value Gain / (Loss) from:</b>		
Other Derivatives at Fair Value	4	(49)
Financial Instruments Designated as at Fair Value through Income Statement	(2)	19
Hedging Ineffectiveness	(2)	(2)
<b>Total Net Fair Value Gain / (Loss)</b>	-	(32)
Trading Income	47	49
Other Operating Income	241	237
<b>Total Other Income</b>	<b>288</b>	<b>254</b>

\$ millions As at	Consolidated	
	Unaudited 31-Mar-12	Unaudited 31-Mar-11
<b>3. CORE LIQUID ASSETS</b>		
The Banking Group holds the following financial assets for the purpose of managing liquidity risk:		
Cash	146	
Call Deposits with the Central Bank	1,110	
Treasury Bills	2,171	
New Zealand Government Securities	875	
Kauri Bonds	622	
Bank Bills	1,287	
Other Liquid Assets	2,594	
Residential Mortgage Backed Securities	2,575	
<b>Total Core Liquid Assets</b>	<b>11,380</b>	

## 4. FINANCIAL ASSETS PLEDGED AS COLLATERAL

As at 31 March 2012 Government Securities of \$1,064m and Treasury Bills of \$178m had been pledged as collateral under repurchase agreements.

The Bank has entered into Credit Support Annexes ("CSA") in respect of certain credit exposures relating to derivative transactions. As at 31 March 2012, \$150m included in Due from Financial Institutions has been advanced as collateral with respect to Derivative Liabilities.

\$ millions As at	Unaudited 31-Mar-12	Consolidated		
		Unaudited 31-Mar-11	Audited 30-Jun-11	Audited 30-Jun-10
<b>5. ADVANCES TO CUSTOMERS</b>				
Residential Mortgages	37,432	37,479	37,431	37,770
Other Retail	4,116	4,100	4,063	4,116
Corporate	11,445	11,506	11,089	11,847
<b>Loans and Other Receivables</b>	<b>52,993</b>	<b>53,085</b>	<b>52,583</b>	<b>53,733</b>
Fair Value Hedge Adjustments	5	14	8	5
Provisions for Impairment	(215)	(291)	(240)	(261)
<b>Total Advances to Customers</b>	<b>52,783</b>	<b>52,808</b>	<b>52,351</b>	<b>53,477</b>

# Notes to the Financial Statements

For the nine months ended 31 March 2012

\$ millions	Residential Mortgages	Consolidated		Total
		Other Retail	Corporate	
<b>6. ASSET QUALITY AND PROVISIONS FOR IMPAIRMENT LOSSES</b>				
<b>(a) Asset Quality and Provisions for Impairment Losses</b>				
<b>As at 31 March 2012</b>				
<b>Unaudited</b>				
Gross Advances Individually Determined to be Impaired	99	15	118	232
Individually Assessed Provisions	35	5	30	70
Collective Provision	49	40	56	145
90 Day Past Due Assets Not Impaired	247	30	8	285
<b>(b) Impairment Losses on Advances</b>				
<b>For the Nine Months Ended 31 March 2012</b>				
<b>Unaudited</b>				
Movement in Collective Provision	(12)	(2)	(3)	(17)
Movement in Individually Assessed Provisions	17	3	7	27
Bad Debts Written Off	20	2	1	23
Bad Debts Recovered	(5)	(1)	-	(6)
<b>Total Impairment Losses on Advances Charged to the Income Statement</b>	<b>20</b>	<b>2</b>	<b>5</b>	<b>27</b>
For the Nine Months Ended 31 March 2011				
Unaudited				
Movement in Collective Provision	12	(4)	(4)	4
Movement in Individually Assessed Provisions	11	5	23	39
Bad Debts Written Off	36	3	4	43
Bad Debts Recovered	(5)	-	(1)	(6)
<b>Total Impairment Losses on Advances Charged to the Income Statement</b>	<b>54</b>	<b>4</b>	<b>22</b>	<b>80</b>
\$ millions	As at	Consolidated		
		Unaudited 31-Mar-12	Unaudited 31-Mar-11	Unaudited 30-Jun-11
<b>7. DEPOSITS AND OTHER PUBLIC BORROWINGS</b>				
Retail Term Deposits	21,356	20,204	20,484	18,646
Other Deposits Bearing Interest	16,765	11,713	11,664	11,634
Deposits Not Bearing Interest	2,098	2,061	2,022	1,909
<b>Total Deposits and Other Public Borrowings</b>	<b>40,219</b>	<b>33,978</b>	<b>34,170</b>	<b>32,189</b>
<b>8. DEBT ISSUES</b>				
Debt Issues at Fair Value through Income Statement	4,603	4,325	3,576	8,803
Debt Issues at Amortised Cost	4,667	6,627	6,905	3,801
<b>Total Debt Issues</b>	<b>9,270</b>	<b>10,952</b>	<b>10,481</b>	<b>12,604</b>
<b>Movement in Debt Issues</b>				
Balance at Beginning of Period	10,481	12,604	12,604	13,832
Issuances During the Period	5,276	7,701	7,399	10,508
Repayments During the Period	(6,540)	(9,276)	(9,465)	(11,115)
Foreign Exchange and Fair Value Movements During the Period	53	(77)	(57)	(621)
<b>Balance at End of Period</b>	<b>9,270</b>	<b>10,952</b>	<b>10,481</b>	<b>12,604</b>

