ASB
Disclosure Statement

For the six months ended 31 December 2011

ASB

2011

Contents

General Disclosures

(To be read in conjunction with the Financial Statements)

31 December 2011

This Disclosure Statement has been issued by ASB Bank Limited in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order (No 4) 2011.

Corporate Information

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

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

Ultimate Parent Bank

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

Directors

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

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

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

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

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

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

Credit Ratings

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

Moody's Investors Service, Inc ("Moody's")	Aa3
Standard & Poor's (Australia) Pty Limited ("S&P")	AA-
Fitch Ratings 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 [(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.

General Disclosures (continued)

(To be read in conjunction with the Financial Statements)

Guarantee Arrangements

Covered Bond Guarantee

On 11 August 2011, the ASB Covered Bond Trust was established to acquire and hold certain Residential Mortgage Loans originated by the Bank. The trustee of the ASB Covered Bond Trust, ASB Covered Bond Trustee Limited (the Covered Bond Guarantor) provides guarantees over the Covered Bonds issued by the Bank or its subsidiary ASB Finance Limited (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 Guarantor. Covered Bonds of $300m were guaranteed as at 31 December 2011. The Covered Bond Guarantor's address for service is Level 10, 141 Willis Street, Wellington, New Zealand. The Covered Bond Guarantor is not a member of the Banking Group and has no credit ratings applicable to its long term senior unsecured obligations payable in New Zealand dollars. As at 31 December 2011 the Covered Bonds issued have been assigned a long term rating of 'AAA' by Fitch Ratings Ltd and 'Aaa' by Moody's Investors Service, Inc.

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

Pending Proceedings or Arbitration

As at the signing date of this Disclosure Statement, the Banking Group is not a party to any pending proceedings or arbitration which are expected to have a material adverse effect on the financial position, or results, of the Bank or the Banking Group.

Conditions of Registration

Since the signing of the 30 June 2011 Disclosure Statement, the Conditions of Registration have been amended by the Reserve Bank of New Zealand ("RBNZ") with effect from 31 December 2011.

The amendments to the Conditions of Registration include the updated conditions on liquidity to reflect the revised date of the RBNZ *Liquidity Policy Annex: Liquid Assets* and inclusion of a new Condition, the *Significant Acquisitions Policy* (BS15).

Auditor

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

Income Statement

$ millions **For the period ended**	Note	**Consolidated** **Unaudited** **31-Dec-11** **6 months**	Unaudited 31-Dec-10 6 months
Interest Income		**1,810**	1,953
Interest Expense		**1,138**	1,331
Net Interest Earnings		**672**	622
Other Income	2	**202**	167
Total Operating Income		**874**	789
Impairment Losses on Advances	5(c)	**14**	36
Total Operating Income after Impairment Losses		**860**	753
Total Operating Expenses		**350**	349
Salaries and Other Staff Expenses		**210**	212
Building Occupancy and Equipment Expenses		**57**	55
Information Technology Expenses		**37**	36
Other Expenses		**46**	46
Net Profit before Taxation		**510**	404
Taxation		**138**	121
Net Profit after Taxation		**372**	283

These statements are to be read in conjunction with the notes on pages 10 to 26.

Statement of Comprehensive Income

$ millions **For the period ended**	**Consolidated** **Unaudited** **31-Dec-11** **6 months**	 Unaudited 31-Dec-10 6 months
Net Profit after Taxation	**372**	283
Other Comprehensive Income, Net of Taxation		
Net Change in Available for Sale Reserve	**(21)**	2
Net Change in Cash Flow Hedge Reserve	**71**	66
Total Other Comprehensive Income, Net of Taxation	**50**	68
Total Comprehensive Income	**422**	351

These statements are to be read in conjunction with the notes on pages 10 to 26.

Statement of Changes in Equity

$ millions	Contributed Capital	Asset Revaluation Reserve	Available for Sale Reserve	Consolidated Cash Flow Hedge Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total Shareholders' Equity
For the Period Ended 31 December 2011 Unaudited							
Balance at Beginning of Period	**2,798**	**29**	**27**	**(50)**	**1**	**1,142**	**3,947**
Net Profit after Taxation	**-**	**-**	**-**	**-**	**-**	**372**	**372**
Other Comprehensive (Expense) / Income	**-**	**-**	**(21)**	**71**	**-**	**-**	**50**
Total Comprehensive (Expense) / Income	**-**	**-**	**(21)**	**71**	**-**	**372**	**422**
Ordinary Dividends Paid	**-**	**-**	**-**	**-**	**-**	**(340)**	**(340)**
Perpetual Preference Dividends Paid	**-**	**-**	**-**	**-**	**-**	**(8)**	**(8)**
Balance as at 31 December 2011	**2,798**	**29**	**6**	**21**	**1**	**1,166**	**4,021**
For the Period Ended 31 December 2010 Unaudited							
Balance at Beginning of Period	2,798	29	15	(166)	1	871	3,548
Net Profit after Taxation	-	-	-	-	-	283	283
Other Comprehensive Income	-	-	2	66	-	-	68
Total Comprehensive Income	-	-	2	66	-	283	351
Ordinary Dividends Paid	-	-	-	-	-	(80)	(80)
Perpetual Preference Dividends Paid	-	-	-	-	-	(9)	(9)
Balance as at 31 December 2010	2,798	29	17	(100)	1	1,065	3,810

These statements are to be read in conjunction with the notes on pages 10 to 26.

Balance Sheet

$ millions **As at**	Note	**Consolidated** **Unaudited** **31-Dec-11**	Restated Unaudited 31-Dec-10	Restated Unaudited 30-Jun-11	Restated Unaudited 30-Jun-10
ASSETS					
Cash and Liquid Assets		**3,830**	1,369	1,273	1,175
Due from Financial Institutions		**259**	-	-	-
Assets at Fair Value through Income Statement:					
Trading Securities		**2,540**	3,760	3,486	5,011
Other		**20**	2,069	1,528	1,276
Derivative Assets		**2,218**	1,705	1,760	1,951
Available for Sale Securities		**3,464**	936	2,013	32
Advances to Customers	4	**52,494**	52,987	52,351	53,477
Current Taxation Asset		**65**	90	69	9
Other Assets		**202**	214	196	215
Property, Plant and Equipment		**166**	135	158	136
Intangible Assets		**137**	114	124	116
Deferred Taxation Asset		**56**	117	92	159
Total Assets		**65,451**	63,496	63,050	63,557
Total Interest Earning and Discount Bearing Assets		***62,392***	*60,884*	*60,519*	*60,835*
LIABILITIES					
Deposits from Customers	6	**39,253**	33,433	34,170	32,189
Due to Financial Institutions		**6,605**	6,266	6,279	6,488
Liabilities at Fair Value through Income Statement		**970**	4,125	4,629	4,907
Derivative Liabilities		**2,169**	2,242	2,363	2,474
Other Liabilities		**456**	518	540	499
Debt Issues:					
At Fair Value through Income Statement	7	**4,684**	7,034	3,576	8,803
At Amortised Cost	7	**6,658**	5,236	6,905	3,801
Subordinated Debt		**635**	832	641	848
Total Liabilities		**61,430**	59,686	59,103	60,009
SHAREHOLDERS' EQUITY					
Contributed Capital – Ordinary Shares		**2,248**	2,248	2,248	2,248
Reserves		**57**	(53)	7	(121)
Retained Earnings		**1,166**	1,065	1,142	871
Ordinary Shareholder's Equity		**3,471**	3,260	3,397	2,998
Contributed Capital – Perpetual Preference Shares		**550**	550	550	550
Total Shareholders' Equity		**4,021**	3,810	3,947	3,548
Total Liabilities and Shareholders' Equity		**65,451**	63,496	63,050	63,557
Total Interest and Discount Bearing Liabilities		***56,640***	*54,886*	*54,178*	*55,127*

