

ASB Disclosure Statement.

For the nine months ended 31 March 2014.



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General Disclosures

(To be read in conjunction with the Financial Statements)

31 March 2014

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 2014 (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 \$2.368b were guaranteed as at 31 March 2014. 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 2014 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 31 December 2013 the Conditions of Registration have been amended by the Reserve Bank of New Zealand ("RBNZ") with effect from 30 March 2014. The amendments update certain definitions to take account of the coming into force of the Financial Reporting Act 2013 on 1 April 2014 and also refer to an updated version of *Framework for Restrictions on High-LVR Residential Mortgage Lending* (BS19).

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 nine months ended	Note	Banking Group	
		Unaudited 31-Mar-14	Unaudited 31-Mar-13
Interest Income		2,679	2,577
Interest Expense		1,519	1,535
Net Interest Earnings		1,160	1,042
Other Income	2	312	301
Total Operating Income		1,472	1,343
Impairment Losses on Advances	7(b)	36	48
Total Operating Income after Impairment Losses		1,436	1,295
Total Operating Expenses		573	540
Salaries and Other Staff Expenses		342	311
Building Occupancy and Equipment Expenses		91	85
Information Technology Expenses		61	60
Other Expenses		79	84
Net Profit before Taxation		863	755
Taxation		241	212
Net Profit after Taxation		622	543

These statements are to be read in conjunction with the notes on pages 9 to 17.

Statement of Comprehensive Income

\$ millions For the nine months ended	Banking Group	
	Unaudited 31-Mar-14	Unaudited 31-Mar-13
Net Profit after Taxation	622	543
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	-	4
Net Change in Cash Flow Hedge Reserve	(27)	(22)
	(27)	(18)
Total Other Comprehensive Expense, Net of Taxation	(26)	(18)
Total Comprehensive Income	596	525

These statements are to be read in conjunction with the notes on pages 9 to 17.

Statement of Changes in Equity

\$ millions	Banking Group					Retained Earnings	Total Shareholders' Equity
	Contributed Capital	Asset Revaluation Reserve	Available for Sale Reserve	Cash Flow Hedge Reserve	Foreign Currency Translation Reserve		
For the nine months ended 31 March 2014							
Unaudited							
Balance at Beginning of Period	3,048	29	11	24	1	1,912	5,025
Net Profit after Taxation	-	-	-	-	-	622	622
Other Comprehensive Income / (Expense)	-	1	-	(27)	-	-	(26)
Total Comprehensive Income / (Expense)	-	1	-	(27)	-	622	596
Transfer from Asset Revaluation Reserve to Retained Earnings	-	(7)	-	-	-	7	-
Ordinary Dividends Paid	-	-	-	-	-	(75)	(75)
Perpetual Preference Dividends Paid	-	-	-	-	-	(11)	(11)
Balance as at 31 March 2014	3,048	23	11	(3)	1	2,455	5,535
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

These statements are to be read in conjunction with the notes on pages 9 to 17.

Balance Sheet

\$ millions As at	Note	Banking Group		
		Unaudited 31-Mar-14	Unaudited 31-Mar-13	Audited 30-Jun-13
ASSETS				
Cash and Liquid Assets		2,457	2,017	2,194
Due from Financial Institutions		283	872	524
Trading Securities		1,683	1,233	1,433
Derivative Assets		890	1,325	1,598
Available for Sale Securities		2,704	2,512	2,425
Advances to Customers	6	59,848	56,628	57,726
Current Taxation Asset		108	128	33
Other Assets		229	470	207
Property, Plant and Equipment		196	193	221
Intangible Assets		157	155	160
Deferred Taxation Asset		57	55	49
Total Assets		68,612	65,588	66,570
<i>Total Interest Earning and Discount Bearing Assets</i>		<i>67,035</i>	<i>63,327</i>	<i>64,417</i>
LIABILITIES				
Deposits and Other Public Borrowings	8	44,320	41,230	41,551
Due to Financial Institutions		4,436	4,646	4,469
Other Liabilities at Fair Value through Income Statement		1,673	1,112	1,742
Derivative Liabilities		1,119	1,563	1,172
Other Liabilities		931	579	526
Debt Issues:				
At Fair Value through Income Statement	9	1,623	4,163	4,626
At Amortised Cost	9	8,975	7,434	7,459
Total Liabilities		63,077	60,727	61,545
SHAREHOLDERS' EQUITY				
Contributed Capital – Ordinary Shares		2,498	2,498	2,498
Reserves		32	60	65
Retained Earnings		2,455	1,753	1,912
Ordinary Shareholder's Equity		4,985	4,311	4,475
Contributed Capital – Perpetual Preference Shares		550	550	550
Total Shareholders' Equity		5,535	4,861	5,025
Total Liabilities and Shareholders' Equity		68,612	65,588	66,570
<i>Total Interest and Discount Bearing Liabilities</i>		<i>58,398</i>	<i>56,128</i>	<i>57,454</i>

These statements are to be read in conjunction with the notes on pages 9 to 17.