As at 31 March 2012 Covered Bonds of \$500m were issued by the Bank which are carried at Amortised Cost.

# Notes to the Financial Statements

For the nine months ended 31 March 2012

\$ millions As at	Consolidated							
	Unaudited 31-Mar-12		Unaudited 31-Mar-11		Audited 30-Jun-11		Audited 30-Jun-10	
	Notional Amount	Credit Equivalent	Notional Amount	Credit Equivalent	Notional Amount	Credit Equivalent	Notional Amount	Credit Equivalent
<b>9. CONTINGENT LIABILITIES</b>								
Guarantees	70	70	72	72	69	69	67	67
Standby Letters of Credit	99	99	112	112	96	96	111	111
Other Credit Facilities	84	35	75	34	82	36	116	53
<b>Total Contingent Liabilities</b>	<b>253</b>	<b>204</b>	<b>259</b>	<b>218</b>	<b>247</b>	<b>201</b>	<b>294</b>	<b>231</b>

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 appropriate. Information relating to any matter is not disclosed where it can be expected to prejudice seriously the position of the Banking Group.

\$ millions As at	Consolidated Unaudited 31-Mar-12
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## 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 Commonwealth Bank of Australia ("CBA"). The Commonwealth Bank Group refers to CBA and the various companies and other entities owned and controlled by CBA. Commonwealth Bank of Australia New Zealand Life Insurance Group includes Colonial Group and ASB Group (Life) Limited Group of Companies.

The following balances represent amounts due from and to related parties classified within Due from / to Financial Institutions, Trading Securities, Deposits and Other Public Borrowings, Subordinated Debt, Other Assets, Other Liabilities and Derivative Assets and Liabilities:

Commonwealth Bank Group (100% Ultimate Shareholder)	<b>6,846</b>
Commonwealth Bank of Australia New Zealand Life Insurance Group	<b>597</b>
ASB Holdings Limited	<b>133</b>
<b>Total Amounts Due to Related Parties</b>	<b>7,576</b>
Commonwealth Bank Group (100% Ultimate Shareholder)	<b>397</b>
Commonwealth Bank of Australia New Zealand Life Insurance Group	<b>14</b>
<b>Total Amounts Due from Related Parties</b>	<b>411</b>

For the nine months ended 31 March 2012 interest charged on balances due to the Commonwealth Bank Group was \$208m (31 March 2011 \$232m).

## 11. CONCENTRATION OF CREDIT EXPOSURES TO INDIVIDUAL COUNTERPARTIES

The basis of calculation of the Banking Group's aggregate concentration of credit exposure to individual counterparties is the greater of actual credit exposures or internal limits. 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 was no peak end-of-day aggregate concentration of credit exposure to individual counterparties which exceeded 10% of the Banking Group's Equity for the three months ended 31 March 2012. There was no balance date aggregate concentration of credit exposure to individual counterparties which exceeded 10% of the Banking Group's Equity as at 31 March 2012.

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 March 2012.



# Notes to the Financial Statements

For the nine months ended 31 March 2012

## 12. CAPITAL ADEQUACY

### Unaudited

The Banking Group is subject to regulation by the RBNZ. 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. These requirements define what is acceptable as capital and provide for methods of measuring the risks incurred by the Banking Group.

