ASB Disclosure Statement.

For the three months ended 30 September 2013.

Contents

General Disclosures

(To be read in conjunction with the Financial Statements)

30 September 2013

This Disclosure Statement has been issued by ASB Bank Limited (the "Bank") in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order (No 2) 2013.

Corporate Information

The Bank is a company incorporated under the Companies Act 1955 on 16 August 1988. The registered office of the Bank is ASB North Wharf, 12 Jellicoe Street, Auckland Central, 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.

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 of $1.581b were guaranteed as at 30 September 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 30 September 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 Bank is a party to the legal proceedings described in Note 3. If the provision described in that Note is inadequate, those proceedings may have a material adverse effect on the financial performance of the Bank for the relevant financial year.

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

Conditions of Registration

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

Auditor

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

Income Statement

$ millions **For the three months ended**	Note	**Banking Group** **Unaudited** **30-Sep-13**	 Unaudited 30-Sep-12
Interest Income		**886**	858
Interest Expense		**506**	522
Net Interest Earnings		**380**	336
Other Income	2	**107**	102
Total Operating Income		**487**	438
Impairment Losses on Advances	7(b)	**11**	10
Total Operating Income after Impairment Losses		**476**	428
Total Operating Expenses		**193**	182
Salaries and Other Staff Expenses		**114**	106
Building Occupancy and Equipment Expenses		**34**	29
Information Technology Expenses		**20**	20
Other Expenses		**25**	27
Net Profit before Taxation		**283**	246
Taxation		**79**	69
Net Profit after Taxation		**204**	177

These statements are to be read in conjunction with the notes on pages 9 to 16.

Statement of Comprehensive Income

$ millions **For the three months ended**	**Banking Group** **Unaudited** **30-Sep-13**	 Unaudited 30-Sep-12
Net Profit after Taxation	**204**	177
Other Comprehensive Income / (Expense), Net of Taxation		
Items that will not be Reclassified to the Income Statement:		
Net Change in Asset Revaluation Reserve	**1**	-
	1	-
Items that may be Reclassified Subsequently to the Income Statement:		
Net Change in Available for Sale Reserve	**(1)**	(1)
Net Change in Cash Flow Hedge Reserve	**(3)**	(7)
	(4)	(8)
Total Other Comprehensive Expense, Net of Taxation	**(3)**	(8)
Total Comprehensive Income	**201**	169

These statements are to be read in conjunction with the notes on pages 9 to 16.

Statement of Changes in Equity

$ millions	Contributed Capital	Asset Revaluation Reserve	Available for Sale Reserve	Banking Group Cash Flow Hedge Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total Shareholders' Equity
For the three months ended 30 September 2013							
Unaudited							
Balance at Beginning of Period	**3,048**	**29**	**11**	**24**	**1**	**1,912**	**5,025**
Net Profit after Taxation	**-**	**-**	**-**	**-**	**-**	**204**	**204**
Other Comprehensive Income / (Expense)	**-**	**1**	**(1)**	**(3)**	**-**	**-**	**(3)**
Total Comprehensive Income / (Expense)	**-**	**1**	**(1)**	**(3)**	**-**	**204**	**201**
Transfer from Asset Revaluation Reserve to Retained Earnings	**-**	**(6)**	**-**	**-**	**-**	**6**	**-**
Ordinary Dividends Paid	**-**	**-**	**-**	**-**	**-**	**(20)**	**(20)**
Perpetual Preference Dividends Paid	**-**	**-**	**-**	**-**	**-**	**(4)**	**(4)**
Balance as at 30 September 2013	**3,048**	**24**	**10**	**21**	**1**	**2,098**	**5,202**
For the three months ended 30 September 2012							
Unaudited							
Balance at Beginning of Period	2,798	30	6	41	1	1,311	4,187
Net Profit after Taxation	-	-	-	-	-	177	177
Other Comprehensive Expense	-	-	(1)	(7)	-	-	(8)
Total Comprehensive (Expense) / Income	-	-	(1)	(7)	-	177	169
Ordinary Dividends Paid	-	-	-	-	-	(70)	(70)
Perpetual Preference Dividends Paid	-	-	-	-	-	(4)	(4)
Balance as at 30 September 2012	2,798	30	5	34	1	1,414	4,282

These statements are to be read in conjunction with the notes on pages 9 to 16.