Condensed Cash Flow Statement

\$ millions For the nine months ended	Banking Group	
	Unaudited 31-Mar-14	Unaudited 31-Mar-13
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit before Taxation	863	755
Reconciliation of Net Profit before Taxation to Net Cash Flows from Operating Activities		
Non-cash Items included in Net Profit before Taxation	111	111
Net Increase in Operating Assets	(2,914)	(1,685)
Net Increase in Operating Liabilities	2,305	2,299
Net Taxation Paid	(313)	(302)
Net Cash Flows from Operating Activities	52	1,178
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Outflows Used in Investing Activities	(41)	(80)
Net Cash Flows from Investing Activities	(41)	(80)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Inflows Provided by Financing Activities	-	250
Cash Outflows Used in Financing Activities	(86)	(466)
Net Cash Flows from Financing Activities	(86)	(216)
SUMMARY OF MOVEMENTS IN CASH FLOWS		
Net (Decrease) / Increase in Cash and Cash Equivalents	(75)	882
Add: Cash and Cash Equivalents at Beginning of Period	1,358	901
Cash and Cash Equivalents at End of Period	1,283	1,783
CASH AND CASH EQUIVALENTS		
Cash and Liquid Assets	2,457	2,017
Less: Reverse Repurchase Agreements included in Cash and Liquid Assets	(1,083)	(831)
Add: Cash Equivalents in Due from Financial Institutions	283	872
Less: Cash Equivalents in Due to Financial Institutions	(374)	(275)
Cash and Cash Equivalents at End of Period	1,283	1,783
ADDITIONAL OPERATING CASH FLOW INFORMATION		
Interest Received as Cash	2,678	2,562
Interest Paid as Cash	(1,565)	(1,561)
Other Income Received as Cash	306	294
Operating Expenses Paid as Cash	(519)	(493)

These statements are to be read in conjunction with the notes on pages 9 to 17.

Notes to the Financial Statements

For the nine months ended 31 March 2014

1. STATEMENT OF ACCOUNTING POLICIES

The condensed interim financial statements of the Banking Group for the nine months ended 31 March 2014 (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 interim financial statements do not include all the information and disclosures required in annual financial statements and should therefore be read in conjunction with the 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 13 Fair Value of Financial Instruments). The contents of these fair value disclosures are prescribed by NZ IFRS 13 which does not require comparative information in the first year of application.

There have been no material changes to accounting policies during the nine months ended 31 March 2014. 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 \$4m from Other Expenses to offset Other Income in the Income Statement. This reclassification has no impact on Net Profit after Taxation.

2. OTHER INCOME

\$ millions For the nine months ended	Banking Group	
	Unaudited 31-Mar-14	Unaudited 31-Mar-13
Net Fair Value Gain / (Loss) from:		
Other Derivatives at Fair Value	(2)	1
Hedge Ineffectiveness	6	(1)
Total Net Fair Value Gain	4	-
Trading Income	41	41
Other Operating Income	267	260
Total Other Income	312	301

3. TAXATION

As at 31 March 2014 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. 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 2014							
Unaudited							
The Banking Group has the following qualifying liquid assets for the purpose of managing liquidity risk:							
Cash	107	-	-	-	-	-	107
Call Deposits with the Central Bank	1,250	-	-	-	-	-	1,250
Local Authority Securities	-	141	112	-	-	2	255
New Zealand Government Securities	661	619	27	-	(76)	16	1,247
Corporate Bonds	-	347	36	-	-	3	386
Treasury Bills	-	161	-	-	-	-	161
RBNZ Bills	-	-	300	-	-	-	300
Bank Bills	-	-	1,015	-	-	-	1,015
Kauri Bonds	-	943	82	-	-	9	1,034
Other Securities	-	493	111	-	-	2	606
Residential Mortgage Backed Securities	-	-	-	2,741	-	-	2,741
Total Qualifying Liquid Assets	2,018	2,704	1,683	2,741	(76)	32	9,102

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

Notes to the Financial Statements

For the nine months ended 31 March 2014

5. FINANCIAL ASSETS PLEDGED AS COLLATERAL

As at 31 March 2014 New Zealand Government Securities of \$76m 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 March 2014 \$241m included in Due from Financial Institutions had been advanced as collateral to offset Derivative Liabilities.