The Basel Committee has issued a revised framework for the calculation of capital adequacy for banks, commonly known as Basel II and the Banking Group is accredited by the RBNZ to adopt the internal ratings based ("IRB") approach for calculating regulatory capital requirements under Basel II.

The Banking Group must comply with RBNZ minimum capital adequacy ratios under its Conditions of Registration. These conditions require capital adequacy ratios for the Banking Group to be calculated under the Basel II framework in accordance with the RBNZ document *Capital Adequacy Framework (Internal Models Approach)* (BS2B) dated June 2011.

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

\$ millions

As at

Consolidated  
31-Mar-12

### CAPITAL UNDER BASEL II IRB APPROACH

#### Tier One Capital

Tier One Capital (before deductions) 3,966

Less: Deductions from Tier One Capital 243

**Total Tier One Capital 3,723**

**Total Tier Two Capital 650**

**Total Tier One and Tier Two Capital 4,373**

Less: Deductions from Total Capital 101

**Total Capital 4,272**

### BASEL II CAPITAL RATIOS

**Tier One Capital Ratio 11.0%**

**Minimum Tier One Capital per the Bank's Conditions of Registration 4.0%**

**Total Capital Ratio 12.6%**

**Minimum Total Capital per the Bank's Conditions of Registration 8.0%**

### TOTAL CAPITAL REQUIREMENTS

#### Capital Requirements for Credit Risk subject to the IRB approach by Exposure Class

Sovereign 47

Bank 83

Residential Mortgages 1,039

Other Retail 114

Corporate - Small and Medium Enterprises 671

Other Corporate 71

**Total Capital Requirements for Credit Risk subject to IRB approach by Exposure Class <sup>(1)</sup> 2,025**

#### Capital Requirements for Other Credit Risk

Specialised Lending Subject to the Slotting Approach 14

Exposures Subject to the Standardised Approach 369

**Total Capital Requirements for Other Credit Risk <sup>(1)</sup> 383**

**Total Capital Requirements for Credit Risk 2,408**

#### Capital Requirements for Other Risks

Operational Risk 200

Market Risk 86

**Total Capital Requirements for Other Risks 286**

**TOTAL CAPITAL REQUIREMENTS 2,694**

(1) A scalar of 1.06 has been applied to the risk weighted exposures from which the capital requirements are derived.

# Notes to the Financial Statements

For the nine months ended 31 March 2012

## 12. CAPITAL ADEQUACY (CONTINUED)

Unaudited

### RESIDENTIAL MORTGAGES BY LOAN-TO-VALUATION RATIO ("LVR")

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.

In accordance with RBNZ requirements the "Exceeds 90%" LVR range now includes On Balance Sheet and Off Balance Sheet Exposures for which no LVR information is available.

LVR Range	Does not Exceed 60% \$ millions	Exceeds 60% and not 70% \$ millions	Exceeds 70% and not 80% \$ millions	Exceeds 80% and not 90% \$ millions	Exceeds 90% \$ millions	Total \$ millions
On Balance Sheet Exposures	11,547	7,307	12,016	4,349	2,211	37,430
Off Balance Sheet Exposures	2,229	944	1,137	286	507	5,103
Total Value of Exposures	13,776	8,251	13,153	4,635	2,718	42,533
Expressed as a Percentage of Total Exposures	32.4%	19.4%	30.9%	10.9%	6.4%	100.0%

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	0.7%	0.5%	0.7%	2.6%	0.8%	0.9%
With top 20% LMI	2.9%	4.2%	4.6%	14.8%	12.3%	5.6%

### PILLAR 2 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 *Guidelines on a Bank's Internal Capital Adequacy Assessment Process ("ICAAP") (BS12)* and is 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.

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 March 2012 the Banking Group held actual capital above the regulatory capital requirements (refer to Basel II Capital ratios on page 15).

As at 31 March 2012 internal capital allocations of \$277m had been made for other material risks including strategic risk and fixed asset risk.

## 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

There have been no changes to the composition of the Banking Group since the 30 June 2011 Disclosure Statement.