Balance Sheet

$ millions **As at**	Note	**Banking Group** **Unaudited** **30-Sep-13**	 Unaudited 30-Sep-12	 Audited 30-Jun-13
ASSETS				
Cash and Liquid Assets		**1,665**	1,421	2,194
Due from Financial Institutions		**569**	319	524
Assets at Fair Value through Income Statement:				
Trading Securities		**1,526**	1,680	1,433
Derivative Assets		**1,056**	1,755	1,598
Available for Sale Securities		**2,479**	3,394	2,425
Advances to Customers	6	**58,641**	53,958	57,726
Current Taxation Asset		**56**	78	33
Other Assets		**349**	245	207
Property, Plant and Equipment		**206**	182	221
Intangible Assets		**158**	154	160
Deferred Taxation Asset		**52**	48	49
Total Assets		**66,757**	63,234	66,570
Total Interest Earning and Discount Bearing Assets		***64,850***	*60,917*	*64,417*
LIABILITIES				
Deposits and Other Public Borrowings	8	**42,633**	39,565	41,551
Due to Financial Institutions		**4,268**	6,646	4,469
Other Liabilities at Fair Value through Income Statement		**1,617**	1,057	1,742
Derivative Liabilities		**1,138**	1,964	1,172
Other Liabilities		**491**	420	526
Debt Issues:				
At Fair Value through Income Statement	9	**3,870**	2,292	4,626
At Amortised Cost	9	**7,538**	6,641	7,459
Loan Capital		**-**	367	-
Total Liabilities		**61,555**	58,952	61,545
SHAREHOLDERS' EQUITY				
Contributed Capital – Ordinary Shares		**2,498**	2,248	2,498
Reserves		**56**	70	65
Retained Earnings		**2,098**	1,414	1,912
Ordinary Shareholder's Equity		**4,652**	3,732	4,475
Contributed Capital – Perpetual Preference Shares		**550**	550	550
Total Shareholders' Equity		**5,202**	4,282	5,025
Total Liabilities and Shareholders' Equity		**66,757**	63,234	66,570
Total Interest and Discount Bearing Liabilities		***57,492***	*54,288*	*57,454*

These statements are to be read in conjunction with the notes on pages 9 to 16.

Condensed Cash Flow Statement

$ millions **For the three months ended**	**Banking Group** **Unaudited** **30-Sep-13**	 Unaudited 30-Sep-12
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit before Taxation	**283**	246
Reconciliation of Net Profit before Taxation to Net Cash Flows from Operating Activities		
Non-cash Items included in Net Profit before Taxation	**34**	25
Net (Increase) / Decrease in Operating Assets	**(766)**	203
Net Increase / (Decrease) in Operating Liabilities	**754**	(462)
Net Taxation Paid	**(103)**	(108)
Net Cash Flows from Operating Activities	**202**	(96)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Outflows Used in Investing Activities	**(10)**	(29)
Net Cash Flows from Investing Activities	**(10)**	(29)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Outflows Used in Financing Activities	**(24)**	(74)
Net Cash Flows from Financing Activities	**(24)**	(74)
SUMMARY OF MOVEMENTS IN CASH FLOWS		
Net Increase / (Decrease) in Cash and Cash Equivalents	**168**	(199)
Add: Cash and Cash Equivalents at Beginning of Period	**1,358**	901
Cash and Cash Equivalents at End of Period	**1,526**	702
CASH AND CASH EQUIVALENTS		
Cash and Liquid Assets	**1,665**	1,421
Less: Reverse Repurchase Agreements included in Cash and Liquid Assets	**(461)**	(565)
Add: Cash Equivalents in Due from Financial Institutions	**569**	319
Less: Cash Equivalents in Due to Financial Institutions	**(247)**	(473)
Cash and Cash Equivalents at End of Period	**1,526**	702
ADDITIONAL OPERATING CASH FLOW INFORMATION		
Cash Received as Interest	**889**	850
Cash Paid as Interest	**(531)**	(518)
Cash Received as Other Income	**109**	109
Cash Paid as Operating Expenses	**(222)**	(199)

