

ASB Disclosure Statement.

For the nine months ended
31 March 2013.

ASB



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General Disclosures

(To be read in conjunction with the Financial Statements)

31 March 2013

This Disclosure Statement has been issued by ASB Bank Limited in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2013.

CORPORATE INFORMATION

ASB Bank Limited (the "Bank") is a company incorporated under the Companies Act 1955 on 16 August 1988 and is registered under Company Number 398445. 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 controlled entities (the "Banking Group").

ULTIMATE PARENT BANK

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

DIRECTORS

S.R.S. Blair was appointed as a Director of ASB Bank Limited with effect from 1 October 2012.

There have been no other changes to the Board of Directors since the signing of the 30 June 2012 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:

| | |
|---------------------------------------------------|-----|
| 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

Covered Bond Guarantee

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 of \$1.5b were guaranteed as at 31 March 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 March 2013 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.

CONDITIONS OF REGISTRATION

Since 31 December 2012 the Conditions of Registration have been twice amended by the Reserve Bank of New Zealand ("RBNZ") with effect from 1 January 2013 and 31 March 2013 respectively.

The amendments with effect from 1 January 2013 and certain amendments effective 31 March 2013 implemented the RBNZ's Basel III capital adequacy policy. Refer to the Capital Adequacy disclosures on page 12 for further information on these changes.

Another change with effect from 31 March 2013 was to amend the calculation of the Banking Group's one-year core funding ratio, to reflect the agreed treatment of certain long term deposits placed with the Bank by CBA before 1 January 2010.

AUDITOR

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

Income Statement

| \$ millions For the Nine Months Ended | Note | Banking Group | |
|-------------------------------------------------------|------|------------------------|------------------------|
| | | Unaudited 31-Mar-13 | Unaudited 31-Mar-12 |
| Interest Income | | 2,577 | 2,676 |
| Interest Expense | | 1,535 | 1,708 |
| Net Interest Earnings | | 1,042 | 968 |
| Other Income | 2 | 305 | 329 |
| Total Operating Income | | 1,347 | 1,297 |
| Impairment Losses on Advances | 7(b) | 48 | 27 |
| Total Operating Income after Impairment Losses | | 1,299 | 1,270 |
| Total Operating Expenses | | 544 | 538 |
| Salaries and Other Staff Expenses | | 311 | 317 |
| Building Occupancy and Equipment Expenses | | 85 | 80 |
| Information Technology Expenses | | 60 | 58 |
| Other Expenses | | 88 | 83 |
| Net Profit before Taxation | | 755 | 732 |
| Taxation | | 212 | 200 |
| Net Profit after Taxation | | 543 | 532 |

These statements are to be read in conjunction with the notes on pages 9 to 14.

Statement of Comprehensive Income

| \$ millions For the Nine Months Ended | Banking Group | |
|-----------------------------------------------------------------------------|------------------------|------------------------|
| | Unaudited 31-Mar-13 | Unaudited 31-Mar-12 |
| Net Profit after Taxation | 543 | 532 |
| Other Comprehensive Income, Net of Taxation | | |
| Items that may be Reclassified Subsequently to the Income Statement: | | |
| Net Change in Available for Sale Reserve | 4 | (21) |
| Net Change in Cash Flow Hedge Reserve | (22) | 72 |
| Total Other Comprehensive Income, Net of Taxation | (18) | 51 |
| Total Comprehensive Income | 525 | 583 |

These statements are to be read in conjunction with the notes on pages 9 to 14.

