ASB General Short Form Disclosure Statement

ASB

For the three months ended

30 September 2010

Contents

General Disclosures

(To be read in conjunction with the Financial Statements)

30 September 2010
This General Short Form Disclosure Statement has been issued by ASB Bank Limited in accordance with the Registered Bank Disclosure Statement (Off-Quarter – New Zealand Incorporated Registered Banks) Order 2008.

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

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

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

Persons Having a Significant Interest in a Registered Bank
The Bank's immediate parent, ASB Holdings Limited, holds 100% of the voting shares of the Bank and has the power of appointment of Directors. The ultimate parent bank, Commonwealth Bank of Australia, has indirect power to appoint Directors.

Directors
C.J.S. Pink resigned as Managing Director with effect from 3 November 2010.

A.F.Spring was appointed on 22 October 2010 as an alternate Director for R.M. McEwan during the latter's leave of absence. A.F.Spring ceased to be a Director with effect from 8 November 2010.

There have been no other changes to Directors since the 30 June 2010 General Disclosure Statement was signed.

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

Moody's Investors Service, Inc ("Moody's")	Aa2
Standard & Poor's (Australia) Pty Limited ("S&P")	AA

The Moody's rating was raised to Aa2 from Aa3 on 11 May 2007. The S&P rating was raised to AA from AA- on 21 February 2007. The outlook from both agencies is stable and has remained unchanged during the two years preceding the date of the signing of this General Short Form Disclosure Statement.

Descriptions of the steps in the rating scales above are set out on page 26.

Guarantee Arrangements
The New Zealand Deposit Guarantee Scheme introduced on 12 October 2008 expired on 12 October 2010.

As at the signing date of this General Short Form Disclosure Statement, the Bank has not applied to be covered under the extended Crown Retail Deposit Guarantee Scheme established under the Crown Retail Deposit Guarantee Scheme Act 2009 ("Extended Scheme").

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

Supplemental Disclosure Statement
The Banking Group has not published a Supplemental Disclosure Statement because none of the information required to be disclosed applies to the Banking Group.

Legally Enforceable Restrictions that may Materially Inhibit Commonwealth Bank of Australia's Legal Ability to Provide Material Financial Support to ASB Bank Limited
The Commonwealth Bank of Australia does not guarantee the obligations of ASB Bank Limited or its subsidiaries.

Under the Banking Act 1959 (Australia), the Australian Prudential Regulation Authority ("APRA"), may prescribe prudential requirements by regulation, requiring the Commonwealth Bank of Australia to observe such requirements. These prudential requirements may affect the ability of the Commonwealth Bank of Australia to provide material financial support to ASB Bank Limited or its subsidiaries.

Under section 13A(3) of the Banking Act 1959 of the Commonwealth of Australia, if an Authorised Deposit-taking Institution ("ADI") (which includes a bank) becomes unable to meet its obligations or suspends payment, the assets of the ADI in Australia are to be available to meet the ADI's liabilities in the following order: (a) first, the ADI's liabilities to APRA, to the extent that APRA has made, or is required to make, payments to depositors under the Financial Claims Scheme; (b) second, the ADI's debts to APRA for costs incurred by APRA in the administration of the Scheme in respect of that ADI; (c) third, in payment of the ADI's deposit liabilities in Australia (other than liabilities covered under paragraph (a)); and (d) fourth, the ADI's other liabilities.

Conditions of Registration
The criteria that the Bank must meet to be registered as a bank by the Reserve Bank of New Zealand ("RBNZ") are included in the Additional Disclosures on pages 24 to 26. Since the signing of the 30 June 2010 General Disclosure Statement the RBNZ have amended the connected exposures and capital adequacy policies with effect from 15 October 2010. Several RBNZ policy documents have been updated to incorporate these amendments and the Conditions of Registration have been updated with respect to the date changes to these documents.

Income Statement

For the period ended *$ millions*	Note	**Unaudited** **30-Sep-10** **3 months**	Consolidated Unaudited 30-Sep-09 3 months	Audited 30-Jun-10 12 months
Interest Income		**974**	1,006	3,976
Interest Expense		**674**	747	2,943
Net Interest Earnings		**300**	259	1,033
Other Income	2	**84**	106	392
Total Operating Income		**384**	365	1,425
Impairment (Recoveries) / Losses on Advances	8	**(1)**	77	125
Total Operating Income after Impairment Losses		**385**	288	1,300
Total Operating Expenses		**170**	168	659
Salaries and Other Staff Expenses		**105**	90	385
Building Occupancy and Equipment Expenses		**27**	28	109
Information Technology Expenses		**18**	16	72
Other Expenses		**20**	34	93
Net Profit before Taxation		**215**	120	641
Taxation		**65**	244	405
Net Profit / (Loss) after Taxation		**150**	(124)	236

These statements are to be read in conjunction with the notes on pages 8 to 23.

Statement of Comprehensive Income

For the period ended $ millions	Consolidated Unaudited 30-Sep-10 3 months	 Unaudited 30-Sep-09 3 months	 Audited 30-Jun-10 12 months
Net Profit / (Loss) after Taxation	**150**	(124)	236
Other Comprehensive Income, Net of Taxation			
Movement in Asset Revaluation Reserve	**-**	-	(1)
Net Change in Cash Flow Hedge Reserve	**33**	147	332
Total Other Comprehensive Income, Net of Taxation	**33**	147	331
Total Comprehensive Income	**183**	23	567

These statements are to be read in conjunction with the notes on pages 8 to 23.

Statement of Changes in Equity

$ millions	Note	Contributed Capital	Asset Revaluation Reserve	Available for Sale Reserve	Consolidated Foreign Cash Flow Hedge Reserve	Currency Translation Reserve	Retained Earnings	Total Shareholders' Equity
For the period ended 30 September 2010								
Unaudited								
Balance at Beginning of Period		**2,798**	**29**	**15**	**(166)**	**1**	**871**	**3,548**
Dividends Paid	5	**-**	**-**	**-**	**-**	**-**	**(5)**	**(5)**
Total Comprehensive Income		**-**	**-**	**-**	**33**	**-**	**150**	**183**
Balance as at 30 September 2010		**2,798**	**29**	**15**	**(133)**	**1**	**1,016**	**3,726**
For the period ended 30 September 2009								
Unaudited								
Balance at Beginning of Period		2,798	30	15	(498)	1	812	3,158
Dividends Paid	5	-	-	-	-	-	(5)	(5)
Total Comprehensive Income / (Expense)		-	-	-	147	-	(124)	23
Balance as at 30 September 2009		2,798	30	15	(351)	1	683	3,176
For the year ended 30 June 2010								
Audited								
Balance at Beginning of Year		2,798	30	15	(498)	1	812	3,158
Dividends Paid	5	-	-	-	-	-	(177)	(177)
Total Comprehensive (Expense) / Income		-	(1)	-	332	-	236	567
Balance as at 30 June 2010		2,798	29	15	(166)	1	871	3,548

These statements are to be read in conjunction with the notes on pages 8 to 23.

Balance Sheet

$ millions As at	Note	Unaudited 30-Sep-10	Consolidated Unaudited 30-Sep-09	Audited 30-Jun-10
ASSETS				
Cash and Call Deposits with the Central Bank		**1,053**	1,172	1,175
Due from Other Banks		**2,393**	1,381	1,021
Money Market Advances		**415**	335	132
Securities	3	**4,542**	5,747	5,166
Derivative Assets		**2,212**	1,877	1,951
Advances to Customers		**53,459**	53,493	53,477
Current Taxation Asset		**53**	-	9
Other Assets		**242**	238	207
Property, Plant and Equipment		**133**	147	136
Investment Property		**8**	-	8
Intangible Assets		**114**	118	116
Deferred Taxation Asset		**127**	276	159
Total Assets		**64,751**	64,784	63,557
Total Interest Earning and Discount Bearing Assets		***61,716***	*61,952*	*60,835*
Financed by:				
LIABILITIES				
Due to Other Banks		**7,047**	6,068	6,842
Money Market Deposits	4	**18,311**	20,460	17,863
Derivative Liabilities		**2,633**	3,657	2,474
Deposits from Customers		**31,728**	29,942	31,483
Current Taxation Liability		**-**	226	-
Other Liabilities		**442**	390	495
Subordinated Debt		**864**	865	852
Total Liabilities		**61,025**	61,608	60,009
SHAREHOLDERS' EQUITY				
Contributed Capital – Ordinary Shares		**2,248**	2,248	2,248
Asset Revaluation Reserve		**29**	30	29
Available for Sale Reserve		**15**	15	15
Cash Flow Hedge Reserve		**(133)**	(351)	(166)
Foreign Currency Translation Reserve		**1**	1	1
Retained Earnings		**1,016**	683	871
Ordinary Shareholder's Equity		**3,176**	2,626	2,998
Contributed Capital – Perpetual Preference Shares		**550**	550	550
Total Shareholders' Equity		**3,726**	3,176	3,548
Total Liabilities and Shareholders' Equity		**64,751**	64,784	63,557
Total Interest and Discount Bearing Liabilities		***56,035***	*55,493*	*55,127*

These statements are to be read in conjunction with the notes on pages 8 to 23.