These statements are to be read in conjunction with the notes on pages 10 to 26.

Condensed Cash Flow Statement

$ millions **For the period ended**	**Consolidated** **Unaudited** **31-Dec-11** **6 months**	 Unaudited 31-Dec-10 6 months
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest Received	**1,814**	1,966
Interest Paid	**(1,179)**	(1,409)
Other Cash Inflows Provided by Operating Activities	**206**	176
Other Cash Outflows Used in Operating Activities	**(514)**	(530)
Cash Flows from Operating Profits before Changes in Operating Assets and Liabilities	**327**	203
Net Changes in Operating Assets and Liabilities	**119**	(106)
Net Cash Flows from Operating Activities	**446**	97
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows Provided by Investing Activities	**29**	-
Cash Outflows Used in Investing Activities	**(59)**	(31)
Net Cash Flows from Investing Activities	**(30)**	(31)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Inflows Provided by Financing Activities	**-**	-
Cash Outflows Used in Financing Activities	**(348)**	(89)
Net Cash Flows from Financing Activities	**(348)**	(89)
SUMMARY OF MOVEMENTS IN CASH FLOWS		
Net Increase / (Decrease) in Cash and Cash Equivalents	**68**	(23)
Add: Cash and Cash Equivalents at Beginning of Period	**1,592**	1,691
Cash and Cash Equivalents at End of Period	**1,660**	1,668

These statements are to be read in conjunction with the notes on pages 10 to 26.

Condensed Cash Flow Statement (continued)

$ millions **For the period ended**	**Consolidated** **Unaudited** **31-Dec-11** **6 months**	 Unaudited 31-Dec-10 6 months
RECONCILIATION OF NET PROFIT AFTER TAXATION TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit after Taxation	**372**	283
Add: Non-cash Items	**651**	213
Add: Movements in Balance Sheet Items	**(577)**	(399)
Net Cash Flows from Operating Activities	**446**	97
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET		
Cash and Liquid Assets	**3,830**	1,369
Less: Liquid Assets	**(2,145)**	-
Add: Call Deposits Due from Financial Institutions	**259**	583
Add: Call Deposits Due to Financial Institutions	**(284)**	(284)
Total Cash and Cash Equivalents at End of Period	**1,660**	1,668

These statements are to be read in conjunction with the notes on pages 10 to 26.

Notes to the Financial Statements

For the six months ended 31 December 2011

1 Statement of Accounting Policies

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

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

Designation of Financial Instruments

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

These financial instruments include nostro and vostro balances, repurchase and reverse repurchase agreements, Due to and Due from Financial Institutions, Advances to Customers and Deposits from Customers.

Reclassification of Categories

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

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

$ millions **Original Categories**	**As Reported**	**Reclassification of Categories**	**Restated**		**Revised Categories**
As at 31 December 2010 (Unaudited)					
Assets					
Cash and Call Deposits with the Central Bank	1,369	-	**1,369**	(a)	Cash and Liquid Assets
Due from Other Banks	1,841	(1,841)	-	(b)	Due from Financial Institutions
Money Market Advances	107	(107)	-		
Securities	4,817	(4,817)	-		
					Assets at Fair Value through Income Statement:
		3,760	**3,760**	(c)	Trading Securities
		2,069	**2,069**	(d)	Other
		936	**936**	(e)	Available for Sale Securities
Other Assets	206	8	**214**		Other Assets
Investment Property	8	(8)	-		
Liabilities					
Deposits from Customers	32,813	620	**33,433**	(f)	Deposits from Customers
Due to Other Banks	6,552	(286)	**6,266**	(g)	Due to Financial Institutions
Money Market Deposits	16,729	(16,729)	-		
		4,125	**4,125**	(h)	Liabilities at Fair Value through Income Statement
Other Liabilities	513	5	**518**		Other Liabilities
					Debt Issues:
		7,034	**7,034**	(i)	At Fair Value through Income Statement
		5,236	**5,236**	(j)	At Amortised Cost
Subordinated Debt	837	(5)	**832**		Subordinated Debt
As at 30 June 2011 (Unaudited)					
Assets					
Cash and Call Deposits with the Central Bank	1,273	-	**1,273**	(a)	Cash and Liquid Assets
Due from Other Banks	888	(888)	-	(b)	Due from Financial Institutions
Money Market Advances	640	(640)	-		
Securities	5,499	(5,499)	-		
					Assets at Fair Value through Income Statement:
		3,486	**3,486**	(c)	Trading Securities
		1,528	**1,528**	(d)	Other
		2,013	**2,013**	(e)	Available for Sale Securities
Other Assets	187	9	**196**		Other Assets
Investment Property	9	(9)	-		
Liabilities					
Deposits from Customers	33,706	464	**34,170**	(f)	Deposits from Customers
Due to Other Banks	6,891	(612)	**6,279**	(g)	Due to Financial Institutions
Money Market Deposits	14,962	(14,962)	-		
		4,629	**4,629**	(h)	Liabilities at Fair Value through Income Statement
Other Liabilities	536	4	**540**		Other Liabilities
					Debt Issues:
		3,576	**3,576**	(i)	At Fair Value through Income Statement
		6,905	**6,905**	(j)	At Amortised Cost
Subordinated Debt	645	(4)	**641**		Subordinated Debt

Notes to the Financial Statements

For the six months ended 31 December 2011

1 Statement of Accounting Policies (continued)

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

Narratives:

(a) Cash and Call Deposits with the Central Bank has been reclassified to Cash and Liquid Assets. Cash and Liquid Assets includes cash at branches, cash at central bank, nostro balances and securities held under reverse repurchase agreements carried at Amortised Cost.