Statement of Changes in Equity

| \$ millions | Banking Group | | | | | | |
|------------------------------------------------|---------------------|---------------------------|----------------------------|-------------------------|--------------------------------------|-------------------|----------------------------|
| | Contributed Capital | Asset Revaluation Reserve | Available for Sale Reserve | Cash Flow Hedge Reserve | Foreign Currency Translation Reserve | Retained Earnings | Total Shareholders' Equity |
| For the Nine Months Ended 31 March 2013 | | | | | | | |
| Unaudited | | | | | | | |
| Balance at Beginning of Period | 2,798 | 30 | 6 | 41 | 1 | 1,311 | 4,187 |
| Net Profit after Taxation | - | - | - | - | - | 543 | 543 |
| Other Comprehensive Income / (Expense) | - | - | 4 | (22) | - | - | (18) |
| Total Comprehensive Income / (Expense) | - | - | 4 | (22) | - | 543 | 525 |
| Share Capital Issued | 250 | - | - | - | - | - | 250 |
| Ordinary Dividends Paid | - | - | - | - | - | (90) | (90) |
| Perpetual Preference Dividends Paid | - | - | - | - | - | (11) | (11) |
| Balance as at 31 March 2013 | 3,048 | 30 | 10 | 19 | 1 | 1,753 | 4,861 |
| For the Nine Months Ended 31 March 2012 | | | | | | | |
| Unaudited | | | | | | | |
| Balance at Beginning of Period | 2,798 | 29 | 27 | (50) | 1 | 1,142 | 3,947 |
| Net Profit after Taxation | - | - | - | - | - | 532 | 532 |
| Other Comprehensive (Expense) / Income | - | - | (21) | 72 | - | - | 51 |
| Total Comprehensive (Expense) / Income | - | - | (21) | 72 | - | 532 | 583 |
| Ordinary Dividends Paid | - | - | - | - | - | (500) | (500) |
| Perpetual Preference Dividends Paid | - | - | - | - | - | (12) | (12) |
| Balance as at 31 March 2012 | 2,798 | 29 | 6 | 22 | 1 | 1,162 | 4,018 |

These statements are to be read in conjunction with the notes on pages 9 to 14.

Balance Sheet

| \$ millions As at | Note | Banking Group | | |
|-----------------------------------------------------------|------|------------------------|------------------------|----------------------|
| | | Unaudited 31-Mar-13 | Unaudited 31-Mar-12 | Audited 30-Jun-12 |
| ASSETS | | | | |
| Cash and Liquid Assets | | 2,017 | 2,846 | 1,040 |
| Due from Financial Institutions | | 872 | 346 | 136 |
| Assets at Fair Value through Income Statement: | | | | |
| Trading Securities | | 1,233 | 2,110 | 2,200 |
| Other | | - | 73 | - |
| Derivative Assets | | 1,325 | 1,709 | 1,905 |
| Available for Sale Securities | | 2,512 | 3,846 | 3,721 |
| Advances to Customers | 6 | 56,628 | 52,783 | 53,002 |
| Current Taxation Asset | | 128 | 96 | 35 |
| Other Assets | | 470 | 223 | 1,122 |
| Property, Plant and Equipment | | 193 | 165 | 178 |
| Intangible Assets | | 155 | 143 | 148 |
| Deferred Taxation Asset | | 55 | 56 | 50 |
| Total Assets | | 65,588 | 64,396 | 63,537 |
| <i>Total Interest Earning and Discount Bearing Assets</i> | | | | |
| | | 63,327 | 62,053 | 60,233 |
| LIABILITIES | | | | |
| Deposits and Other Public Borrowings | 8 | 41,230 | 40,219 | 39,444 |
| Due to Financial Institutions | | 4,646 | 6,417 | 6,465 |
| Other Liabilities at Fair Value through Income Statement | 9 | 1,112 | 1,533 | 1,656 |
| Derivative Liabilities | | 1,563 | 1,858 | 1,905 |
| Other Liabilities | | 579 | 451 | 552 |
| Debt Issues: | | | | |
| At Fair Value through Income Statement | 10 | 4,163 | 4,603 | 2,647 |
| At Amortised Cost | 10 | 7,434 | 4,667 | 6,310 |
| Loan Capital | | - | 630 | 371 |
| Total Liabilities | | 60,727 | 60,378 | 59,350 |
| SHAREHOLDERS' EQUITY | | | | |
| Contributed Capital - Ordinary Shares | | 2,498 | 2,248 | 2,248 |
| Reserves | | 60 | 58 | 78 |
| Retained Earnings | | 1,753 | 1,162 | 1,311 |
| Ordinary Shareholder's Equity | | 4,311 | 3,468 | 3,637 |
| Contributed Capital - Perpetual Preference Shares | | 550 | 550 | 550 |
| Total Shareholders' Equity | | 4,861 | 4,018 | 4,187 |
| Total Liabilities and Shareholders' Equity | | 65,588 | 64,396 | 63,537 |
| <i>Total Interest and Discount Bearing Liabilities</i> | | | | |
| | | 56,128 | 55,836 | 54,500 |