6. ADVANCES TO CUSTOMERS

\$ millions As at	Unaudited 31-Mar-14	Banking Group	
		Unaudited 31-Mar-13	Audited 30-Jun-13
Residential Mortgages	41,325	39,466	40,328
Other Retail	4,469	4,288	4,309
Corporate	14,290	13,086	13,304
Loans and Other Receivables	60,084	56,840	57,941
Fair Value Hedge Adjustments	(41)	(2)	(19)
Provisions for Impairment Losses	(195)	(210)	(196)
Total Advances to Customers	59,848	56,628	57,726

7. ASSET QUALITY AND PROVISIONS FOR IMPAIRMENT LOSSES

\$ millions	Banking Group			Total
	Residential Mortgages	Other Retail	Corporate	
(a) Asset Quality and Provisions for Impairment Losses				
As at 31 March 2014				
Unaudited				
Individually Impaired Assets	53	10	144	207
Individually Assessed Provisions	11	5	22	38
Collective Provision	42	52	63	157
90 Day Past Due Assets Not Impaired	95	23	13	131
As at 31 March 2013				
Unaudited				
Individually Impaired Assets	91	14	223	328
Individually Assessed Provisions	25	-	33	58
Collective Provision	53	43	56	152
90 Day Past Due Assets Not Impaired	136	23	21	180
As at 30 June 2013				
Audited				
Individually Impaired Assets	98	9	195	302
Individually Assessed Provisions	18	2	27	47
Collective Provision	48	43	58	149
90 Day Past Due Assets Not Impaired	99	17	21	137
(b) Impairment Losses on Advances				
For the nine months ended 31 March 2014				
Unaudited				
Movement in Collective Provision	(6)	9	5	8
Movement in Individually Assessed Provisions	2	4	6	12
Bad Debts Written Off	1	23	-	24
Bad Debts Recovered	(1)	(6)	(1)	(8)
Total Impairment (Recoveries) / Losses on Advances	(4)	30	10	36
For the nine months ended 31 March 2013				
Unaudited				
Movement in Collective Provision	8	10	(6)	12
Movement in Individually Assessed Provisions	8	2	13	23
Bad Debts Written Off	1	19	-	20
Bad Debts Recovered	(1)	(6)	-	(7)
Total Impairment Losses on Advances	16	25	7	48

Notes to the Financial Statements

For the nine months ended 31 March 2014

8. DEPOSITS AND OTHER PUBLIC BORROWINGS

\$ millions As at	Banking Group		
	Unaudited 31-Mar-14	Unaudited 31-Mar-13	Audited 30-Jun-13
Certificates of Deposit	458	376	96
Term Deposits	21,073	22,569	22,503
On Demand and Short Term Deposits	20,110	15,669	16,441
Deposits Not Bearing Interest	2,603	2,348	2,345
Repurchase Agreements	76	268	166
Total Deposits and Other Public Borrowings	44,320	41,230	41,551

9. DEBT ISSUES

\$ millions As at	Banking Group		
	Unaudited 31-Mar-14	Unaudited 31-Mar-13	Audited 30-Jun-13
Debt Issues at Fair Value through Income Statement	1,623	4,163	4,626
Debt Issues at Amortised Cost	8,975	7,434	7,459
Total Debt Issues	10,598	11,597	12,085
Movement in Debt Issues			
Balance at Beginning of Period	12,085	8,957	8,957
Issuances During the Period	5,491	6,094	7,060
Repayments During the Period	(6,648)	(3,272)	(4,213)
Foreign Exchange and Fair Value Movements During the Period	(330)	(182)	281
Balance at End of Period	10,598	11,597	12,085

10. CONTINGENT LIABILITIES

\$ millions As at	Banking Group		
	Unaudited 31-Mar-14	Notional Amount Unaudited 31-Mar-13	Audited 30-Jun-13
Guarantees	110	106	106
Standby Letters of Credit	114	111	108
Other Credit Facilities	103	126	120
Total	327	343	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. In April 2014 the Commission announced that its investigation is complex, new information is being considered, and it anticipated making a further announcement on proceedings in mid-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.

Notes to the Financial Statements

For the nine months ended 31 March 2014

11. 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).