(b) Due from Other Banks has been reclassified to Due from Financial Institutions and now includes loans and settlement amounts carried at Amortised Cost and defined by the nature of the counterparty.

(c) Assets at Fair Value through Income Statement: Trading Securities includes securities classified as Held for Trading.

(d) Assets at Fair Value through Income Statement: Other includes all assets designated as at Fair Value through Income Statement other than securities classified as Held for Trading.

(e) Available for Sale Securities includes all securities designated as Available for Sale.

(f) Deposits from Customers has been reclassified and now includes deposits and other public borrowings including certificates of deposits, term deposits, savings deposits, other demand deposits, repurchase agreements and debentures. This category excludes any of these products measured as at Fair Value through Income Statement.

(g) Due to Other Banks has been reclassified to Due to Other Financial Institutions and now includes deposits, vostro balances and settlement accounts carried at Amortised Cost and defined by the nature of the counterparty.

(h) Liabilities at Fair Value through Income Statement includes all liabilities designated as at Fair Value through Income Statement, except Debt Issues disclosed below.

(i) Debt Issues: At Fair Value through Income Statement includes all debt issues designated as at Fair Value through Income Statement.

(j) Debt Issues: At Amortised Cost includes all debt issues carried at Amortised Cost.

Notes to the Financial Statements

For the six months ended 31 December 2011

$ millions For the period ended	Consolidated Unaudited 31-Dec-11 6 months	 Unaudited 31-Dec-10 6 months
2 Other Income		
Net Fair Value Gain from:		
Trading Income	**30**	20
Other Derivatives	**8**	(59)
Financial Instruments Designated as at Fair Value through Income Statement	**-**	21
Available for Sale Financial Assets	**16**	-
Total Net Fair Value Gain	**54**	(18)
Other Operating Income	**148**	185
Total Other Income	**202**	167

3 Financial Assets Pledged as Collateral

As at 31 December 2011 Government Securities of $157m and Treasury Bills of $275m had been pledged as collateral under repurchase agreements.

The Bank has entered into Credit Support Annexes ("CSA") in respect of certain credit exposures relating to derivative transactions. As at 31 December 2011 $153m included in Due from Financial Institutions had been advanced as collateral to offset Derivative Liabilities.

$ millions As at	Consolidated Unaudited 31-Dec-11	 Unaudited 31-Dec-10	 Audited 30-Jun-11	 Audited 30-Jun-10
4 Advances to Customers				
Residential Mortgages	**37,369**	37,492	37,431	37,770
Other Retail	**4,053**	4,101	4,063	4,116
Corporate	**11,282**	11,645	11,089	11,847
Loans and Other Receivables	**52,704**	53,238	52,583	53,733
Fair Value Hedge Adjustments	**8**	10	8	5
Provisions for Impairment	**(218)**	(261)	(240)	(261)
Total Advances to Customers	**52,494**	52,987	52,351	53,477

$ millions	Consolidated Residential Mortgages [1]	 Other Retail	 Corporate	 Total
5 Credit Risk Management and Asset Quality				
(a) Credit Quality Information for Advances to Customers				
As at 31 December 2011 **Unaudited**				
Past Due Assets Not Impaired				
Less than 30 Days	**1,633**	**182**	**123**	**1,938**
30 to 59 Days	**283**	**35**	**22**	**340**
60 to 89 Days	**126**	**13**	**4**	**143**
Over 90 Days	**219**	**24**	**14**	**257**
Total Past Due Assets Not Impaired	**2,261**	**254**	**163**	**2,678**
Individually Impaired Assets				
Balance at Beginning of Period	**110**	**13**	**219**	**342**
Additions / (Deletions)	**12**	**5**	**(86)**	**(69)**
Amounts Written Off	**(10)**	**(2)**	**(10)**	**(22)**
Total Individually Impaired Assets	**112**	**16**	**123**	**251**
Other Assets Under Administration	**19**	**2**	**6**	**27**

Undrawn balances on lending commitments to counterparties within the Impaired Asset category were $1m as at 31 December 2011.

The facilities that are reported as impaired and past due are collateralised in terms of Bank policy.

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

Notes to the Financial Statements

For the six months ended 31 December 2011

5 Credit Risk Management and Asset Quality (continued)

$ millions	Consolidated Residential Mortgages [1]	Other Retail	Corporate	Total
(b) Provisions for Impairment Losses				
As at 31 December 2011 **Unaudited**				
Collective Provision				
Balance at Beginning of Period	**61**	**42**	**59**	**162**
Recovered from Income Statement	**(9)**	**(4)**	**(2)**	**(15)**
Balance at End of Period	**52**	**38**	**57**	**147**
Individually Assessed Provisions				
Balance at Beginning of Period	**35**	**5**	**38**	**78**
Add / (Less):				
Charged to Income Statement:				
New Provisions	**24**	**3**	**15**	**42**
Amounts Recovered	**(12)**	**(1)**	**(14)**	**(27)**
Write Offs Against Individually Assessed Provisions	**(10)**	**(2)**	**(10)**	**(22)**
Balance at End of Period	**37**	**5**	**29**	**71**
Total Provisions for Impairment Losses	**89**	**43**	**86**	**218**
(c) Impairment Losses on Advances				
For the Period Ended 31 December 2011 **Unaudited**				
Movement in Collective Provision	**(9)**	**(4)**	**(2)**	**(15)**
Movement in Individually Assessed Provisions	**12**	**2**	**1**	**15**
Bad Debts Written Off	**14**	**2**	**1**	**17**
Bad Debts Recovered	**(3)**	**-**	**-**	**(3)**
Total Impairment Losses on Advances Charged to the Income Statement	**14**	**-**	**-**	**14**
For the Period Ended 31 December 2010 Unaudited				
Movement in Collective Provision	(1)	(9)	(10)	(20)
Movement in Individually Assessed Provisions	6	1	23	30
Bad Debts Written Off	25	2	3	30
Bad Debts Recovered	(4)	-	-	(4)
Total Impairment Losses on Advances Charged to the Income Statement	26	(6)	16	36

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

Notes to the Financial Statements

For the six months ended 31 December 2011

5 Credit Risk Management and Asset Quality (continued)

$ millions	Consolidated Financial Assets at Amortised Cost	Financial Assets at Fair Value	Other Credit Exposures	Total Credit Exposures

(d) Concentrations of Credit Exposures

The following table presents the maximum exposure to credit risk of financial assets and other credit exposures, before taking account of any collateral held or other credit enhancements unless such credit enhancements meet the offsetting criteria in NZ IAS 32 *Financial Instruments: Presentation*.