Cash Flow Statement

For the period ended $ millions	Note	Consolidated Unaudited 30-Sep-10 3 months	Unaudited 30-Sep-09 3 months	Audited 30-Jun-10 12 months
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest Received		**976**	1,018	4,041
Other Income		**90**	(608)	(247)
Dividends Received		**-**	-	2
Interest Paid		**(756)**	(823)	(3,073)
Operating Expenses		**(184)**	(176)	(577)
Net Taxation Paid		**(58)**	-	(361)
Payments to Related Parties for Tax Related Items		**(33)**	(32)	(30)
Cash Flows from Operating Profits before Changes in Operating Assets and Liabilities		**35**	(621)	(245)
Changes in Operating Assets and Liabilities				
Net (Increase) / Decrease in Money Market Advances		**(287)**	(182)	24
Net Increase in Due from Other Banks (Term)		**(1,604)**	(263)	(239)
Net Decrease / (Increase) in Advances to Customers		**17**	(532)	(628)
Net Decrease / (Increase) in Trading Securities		**887**	(53)	431
Net Increase in Customer Deposits		**245**	49	1,590
Net Increase / (Decrease) in Money Market Deposits		**453**	726	(2,778)
Net (Decrease) / Increase in Due to Other Banks (Term)		**(28)**	(152)	608
Net Increase in Available for Sale Securities		**(280)**	-	-
Cash Flows from Operating Assets and Liabilities		**(597)**	(407)	(992)
Net Cash Flows from Operating Activities		**(562)**	(1,028)	(1,237)
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from:				
Net Decrease in Other Securities		**-**	470	537
Cash was applied to:				
Net Increase in Other Securities		**8**	-	-
Purchase of Property, Plant and Equipment		**6**	4	14
Purchase of Intangible Assets		**6**	6	29
		20	10	43
Net Cash Flows from Investing Activities		**(20)**	460	494
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash was applied to:				
Dividends Paid	5	**5**	5	177
Net Cash Flows from Financing Activities		**(5)**	(5)	(177)
SUMMARY OF MOVEMENTS IN CASH FLOWS				
Net Decrease in Cash and Cash Equivalents		**(587)**	(573)	(920)
Add: Cash and Cash Equivalents at Beginning of Period		**1,691**	2,611	2,611
Cash and Cash Equivalents at End of Period		**1,104**	2,038	1,691

These statements are to be read in conjunction with the notes on pages 8 to 23.

Cash Flow Statement (continued)

For the period ended *$ millions*	Note	Consolidated **Unaudited 30-Sep-10 3 months**	Unaudited 30-Sep-09 3 months	Audited 30-Jun-10 12 months
RECONCILIATION OF NET PROFIT / (LOSS) AFTER TAXATION				
TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Net Profit / (Loss) after Taxation		**150**	(124)	236
Add: Non-cash Items				
Impairment (Recoveries) / Losses on Advances	8	**(1)**	77	125
Depreciation		**7**	8	32
Amortisation of Intangible Assets		**8**	7	31
Net Gain on Sale of Available for Sale Securities		**-**	-	(9)
		14	92	179
Add: Movements in Balance Sheet Items				
Changes in Operating Assets and Liabilities		**(597)**	(407)	(992)
Interest Receivable – Decrease		**2**	11	65
Interest Payable – Decrease		**(82)**	(76)	(130)
Other Income Accrued – Decrease / (Increase)		**5**	(714)	(625)
Operating Expenses Accrued – (Decrease) / Increase		**(29)**	(23)	18
Taxation Balances – (Increase) / Decrease		**(25)**	213	12
		(726)	(996)	(1,652)
Net Cash Flows from Operating Activities		**(562)**	(1,028)	(1,237)
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
TO THE BALANCE SHEET				
Cash and Call Deposits with the Central Bank		**1,053**	1,172	1,175
Call Deposits Due from Other Banks		**491**	1,058	723
Call Deposits Due to Other Banks		**(440)**	(192)	(207)
Total Cash and Cash Equivalents at End of Period		**1,104**	2,038	1,691

These statements are to be read in conjunction with the notes on pages 8 to 23.

Notes to the Financial Statements

For the three months ended 30 September 2010

1 Statement of Accounting Policies

The financial statements of the Banking Group incorporated in this General Short Form Disclosure Statement have been prepared in accordance with NZ IAS 34 *Interim Financial Reporting* and should be read in conjunction with the 30 June 2010 General Disclosure Statement.

There have been no material changes to accounting policies during the three months ended 30 September 2010. All policies have been applied on a basis consistent with that used in the financial year ended 30 June 2010.

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

		Consolidated	
	Unaudited	Unaudited	Audited
For the period ended	**30-Sep-10**	30-Sep-09	30-Jun-10
$ millions	**3 months**	3 months	12 months
2 Other Income			
Net Fair Value Loss from:			
Trading Securities	**3**	(6)	(2)
Trading Derivatives	**22**	-	(42)
Derivatives Transacted as Hedges but not Qualifying for Hedge Accounting	**(3)**	-	(6)
Other Derivatives	**(38)**	(1,229)	(1,125)
Financial Assets Designated as at Fair Value through Profit or Loss	**(13)**	(174)	36
Financial Liabilities Designated as at Fair Value through Profit or Loss	**17**	1,407	1,119
Available for Sale Financial Assets	**-**	-	9
Total Net Fair Value Loss	**(12)**	(2)	(11)
Ineffective Portion of Hedges			
Fair Value Hedge Ineffectiveness:			
Loss on Hedged Items	**(9)**	(7)	(35)
Gain on Hedging Instruments	**9**	8	41
Cash Flow Hedge Ineffectiveness	**2**	(3)	(12)
Total Ineffective Portion of Hedges	**2**	(2)	(6)
Total Services and Commission Income	**92**	112	406
Total Services and Commission Expense	**(13)**	(14)	(57)
Net Foreign Exchange Earnings and Commission	**12**	12	49
Total Other Operating Income	**3**	-	11
Total Other Income	**84**	106	392

Notes to the Financial Statements

For the three months ended 30 September 2010

$ millions As at	Unaudited 30-Sep-10	Consolidated Unaudited 30-Sep-09	Audited 30-Jun-10
3 Securities			
Trading Securities			
Local Authority Securities	**80**	87	82
New Zealand Government Securities	**794**	208	750
Treasury Bills	**737**	1,632	1,163
Bank Bills	**1,356**	2,451	1,815
Other Securities	**1,106**	1,137	1,201
Total Trading Securities	**4,073**	5,515	5,011
Available for Sale Securities			
Local Authority Securities	**24**	-	-
New Zealand Government Securities	**160**	-	-
Bank Bonds	**122**	-	-
Debt Securities Designated as Available for Sale	**306**	-	-
Equity Securities Designated as Available for Sale	**34**	34	32
Total Securities Designated as Available for Sale	**340**	34	32
Securities Designated as at Fair Value through Profit or Loss			
Debt Securities	**129**	198	123
Total Securities	**4,542**	5,747	5,166
Fair value of securities pledged as collateral under repurchase agreements or other arrangements:			
Government Securities	**9**	122	145
Treasury Bills	**-**	226	-
4 Money Market Deposits			
Deposits	**2,990**	3,344	3,056
Certificates of Deposit	**2,970**	2,556	2,203
Other Issued Paper	**12,351**	14,560	12,604
Total Money Market Deposits	**18,311**	20,460	17,863
5 Dividends			
Ordinary Dividends	**-**	-	160
Perpetual Preference Dividends	**5**	5	17
Total Dividends	**5**	5	177