These statements are to be read in conjunction with the notes on pages 9 to 16.

Notes to the Financial Statements

For the three months ended 30 September 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 2013. The reporting period is the three months ended 30 September 2013.

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 content of these fair value disclosures is prescribed by NZ IFRS 13 and it does not require comparative information in the first year of application.

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

Certain comparative figures have been reclassified to conform with the current period's presentation.

2. OTHER INCOME

	Banking Group	
$ millions	**Unaudited**	Unaudited
For the three months ended	**30-Sep-13**	30-Sep-12
Net Fair Value Gain / (Loss) from:		
Other Derivatives at Fair Value	**(1)**	3
Financial Instruments Designated as at Fair Value through Income Statement	**-**	(1)
Hedge Ineffectiveness	**2**	(1)
Total Net Fair Value Gain	**1**	1
Trading Income	**14**	12
Other Operating Income	**92**	89
Total Other Income	**107**	102

3. TAXATION

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

4. QUALIFYING LIQUID ASSETS

	Banking Group						
$ millions	Cash and Liquid Assets	Available for Sale Securities	Trading Securities	Advances to Customers	Deposits and Other Public Borrowings[1]	Other Assets	Total
As at 30 September 2013							
Unaudited							
The Banking Group held the following financial assets for the purpose of managing liquidity risk:							
Cash	130	-	-	-	-	-	130
Call Deposits with the Central Bank	964	-	-	-	-	-	964
Local Authority Securities	-	125	98	-	-	2	225
New Zealand Government Securities	461	629	3	-	(137)	16	972
Corporate Bonds	-	222	36	-	-	2	260
Treasury Bills	-	252	-	-	(65)	-	187
RBNZ Bills	-	-	200	-	-	-	200
Bank Bills	-	-	847	-	-	-	847
Kauri Bonds	-	727	88	-	-	8	823
Other Securities	-	524	254	-	-	1	779
Residential Mortgage Backed Securities	-	-	-	2,670	-	-	2,670
Total Qualifying Liquid Assets	1,555	2,479	1,526	2,670	(202)	29	8,057

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

5. FINANCIAL ASSETS PLEDGED AS COLLATERAL

As at 30 September 2013 New Zealand Government Securities of $137m and Treasury Bills of $65m 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 30 September 2013 $82m included in Due from Financial Institutions had been advanced as collateral to offset Derivative Liabilities.

Notes to the Financial Statements

For the three months ended 30 September 2013

6. ADVANCES TO CUSTOMERS

$ millions As at	Banking Group **Unaudited** **30-Sep-13**	 Unaudited 30-Sep-12	 Audited 30-Jun-13
Residential Mortgages	**40,657**	37,726	40,328
Other Retail	**4,371**	4,204	4,309
Corporate	**13,831**	12,230	13,304
Loans and Other Receivables	**58,859**	54,160	57,941
Fair Value Hedge Adjustments	**(20)**	7	(19)
Provisions for Impairment Losses	**(198)**	(209)	(196)
Total Advances to Customers	**58,641**	53,958	57,726