For financial assets recognised on the Balance Sheet, the maximum exposure to credit risk equals their carrying values. Other Credit Exposures include irrevocable Lending Commitments, Guarantees, Standby Letters of Credit and other off balance sheet Credit Commitments. The maximum exposure to credit risk for Guarantees and Standby Letters of Credit is the maximum amount that the Banking Group would have to pay if the facilities were called upon. For irrevocable Lending Commitments and other Credit Commitments, the maximum exposure to credit risk is the full amount of the committed facilities.

Taxation Assets, Property, Plant and Equipment, Intangible Assets and Other Assets have been excluded from the analysis below, on the basis that any credit exposure is insignificant or Nil.

Australian and New Zealand Standard Industrial Classification ("ANZSIC") codes have been used as the basis for disclosing customer industry sectors.

As at 31 December 2011
Unaudited

	Concentration by Industry			
Agriculture	**6,146**	44	543	6,733
Government and Public Authorities	**235**	3,112	122	3,469
Financial, Investments and Insurance	**13,853**	4,888	1,052	19,793
Utilities	**59**	107	11	177
Transport and Storage	**137**	37	22	196
Housing [(1)]	**32,703**	-	4,591	37,294
Construction	**402**	7	87	496
Personal	**825**	5	1,628	2,458
Other Commercial and Industrial	**2,223**	42	543	2,808
Total Credit Exposures by Industry	**56,583**	8,242	8,599	73,424

(1) The Housing sector for Financial Assets at Amortised Cost includes advances which are used for the purchase of residential properties that are owner-occupied. Advances which are used for the purchase of investment properties are included in the Financial, Investments and Insurance sector under Financial Assets at Amortised Cost.

(e) Concentrations of Credit Exposures to Individual Counterparties

The basis of calculation of the Banking Group's aggregate concentration of credit exposure to individual counterparties is the greater of actual credit exposures or internal limits. Credit exposures to the central government of any country with a long term credit rating of A- or A3 or above, or its equivalent, banks with a long term credit rating of A- or A3 or above, or its equivalent, and connected persons are excluded.

There was no peak end-of-day aggregate concentration of credit exposure to individual counterparties which exceeded 10% of the Banking Group's Equity for the three months ended 31 December 2011. There was no balance date aggregate concentration of credit exposure to individual counterparties which exceeded 10% of the Banking Group's Equity as at 31 December 2011.

The peak end-of-day aggregate concentration of credit exposure to individual counterparties has been calculated by determining the maximum end-of-day aggregate amount of credit exposure over the relevant three month period and then dividing that amount by the Banking Group's Equity as at 31 December 2011.

$ millions **As at**	Consolidated **Unaudited** **31-Dec-11**	Unaudited 31-Dec-10	Audited 30-Jun-11	Audited 30-Jun-10

6 Deposits from Customers

Retail Term Deposits	**21,421**	19,666	20,484	18,646
Other Deposits Bearing Interest	**15,672**	11,725	11,664	11,634
Deposits Not Bearing Interest	**2,160**	2,042	2,022	1,909
Total Deposits from Customers	**39,253**	33,433	34,170	32,189

Notes to the Financial Statements

For the six months ended 31 December 2011

$ millions As at	Consolidated Unaudited 31-Dec-11	 Unaudited 31-Dec-10	 Audited 30-Jun-11	 Audited 30-Jun-10
7 Debt Issues				
Debt Issues at Amortised Cost	**6,658**	5,236	6,905	3,801
Debt Issues at Fair Value	**4,684**	7,034	3,576	8,803
Total Debt Issues	**11,342**	12,270	10,481	12,604
Movement in Debt Issues				
Balance at Beginning of Period	**10,481**	12,604	12,604	13,832
Issuances During the Period	**4,670**	8,704	7,399	10,508
Repayments During the Period	**(3,942)**	(8,982)	(9,465)	(11,115)
Foreign Exchange and Fair Value Movements During the Period	**133**	(56)	(57)	(621)
Balance at End of Period	**11,342**	12,270	10,481	12,604

As at 31 December 2011 Covered Bonds of $300m were issued by the Bank which were carried at Amortised Cost.

$ millions As at	Consolidated Unaudited 31-Dec-11 Notional Amount	 Credit Equivalent	 Unaudited 31-Dec-10 Notional Amount	 Credit Equivalent	 Audited 30-Jun-11 Notional Amount	 Credit Equivalent	 Audited 30-Jun-10 Notional Amount	 Credit Equivalent
8 Contingent Liabilities								
Guarantees	**70**	**70**	69	69	69	69	67	67
Standby Letters of Credit	**96**	**96**	114	114	96	96	111	111
Other Credit Facilities	**126**	**52**	88	37	82	36	116	53
Total Contingent Liabilities	**292**	**218**	271	220	247	201	294	231

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 is expected to prejudice seriously the position of the Banking Group.

$ millions As at	Consolidated Unaudited 31-Dec-11

9 Related Party Transactions and Balances

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

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

Commonwealth Bank Group (100% Ultimate Shareholder)	**7,003**
Commonwealth Bank of Australia New Zealand Life Insurance Group	**577**
ASB Holdings Limited	**61**
Total Amounts Due to Related Parties	**7,641**
Commonwealth Bank Group (100% Ultimate Shareholder)	**330**
Commonwealth Bank of Australia New Zealand Life Insurance Group	**15**
Total Amounts Due from Related Parties	**345**

For the period ended 31 December 2011 interest charged on balances due to the Commonwealth Bank Group was $143m (31 December 2010 $156m).

10 Changes in the Composition of the Banking Group during the Reporting Period

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

Notes to the Financial Statements

For the six months ended 31 December 2011

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 and the Banking Group is accredited by the RBNZ to adopt the internal ratings based ("IRB") approach for calculating regulatory capital requirements under Basel II.

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

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

$ millions **As at**	**Consolidated** **31-Dec-11**
CAPITAL UNDER BASEL II IRB APPROACH	
Tier One Capital	
Issued and Fully Paid-up Ordinary Share Capital	**2,248**
Perpetual Fully Paid-up Non-cumulative Preference Shares	**550**
Revenue and Similar Reserves (1)	**1,148**
Current Period's Movement in Retained Earnings	**24**
	3,970
Less: Deductions from Tier One Capital	
Intangible Assets	**137**
Excess of Expected Loss over Eligible Allowance for Impairment	**93**
	230
Total Tier One Capital	**3,740**
Tier Two Capital	
Upper Tier Two Capital	
Asset Revaluation Reserve	**29**
Foreign Currency Translation Reserve	**1**
Lower Tier Two Capital	
Term Subordinated Debt	**620**
Total Tier Two Capital	**650**
Total Tier One and Two Capital	**4,390**
Less: Deduction from Total Capital	
Excess of Expected Loss over Eligible Allowance for Impairment	**93**
Total Capital	**4,297**

(1) Revenue and Similar Reserves consist of Available For Sale Reserve and prior periods' Retained Earnings.