6 Amounts Due to Related Parties

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

The following balances represent amounts due to related parties classified within Due to Other Banks, Money Market Deposits, Deposits from Customers, Other Liabilities and Subordinated Debt:

$ millions	Unaudited 30-Sep-10	Unaudited 30-Sep-09	Audited 30-Jun-10
Commonwealth Bank Group (100% Ultimate Shareholder)	**7,573**	6,325	7,307
Commonwealth Bank of Australia New Zealand Life Insurance Group	**630**	693	678
ASB Holdings Limited	**106**	80	103
Total Amounts Due to Related Parties	**8,309**	7,098	8,088

Notes to the Financial Statements

For the three months ended 30 September 2010

$ millions	Consolidated Residential Mortgages[1]	Other Retail	Corporate	Total
7 Asset Quality				
As at 30 September 2010				
Unaudited				
90 Day Past Due Assets				
Balance at Beginning of Period	304	29	36	369
Deletions	(1)	(2)	-	(3)
Less: Amounts Written Off	12	1	1	14
Balance at End of Period	291	26	35	352

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

There were no undrawn balances on lending commitments to counterparties within the 90 Day Past Due Assets category as at 30 September 2010 (30 September 2009 Nil, 30 June 2010 Nil).

$ millions	Residential Mortgages	Other Retail	Corporate	Total
IMPAIRED ASSETS				
Restructured Assets				
Balance at Beginning of Period	162	4	-	166
Deletions	(4)	-	-	(4)
Balance at End of Period	158	4	-	162
Other Individually Impaired Assets				
Balance at Beginning of Period	24	10	292	326
Additions / (Deletions)	6	(1)	(2)	3
Less: Amounts Written Off	-	-	7	7
Gross Advances Individually Determined to be Impaired	30	9	283	322
Less: Individually Assessed Provisions	18	3	39	60
Net Advances Individually Determined to be Impaired	12	6	244	262
Total Impaired Assets	188	13	283	484

Undrawn balances on lending commitments to counterparties within the Impaired Assets category were $1m as at 30 September 2010 (30 September 2009 $7m, 30 June 2010 $3m).

Interest foregone is the amount of income that would have been recorded if interest accruals on specific loans had not been set to Nil and is estimated based on market rates. Under New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), interest on impaired assets is no longer reserved and therefore no interest has been foregone.

Facilities that are reported as Impaired and 90 Day Past Due are collateralised in terms of Bank policy.

$ millions	Residential Mortgages	Other Retail	Corporate	Total
Other Assets Under Administration				
Balance at Beginning of Period	22	4	11	37
Additions	7	1	13	21
Balance at End of Period	29	5	24	58

Undrawn balances on lending commitments to counterparties within the Other Assets Under Administration category were $1m as at 30 September 2010 (30 September 2009 $1m, 30 June 2010 $1m).

As at 30 September 2010 the Banking Group did not have any financial assets, real estate assets or other assets, acquired through the enforcement of security (30 September 2009 Nil, 30 June 2010 Nil).

The aggregate amount of advances designated as at Fair Value through Profit or Loss as at 30 September 2010 was $2,808m (30 September 2009 $1,372m, 30 June 2010 $1,153m). The maximum exposure to credit risk for Due From Other Banks and Money Market Advances is represented by their carrying values.

Notes to the Financial Statements

For the three months ended 30 September 2010

$ millions	Consolidated Residential Mortgages	Other Retail	Corporate	Total
7 Asset Quality (continued)				
As at 30 September 2009				
Unaudited				
90 Day Past Due Assets				
Balance at Beginning of Period	296	46	32	374
Additions / (Deletions)	6	(9)	(1)	(4)
Less: Amounts Written Off	19	3	3	25
Balance at End of Period	283	34	28	345
IMPAIRED ASSETS				
Restructured Assets				
Balance at Beginning of Period	65	-	-	65
Additions	41	3	-	44
Balance at End of Period	106	3	-	109
Other Individually Impaired Assets				
Balance at Beginning of Period	21	8	258	287
Additions	2	1	22	25
Less: Amounts Written Off	2	1	-	3
Gross Advances Individually Determined to be Impaired	21	8	280	309
Less: Individually Assessed Provisions	10	-	86	96
Net Advances Individually Determined to be Impaired	11	8	194	213
Total Impaired Assets	127	11	280	418
Other Assets Under Administration				
Balance at Beginning of Period	18	6	10	34
Additions	2	1	4	7
Balance at End of Period	20	7	14	41
As at 30 June 2010				
Audited				
90 Day Past Due Assets				
Balance at Beginning of Year	296	46	32	374
Additions / (Deletions)	77	(10)	10	77
Less: Amounts Written Off	69	7	6	82
Balance at End of Year	304	29	36	369
IMPAIRED ASSETS				
Restructured Assets				
Balance at Beginning of Year	65	-	-	65
Additions	97	4	-	101
Balance at End of Year	162	4	-	166
Other Individually Impaired Assets				
Balance at Beginning of Year	21	8	258	287
Additions	10	3	77	90
Less: Amounts Written Off	7	1	43	51
Gross Advances Individually Determined to be Impaired	24	10	292	326
Less: Individually Assessed Provisions	15	2	43	60
Net Advances Individually Determined to be Impaired	9	8	249	266
Total Impaired Assets	186	14	292	492
Other Assets Under Administration				
Balance at Beginning of Year	18	6	10	34
Additions / (Deletions)	4	(2)	1	3
Balance at End of Year	22	4	11	37

Notes to the Financial Statements

For the three months ended 30 September 2010

$ millions	Consolidated Residential Mortgages	Other Retail	Corporate	Total
8 Provisions for Impairment Losses				
As at 30 September 2010				
Unaudited				
Collective Provision				
Balance at Beginning of Period	**59**	**60**	**82**	**201**
Charged to the Income Statement	**(10)**	**(6)**	**(4)**	**(20)**
Balance at End of Period	**49**	**54**	**78**	**181**
Individually Assessed Provisions				
Balance at Beginning of Period	**15**	**2**	**43**	**60**
Add / (Less):				
Charged to the Income Statement:				
New Provisions	**3**	**1**	**5**	**9**
Amounts Recovered	**-**	**-**	**(2)**	**(2)**
Write Offs Against Individually Assessed Provisions	**-**	**-**	**(7)**	**(7)**
Balance at End of Period	**18**	**3**	**39**	**60**
Total Provisions for Impairment Losses	**67**	**57**	**117**	**241**
Impairment Losses / (Recoveries) Charged to the Income Statement				
Movement in Collective Provision	**(10)**	**(6)**	**(4)**	**(20)**
Movement in Individually Assessed Provisions	**3**	**1**	**3**	**7**
Bad Debts Written Off	**12**	**1**	**1**	**14**
Bad Debts Recovered	**(2)**	**-**	**-**	**(2)**
Total Impairment Losses / (Recoveries) Charged to the Income Statement	**3**	**(4)**	**-**	**(1)**
As at 30 September 2009				
Unaudited				
Collective Provision				
Balance at Beginning of Period	38	67	73	178
Charged to the Income Statement	18	8	11	37
Balance at End of Period	56	75	84	215
Individually Assessed Provisions				
Balance at Beginning of Period	7	1	75	83
Add / (Less):				
Charged to the Income Statement:				
New Provisions	5	-	11	16
Write Offs Against Individually Assessed Provisions	(2)	(1)	-	(3)
Balance at End of Period	10	-	86	96
Total Provisions for Impairment Losses	66	75	170	311
Impairment Losses Charged to the Income Statement				
Movement in Collective Provision	18	8	11	37
Movement in Individually Assessed Provisions	5	-	11	16
Bad Debts Written Off	19	3	3	25
Bad Debts Recovered	(1)	-	-	(1)
Total Impairment Losses Charged to the Income Statement	41	11	25	77