7. ASSET QUALITY AND PROVISIONS FOR IMPAIRMENT LOSSES

$ millions	Banking Group Residential Mortgages	Other Retail	Corporate	Total
(a) Asset Quality and Provisions for Impairment Losses				
As at 30 September 2013				
Unaudited				
Individually Impaired Assets	**81**	**12**	**237**	**330**
Individually Assessed Provisions	**17**	**2**	**33**	**52**
Collective Provision	**43**	**44**	**59**	**146**
90 Day Past Due Assets Not Impaired	**78**	**16**	**7**	**101**
As at 30 September 2012				
Unaudited				
Individually Impaired Assets	115	14	253	382
Individually Assessed Provisions	34	1	42	77
Collective Provision	44	34	54	132
90 Day Past Due Assets Not Impaired	133	21	8	162
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 three months ended 30 September 2013				
Unaudited				
Movement in Collective Provision	**(5)**	**1**	**1**	**(3)**
Movement in Individually Assessed Provisions	**-**	**1**	**7**	**8**
Bad Debts Written Off	**1**	**8**	**-**	**9**
Bad Debts Recovered	**(1)**	**(2)**	**-**	**(3)**
Total Impairment (Recoveries) / Losses on Advances	**(5)**	**8**	**8**	**11**
For the three months ended 30 September 2012				
Unaudited				
Movement in Collective Provision	(1)	1	(8)	(8)
Movement in Individually Assessed Provisions	5	-	8	13
Bad Debts Written Off	1	6	-	7
Bad Debts Recovered	-	(2)	-	(2)
Total Impairment Losses on Advances	5	5	-	10

8. DEPOSITS AND OTHER PUBLIC BORROWINGS

$ millions As at	Banking Group **Unaudited** **30-Sep-13**	 Unaudited 30-Sep-12	 Audited 30-Jun-13
Certificates of Deposit	**98**	357	96
Term Deposits	**22,306**	22,511	22,503
On Demand and Short Term Deposits	**17,608**	14,554	16,441
Deposits Not Bearing Interest	**2,419**	2,143	2,345
Repurchase Agreements	**202**	-	166
Total Deposits and Other Public Borrowings	**42,633**	39,565	41,551

Notes to the Financial Statements

For the three months ended 30 September 2013

9. DEBT ISSUES

$ millions As at	Banking Group Unaudited 30-Sep-13	Unaudited 30-Sep-12	Audited 30-Jun-13
Debt Issues at Fair Value through Income Statement	**3,870**	2,292	4,626
Debt Issues at Amortised Cost	**7,538**	6,641	7,459
Total Debt Issues	**11,408**	8,933	12,085
Movement in Debt Issues			
Balance at Beginning of Period	**12,085**	8,957	8,957
Issuances During the Period	**2,829**	1,510	7,060
Repayments During the Period	**(3,176)**	(1,372)	(4,213)
Foreign Exchange and Fair Value Movements During the Period	**(330)**	(162)	281
Balance at End of Period	**11,408**	8,933	12,085

10. CONTINGENT LIABILITIES

$ millions As at	Banking Group Unaudited 30-Sep-13 Notional Amount	Credit Equivalent	Unaudited 30-Sep-12 Notional Amount	Credit Equivalent	Audited 30-Jun-13 Notional Amount	Credit Equivalent
Guarantees	**92**	**92**	82	82	86	86
Standby Letters of Credit	**84**	**84**	140	140	108	108
Other Credit Facilities	**112**	**51**	98	44	120	42
Total	**288**	**227**	320	266	314	236

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. 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.

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).

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 30-Sep-13	Unaudited 30-Sep-12	Audited 30-Jun-13
Commonwealth Bank Group	**4,526**	6,780	4,368
NZ Life Group	**474**	523	550
ASB Holdings Limited	**46**	134	25
Total Amounts Due to Related Parties	**5,046**	7,437	4,943
Commonwealth Bank Group	**268**	307	441
NZ Life Group	**6**	15	27
Total Amounts Due from Related Parties	**274**	322	468

For the three months ended 30 September 2013 interest charged on balances due to the Commonwealth Bank Group was $34m (30 September 2012 $61m).