# Notes to the Financial Statements

For the nine months ended 31 March 2012

\$ millions	Consolidated						Total
	Retail and Business Banking	Commercial and Rural Banking	Institutional Banking and Markets	Strategy, Payments and Products	Wealth Management	Services and Support	

## 15. FINANCIAL REPORTING BY OPERATING SEGMENTS

For the Nine Months Ended 31 March 2012

Unaudited

Net Interest Earnings	511	187	50	73	6	177	1,004
Other Income	140	14	43	13	40	38	288
Total Operating Income	651	201	93	86	46	215	1,292
Segment Operating Income / (Expense) from External Customers	903	455	14	306	38	(424)	1,292
Segment Operating (Expense) / Income from Operating Segments	(252)	(254)	79	(220)	8	639	-
Segment Operating Expenses (excluding Impairment Losses)	136	41	16	20	28	292	533
Impairment Losses / (Recoveries) on Advances	25	2	8	4	-	(12)	27
Segment Net Profit / (Loss) before Taxation	490	158	69	62	18	(65)	732
Taxation	137	44	19	17	5	(22)	200
Segment Net Profit / (Loss) after Taxation	353	114	50	45	13	(43)	532
Total Assets	31,896	13,705	3,421	6,288	173	8,913	64,396
For the Nine Months Ended 31 March 2011							
Unaudited							
Net Interest Earnings	469	178	46	73	6	171	943
Other Income	129	16	48	38	43	(20)	254
Total Operating Income	598	194	94	111	49	151	1,197
Segment Operating Income / (Expense) from External Customers	942	519	26	381	41	(712)	1,197
Segment Operating (Expense) / Income from Operating Segments	(344)	(325)	68	(270)	8	863	-
Segment Operating Expenses (excluding Impairment Losses)	134	36	13	28	31	282	524
Impairment Losses on Advances	41	16	2	13	-	8	80
Segment Net Profit / (Loss) before Taxation	423	142	79	70	18	(139)	593
Taxation	127	43	24	21	5	(42)	178
Segment Net Profit / (Loss) after Taxation	296	99	55	49	13	(97)	415
Total Assets	31,160	13,548	1,604	7,066	219	9,592	63,189

**Retail and Business Banking:** The Retail and Business Banking Segment provides services to small business customers and private individuals. Its range of products includes loans and deposits, current accounts and credit cards.

**Commercial and Rural Banking:** The Commercial and Rural Banking Segment provides services to commercial and rural customers.

**Institutional Banking and Markets:** The Institutional Banking and Markets Segment comprises the Bank's Corporate and Institutional business and Financial Markets activities, including financial instruments trading and foreign currency transactions conducted with customers and for trading purposes. That business and those activities form part of the business of ASB Institutional, which is an unincorporated joint undertaking of the Bank and the Commonwealth Bank of Australia.

**Strategy, Payments and Products:** The Strategy, Payments and Products Segment develops and manufactures products and services that are distributed by the other segments.

**Wealth Management:** The Wealth Management Segment provides services to securities, investment services and Premium Banking customers.

**Services and Support:** The Services and Support Segment supplies strategic support and services to other Segments. This segment also includes the Bank's Treasury function.

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 charges are eliminated for the purposes of reporting the consolidated Banking Group's results.

The basis of segmentation has changed since the last annual report as a result of internal restructure. The Commercial and Rural Banking Segment and the Wealth Management Segment are new segments which have resulted from the split of the previous Relationship Banking Segment. Customers, Markets and Products, Retail Banking, and Institutional have been renamed Strategy, Payments and Products; Retail and Business Banking; and Institutional Banking and Markets respectively. Certain income and expense items were reclassified as part of the segment changes.

The Bank operates predominantly in the banking industry within New Zealand. The Bank 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. EVENTS AFTER THE REPORTING PERIOD

On 2 May 2012 the Directors resolved to pay, on 15 May 2012, Perpetual Preference Dividends of \$4m (0.70 cents per share).

On 2 May 2012 ASB Finance Limited a subsidiary of the Bank issued covered bonds of CHF 200 million with a maturity date of 2 November 2018. The covered bond issuance is guaranteed by ASB Covered Bond Trustee Limited. For further details of the guarantee arrangements please refer to the General Disclosures on page 3.

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 nine months ended 31 March 2012:**

- the Bank complied with the Conditions 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 2012; and
- the Disclosure Statement is not false or misleading.

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



G.R. Walker



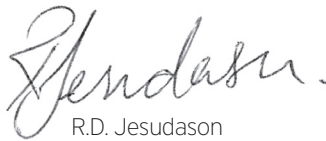
B.J. Chapman



J.L. Freeman



J.P. Hartley



R.D. Jesudason



J.P. Ling



G.L. Mackrell



R.M. McEwan

15 May 2012