Notes to the Financial Statements

For the three months ended 30 September 2010

$ millions	Consolidated Residential Mortgages	Other Retail	Corporate	Total
8 Provisions for Impairment Losses (continued)				
As at 30 June 2010				
Audited				
Collective Provision				
Balance at Beginning of Year	38	67	73	178
Charged to the Income Statement	21	(7)	9	23
Balance at End of Year	59	60	82	201
Individually Assessed Provisions				
Balance at Beginning of Year	7	1	75	83
Add / (Less):				
Charged to the Income Statement:				
New Provisions	16	2	44	62
Amounts Recovered	(1)	-	(33)	(34)
Write Offs Against Individually Assessed Provisions	(7)	(1)	(43)	(51)
Balance at End of Year	15	2	43	60
Total Provisions for Impairment Losses	74	62	125	261
Impairment Losses Charged to the Income Statement				
Movement in Collective Provision	21	(7)	9	23
Movement in Individually Assessed Provisions	15	2	11	28
Bad Debts Written Off	69	7	6	82
Bad Debts Recovered	(6)	(1)	(1)	(8)
Total Impairment Losses Charged to the Income Statement	99	1	25	125

Notes to the Financial Statements

For the three months ended 30 September 2010

9 Concentration of Credit Exposures to Individual Counterparties

The tables below represent the Banking Group's concentrations of credit exposures to individual counterparties. The basis of calculation is the greater of actual credit exposures or internal limits and excludes credit exposures to the central government of any country with a long term credit rating of A - or A3 or above, or its equivalent. Exposures are shown net of individually assessed provisions and gross of set offs. Percentages are calculated using the Banking Group's Shareholders' Equity as at balance date.

Peak Credit Exposures for the Three Months ended

	Number of Banks		
Percentage of Shareholders' Equity	**Unaudited 30-Sep-10**	Unaudited 30-Sep-09	Audited 30-Jun-10
10 - 19	**3**	4	4
20 - 29	**3**	4	3
30 - 39	**-**	-	-
40 - 49	**1**	-	-
50 - 59	**2**	2	3
60 - 69	**-**	1	-

Balance Date Credit Exposures as at

	Number of Banks		
Percentage of Shareholders' Equity	**Unaudited 30-Sep-10**	Unaudited 30-Sep-09	Audited 30-Jun-10
10 - 19	**3**	4	4
20 - 29	**3**	4	3
30 - 39	**-**	-	-
40 - 49	**1**	-	-
50 - 59	**2**	2	3
60 - 69	**-**	1	-

Balance Date Credit Exposures as at

	Total Exposure to Banks ($ millions)		
Percentage of Shareholders' Equity	**Unaudited 30-Sep-10**	Unaudited 30-Sep-09	Audited 30-Jun-10
10 - 19	**1,525**	1,444	1,795
20 - 29	**2,556**	3,226	2,556
30 - 39	**-**	-	-
40 - 49	**1,775**	-	-
50 - 59	**3,890**	3,670	5,665
60 - 69	**-**	1,995	-

There were no peak credit exposures to non-banks which exceeded 10% of Shareholders' Equity for the three months ended 30 September 2010 (30 September 2009 Nil, 30 June 2010 Nil). There were no balance date credit exposures to non-banks which exceeded 10% of Shareholders' Equity as at 30 September 2010 (30 September 2009 Nil, 30 June 2010 Nil).

In accordance with the requirements of the RBNZ, the above tables have been compiled using gross exposures and do not include any guarantee or security which the Banking Group may hold in respect of the various counterparty limits.

As at 30 September 2010 and for the comparative periods shown exposures in the 40-49%, 50-59% and 60-69% ranges are to the major New Zealand trading banks.

The Bank has entered into Credit Support Annexes ("CSA") with individual bank counterparties in respect of certain credit exposures relating to derivative transactions included in the above tables. If the effect of the CSA's were taken into account, the net credit exposures equalling or exceeding 10% of the Banking Group's Shareholders' Equity as at 30 September 2010 would be as follows:

- Between 20% and 29%: $2,681m (three Banks).
- Exposures to six other bank counterparties would fall below 10% of the Banking Group's Shareholders' Equity.

All of the individual counterparties included in the above tables have an Investment Grade rating (equivalent to BBB- or Baa3 or above).

Notes to the Financial Statements

For the three months ended 30 September 2010

10 Credit Exposures to Connected Persons and Non-bank Connected Persons

		Consolidated			
		Peak Exposure for the Three Months ended		Balance Date Exposure	
		$ millions	Percentage of Tier One Capital	$ millions	Percentage of Tier One Capital
30 September 2010	**All Connected Persons ***	**804**	**23.2%**	**536**	**15.5%**
Unaudited	**Non-bank Connected Persons**	**115**	**3.3%**	**115**	**3.3%**
30 September 2009	All Connected Persons *	601	18.2%	300	9.1%
Unaudited	Non-bank Connected Persons	100	3.0%	71	2.2%
30 June 2010	All Connected Persons *	803	23.1%	397	11.4%
Audited	Non-bank Connected Persons	114	3.3%	71	2.0%

The information on Credit Exposures to Connected Persons has been derived in accordance with the RBNZ document entitled *Connected Exposures Policy* (BS8) dated March 2008.

* Credit Exposures to Connected Persons included exposures to the Bank's ultimate parent bank, CBA. As at 30 September 2010 this amount was $422m (30 September 2009 $228m, 30 June 2010 $327m).

The basis for calculation is actual credit exposures. Exposures are all of a non-capital nature and shown net of any allowances for impairment losses on individual assets and gross of set offs. Percentages are calculated using the Banking Group's Tier One Capital as at balance date.

The Banking Group has a contingent exposure to its ultimate parent, CBA, arising from risk lay off arrangements in respect of credit exposures to counterparties. As at 30 September 2010 this amount was $233m (30 September 2009 $183m, 30 June 2010 $189m).

The Banking Group has no Individually Assessed Provisions against credit exposures to connected persons as at 30 September 2010 (30 September 2009 Nil, 30 June 2010 Nil).

As at 30 September 2010 the Banking Group's rating-contingent limit was 75% of Tier One Capital. There have been no changes to the limit since the quarter ended 31 March 2007. Within the overall rating-contingent limit, there is a sub-limit of 15% of Tier One Capital which applies to aggregate credit exposures to non-bank connected persons. The rating-contingent limit on lending to connected persons as set out in the Bank's Conditions of Registration has been complied with at all times during the period ended 30 September 2010.

11 Capital Adequacy

Unaudited

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

The Basel Committee has issued a revised framework for the calculation of capital adequacy for banks, commonly known as Basel II. The Banking Group was accredited by the RBNZ to adopt the internal ratings based ("IRB") approach for calculating regulatory capital requirements under Basel II from the first quarter of 2008. The objective of the Basel II Framework is to develop capital adequacy guidelines that are more accurately aligned with the individual risk profile of banks. Basel II consists of three pillars – Pillar One covers the capital requirements for banks for credit, operational, and market risks, Pillar Two covers all other material risks not already included in Pillar One, and Pillar Three relates to market disclosure.

The Banking Group must comply with RBNZ minimum capital adequacy ratios under its Conditions of Registration. These conditions require capital adequacy ratios for the Banking Group to be calculated under the Basel II framework in accordance with the RBNZ document *Capital Adequacy Framework (Internal Models Approach)* (BS2B) dated March 2008.

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

Credit Risk Disclosures

Under the IRB approach, the Banking Group's risk weighted exposures calculation includes the use of RBNZ accredited IRB models. In applying the IRB approach, the RBNZ accreditation and Conditions of Registration require the use of parameters which are more conservative than those calculated using the Bank's own methodologies.

The measurement of credit risk utilises analytical tools to calculate both expected and unexpected loss possibilities for the credit portfolio. This includes consideration of the probability of default ("PD"), the exposure at the time of default ("EAD") and the loss given default ("LGD") that would likely be experienced as a consequence.

Notes to the Financial Statements

For the three months ended 30 September 2010

11 Capital Adequacy (continued)

Unaudited

The PD is the estimate of the probability that a client will default within the next 12 months. It reflects a client's ability to generate sufficient cash flows into the future to meet the terms of all its credit contracts with the Bank.

EAD is the proportion of a facility that may be outstanding in the event of default. It is expressed as a percentage of the facility limit.

LGD is the proportion of a facility estimated likely to be lost in the event of default. It is expressed as a percentage. LGD is impacted by the type and level of any collateral held.

Refer to the 30 June 2010 General Disclosure Statement for more details of the Banking Group's Credit Risk and Capital Adequacy management policies.