CAPITAL STRUCTURE

Ordinary Shares

All Ordinary Shares have equal voting rights and share equally in dividends and any profit on winding up, after the obligations to holders of ASB Perpetual Preference Shares ("PPS") are satisfied. Dividends are declared subject, in all cases to the applicable Directors' resolutions being passed.

Perpetual Preference Shares

The Bank issued 200,000,000 2006 Series 1 PPS and 350,000,000 Series 2 PPS. The PPS are non-redeemable and carry limited voting rights. Dividends are payable quarterly in arrears, are non-cumulative and payable at the discretion of the Directors.

The dividend payable on the 2006 Series 1 PPS is based on the one year swap rate plus a margin of 1.3%. Rates are reset annually on 15 November or the succeeding business day. The rate was reset on 15 November 2011 to 4.00% per annum. The next dividend reset date is 15 November 2012.

The dividend payable on the 2006 Series 2 PPS is based on the one year swap rate plus a margin of 1.0%. Rates are reset annually on 15 May or the succeeding business day. The rate was reset on 16 May 2011 to 3.80% per annum. The next dividend reset date is 15 May 2012.

In the event of the liquidation of the Bank, payment of the issue price and cumulative dividends on the PPS ranks:

- before all rights of ordinary shareholders;
- after all rights of holders of shares of the Bank other than ordinary or preference shares; and
- after all rights of creditors of the Bank.

Notes to the Financial Statements

For the six months ended 31 December 2011

11 Capital Adequacy (continued)

Unaudited

CAPITAL STRUCTURE (continued)

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 on translation of foreign currency assets and liabilities of an overseas subsidiary.

Subordinated Debt

Debt with a face value of $250m was issued on 29 June 2007 to the Bank's ultimate parent, CBA. Interest is payable at the bank bill rate reset quarterly plus a margin of 0.25% per annum until 29 June 2012, after which the margin will increase by 0.5% per annum. The debt is callable on 29 June 2012 and has a maturity date of 29 June 2017.

Debt with a face value of $370m was issued on 1 November 2007 with a coupon rate of 8.771% until 15 November 2012, after which the rate will be reset for the remaining term plus an additional 0.5% per annum. The debt has a credit rating of AA- from Standard & Poor's (Australia) Pty Limited as at 30 June 2011. The debt is callable on 15 November 2012 and has a maturity date of 15 November 2017.

	Consolidated	
As at	**31-Dec-11**	31-Dec-10
BASEL II CAPITAL RATIOS		
Tier One Capital Expressed as a Percentage of Total Risk Weighted Exposures	**11.2%**	11.0%
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	**12.9%**	13.3%
Minimum Total Capital per the Bank's Conditions of Registration	**8.0%**	8.0%

$ millions **As at**		Consolidated 31-Dec-11	
	Total Exposure [(1)]	**RWE [(2)]**	**Capital Requirement**
TOTAL CAPITAL REQUIREMENTS			
Total Credit Risk	**73,044**	**29,399**	**2,352**
Operational Risk	**N/A**	**2,500**	**200**
Market Risk	**N/A**	**1,520**	**122**
Total Capital Requirement		**33,419**	**2,674**

(1) Total Exposure is after Credit Risk Mitigation.
(2) "RWE" is Risk Weighted Exposures or Implied Risk Weighted Exposures.

	Parent	
As at	**31-Dec-11**	31-Dec-10
BASEL I CAPITAL RATIOS		
Tier One Capital Ratio	**10.0%**	9.9%
Total Capital Ratio	**11.6%**	12.1%

Notes to the Financial Statements

For the six months ended 31 December 2011

11 Capital Adequacy (continued)

Unaudited
As at 31 December 2011

	Consolidated					
PD [1] Grade	Weighted Average PD	Exposure Amount $ millions	Exposure Weighted LGD [2]	Exposure Weighted Risk Weight	Risk Weighted Exposures $ millions [3]	Minimum Capital Requirement $ millions
CREDIT RISK EXPOSURES SUBJECT TO THE INTERNAL MODELS APPROACH BY EXPOSURE CLASS						
Sovereign Exposures						
Less than and including 0.03%	0.02%	4,700	58%	9%	462	38
Over 0.03% up to and including 0.05%	0.04%	183	50%	21%	41	3
Over 0.05% up to and including 0.07%	0.06%	78	45%	12%	10	1
Over 0.07% up to and including 0.26%	0.18%	41	61%	68%	29	2
Over 0.26% up to and including 99.99%	0.38%	9	61%	59%	6	-
Default PD Grade	-	-	-	-	-	-
Total Sovereign Exposures	0.03%	5,011	58%	10%	548	44
Bank Exposures						
Less than and including 0.03%	0.03%	2,395	54%	11%	287	23
Over 0.03% up to and including 0.05%	0.04%	3,400	68%	8%	296	24
Over 0.05% up to and including 0.07%	0.06%	691	61%	29%	216	17
Over 0.07% up to and including 0.26%	0.09%	591	61%	44%	276	22
Over 0.26% up to and including 99.99%	0.38%	-	61%	58%	-	-
Default PD Grade	100.00%	-	24%	295%	1	-
Total Bank Exposures	0.05%	7,077	60%	14%	1,076	86
Exposures Secured by Residential Mortgages						
Less than and including 0.50%	0.32%	6,483	22%	12%	853	68
Over 0.50% up to and including 0.85%	0.68%	20,307	22%	21%	4,606	369
Over 0.85% up to and including 3.26%	1.53%	12,969	24%	39%	5,310	425
Over 3.26% up to and including 7.76%	4.19%	1,510	25%	75%	1,201	96
Over 7.76% up to and including 99.99%	22.38%	931	25%	124%	1,221	97
Default PD Grade	100.00%	384	26%	-	-	-
Total Exposures Secured by Residential Mortgages	2.37%	42,584	23%	29%	13,191	1,055
Other Retail Exposures						
Less than and including 0.50%	0.42%	806	90%	59%	504	40
Over 0.50% up to and including 0.85%	0.50%	607	90%	65%	419	34
Over 0.85% up to and including 3.26%	1.65%	230	90%	110%	268	21
Over 3.26% up to and including 7.76%	6.56%	135	90%	138%	197	16
Over 7.76% up to and including 99.99%	21.54%	17	90%	207%	37	3
Default PD Grade	100.00%	5	90%	-	-	-
Total Other Retail Exposures	1.55%	1,800	90%	75%	1,425	114
Corporate Exposures – Small and Medium Enterprises						
Less than and including 0.20%	0.07%	117	47%	24%	29	2
Over 0.20% up to and including 0.50%	0.26%	2,475	32%	32%	851	68
Over 0.50% up to and including 1.00%	0.78%	4,535	32%	56%	2,671	214
Over 1.00% up to and including 2.30%	1.31%	567	29%	51%	304	24
Over 2.30% up to and including 99.99%	6.43%	3,197	33%	105%	3,552	285
Default PD Grade	100.00%	194	38%	300%	617	49
Total Corporate Exposures – Small and Medium Enterprises	4.05%	11,085	33%	68%	8,024	642
Other Corporate Exposures						
Less than and including 0.20%	0.08%	120	61%	34%	43	3
Over 0.20% up to and including 0.50%	0.27%	603	45%	44%	283	23
Over 0.50% up to and including 1.00%	0.66%	251	39%	57%	153	12
Over 1.00% up to and including 2.30%	1.41%	98	45%	90%	94	8
Over 2.30% up to and including 99.99%	8.25%	189	32%	109%	218	17
Default PD Grade	100.00%	1	53%	-	-	-
Total Other Corporate Exposures	1.69%	1,262	44%	59%	791	63