Certain superannuation schemes, unit and other trusts are managed or administered by controlled subsidiaries of the Bank. The NZ Life Group similarly administers and manages certain superannuation schemes, unit and other trusts. Related party transactions and balances between these schemes and trusts, and the Banking Group, are disclosed below.

The following balances represent amounts due to and from related parties classified within Cash and Liquid Assets, Due to and Due from Financial Institutions, Deposits and Other Public Borrowings, Debt Issues, Other Assets, Other Liabilities, Derivative Assets and Derivative Liabilities:

\$ millions As at	Banking Group		
	Unaudited 31-Mar-14	Unaudited 31-Mar-13	Audited 30-Jun-13
Commonwealth Bank Group	4,522	4,950	4,368
NZ Life Group	489	459	550
ASB Holdings Limited	61	80	25
Superannuation Schemes and Unit Trusts Managed or Administered by Controlled Subsidiaries of the Bank	683	799	700
Superannuation Schemes and Unit Trusts Managed or Administered by NZ Life Group	8	8	8
Total Amounts Due to Related Parties	5,763	6,296	5,651
Commonwealth Bank Group	197	600	441
NZ Life Group	1	10	27
Superannuation Schemes and Unit Trusts Managed or Administered by Controlled Subsidiaries of the Bank	7	4	61
Total Amounts Due from Related Parties	205	614	529

For the nine months ended 31 March 2014 interest charged on balances due to the Commonwealth Bank Group was \$103m (31 March 2013 \$145m).

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.

12. 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 March 2014. There were no balance date aggregate credit exposures to individual counterparties which exceeded 10% of the Banking Group's Equity as at 31 March 2014.

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 2014.

Notes to the Financial Statements

For the nine months ended 31 March 2014

13. 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.

\$ millions	Banking Group	
	Carrying Value	Fair Value
As at 31 March 2014		
Unaudited		
Financial Assets		
Cash and Liquid Assets	2,457	2,457
Due from Financial Institutions	283	283
Advances to Customers	59,848	59,655
Other Assets	206	206
Total Financial Assets Measured at Amortised Cost	62,794	62,601
Financial Liabilities		
Deposits and Other Public Borrowings	44,320	44,369
Due to Financial Institutions	4,436	4,431
Other Liabilities	931	931
Debt Issues at Amortised Cost	8,975	9,034
Total Financial Liabilities Measured at Amortised Cost	58,662	58,765

(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.

\$ millions	Banking Group			
	Level 1	Level 2	Level 3	Total
As at 31 March 2014				
Unaudited				
Financial Assets				
Trading Securities	327	1,356	-	1,683
Derivative Assets	-	890	-	890
Available for Sale Securities	780	1,924	-	2,704
Total Financial Assets Measured at Fair Value	1,107	4,170	-	5,277
Financial Liabilities				
Other Liabilities at Fair Value through Income Statement	11	1,662	-	1,673
Derivative Liabilities	-	1,119	-	1,119
Debt Issues at Fair Value through Income Statement	-	1,623	-	1,623
Total Financial Liabilities Measured at Fair Value	11	4,404	-	4,415

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 nine months ended 31 March 2014

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, 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.

\$ millions As at	Banking Group 31-Mar-14
CAPITAL UNDER BASEL III IRB APPROACH	
Tier One Capital	
Common Equity Tier One Capital (before Deductions)	4,961
Deductions from Common Equity Tier One Capital	(361)
Total Common Equity Tier One Capital	4,600
Additional Tier One Capital ⁽²⁾	440
Total Additional Tier One Capital	440
Total Tier One Capital	5,040
Tier Two Capital	
Tier Two Capital	24
Total Tier Two Capital	24
Total Capital	5,064
CAPITAL REQUIREMENTS	
Capital Requirements for Credit Risk Subject to the IRB Approach by Exposure Class	
Sovereign	10
Bank	53
Residential Mortgages	1,176
Other Retail	228
Corporate – Small and Medium Enterprises	822
Other Corporate	72
Total Capital Requirements for Credit Risk Subject to the IRB Approach by Exposure Class⁽¹⁾	2,361
Capital Requirements for Other Credit Risk	
Specialised Lending Subject to the Slotting Approach ⁽¹⁾	24
Exposures Subject to the Standardised Approach ⁽¹⁾	362
Credit Valuation Adjustment	14
Total Capital Requirements for Other Credit Risk	400
Total Capital Requirements for Credit Risk	2,761
Capital Requirements for Other Risks	
Operational Risk	278
Market Risk	158
Total Capital Requirements for Other Risks	436
Total Capital Requirement	3,197

(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.