$ millions	**Consolidated**	
As at	**30-Sep-10**	30-Jun-10
CAPITAL UNDER BASEL II IRB APPROACH		
Tier One Capital		
Tier One Capital (before deductions)	**3,683**	3,684
Less: Deductions from Tier One Capital	**214**	207
Total Tier One Capital	**3,469**	3,477
Tier Two Capital		
Upper Tier Two Capital	**175**	30
Lower Tier Two Capital	**820**	820
Total Tier Two Capital	**995**	850
Less: Deductions from Total Capital	**102**	94
Total Capital	**4,362**	4,233
BASEL II CAPITAL RATIOS		
Tier One Capital Expressed as a Percentage of Total Risk Weighted Exposures	**11.0%**	10.9%
Minimum Tier One Capital per the Bank's Conditions of Registration	**4.0%**	4.0%
Total Capital Expressed as a Percentage of Total Risk Weighted Exposures	**13.9%**	13.2%
Minimum Total Capital per the Bank's Conditions of Registration	**8.0%**	8.0%

$ millions	**Consolidated**					
As at	**30 September 2010**			30 June 2010		
	Total Exposure(1)	**RWE(2)**	**Capital Requirement**	Total Exposure(1)	RWE(2)	Capital Requirement
TOTAL CAPITAL REQUIREMENTS						
Total Credit Risk	**72,485**	**26,221**	**2,099**	72,823	26,699	2,134
Operational Risk	**N/A**	**2,207**	**177**	N/A	2,105	168
Market Risk	**N/A**	**1,653**	**132**	N/A	1,798	144
Supervisory Adjustment(3)	**N/A**	**1,371**	**110**	N/A	1,387	111
Total Capital Requirement		**31,452**	**2,518**		31,989	2,557

(1) Total Exposure is after Credit Risk Mitigation.
(2) "RWE" is Risk Weighted Exposures or Implied Risk Weighted Exposures.
(3) The Supervisory Adjustment comprises an adjustment of 15% of risk weighted exposures secured by residential mortgages and 12.5 times the greater of: zero; and 90% of adjusted Basel I Capital, less adjusted Basel II Capital per the Bank's Conditions of Registration.

$ millions	**Consolidated**			**Parent**		
As at	**30-Sep-10**	30-Sep-09	30-Jun-10	**30-Sep-10**	30-Sep-09	30-Jun-10
BASEL I CAPITAL RATIOS						
Total Risk Weighted Exposures	**37,280**	38,257	37,440	**38,333**	39,085	38,449
Tier One Capital Ratio	**9.6%**	8.8%	9.5%	**9.2%**	8.5%	9.2%
Total Capital Ratio	**12.2%**	11.1%	11.8%	**11.7%**	10.7%	11.3%

Notes to the Financial Statements

For the three months ended 30 September 2010

11 Capital Adequacy (continued)

Unaudited

As at 30 September 2010

PD Grade	Weighted Average PD	Exposure Amount $ millions	Exposure Weighted LGD	Exposure Weighted Risk Weight	Risk Weighted Assets[1] $ millions	Minimum Capital Requirement $ millions
	Consolidated					
CREDIT RISK EXPOSURES SUBJECT TO THE INTERNAL MODELS APPROACH BY EXPOSURE CLASS						
Sovereign Exposures						
Less than and including 0.03%	0.01%	3,461	6%	1%	26	2
Over 0.03% up to and including 0.05%	0.04%	361	59%	16%	61	5
Over 0.05% up to and including 0.07%	0.06%	5	29%	8%	-	-
Over 0.07% up to and including 0.26%	0.11%	156	56%	39%	64	5
Over 0.26% up to and including 99.9%	0.27%	63	65%	49%	33	3
Default PD grade	-	-	-	-	-	-
Total Sovereign Exposures	0.02%	4,046	14%	4%	184	15
Bank Exposures						
Less than and including 0.03%	0.01%	254	5%	1%	2	-
Over 0.03% up to and including 0.05%	0.04%	5,197	46%	13%	741	59
Over 0.05% up to and including 0.07%	0.06%	1,063	65%	33%	370	30
Over 0.07% up to and including 0.26%	0.08%	382	53%	30%	120	10
Over 0.26% up to and including 99.9%	2.15%	56	29%	60%	36	3
Default PD grade	-	-	-	-	-	-
Total Bank Exposures	0.06%	6,952	47%	17%	1,269	102
Exposures Secured by Residential Mortgages						
Less than and including 0.5%	0.27%	32,257	23%	11%	3,723	298
Over 0.5% up to and including 0.85%	0.60%	2,790	23%	20%	606	48
Over 0.85% up to and including 3.26%	2.41%	4,142	23%	49%	2,172	174
Over 3.26% up to and including 7.76%	4.92%	346	28%	91%	335	27
Over 7.76% up to and including 99.99%	17.58%	2,227	26%	121%	2,851	228
Default PD grade	100.00%	336	28%	-	-	-
Total Exposures Secured by Residential Mortgages	2.25%	42,098	23%	22%	9,687	775
Other Retail Exposures						
Less than and including 0.5%	0.35%	753	82%	48%	383	33
Over 0.5% up to and including 0.85%	0.59%	588	84%	66%	413	33
Over 0.85% up to and including 3.26%	1.21%	226	86%	93%	224	18
Over 3.26% up to and including 7.76%	3.45%	131	86%	122%	169	14
Over 7.76% up to and including 99.99%	15.09%	15	86%	170%	28	2
Default PD grade	100.00%	5	87%	-	-	-
Total Other Retail Exposures	1.20%	1,718	84%	67%	1,217	100
Corporate Exposures – Small and Medium Enterprises						
Less than and including 0.20%	0.06%	433	31%	12%	54	4
Over 0.20% up to and including 0.50%	0.27%	1,925	31%	28%	563	45
Over 0.50% up to and including 1.00%	0.78%	3,819	30%	45%	1,805	144
Over 1.00% up to and including 2.30%	2.08%	3,861	30%	62%	2,532	203
Over 2.30% up to and including 99.99%	14.37%	2,045	31%	114%	2,470	198
Default PD grade	100.00%	405	34%	288%	1,234	99
Total Corporate Exposures – Small and Medium Enterprises	6.52%	12,488	31%	65%	8,658	693
Other Corporate Exposures						
Less than and including 0.20%	0.12%	114	65%	58%	69	5
Over 0.20% up to and including 0.50%	0.29%	336	59%	55%	196	16
Over 0.50% up to and including 1.00%	0.64%	161	37%	53%	91	7
Over 1.00% up to and including 2.30%	1.40%	90	42%	78%	74	6
Over 2.30% up to and including 99.99%	7.28%	108	35%	124%	142	11
Default PD grade	-	-	-	-	-	-
Total Other Corporate Exposures	1.39%	809	50%	67%	572	45

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

Notes to the Financial Statements

For the three months ended 30 September 2010

11 Capital Adequacy (continued)

Unaudited

As at 30 September 2010

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

	Consolidated			
	Undrawn Commitments and Other Off Balance Sheet Amounts		Market Related Contracts	
$ millions	Value	EAD	Value	EAD
Sovereign Exposures	172	172	1,207	68
Bank Exposures	5	5	125,043	2,904
Exposures Secured by Residential Mortgages	4,442	4,442	-	-
Other Retail Exposures	1,019	1,019	-	-
Corporate Exposures – Small and Medium Enterprises	1,263	1,263	5,100	58
Other Corporate Exposures	242	242	429	12
	7,143	7,143	131,779	3,042

	Consolidated					
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")						
Value of Exposures	14,295	8,445	13,707	4,031	1,619	42,098
Expressed as a Percentage of Total Exposures	34.0%	20.1%	32.6%	9.6%	3.8%	100.0%

Exposures included in the LVR calculation are residential mortgages subject to the IRB approach, including commitments to lend.