(1) Probability of Default
(2) Loss Given Default
(3) 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 six months ended 31 December 2011

11 Capital Adequacy (continued)

Unaudited
As at 31 December 2011

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 [(1)]	Value	EAD [(1)]
Sovereign Exposures	115	115	1,222	70
Bank Exposures	52	52	92,154	2,124
Exposures Secured by Residential Mortgages	5,221	5,221	-	-
Other Retail Exposures	1,058	1,058	-	-
Corporate Exposures – Small and Medium Enterprises	872	872	4,180	43
Other Corporate Exposures	424	424	689	15
	7,742	7,742	98,245	2,252

(1) Exposure at Default

	Consolidated					
LVR Range	**0%-60% $ millions**	**60.1%-70% $ millions**	**70.1%-80% $ millions**	**80.1%-90% $ millions**	**Exceeds 90% $ millions**	**Total $ millions**
RESIDENTIAL MORTGAGES BY LOAN-TO-VALUATION RATIO ("LVR")						
On Balance Sheet Exposures	11,303	6,997	11,668	4,119	3,276	37,363
Off Balance Sheet Exposures	2,222	930	1,155	267	647	5,221
Total Value of Exposures	13,525	7,927	12,822	4,386	3,923	42,584
Expressed as a Percentage of Total Exposures	31.8%	18.6%	30.1%	10.3%	9.2%	100%

Exposures included in the LVR calculation are residential mortgages subject to the IRB approach, including commitments to lend. The valuation used in the calculation of each LVR is based on the valuation of the associated residential property at the date of loan origination.

In accordance with RBNZ requirements the "Exceeds 90%" LVR range includes On Balance Sheet and Off Balance Sheet Exposures for which no LVR information is available. In prior years these exposures were allocated across the various ranges based on the LVR profile of On Balance Sheet Exposures.

Certain loans within the above table are insured by third parties. This Lender's Mortgage Insurance ("LMI") has not been taken into account in classifying the above exposures by LVR range.

Percentage of Exposures:						
With 100% LMI	0.7%	0.5%	0.8%	2.9%	0.6%	0.9%
With top 20% LMI	3.1%	4.5%	4.9%	16.4%	8.9%	5.8%

$ millions **As at**	**Consolidated 31-Dec-11**
Reconciliation of Mortgage-Related Amounts	
Housing Loans (refer to Note 5(d))	37,294
Add / (Less):	
Mortgages which are used for purposes other than Housing	75
Residential Mortgages in Advances to Customers (refer to Note 4)	37,369
Add / (Less):	
Off Balance Sheet Exposures	5,221
Unamortised Loan Establishment Fees	(14)
Fair Value Hedge Adjustment	8
Residential Mortgages in LVR Disclosure	42,584

Notes to the Financial Statements

For the six months ended 31 December 2011

11 Capital Adequacy (continued)

Unaudited
As at 31 December 2011

Balance Sheet Exposures Subject to the Slotting Approach	Consolidated Total Exposure after Credit Risk Mitigation $ millions	Risk Weight	Risk Weighted Exposures $ millions (1)	Minimum Pillar One Capital Requirement $ millions
SPECIALISED LENDING				
Strong	43	70%	32	3
Good	185	90%	176	14
Satisfactory	49	115%	59	5
Weak	-	250%	-	-
	277		267	22

Off Balance Sheet Exposures Subject to the Slotting Approach	Consolidated EAD $ millions	Average Risk Weight	Risk Weighted Exposures $ millions (1)	Minimum Pillar One Capital Requirement $ millions
Undrawn Commitments	3	92%	3	-
	3		3	-

Balance Sheet Exposures	Consolidated Total Exposure after Credit Risk Mitigation $ millions	Average Risk Weight	Risk Weighted Exposures $ millions (1)	Minimum Pillar One Capital Requirement $ millions
CREDIT RISK EXPOSURES SUBJECT TO THE STANDARDISED APPROACH				
Cash and Gold Bullion	96	0%	-	-
Residential Mortgages	2	35%	1	-
Other Assets	3,761	100%	3,986	319
Total Balance Sheet Exposures	3,859		3,987	319

	Consolidated Total Exposure or Principal Amount $ millions	Average Credit Conversion Factor	Credit Equivalent Amount $ millions	Average Risk Weight	Risk Weighted Exposures $ millions (1)	Minimum Pillar One Capital Requirement $ millions
Total Off Balance Sheet Exposures Subject to the Standardised Approach	85	100%	85	92%	83	7

	Consolidated Total Exposure $ millions	Risk Weight	Risk Weighted Exposures $ millions (1)	Minimum Pillar One Capital Requirement $ millions
EQUITY EXPOSURES				
Equity Holdings (not deducted from Capital) – Publicly Traded	1	300%	4	-

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

11 **Capital Adequacy** (continued)

Unaudited
As at 31 December 2011

$ millions	Total Exposure after Credit Mitigation	Consolidated Total Risk Weighted Exposures	Capital Requirement
TOTAL CREDIT RISK			
Exposures Subject to the Internal Models Approach	68,819	25,055	2,004
Specialised Lending Subject to the Slotting Approach	280	270	22
Exposures Subject to the Standardised Approach	3,944	4,070	326
Equity Exposures	1	4	-
Total Credit Risk	73,044	29,399	2,352

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.