(2) 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.

Notes to the Financial Statements

For the nine months ended 31 March 2014

14. CAPITAL ADEQUACY (CONTINUED)

Unaudited

BASEL III CAPITAL RATIOS As at 31 March 2014

	Banking Group	
	Capital Ratios	Minimum Ratio Requirement
Common Equity Tier One Capital Ratio	11.5%	4.5%
Tier One Capital Ratio	12.6%	6.0%
Total Capital Ratio	12.7%	8.0%
Buffer Ratio ⁽¹⁾	4.7%	2.5%

CAPITAL STRUCTURE

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.

(1) 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.

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	
RESIDENTIAL MORTGAGES BY LOAN-TO-VALUATION RATIO ("LVR")						
On Balance Sheet Exposures	11,294	7,571	13,535	6,029	3,098	41,527
Off Balance Sheet Exposures	2,566	1,217	1,811	294	328	6,216
Total Value of Exposures	13,860	8,788	15,346	6,323	3,426	47,743
Expressed as a Percentage of Total Exposures	29.0%	18.4%	32.2%	13.2%	7.2%	100.0%

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	0.4%	0.3%	0.4%	1.1%	0.4%	0.5%
With Top 20% LMI	1.9%	2.4%	2.3%	6.3%	5.7%	3.0%

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")* 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 2014 the Banking Group held actual capital at significant levels above the regulatory capital requirements (refer to Basel III Capital Ratios above).

As at 31 March 2014 internal capital allocations of \$246m had been made for Other Material Risks including strategic risk and fixed asset risk.

Notes to the Financial Statements

For the nine months ended 31 March 2014

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

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.

17. FINANCIAL REPORTING BY OPERATING SEGMENTS

\$ millions	Banking Group				Total
	Retail and Business Banking	Corporate, Commercial and Rural	Wealth and Insurance	Other	
For the nine months ended 31 March 2014					
Unaudited					
Net Interest Earnings	769	343	8	40	1,160
Other Income / (Expense)	162	74	99	(23)	312
Total Operating Income	931	417	107	17	1,472
Impairment Losses on Advances	25	11	-	-	36
Operating Expenses	331	160	65	17	573
Net Profit before Taxation	575	246	42	-	863
Taxation	160	69	12	-	241
Net Profit after Taxation	415	177	30	-	622
Total Assets	42,032	21,309	182	5,089	68,612
Total Liabilities	29,725	13,528	406	19,418	63,077
For the nine months ended 31 March 2013					
Unaudited					
Net Interest Earnings	704	305	7	26	1,042
Other Income / (Expense)	157	75	92	(23)	301
Total Operating Income	861	380	99	3	1,343
Impairment Losses on Advances	40	7	-	1	48
Operating Expenses	321	139	64	16	540
Net Profit / (Loss) before Taxation	500	234	35	(14)	755
Taxation	140	65	10	(3)	212
Net Profit / (Loss) after Taxation	360	169	25	(11)	543
Total Assets	40,245	19,988	171	5,184	65,588
Total Liabilities	27,969	12,406	311	20,041	60,727

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.

Notes to the Financial Statements

For the nine months ended 31 March 2014

17. FINANCIAL REPORTING BY OPERATING SEGMENTS (CONTINUED)

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.

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 17 April 2014 the Bank issued Subordinated Notes ("ASB Notes") of \$400m which qualify as Tier Two Capital. The ASB Notes are subordinated, unsecured debt securities which are repayable on 15 June 2024 or earlier in certain circumstances and pay interest quarterly in arrears.

On 17 April 2014 the Bank also repurchased 50,000,000 of its Ordinary Shares from ASB Holdings Limited for a total consideration of \$225m.

On 5 May 2014 the Directors resolved to pay, on 15 May 2014, Perpetual Preference Dividends of \$4m being 0.70 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 2014:

- 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 2014; and
- the Disclosure Statement is not false or misleading.

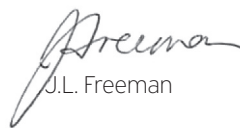
The Disclosure Statement is signed by or on behalf of the Directors.

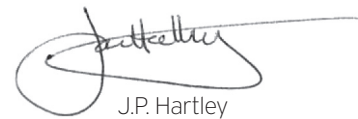
G.R. Walker 


S.R.S. Blair


B.J. Chapman

M.B. Coomer 
By his agent


J.L. Freeman


J.P. Hartley

R.D. Jesudason 
By his agent

14 May 2014

Notes

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