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	0.8%	0.6%	0.9%	1.7%	0.1%	0.9%
With top 20% LMI	3.6%	5.2%	5.8%	21.2%	24.8%	7.1%

	Consolidated			
Balance Sheet Exposures Subject to the Slotting Approach	Total Exposure after Credit Risk Mitigation $ millions	Risk Weight	Risk Weighted Exposures[(1)] $ millions	Minimum Pillar One Capital Requirement $ millions
SPECIALISED LENDING				
Strong	104	70%	76	5
Good	186	90%	177	14
Satisfactory	-	115%	-	-
Weak	45	250%	118	9
	335		371	28

	Consolidated			
Off Balance Sheet Exposures Subject to the Slotting Approach	EAD $ millions	Average Risk Weight	Risk Weighted Exposures[(1)] $ millions	Minimum Pillar One Capital Requirement $ millions
Undrawn Commitments	4	86%	3	-
Derivatives	1	88%	1	-
Other Off Balance Sheet Exposures	1	90%	1	-
	6		5	-

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

Notes to the Financial Statements

For the three months ended 30 September 2010

11 Capital Adequacy (continued)

Unaudited

As at 30 September 2010

Balance Sheet Exposures	Total Exposure after Credit Risk Mitigation $ millions	Average Risk Weight	Risk Weighted Exposures $ millions	Minimum Pillar One Capital Requirement $ millions
	Consolidated			
CREDIT RISK EXPOSURES SUBJECT TO THE STANDARDISED APPROACH				
Cash and Gold Bullion	75	0%	-	-
Residential Mortgages	6	46%	3	-
Other Assets	3,845	100%	4,076	326
Total Balance Sheet Exposures	3,926		4,079	326

	Total Exposure or Principal Amount $ millions	Average Credit Conversion Factor	Credit Equivalent Amount $ millions	Average Risk Weight	Risk Weighted Exposures $ millions	Minimum Pillar One Capital Requirement $ millions
	Consolidated					
Total Off Balance Sheet Exposures Subject to the Standardised Approach	73	100%	73	92%	71	6

	Total Exposure $ millions	Risk Weight	Risk Weighted Exposures $ millions	Minimum Pillar One Capital Requirement $ millions
	Consolidated			
EQUITY EXPOSURES				
Total Equity Holdings (not deducted from Capital) – Publicly Traded	34	300%	108	9

$ millions	Total Exposure after Credit Mitigation	Total Risk Weighted Exposures	Capital Requirement
	Consolidated		
TOTAL CREDIT RISK			
Exposures Subject to the Internal Models Approach	68,111	21,587	1,730
Specialised Lending Subject to the Slotting Approach	341	376	28
Exposures Subject to the Standardised Approach	3,999	4,150	332
Equity Exposures	34	108	9
Total Credit Risk	72,485	26,221	2,099

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

Notes to the Financial Statements

For the three months ended 30 September 2010

11 Capital Adequacy (continued)

Unaudited

CREDIT RISK MITIGATION

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

As at 30 September 2010 none of the credit risk exposures subject to the Standardised Approach are covered by eligible financial collateral (i.e. cash, debt securities or equity securities). Across all portfolios, no exposures are covered by credit derivatives. Information on the total value of exposures covered by financial guarantees is not disclosed, as the effect of these guarantees on the underlying credit risk exposures is not considered to be material.

OPERATIONAL RISK

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

The Implied Risk Weighted Exposure for Operational Risk as at 30 September 2010 was $2,207m.

The Total Operational Risk Capital Requirement as at 30 September 2010 was $177m.

MARKET RISK CAPITAL CHARGES

Market Risk Exposures have been prepared on the basis of actual exposures derived in accordance with the process prescribed by the RBNZ under the document *Market Risk Guidance Notes* (BS6). The Market Risk methodology is intended to attribute a dollar value amount to the market risk a registered bank is exposed to.

			Consolidated						
Exposures as at	**30 September 2010**			30 September 2009			30 June 2010		
$ millions	**Interest Rate Risk**	**Foreign Currency Risk**	**Equity Risk**	Interest Rate Risk	Foreign Currency Risk	Equity Risk	Interest Rate Risk	Foreign Currency Risk	Equity Risk
Implied Risk Weighted Exposures	**1,616**	**3**	**34**	2,085	16	39	1,765	1	32
Aggregate Capital Charge	**129**	**0**	**3**	167	1	3	141	0	3
Aggregate Capital Charge as a Percentage of Balance Date Equity	**3.5%**	**0.0%**	**0.1%**	5.3%	0.0%	0.1%	4.0%	0.0%	0.1%

			Consolidated						
Peak Exposures for Three Months ended	**30 September 2010**			30 September 2009			30 June 2010		
$ millions	**Interest Rate Risk**	**Foreign Currency Risk**	**Equity Risk**	Interest Rate Risk	Foreign Currency Risk	Equity Risk	Interest Rate Risk	Foreign Currency Risk	Equity Risk
Implied Risk Weighted Exposures	**2,085**	**38**	**34**	2,578	26	44	2,810	29	38
Aggregate Capital Charge	**167**	**3**	**3**	206	2	4	225	2	3
Aggregate Capital Charge as a Percentage of Balance Date Equity	**4.5%**	**0.1%**	**0.1%**	6.5%	0.1%	0.1%	6.3%	0.1%	0.1%

PILLAR 2 CAPITAL FOR OTHER MATERIAL RISKS

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

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

The Banking Group’s ICAAP is a documented process that describes not only the risk appetite and tolerances of the Banking Group, but also the levels of capital held against these risks, including credit, market, operational, strategic, and fixed asset risks. As at 30 September 2010 and during the comparative periods the Banking Group held actual capital at significant levels above the regulatory capital requirements (refer to Basel II Capital ratios on page 16).

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

As at 30 September 2010 internal capital allocations of $259m (30 June 2010 $238m) 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 2010

12 Changes in Composition of the Banking Group During the Reporting Period

There have been no changes to the composition of the Banking Group since the 30 June 2010 General Disclosure Statement.

13 Issue and Repayment of Subordinated Debt and Equity Securities

There have been no issues or repayments of Subordinated Debt or Equity Securities during the three months ended 30 September 2010.

14 Securitisation, Funds Management, Other Fiduciary Activities and the Marketing and Distribution of Insurance Products

Securitisation, Funds Management and Other Fiduciary Activities

The Bank and certain controlled entities provide limited custodial services relating to holding interest bearing instruments and equity securities on behalf of clients.

The Bank has in place an in house residential mortgage backed security ("RMBS") programme. As at 30 September 2010 the Bank had internally securitised $4.1b of RMBS through the Medallion NZ Series Trust 2009-1R, of which $4.0b Class A floating rate notes issued by the Medallion NZ Series Trust 2009-1R have been assigned a rating of AAA by Fitch Ratings. The Class A notes qualify as eligible collateral for repurchase agreements with the RBNZ. The securitised assets remain on the Bank's Balance Sheet, as the Banking Group retains a continuing involvement in the transferred assets (funding, liquidity and credit risk remains with the Bank). A payable and receivable of equal amount totalling $4.1b has been recognised in the Parent's financial statements. The transaction does not have any impact on the Consolidated financial statements of the Banking Group.

The Bank markets and distributes Funds Management products which are issued by its wholly owned subsidiary ASB Group Investments Limited. Funds Under Management distributed by the Bank totalled $2,797m as at 30 September 2010 (30 September 2009 $2,401m, 30 June 2010 $2,661m). The Bank provides banking services for trusts managed or administered by ASB Group Investments Limited. The Bank also sells financial assets to some of the trusts.

Funds Under Management issued by ASB Group Investments Limited and distributed by ASB Group (Life) Limited, a fellow subsidiary of CBA, totalled $2,187m as at 30 September 2010 (30 September 2009 $2,418m, 30 June 2010 $2,208m).

Insurance Business, Marketing and Distribution of Insurance Products

The Bank 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.

The Banking Group has not provided any funding to entities which conduct any of the following activities: trust, custodial, funds management or other fiduciary activities established, marketed and/or sponsored by a member of the Banking Group; origination of securitised assets; marketing or servicing of securitisation schemes; marketing and distribution of insurance products.