These statements are to be read in conjunction with the notes on pages 9 to 14.

Condensed Cash Flow Statement

| \$ millions For the Nine Months Ended | Banking Group | |
|-------------------------------------------------------------------------------------------------|------------------------|------------------------|
| | Unaudited 31-Mar-13 | Unaudited 31-Mar-12 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Profit before Taxation | 755 | 732 |
| Reconciliation of Net Profit before Taxation to Net Cash Flows from Operating Activities | | |
| Non-cash Items included in Net Profit before Taxation | 80 | 54 |
| Net Increase in Operating Assets | (1,658) | (1,638) |
| Net Increase in Operating Liabilities | 2,303 | 1,362 |
| Net Taxation Paid | (302) | (221) |
| Net Cash Flows from Operating Activities | 1,178 | 289 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Cash Inflows Provided by Investing Activities | - | 29 |
| Cash Outflows Used in Investing Activities | (80) | (77) |
| Net Cash Flows from Investing Activities | (80) | (48) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Cash Inflows Provided by Financing Activities | 250 | - |
| Cash Outflows Used in Financing Activities | (466) | (512) |
| Net Cash Flows from Financing Activities | (216) | (512) |
| SUMMARY OF MOVEMENTS IN CASH FLOWS | | |
| Net Increase / (Decrease) in Cash and Cash Equivalents | 882 | (271) |
| Add: Cash and Cash Equivalents at Beginning of Period | 901 | 1,703 |
| Cash and Cash Equivalents at End of Period | 1,783 | 1,432 |
| CASH AND CASH EQUIVALENTS COMPRISE: | | |
| Cash and Liquid Assets | 2,017 | 2,846 |
| Less: Reverse Repurchase Agreements included in Cash and Liquid Assets | (831) | (1,559) |
| Add: Cash Equivalents in Due from Financial Institutions | 872 | 346 |
| Less: Cash Equivalents in Due to Financial Institutions | (275) | (201) |
| Cash and Cash Equivalents at End of Period | 1,783 | 1,432 |
| ADDITIONAL OPERATING CASH FLOW INFORMATION | | |
| Cash Received as Interest | 2,554 | 2,696 |
| Cash Paid as Interest | (1,552) | (1,813) |
| Cash Received as Other Income | 298 | 258 |
| Cash Paid as Operating Expenses | (402) | (508) |

These statements are to be read in conjunction with the notes on pages 9 to 14.

Notes to the Financial Statements

For the Nine Months Ended 31 March 2013

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 ("NZ GAAP") and NZ IAS 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 2012. The reporting period is the nine months ended 31 March 2013.

There have been no material changes to accounting policies during the nine months ended 31 March 2013. All policies have been applied on a basis consistent with that used in the financial year ended 30 June 2012.