CREDIT RISK MITIGATION

The Banking Group 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 31 December 2011 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 of the Banking Group.

As at 31 December 2011 the Implied Risk Weighted Exposure for Operational Risk was $2,500m and the Total Operational Risk Capital Requirement was $200m.

Notes to the Financial Statements

For the six months ended 31 December 2011

11 **Capital Adequacy** (continued)

Unaudited
As at 31 December 2011

MARKET RISK CAPITAL CHARGES

The Banking Group's aggregate market risk exposure is derived in accordance with the RBNZ document *Capital Adequacy Framework (Internal Models Based Approach)* (BS2B). The peak end of day exposure is derived by taking the highest market exposure over the six months ended 31 December 2011.

Interest rate risk and foreign exchange risk is calculated on a daily basis. Equity risk is calculated on a monthly basis (on the last working day of the month). For each category, the peak end of day market risk exposure may not have occurred at the same time.

Exposures as at 31 December 2011		**Consolidated**	
$ millions	**Interest Rate Risk**	**Foreign Currency Risk**	**Equity Risk**
Implied Risk Weighted Exposure	**1,484**	**35**	**1**
Aggregate Capital Charge	**119**	**3**	**-**

Peak Exposures for the Six Months Ended 31 December 2011		**Consolidated**	
$ millions	**Interest Rate Risk**	**Foreign Currency Risk**	**Equity Risk**
Implied Risk Weighted Exposure	**1,991**	**74**	**32**
Aggregate Capital Charge	**159**	**6**	**3**

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 BS12 *Guidelines on a Bank's Internal Capital Adequacy Assessment Process ("ICAAP")* in accordance with the Bank's Conditions of Registration. The Board of Directors is responsible for ensuring that the Banking Group has adequate overall capital in relation to its risk profile.

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 New Zealand and Bank 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 31 December 2011 and during the comparative periods shown the Banking Group held actual capital at significant levels above the regulatory capital requirements (refer to Basel II Capital ratios on page 17).

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 31 December 2011 internal capital allocations of $261m (31 December 2010 $270m) had been made for Other Material Risks including strategic risk and fixed asset risk.

CAPITAL ADEQUACY OF ULTIMATE PARENT BANK

The Ultimate Parent Bank of ASB Bank Limited is CBA. The Ultimate Parent Banking Group is CBA and the various companies and other entities owned and controlled by CBA.

In December 2007 the Australian Prudential Regulatory Authority ("APRA") granted "advanced" Basel II accreditation to the Ultimate Parent Banking Group. As a result of the accreditation, the advanced internal ratings based approach ("AIRB") for credit risk and the advanced measurement approaches ("AMA") for operational risk have been adopted in the calculation of the Ultimate Parent Banking Group's risk weighted exposures from 1 January 2008. Under New Zealand regulations, this methodology is referred to as the Basel II (internal models based) approach.

The Ultimate Parent Banking Group was also granted advanced accreditation for interest rate risk in the banking book ("IRRBB") in June 2008, with the accreditation taking effect from 1 July 2008.

Under the advanced accreditation the Ultimate Parent Banking Group is required to disclose additional information on a quarterly and a semi-annual basis. This information is made available to users via CBA's website (www.commbank.com.au), with the aim of allowing the market to better assess the Ultimate Parent Banking Group's risk and reward assessment process.

	Overseas Bank		**Overseas Banking Group**	
As at 31 December	**2011**	2010	**2011**	2010
Tier One Capital Expressed as a Percentage of Risk Weighted Exposures	**10.7%**	9.9%	**9.9%**	9.7%
Total Capital Expressed as a Percentage of Risk Weighted Exposures	**11.2%**	11.3%	**11.1%**	11.5%

The Overseas Bank and Overseas Banking Group's capital ratios during the reporting periods were in compliance with both APRA minimum capital adequacy requirements and the Board approved minimums.

12 **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.

$ millions	Retail and Business Banking	Commercial and Rural Banking	Consolidated Institutional Banking and Markets	Strategy, Payments and Products	Wealth Management	Services and Support	Total
13 Financial Reporting by Operating Segments							
For the Period Ended 31 December 2011 Unaudited							
Net Interest Earnings	**335**	**124**	**33**	**49**	**8**	**123**	**672**
Other Income	**96**	**9**	**29**	**3**	**27**	**38**	**202**
Total Operating Income	**431**	**133**	**62**	**52**	**35**	**161**	**874**
Segment Operating Income / (Expense) from External Customers	**614**	**305**	**28**	**203**	**22**	**(298)**	**874**
Segment Operating (Expense) / Income from Operating Segments	**(183)**	**(172)**	**34**	**(151)**	**13**	**459**	**-**
Segment Operating Expenses (excluding Impairment Losses)	**96**	**28**	**10**	**17**	**15**	**184**	**350**
Impairment Losses / (Recoveries) on Advances	**15**	**(3)**	**5**	**4**	**-**	**(7)**	**14**
Segment Net Profit / (Loss) before Taxation	**320**	**108**	**47**	**31**	**20**	**(16)**	**510**
Taxation	**90**	**30**	**13**	**9**	**6**	**(10)**	**138**
Segment Net Profit / (Loss) after Taxation	**230**	**78**	**34**	**22**	**14**	**(6)**	**372**
Total Assets	**31,024**	**13,524**	**3,245**	**6,475**	**839**	**10,344**	**65,451**
For the Period Ended 31 December 2010 Unaudited							
Net Interest Earnings	307	119	30	47	8	111	622
Other Income	86	11	32	28	29	(19)	167
Total Operating Income	393	130	62	75	37	92	789
Segment Operating Income / (Expense) from External Customers	639	353	28	259	28	(518)	789
Segment Operating (Expense) / Income from Operating Segments	(246)	(223)	34	(184)	9	610	-
Segment Operating Expenses (excluding Impairment Losses)	93	24	9	20	17	186	349
Impairment Losses / (Recoveries) on Advances	23	12	2	5	-	(6)	36
Segment Net Profit / (Loss) before Taxation	277	94	51	50	20	(88)	404
Taxation	83	28	16	15	6	(27)	121
Segment Net Profit / (Loss) after Taxation	194	66	35	35	14	(61)	283
Total Assets	30,558	13,659	2,063	7,152	827	9,237	63,496

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

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

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

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

Strategy, Payments and Products: The Strategy, Payments 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 function.

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

The basis of segmentation has changed since the last annual report as a result of internal restructure. The Commercial and Rural Banking Segment and the Wealth Management Segment are new segments which have resulted from the split of the previous Relationship Banking Segment.

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.