Notes to the Financial Statements

For the three months ended 30 September 2010

$ millions	Retail Banking	Relationship Banking	Consolidated Institutional Banking and Markets	Customers, Markets and Products	Services and Support	Total

15 Financial Reporting by Operating Segments

For the period ended 30 September 2010						
Unaudited						
Net Interest Earnings	**151**	**62**	**9**	**22**	**56**	**300**
Other Income / (Expense)	**42**	**10**	**19**	**15**	**(2)**	**84**
Total Operating Income	**193**	**72**	**28**	**37**	**54**	**384**
Segment Operating Income / (Expense) from External Customers	**323**	**181**	**28**	**130**	**(278)**	**384**
Segment Operating (Expense) / Income from Operating Segments	**(130)**	**(109)**	**-**	**(93)**	**332**	**-**
Segment Operating Expenses (excluding Impairment Losses)	**46**	**16**	**4**	**13**	**91**	**170**
Impairment Losses / (Recoveries) on Advances	**1**	**3**	**(4)**	**1**	**(2)**	**(1)**
Segment Net Profit / (Loss) before Taxation	**146**	**53**	**28**	**23**	**(35)**	**215**
Taxation	**44**	**16**	**8**	**7**	**(10)**	**65**
Segment Net Profit / (Loss) after Taxation	**102**	**37**	**20**	**16**	**(25)**	**150**
For the period ended 30 September 2009						
Unaudited						
Net Interest Earnings	135	52	14	23	35	259
Other Income	50	10	17	12	17	106
Total Operating Income	185	62	31	35	52	365
Segment Operating Income / (Expense) from External Customers	385	184	(31)	140	(313)	365
Segment Operating (Expense) / Income from Operating Segments	(200)	(122)	62	(105)	365	-
Segment Operating Expenses (excluding Impairment Losses)	46	16	2	12	92	168
Impairment Losses / (Recoveries) on Advances	38	29	3	8	(1)	77
Segment Net Profit / (Loss) before Taxation	101	17	26	15	(39)	120
Taxation	30	5	8	5	196	244
Segment Net Profit / (Loss) after Taxation	71	12	18	10	(235)	(124)
For the year ended 30 June 2010						
Audited						
Net Interest Earnings	538	216	76	86	117	1,033
Other Income	192	41	58	51	50	392
Total Operating Income	730	257	134	137	167	1,425
Segment Operating Income / (Expense) from External Customers	1,410	712	(50)	527	(1,174)	1,425
Segment Operating (Expense) / Income from Operating Segments	(680)	(455)	184	(390)	1,341	-
Segment Operating Expenses (excluding Impairment Losses)	180	66	15	56	342	659
Impairment Losses / (Recoveries) on Advances	80	48	(11)	15	(7)	125
Segment Net Profit / (Loss) before Taxation	470	143	130	66	(168)	641
Taxation	141	43	39	20	162	405
Segment Net Profit / (Loss) after Taxation	329	100	91	46	(330)	236

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

Relationship Banking: The Relationship Banking Segment provides services to commercial, business, rural and Premium Banking customers.

Institutional Banking and Markets: The Institutional Banking and Markets Segment comprises the Bank's Corporate and Institutional Business and Financial Markets activities. This includes financial instruments trading and foreign currency transactions.

Customers, Markets and Products: The Customers, Markets and Products Segment develops and manufactures products and services that are distributed by the segments above.

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

Operating Income in each segment includes transfer pricing adjustments to reflect intersegment funding arrangements. Intersegment pricing is determined on an arm's length basis. Charges are eliminated at the Parent Bank level.

The Bank operates predominantly in the banking industry within New Zealand. The Bank has very limited exposure to risks associated with operating in different economic environments or political conditions. On this basis no geographical segment information is provided.

Notes to the Financial Statements

For the three months ended 30 September 2010

	Consolidated					
	Unaudited		Unaudited		Audited	
As at	**30-Sep-10**		30-Sep-09		30-Jun-10	
$ millions	**Notional Amount**	**Credit Equivalent**	Notional Amount	Credit Equivalent	Notional Amount	Credit Equivalent
16 Contingent Liabilities						
Guarantees	**67**	**67**	65	65	67	67
Standby Letters of Credit	**98**	**98**	88	88	111	111
Other Credit Facilities	**88**	**41**	109	50	116	53
Total Contingent Liabilities	**253**	**206**	262	203	294	231

Other Contingent Liabilities

The Banking Group has other contingent liabilities in respect of actual and potential claims and proceedings. An assessment of the Banking Group's likely loss in respect of these matters has been made on a case by case basis and provision made in the financial statements where appropriate. Information relating to any matter is not disclosed where it can be expected to prejudice seriously the position of the Banking Group.

17 Risk Management Policies

There have been no material changes to the Banking Group's policies for managing risk, or material exposures to new types of risk, since the 30 June 2010 General Disclosure Statement was signed.

18 Events after the Balance Sheet Date

On 2 November 2010 the Directors resolved to pay, on 15 November 2010, Perpetual Preference Dividends of $5m (0.82 cents per share).

There were no other events subsequent to the balance sheet date which would materially affect the financial statements.

Additional Disclosures

(To be read in conjunction with the Financial Statements)

Conditions of Registration as from 15 October 2010 – ASB Bank Limited
The registration of ASB Bank Limited (the "Bank") as a registered bank is subject to the following conditions:

1. That the Banking Group complies with the following requirements:

   (a) the total capital ratio of the Banking Group calculated in accordance with the Reserve Bank of New Zealand document *Capital Adequacy Framework (Internal Models Based Approach)* (BS2B) dated October 2010 is not less than 8%;

   (b) the Tier One Capital ratio of the Banking Group calculated in accordance with the Reserve Bank of New Zealand document *Capital Adequacy Framework (Internal Models Based Approach)* (BS2B) dated October 2010 is not less than 4%; and

   (c) the capital of the Banking Group calculated in accordance with the Reserve Bank of New Zealand document *Capital Adequacy Framework (Internal Models Based Approach)* (BS2B) dated October 2010 is not less than $30m.

   For the purposes of this Condition of Registration the scalar referred to in the Reserve Bank of New Zealand document *Capital Adequacy Framework (Internal Models Based Approach)* (BS2B) dated October 2010 is 1.06.

   For the purposes of this Condition of Registration, the supervisory adjustment referred to in the Reserve Bank of New Zealand document *Capital Adequacy Framework (Internal Models Based Approach)* (BS2B) dated October 2010 is the sum of:

   (a) 15% of risk weighted exposures secured by residential mortgages as defined in the Reserve Bank of New Zealand document *Capital Adequacy Framework (Internal Models Based Approach)* (BS2B) dated October 2010; and

   (b) 12.5 times the greater of: zero; and 90% of adjusted Basel I capital, less adjusted Basel II capital; where:

      (i) "Adjusted Basel I Capital" means 8% of total risk weighted exposures, plus deductions from Tier One Capital, plus deductions from total capital, all calculated in accordance with the Reserve Bank of New Zealand document *Capital Adequacy Framework (Basel I Approach)* (BS2) dated October 2010;

      (ii) "Adjusted Basel II Capital" means 8% of total Basel II risk weighted exposures plus deductions from Tier One Capital, plus deductions from total capital, less any amount included in Tier Two Capital arising from the excess of eligible allowances for impairment over EL (expected losses), all calculated in accordance with the Reserve Bank of New Zealand document *Capital Adequacy Framework (Internal Models Based Approach)* (BS2B) dated October 2010; and

      (iii) "Total Basel II Risk Weighted Exposures" means scalar x (risk weighted on and off balance sheet credit exposures) + 12.5 x total capital charge for market risk exposure + 12.5 x total capital requirement for operational risk + 15% of risk weighted exposures secured by residential mortgages as defined in the Reserve Bank of New Zealand document *Capital Adequacy Framework (Internal Models Based Approach)* (BS2B) dated October 2010.

1A. That –

   (a) the Bank has an internal capital adequacy assessment process ("ICAAP") that accords with the requirements set out in the document *Guidelines on a Bank's Internal Capital Adequacy Assessment Process ("ICAAP")* (BS12) dated December 2007;

   (b) under its ICAAP the Bank identifies and measures its "other material risks" defined as all material risks of the Banking Group that are not explicitly captured in the calculation of Tier One and total capital ratios under the requirements set out in the document *Capital Adequacy Framework (Internal Models Based Approach)* (BS2B) dated October 2010; and

   (c) the Bank determines an internal capital allocation for each identified and measured "other material risk".

1B. That the Banking Group complies with all requirements set out in the Reserve Bank of New Zealand document *Capital Adequacy Framework (Internal Models Based Approach)* (BS2B) dated October 2010.

2. That the Banking Group does not conduct any non-financial activities that in aggregate are material relative to its total activities, where the term material is based on Generally Accepted Accounting Practice, as defined in the Financial Reporting Act 1993.