Reclassification of Comparatives

Certain comparatives in the Income Statement have been restated to reclassify interest relating to derivatives which are transacted as economic hedges, but do not qualify for hedge accounting. The reclassification has no impact on Net Profit after Taxation. The following amounts have been restated for the nine months ended 31 March 2012:

| \$ millions | Reported | Restated |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|----------|
| Interest Income | 2,701 | 2,676 |
| Interest Expense | 1,697 | 1,708 |
| Other Income ⁽¹⁾ | 288 | 329 |
| (1) The restated amount includes \$5m which has been reclassified to Other Expenses. | | |
| The Condensed Cash Flow Statement which includes Cash and Cash Equivalents as at 31 March 2012 has also been restated to conform to the current period's presentation. The following amounts have been restated: | | |
| Net Cash Flows from Operating Activities | 380 | 289 |
| Net Decrease in Cash and Cash Equivalents | (180) | (271) |
| Add: Cash and Cash Equivalents at Beginning of Period | 1,592 | 1,703 |
| Cash and Cash Equivalents at End of Period | 1,412 | 1,432 |

Other comparatives have been reclassified to conform with the current reporting period's presentation.

| \$ millions | Banking Group | |
|----------------------------------|------------------------|------------------------|
| | Unaudited 31-Mar-13 | Unaudited 31-Mar-12 |
| For the Nine Months Ended | | |

2. OTHER INCOME

Net Fair Value Gain / (Loss) from:

| | | |
|----------------------------------------------------------------------------|-----|-----|
| Other Derivatives at Fair Value | 1 | 40 |
| Financial Instruments Designated as at Fair Value through Income Statement | - | (2) |
| Hedging Ineffectiveness | (1) | (2) |
| Total Net Fair Value Gain | - | 36 |
| Trading Income | 41 | 47 |
| Other Operating Income | 264 | 246 |
| Total Other Income | 305 | 329 |

3. TAXATION

As at 31 March 2013 the Banking Group has a tax position relating to a liquidity funding transaction that is currently being reviewed by the Inland Revenue Department and is subject to the formal tax dispute resolution process. The tax position has a potential liability of \$153m plus interest and penalties. The Banking Group 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. In previous periods the Banking Group had other transactions that were also subject to the formal tax dispute resolution process. The treatment of these other transactions has now been resolved by agreement between the Banking Group and the Inland Revenue Department. As at 30 June 2012 the Banking Group had tax positions with a potential liability of \$176m plus interest and penalties.

4. QUALIFYING LIQUID ASSETS

| \$ millions | Banking Group | | | | | | |
|---------------------------------------------------------------------------------------------------|------------------------|-------------------------------|--------------------|-----------------------|-----------------------------------------------------|--------------|--------------|
| | 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 March 2013 | | | | | | | |
| Unaudited | | | | | | | |
| The Banking Group held the following financial assets for the purpose of managing liquidity risk: | | | | | | | |
| Cash | 95 | - | - | - | - | - | 95 |
| Call Deposits with the Central Bank | 1,062 | - | - | - | - | - | 1,062 |
| Local Authority Securities | - | 150 | 94 | - | - | 2 | 246 |
| New Zealand Government Securities | 825 | 554 | 6 | - | (164) | 13 | 1,234 |
| Corporate Bonds | - | 159 | 119 | - | - | 4 | 282 |
| Treasury Bills | - | 657 | 16 | - | (104) | - | 569 |
| Bank Bills | - | - | 617 | - | - | - | 617 |
| Kauri Bonds | - | 548 | 210 | - | - | 10 | 768 |
| Other Securities | - | 444 | 171 | - | - | 1 | 616 |
| Residential Mortgage Backed Securities | - | - | - | 2,624 | - | - | 2,624 |
| Total Qualifying Liquid Assets | 1,982 | 2,512 | 1,233 | 2,624 | (268) | 30 | 8,113 |

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

Notes to the Financial Statements

For the Nine Months Ended 31 March 2013

5. FINANCIAL ASSETS PLEDGED AS COLLATERAL

As at 31 March 2013 Government Securities of \$164m and Treasury Bills of \$104m 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 certain derivative transactions. As at 31 March 2013 \$298m included in Due from Financial Institutions has been advanced as collateral to offset Derivative Liabilities.