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 30 September 2013. There were no balance date aggregate credit exposures to individual counterparties which exceeded 10% of the Banking Group's Equity as at 30 September 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 30 September 2013.

Notes to the Financial Statements

For the three months ended 30 September 2013

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or amortised cost.

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

(a) Comparison of Fair Values and Carrying Values

The following tables summarise the carrying amounts and fair values of those 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 30 September 2013		
Unaudited		
Financial Assets		
Cash and Liquid Assets	**1,665**	**1,665**
Due from Financial Institutions	**569**	**569**
Advances to Customers	**58,641**	**58,508**
Other Assets	**320**	**320**
Total Financial Assets Measured at Amortised Cost	**61,195**	**61,062**
Financial Liabilities		
Deposits and Other Public Borrowings	**42,633**	**42,682**
Due to Financial Institutions	**4,268**	**4,250**
Other Liabilities	**491**	**491**
Debt Issues at Amortised Cost	**7,538**	**7,610**
Total Financial Liabilities Measured at Amortised Cost	**54,930**	**55,033**

(b) Valuation Methodology

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 an instrument is not available, the 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 reasonable assumptions based on market conditions.

The tables below categorise financial assets and liabilities that are recognised and measured at fair value on a recurring basis, and the valuation methodology according to the following hierarchy:

› Level 1: fair values are determined using quoted market prices where an active market exists.

› Level 2: where quoted market prices are not available fair values have been estimated using present value or other valuation techniques based primarily on inputs from observable market data as at balance date. These valuation techniques rely on market observable inputs.

› Level 3: fair values are estimated using inputs that are not based on observable market data.

$ millions		Banking Group		
	Level 1	Level 2	Level 3	Total
As at 30 September 2013				
Unaudited				
Financial Assets				
Assets at Fair Value through Income Statement:				
Trading Securities	**212**	**1,314**	**-**	**1,526**
Derivative Assets	**-**	**1,056**	**-**	**1,056**
Available for Sale Securities	**882**	**1,597**	**-**	**2,479**
Total Financial Assets	**1,094**	**3,967**	**-**	**5,061**
Financial Liabilities				
Other Liabilities at Fair Value through Income Statement	**-**	**1,617**	**-**	**1,617**
Derivative Liabilities	**-**	**1,138**	**-**	**1,138**
Debt Issues at Fair Value through Income Statement	**-**	**3,870**	**-**	**3,870**
Total Financial Liabilities	**-**	**6,625**	**-**	**6,625**

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.

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** **30-Sep-13**
CAPITAL UNDER BASEL III IRB APPROACH	
Tier One Capital	
Common Equity Tier One Capital (before Deductions)	**4,627**
Less: Deductions from Common Equity Tier One Capital	**390**
Total Common Equity Tier One Capital	**4,237**
Additional Tier One Capital	**550**
Total Additional Tier One Capital	**550**
Total Tier One Capital	**4,787**
Tier Two Capital	
Tier Two Capital	**25**
Total Tier Two Capital	**25**
Total Capital	**4,812**
CAPITAL REQUIREMENTS	
Capital Requirements for Credit Risk Subject to the IRB Approach by Exposure Class	
Sovereign	**13**
Bank	**58**
Residential Mortgages	**1,268**
Other Retail	**218**
Corporate – Small and Medium Enterprises	**847**
Other Corporate	**68**
Total Capital Requirements for Credit Risk Subject to the IRB Approach by Exposure Class(1)	**2,472**
Capital Requirements for Other Credit Risk	
Specialised Lending Subject to the Slotting Approach(1)	**26**
Exposures Subject to the Standardised Approach(1)	**351**
Credit Valuation Adjustment	**21**
Total Capital Requirements for Other Credit Risk	**398**
Total Capital Requirements for Credit Risk	**2,870**
Capital Requirements for Other Risks	
Operational Risk	**278**
Market Risk	**115**
Total Capital Requirements for Other Risks	**393**
Total Capital Requirement	**3,263**