3. That the Banking Group's insurance business is not greater than 1% of its total consolidated assets. For the purposes of this condition:

   (i) Insurance business means any business of the nature referred to in section 4 of the Insurance Companies (Ratings and Inspections) Act 1994 (including those to which the Act is disapplied by sections 4(1)(a) and (b) and 9 of that Act), or any business of the nature referred to in section 3(1) of the Life Insurance Act 1908;

   (ii) In measuring the size of the Banking Group's insurance business:

      (a) where insurance business is conducted by any entity whose business predominantly consists of insurance business, the size of that insurance business shall be:

         – the total consolidated assets of the group headed by that entity;

         – or if the entity is a subsidiary of another entity whose business predominantly consists of insurance business, the total consolidated assets of the group headed by the latter entity;

      (b) otherwise, the size of each insurance business conducted by any entity within the Banking Group shall equal the total liabilities relating to that insurance business, plus the equity retained by the entity to meet the solvency or financial soundness needs of the insurance business;

      (c) the amounts measured in relation to parts (a) and (b) shall be summed and compared to the total consolidated assets of the Banking Group. All amounts in parts (a) and (b) shall relate to on balance sheet items only, and shall be determined in accordance with Generally Accepted Accounting Practice, as defined in the Financial Reporting Act 1993;

      (d) where products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets shall be considered part of the insurance business.

Additional Disclosures

(To be read in conjunction with the Financial Statements)

Conditions of Registration as from 15 October 2010 – ASB Bank Limited (continued)

4. That the aggregate credit exposures (of a non-capital nature and net of any allowances for impairment) of the Banking Group to all connected persons do not exceed the rating contingent limit outlined in the following matrix:

Credit Rating of the Registered Bank[1]	Connected Exposure Limit (Percentage of the Banking Group's Tier One Capital)
AA/Aa2 and above	75
AA-/Aa3	70
A+/A1	60
A/A2	40
A-/A3	30
BBB+/Baa1 and below	15

Within the rating contingent limit, credit exposures (of a non-capital nature and net of any allowances for impairment) to non-bank connected persons shall not exceed 15% of the Banking Group's Tier One Capital.

For the purposes of this Condition of Registration, compliance with the rating contingent connected exposure limit is determined in accordance with the Reserve Bank of New Zealand document entitled *Connected Exposures Policy* (BS8) dated October 2010.

5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.

6. That the Board of the Registered Bank contains at least two independent Directors. In this context an independent Director is a Director who is not an employee of the Registered Bank, and who is not a director, trustee or employee of any holding company of the Registered Bank, or any other entity capable of controlling or significantly influencing the Registered Bank.

7. That the chairperson of the Bank's Board is not an employee of the Registered Bank.

8. That the Bank's constitution does not include any provision permitting a Director, when exercising powers or performing duties as a Director, to act other than in what he or she believes is the best interests of the company (i.e. the Bank).

9. That no appointment of any Director, Chief Executive Officer, or Executive who reports or is accountable directly to the Chief Executive Officer, shall be made unless:

   (i) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and

   (ii) the Reserve Bank has advised that it has no objection to that appointment.

10. That a substantial proportion of the Bank's business is conducted in and from New Zealand.

11. That the Bank has legal and practical ability to control and execute any business, and any functions relating to any business, of the Bank that are carried on by a person other than the Bank, sufficient to achieve, under normal business conditions and in the event of stress or failure of the Bank or of a service provider to the Bank, the following outcomes:

    (a) that the Bank's clearing and settlement obligations due on a day can be met on that day;

    (b) that the Bank's financial risk positions on a day can be identified on that day;

    (c) that the Bank's financial risk positions can be monitored and managed on the day following any failure and on subsequent days; and

    (d) that the Bank's existing customers can be given access to payments facilities on the day following any failure and on subsequent days.

    For the purposes of this Condition of Registration, the term "legal and practical ability to control and execute" is explained in the Reserve Bank of New Zealand document entitled *Outsourcing Policy* (BS11) dated January 2006.

    Until 31 December 2008, functions provided to the Bank by Electronic Transaction Services Limited and Interchange and Settlement Limited are not covered by this condition.

12. (a) That the business and affairs of the Bank are managed by, or under the direction or supervision of, the Board of the Bank.

    (b) That the employment contract of the Chief Executive Officer of the Bank or person in an equivalent position (together "CEO") is with the Bank, and the terms and conditions of the CEO's employment agreement are determined by, and any decisions relating to the employment or termination of employment of the CEO are made by, the Board of the Bank.

    (c) That all staff employed by the Bank will have their remuneration determined by (or under the delegated authority of) the Board or the CEO of the Bank and be accountable (directly or indirectly) to the CEO of the Bank.

13. That the Banking Group complies with the following quantitative requirements for liquidity risk management with effect from 1 April 2010:

    (a) the one week mismatch ratio of the Banking Group is not less than zero percent at the end of each business day;

    (b) the one month mismatch ratio of the Banking Group is not less than zero percent at the end of each business day; and

    (c) the one year core funding ratio of the Banking Group is not less than 65 percent at the end of each business day.

    For the purposes of this Condition of Registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled *Liquidity Policy* (BS13) dated March 2010 and *Liquidity Policy Annex: Liquid Assets* (BS13A) dated March 2010.

1 This table uses the rating scales of Standard & Poor's, Fitch Ratings and Moody's Investors Service. (Fitch Ratings' scale is identical to Standard & Poor's.)

Additional Disclosures

(To be read in conjunction with the Financial Statements)

Conditions of Registration as from 15 October 2010 – ASB Bank Limited (continued)

14. That, with effect from 1 April 2010, the Registered Bank has an internal framework for liquidity risk management that is adequate in the Registered Bank's view for managing the Bank's liquidity risk at a prudent level, and that, in particular:
    - (a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;
    - (b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;
    - (c) identifies the principal methods that the Bank will use for measuring, monitoring and controlling liquidity risk; and
    - (d) considers the material sources of stress that the Bank might face, and prepares the Bank to manage stress through a contingency funding plan.

For the purposes of these Conditions of Registration, the term "Banking Group" means ASB Bank Limited's financial reporting group (as defined in section 2(1) of the Financial Reporting Act 1993).

Long Term Debt Rating Definitions

	Moody's (a)	S&P (b)	Fitch Ratings (b)
Highest quality / Extremely strong capacity to pay interest and principal	Aaa	AAA	AAA
High quality / Very strong	Aa	AA	AA
Upper medium grade / Strong	A	A	A
Medium grade (lowest investment grade) / Adequate	Baa	BBB	BBB
Predominantly speculative / Less near term vulnerability to default	Ba	BB	BB
Speculative, low grade / Greater vulnerability	B	B	B
Poor to default / Identifiable vulnerability	Caa	CCC	CCC
Highest speculations	Ca	CC	CC
Lowest quality, no interest	C	C	C
In payment default, in arrears – questionable value	-	D	RD & D

(a) Moody's applies numeric modifiers to each generic rating category from Aa to B, indicating that the counterparty is (1) in the higher end of its letter rating category, (2) in mid-range, (3) in lower end.

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

Directors’ Statement

After due enquiry by the Directors it is each Director’s opinion that for the three months ended 30 September 2010:

> the Bank complied with the Conditions imposed by the Reserve Bank of New Zealand under section 74 of the Reserve Bank of New Zealand Act 1989;

> credit exposures to connected persons were not contrary to the interests of the Banking Group; and

> the Bank had systems in place to adequately monitor and control the Banking Group’s credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other material business risks and that those systems are being properly applied.

After due enquiry by the Directors it is each Director’s opinion that as at the date of this disclosure statement:

> the disclosure statement contains all the information required by the Registered Bank Disclosure Statement (Off-Quarter – New Zealand Incorporated Registered Banks) Order 2008; and

> the disclosure statement is not false or misleading.

The disclosure statement is signed by or on behalf of all the Directors.

G.J. Judd

J.P. Ling

D.M. Elder

J.P. Hartley

G. L. Mackrell by his agent

G.L. Mackrell

R M McEwan by his agent

R.M. McEwan

I.M. Narev

G.R. Walker

9 November 2010

># Notes

ASB Bank Limited 6031 1302 1110

CONTACT CENTRE
0800 803 804
24 HOURS . 7 DAYS A WEEK

ASB