| \$ millions As at | Banking Group | | |
|------------------------------------|------------------------|------------------------|----------------------|
| | Unaudited 31-Mar-13 | Unaudited 31-Mar-12 | Audited 30-Jun-12 |
| 6. ADVANCES TO CUSTOMERS | | | |
| Residential Mortgages | 39,466 | 37,432 | 37,400 |
| Other Retail | 4,288 | 4,116 | 4,145 |
| Corporate | 13,086 | 11,445 | 11,668 |
| Loans and Other Receivables | 56,840 | 52,993 | 53,213 |
| Fair Value Hedge Adjustments | (2) | 5 | 6 |
| Provisions for Impairment Losses | (210) | (215) | (217) |
| Total Advances to Customers | 56,628 | 52,783 | 53,002 |

| \$ millions | Banking Group | | | |
|-------------|--------------------------|--------------|-----------|-------|
| | Residential Mortgages | Other Retail | Corporate | Total |

7. ASSET QUALITY AND PROVISIONS FOR IMPAIRMENT LOSSES

(a) Asset Quality and Provisions for Impairment Losses

As at 31 March 2013

Unaudited

| | | | | |
|-------------------------------------------------------|-----|----|-----|-----|
| Gross Advances Individually Determined to be Impaired | 91 | 14 | 223 | 328 |
| Individually Assessed Provisions | 23 | 1 | 34 | 58 |
| Collective Provision | 51 | 44 | 57 | 152 |
| 90 Day Past Due Assets Not Impaired | 136 | 23 | 21 | 180 |

(b) Impairment Losses on Advances

For the Nine Months Ended 31 March 2013

Unaudited

| | | | | |
|----------------------------------------------|-----------|----------|-----------|-----------|
| Movement in Collective Provision | 7 | 4 | 1 | 12 |
| Movement in Individually Assessed Provisions | 9 | 2 | 12 | 23 |
| Bad Debts Written Off | 15 | 3 | 2 | 20 |
| Bad Debts Recovered | (5) | (1) | (1) | (7) |
| Total Impairment Losses on Advances | 26 | 8 | 14 | 48 |

For the Nine Months Ended 31 March 2012

Unaudited

| | | | | |
|----------------------------------------------|-----------|----------|----------|-----------|
| 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) |
| Total Impairment Losses on Advances | 20 | 2 | 5 | 27 |

| \$ millions As at | Banking Group | | |
|----------------------|------------------------|------------------------|----------------------|
| | Unaudited 31-Mar-13 | Unaudited 31-Mar-12 | Audited 30-Jun-12 |

8. DEPOSITS AND OTHER PUBLIC BORROWINGS

| | | | |
|---------------------------------------------------|---------------|---------------|---------------|
| Certificates of Deposit | 376 | 270 | 324 |
| Term Deposits | 22,569 | 22,418 | 22,620 |
| On Demand and Short Term Deposits | 15,669 | 14,159 | 14,235 |
| Deposits Not Bearing Interest | 2,348 | 2,131 | 2,120 |
| Repurchase Agreements | 268 | 1,241 | 145 |
| Total Deposits and Other Public Borrowings | 41,230 | 40,219 | 39,444 |

9. OTHER LIABILITIES AT FAIR VALUE THROUGH INCOME STATEMENT

| | | | |
|-----------------------------------------------------------------------|--------------|--------------|--------------|
| Certificates of Deposit | 1,101 | 1,533 | 1,656 |
| Trading Liabilities | 11 | - | - |
| Total Other Liabilities at Fair Value through Income Statement | 1,112 | 1,533 | 1,656 |