(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 three months ended 30 September 2013

14. CAPITAL ADEQUACY (CONTINUED)

Unaudited

BASEL III CAPITAL RATIOS As at 30 September 2013	Common Equity Tier One Capital Ratio	Tier One Capital Ratio	Total Capital Ratio
Ratio	10.4%	11.7%	11.8%
Minimum Ratio Requirement	4.5%	6.0%	8.0%
Buffer Ratio	3.8%		

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.

			Banking Group			
LVR Range	0%-60% $ millions	60.1%-70% $ millions	70.1%-80% $ millions	80.1%-90% $ millions	90.1%-100% $ millions	Total $ millions
RESIDENTIAL MORTGAGES BY LOAN-TO-VALUATION RATIO ("LVR")						
On Balance Sheet Exposures	11,294	7,440	12,539	6,359	3,233	40,865
Off Balance Sheet Exposures	2,484	1,133	1,571	436	432	6,056
Total Value of Exposures	13,778	8,573	14,110	6,795	3,665	46,921
Expressed as a Percentage of Total Exposures	29.3%	18.3%	30.1%	14.5%	7.8%	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	0.5%	0.3%	0.5%	1.2%	0.4%	0.5%
With Top 20% LMI	2.1%	2.8%	2.9%	6.6%	6.1%	3.4%

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 30 September 2013 the Banking Group held actual capital at significant levels above the regulatory capital requirements (refer to Basel III Capital Ratios above).

As at 30 September 2013 internal capital allocations of $252m had been made for Other Material Risks including strategic risk and fixed asset risk.

Notes to the Financial Statements

For the three months ended 30 September 2013

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), was removed from the register of companies on 4 July 2013. This removal 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

	Banking Group				
$ millions	**Retail and Business Banking**	**Corporate, Commercial and Rural**	**Wealth and Insurance**	**Other**	**Total**
For the three months ended 30 September 2013					
Unaudited					
Net Interest Earnings	**257**	**110**	**3**	**10**	**380**
Other Income / (Expense)	**54**	**27**	**34**	**(8)**	**107**
Total Operating Income	**311**	**137**	**37**	**2**	**487**
Impairment Losses on Advances	**2**	**9**	**-**	**-**	**11**
Operating Expenses	**113**	**55**	**24**	**1**	**193**
Net Profit before Taxation	**196**	**73**	**13**	**1**	**283**
Taxation	**54**	**20**	**4**	**1**	**79**
Net Profit after Taxation	**142**	**53**	**9**	**-**	**204**
Total Assets	**41,384**	**20,853**	**186**	**4,334**	**66,757**
Total Liabilities	**29,038**	**12,409**	**298**	**19,810**	**61,555**
For the three months ended 30 September 2012					
Unaudited					
Net Interest Earnings	226	96	2	12	336
Other Income / (Expense)	55	26	32	(11)	102
Total Operating Income	281	122	34	1	438
Impairment Losses / (Recoveries) on Advances	11	1	-	(2)	10
Operating Expenses	110	49	23	-	182
Net Profit before Taxation	160	72	11	3	246
Taxation	45	20	3	1	69
Net Profit after Taxation	115	52	8	2	177
Total Assets	38,565	20,229	188	4,252	63,234
Total Liabilities	27,236	12,130	329	19,257	58,952

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.

17. FINANCIAL REPORTING BY OPERATING SEGMENTS (CONTINUED)

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

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

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 30 October 2013 the Directors resolved to pay, on 15 November 2013, Perpetual Preference Dividends of $4m being 0.67 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 three months ended 30 September 2013:

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

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

- the Disclosure Statement contains all the information required by the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order (No 2) 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

G.L. Mackrell

30 October 2013

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