Notes to the Financial Statements

For the Nine Months Ended 31 March 2013

| \$ millions As at | Unaudited 31-Mar-13 | Banking Group | |
|-------------------------------------------------------------|------------------------|------------------------|----------------------|
| | | Unaudited 31-Mar-12 | Audited 30-Jun-12 |
| 10. DEBT ISSUES | | | |
| Debt Issues at Fair Value through Income Statement | 4,163 | 4,603 | 2,647 |
| Debt Issues at Amortised Cost | 7,434 | 4,667 | 6,310 |
| Total Debt Issues | 11,597 | 9,270 | 8,957 |
| Movement in Debt Issues | | | |
| Balance at Beginning of Period | 8,957 | 10,481 | 10,481 |
| Issuances During the Period | 6,094 | 5,276 | 5,443 |
| Repayments During the Period | (3,272) | (6,540) | (6,987) |
| Foreign Exchange and Fair Value Movements During the Period | (182) | 53 | 20 |
| Balance at End of Period | 11,597 | 9,270 | 8,957 |

| \$ millions As at | Unaudited 31-Mar-13 | | Banking Group Unaudited 31-Mar-12 | | Audited 30-Jun-12 | |
|-----------------------------------|------------------------|----------------------|-----------------------------------------|----------------------|----------------------|----------------------|
| | Notional Amount | Credit Equivalent | Notional Amount | Credit Equivalent | Notional Amount | Credit Equivalent |
| 11. CONTINGENT LIABILITIES | | | | | | |
| Guarantees | 86 | 86 | 70 | 70 | 75 | 75 |
| Standby Letters of Credit | 111 | 111 | 99 | 99 | 145 | 145 |
| Other Credit Facilities | 94 | 43 | 84 | 35 | 90 | 41 |
| Total | 291 | 240 | 253 | 204 | 310 | 261 |

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.

| \$ millions As at | Unaudited 31-Mar-13 | Banking Group | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|----------------------|
| | | Unaudited 31-Mar-12 | Audited 30-Jun-12 |
| 12. 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. Commonwealth Bank of Australia New Zealand Life Insurance 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 / from Financial Institutions, Deposits and Other Public Borrowings, Debt Issues, Other Assets, Other Liabilities, Derivative Assets and Derivative Liabilities: | | | |
| Commonwealth Bank Group | 4,798 | 6,846 | 6,404 |
| Commonwealth Bank of Australia New Zealand Life Insurance Group | 450 | 597 | 528 |
| ASB Holdings Limited | 80 | 133 | 62 |
| Total Amounts Due to Related Parties | 5,328 | 7,576 | 6,994 |
| Commonwealth Bank Group | 448 | 397 | 31 |
| Commonwealth Bank of Australia New Zealand Life Insurance Group | 1 | 14 | 1 |
| Total Amounts Due from Related Parties | 449 | 411 | 32 |

For the nine months ended 31 March 2013 interest charged on balances due to the Commonwealth Bank Group was \$145m (31 March 2012 \$208m).

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

Notes to the Financial Statements

For the Nine Months Ended 31 March 2013

14. 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. 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 March 2013. The Banking Group is accredited by the RBNZ to adopt the internal ratings based ("IRB") approach for calculating regulatory capital requirements.

From 1 January 2013, the Banking Group became subject to new standards for determining regulatory capital following the RBNZ's implementation of the Basel III capital requirements. The key changes include:

- > a strengthening of the definition of regulatory capital and the introduction of Common Equity Tier One Capital which has greater loss absorbing capability than other Tier One instruments;
- > an increase in the minimum capital ratio for Tier One Capital from 4 to 6%;
- > a minimum capital ratio for Common Equity Tier One Capital of 4.5%;
- > a strengthening of the rules for the calculation of risk weighted assets primarily in the area of counterparty credit risk which apply from 31 March 2013; and
- > a capital conservation buffer of 2.5% of risk weighted assets to be applicable from 1 January 2014 with increasing constraints on capital distributions where a bank's capital levels fall within the buffer range. RBNZ will also have the discretion to apply a countercyclical buffer to common equity in addition to the conservation buffer, during periods of excessive credit growth.

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

\$ millions

As at

**Banking Group
31-Mar-13**

CAPITAL UNDER BASEL III IRB APPROACH

Tier One Capital

Common Equity Tier One Capital (before deductions)

4,261

Less: Deductions from Common Equity Tier One Capital

327

Total Common Equity Tier One Capital

3,934

Additional Tier One Capital (before deductions)

550

Total Additional Tier One Capital

550

Total Tier One Capital

4,484

Tier Two Capital

Tier Two Capital (before deductions)

31

Total Tier Two Capital

31

Total Capital

4,515

TOTAL CAPITAL REQUIREMENTS

Capital Requirements for Credit Risk Subject to the IRB Approach by Exposure Class

Sovereign

17

Bank

105

Residential Mortgages

1,101

Other Retail

208

Corporate - Small and Medium Enterprises

781

Other Corporate

78

Total Capital Requirements for Credit Risk Subject to the IRB Approach by Exposure Class⁽¹⁾

2,290

Capital Requirements for Other Credit Risk

Specialised Lending Subject to the Slotting Approach⁽¹⁾

26

Exposures Subject to the Standardised Approach⁽¹⁾

370

Credit Valuation Adjustment

54

Total Capital Requirements for Other Credit Risk

450

Total Capital Requirements for Credit Risk

2,740

Capital Requirements for Other Risks

Operational Risk

269

Market Risk

106

Total Capital Requirements for Other Risks

375

Total Capital Requirements

3,115

(1) In accordance with the Bank's Conditions of Registration, 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 2013

14. CAPITAL ADEQUACY (CONTINUED)

Unaudited

| BASEL III CAPITAL RATIOS As at 31 March 2013 | Common Equity | | |
|-------------------------------------------------|---------------------------|---------------------------|------------------------|
| | Tier One Capital Ratio | Tier One Capital Ratio | Total Capital Ratio |
| Ratio | 10.1% | 11.5% | 11.6% |
| Minimum Ratio Requirement | 4.5% | 6.0% | 8.0% |
| Buffer Ratio | 5.6% | | |
| Buffer Ratio Requirement | 2.5% | | |

CAPITAL STRUCTURE

The Bank issued 50,000,000 of \$5 ordinary shares to ASB Holdings Limited on 15 November 2012. The total consideration was \$250m.

On 15 November 2012 Loan Capital with a face value of \$370m was fully repaid. No Loan Capital was issued during the current reporting period. This instrument no longer qualifies as Tier Two Capital under the Basel III framework.

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.

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. On Balance Sheet and Off Balance Sheet Exposures for which no LVR information is available are included in the greater than 90% range.

| LVR Range | Banking Group | | | | | Total \$ millions |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------------|--------------------------|--------------------------|---------------------------|----------------------|
| | 0%-60% \$ millions | 60.1%-70% \$ millions | 70.1%-80% \$ millions | 80.1%-90% \$ millions | 90.1%-100% \$ millions | |
| On Balance Sheet Exposures | 11,344 | 7,308 | 12,043 | 5,779 | 2,958 | 39,432 |
| Off Balance Sheet Exposures | 2,483 | 1,114 | 1,448 | 422 | 563 | 6,030 |
| Total Value of Exposures | 13,827 | 8,422 | 13,491 | 6,201 | 3,521 | 45,462 |
| Expressed as a Percentage of Total Exposures | 30.5% | 18.5% | 29.7% | 13.6% | 7.7% | 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 | 0.6% | 0.4% | 0.6% | 1.5% | 0.5% | 0.7% |
| With top 20% LMI | 2.3% | 3.2% | 3.4% | 8.5% | 7.3% | 4.0% |

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")* 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 2013 the Banking Group held actual capital above the regulatory capital requirements (refer to Basel III Capital ratios above).

As at 31 March 2013 internal capital allocations of \$264m had been made for Other Material Risks including strategic risk and fixed asset risk.

15. 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.

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

Interchange and Settlement Limited was removed from the register of companies on 25 February 2013. This removal had no material 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 2012 Disclosure Statement.

Notes to the Financial Statements

For the Nine Months Ended 31 March 2013

| \$ millions | Banking Group | | | | | Total |
|-------------|-----------------------------|------------------------------|-----------------------------------|----------------------|----------------------|-------|
| | Retail and Business Banking | Commercial and Rural Banking | Institutional Banking and Markets | Wealth and Insurance | Services and Support | |

17. FINANCIAL REPORTING BY OPERATING SEGMENTS

For the Nine Months Ended 31 March 2013

Unaudited

| | | | | | | |
|----------------------------------------------------------|--------|--------|-------|-----|-------|--------|
| Net Interest Earnings | 613 | 208 | 48 | 6 | 167 | 1,042 |
| Other Income | 180 | 30 | 43 | 35 | 17 | 305 |
| Total Operating Income | 793 | 238 | 91 | 41 | 184 | 1,347 |
| Segment Operating Expenses (excluding Impairment Losses) | 145 | 54 | 19 | 39 | 287 | 544 |
| Impairment Losses on Advances | 40 | 6 | 1 | - | 1 | 48 |
| Segment Net Profit / (Loss) before Taxation | 608 | 178 | 71 | 2 | (104) | 755 |
| Taxation | 170 | 50 | 20 | 1 | (29) | 212 |
| Segment Net Profit / (Loss) after Taxation | 438 | 128 | 51 | 1 | (75) | 543 |
| Total Assets | 40,173 | 15,509 | 2,723 | 175 | 7,008 | 65,588 |
| For the Nine Months Ended 31 March 2012 | | | | | | |
| Unaudited | | | | | | |
| Net Interest Earnings | 611 | 186 | 44 | 6 | 121 | 968 |
| Other Income | 146 | 25 | 43 | 34 | 81 | 329 |
| Total Operating Income | 757 | 211 | 87 | 40 | 202 | 1,297 |
| Segment Operating Expenses (excluding Impairment Losses) | 158 | 53 | 17 | 41 | 269 | 538 |
| Impairment Losses / (Recoveries) on Advances | 29 | 2 | 8 | - | (12) | 27 |
| Segment Net Profit / (Loss) before Taxation | 570 | 156 | 62 | (1) | (55) | 732 |
| Taxation | 156 | 43 | 17 | - | (16) | 200 |
| Segment Net Profit / (Loss) after Taxation | 414 | 113 | 45 | (1) | (39) | 532 |
| Total Assets | 38,175 | 13,701 | 3,425 | 174 | 8,921 | 64,396 |

Retail and Business Banking:

The Retail and Business Banking Segment provides services to private individuals and small business customers.

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.

Wealth and Insurance:

The Wealth and Insurance Segment provides securities, investment and insurance services to 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 transactions are eliminated for the purposes of reporting the consolidated Banking Group's results.

The basis of segmentation has changed since the last comparative period as a result of an internal restructure. The Strategy, Payments and Products Segment has been merged with the Retail and Business Banking Segment. The Wealth Management Segment has been renamed to the Wealth and Insurance Segment. Certain income and expense items in the comparative period have been reclassified as part of the segment changes.

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.

18. EVENTS AFTER THE REPORTING PERIOD

On 7 May 2013, the RBNZ formally advised of changes to the Bank's Conditions of Registration which apply on and after 13 May 2013. These changes introduce, with effect from 30 September 2013, new capital adequacy requirements which will require the Bank to hold more capital for high LVR residential mortgages. The Bank is in the process of quantifying the impact of these changes.

On 8 May 2013, the Directors resolved to pay, on 15 May 2013, Perpetual Preference Dividends of \$4m being 0.64 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 nine months ended 31 March 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 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



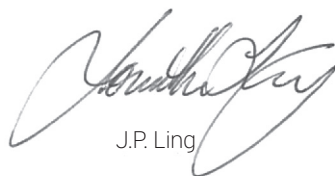
J.L. Freeman



J.P. Hartley



R.D. Jesudason



J.P. Ling



G.L. Mackrell

8 May 2013

Notes