$ millions	Up to 3 Months	Over 3 Months and up to 6 Months	Over 6 Months and up to 1 Year	Consolidated Over 1 Year and up to 2 Years	Over 2 Years	Non-interest Bearing	Total

14 Risk Management

Interest Rate Repricing Schedule

The following tables include the Banking Group's assets and liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The carrying amounts of derivative financial instruments, which are principally used to reduce the Banking Group's exposure to interest rate movements, are included under the heading "Non-interest Bearing".

As at 31 December 2011
Unaudited

$ millions	Up to 3 Months	Over 3 Months and up to 6 Months	Over 6 Months and up to 1 Year	Over 1 Year and up to 2 Years	Over 2 Years	Non-interest Bearing	Total
Assets							
Cash and Liquid Assets	3,576	-	39	-	-	215	3,830
Due from Financial Institutions	259	-	-	-	-	-	259
Assets at Fair Value through Income Statement:							
Trading Securities	1,951	43	216	179	151	-	2,540
Other	19	-	-	-	-	1	20
Derivative Assets	-	-	-	-	-	2,218	2,218
Available for Sale Securities	1,058	663	532	362	848	1	3,464
Advances to Customers	39,132	2,511	4,373	4,510	2,161	(193)	52,494
Other Assets	-	-	-	-	-	626	626
Total Assets	45,995	3,217	5,160	5,051	3,160	2,868	65,451
Liabilities							
Deposits from Customers	25,861	6,918	2,553	697	1,064	2,160	39,253
Due to Financial Institutions	6,605	-	-	-	-	-	6,605
Liabilities at Fair Value through Income Statement	946	15	9	-	-	-	970
Derivative Liabilities	-	-	-	-	-	2,169	2,169
Other Liabilities	-	-	-	-	-	456	456
Debt Issues:							
At Fair Value through Income Statement	2,822	1,862	-	-	-	-	4,684
At Amortised Cost	3,183	50	50	1,076	2,187	112	6,658
Subordinated Debt	250	-	370	-	-	15	635
Total Liabilities	39,667	8,845	2,982	1,773	3,251	4,912	61,430
Lending Commitments	(333)	(14)	(1)	44	304		
Net Derivative Notional Principals	2,468	(766)	(3,711)	(795)	2,804		

$ millions As at	Consolidated Unaudited 31-Dec-11
Core Liquid Assets	
The Banking Group holds the following financial assets for the purpose of managing liquidity risk:	
Cash	215
Call Deposits with the Central Bank	1,470
Treasury Bills	1,995
New Zealand Government Securities	886
Bank Bills	1,757
Kauri Bonds	547
Other Liquid Assets	2,153
Residential Mortgage Backed Securities	2,618
Total Core Liquid Assets	11,641

Notes to the Financial Statements

For the six months ended 31 December 2011

14 Risk Management (continued)

$ millions	On Demand	Within 6 Months	Between 6-12 Months	Between 1-2 Years	Between 2-5 Years	Over 5 Years	Total	Carrying Value
	Consolidated							
Maturity Analysis for Undiscounted Contractual Cash Flows								

The table below presents the Banking Group's cash flows by remaining contractual maturities as at balance date. The amounts disclosed in the table are the contractual undiscounted cash flows and include principal and future interest cash flows, and therefore will not agree to the carrying values on the Balance Sheet.

Actual cash flows may differ significantly from the contractual cash flows presented below as a result of future actions of the Banking Group and its counterparties, such as early repayments or refinancing of term loans.

The majority of the longer term Advances to Customers are housing loans which are likely to be repaid earlier than their contractual terms. Deposits from customers include substantial customer savings deposits and cheque accounts, which are at call. History demonstrates that such accounts provide a stable source of long term funding for the Bank. It should be noted that the Banking Group does not manage its liquidity risk on the basis of the information below.

$ millions	On Demand	Within 6 Months	Between 6-12 Months	Between 1-2 Years	Between 2-5 Years	Over 5 Years	Total	Carrying Value
As at 31 December 2011								
Unaudited								
Non-derivative Financial Assets								
Cash and Liquid Assets	1,754	2,036	40	-	-	-	3,830	3,830
Due from Financial Institutions	259	-	-	-	-	-	259	259
Assets at Fair Value through Income Statement:								
Trading Securities	-	1,939	203	231	170	19	2,562	2,540
Other	-	20	1	-	-	-	21	20
Available for Sale Securities	-	1,453	580	541	845	178	3,597	3,464
Advances to Customers	1,338	9,411	5,870	4,692	8,877	47,332	77,520	52,494
Other Assets	-	145	26	-	-	-	171	171
Total Non-derivative Financial Assets	3,351	15,004	6,720	5,464	9,892	47,529	87,960	62,778
Derivative Financial Assets								
Inflows from Derivatives	-	1,991	165	281	315	19	2,771	
Outflows from Derivatives	-	(101)	(84)	(146)	(210)	(17)	(558)	
	-	1,890	81	135	105	2	2,213	
Non-derivative Financial Liabilities								
Deposits from Customers	16,435	18,720	2,560	735	744	6	39,200	39,253
Due to Financial Institutions	284	14	1,902	389	4,109	-	6,698	6,605
Liabilities at Fair Value through Income Statement	-	975	10	-	-	-	985	970
Other Liabilities	43	373	40	-	-	-	456	456
Debt Issues:								
At Fair Value through Income Statement	-	4,628	65	-	-	-	4,693	4,684
At Amortised Cost	-	2,852	143	1,478	1,661	660	6,794	6,658
Subordinated Debt	-	266	381	-	-	-	647	635
Total Non-derivative Financial Liabilities	16,762	27,828	5,101	2,602	6,514	666	59,473	59,261
Derivative Financial Liabilities								
Inflows from Derivatives	-	164	113	535	120	25	957	
Outflows from Derivatives	-	(2,074)	(186)	(648)	(181)	(31)	(3,120)	
	-	(1,910)	(73)	(113)	(61)	(6)	(2,163)	
Off Balance Sheet Items								
Lending Commitments	7,881	146	114	87	53	28	8,309	
Guarantees	50	2	1	4	7	6	70	
Other Contingent Liabilities	216	2	1	1	2	-	222	
	8,147	150	116	92	62	34	8,601	

Notes to the Financial Statements

For the six months ended 31 December 2011

14 Risk Management (continued)

$ millions As at	Consolidated Unaudited 31-Dec-11
Concentrations of Funding	

The following tables present the Banking Group's Concentrations of Funding, which are reported by industry and geographic region. Total Funding comprises Due to Financial Institutions, Liabilities at Fair Value through Income Statement, Deposits from Customers, Debt Issues and Subordinated Debt and is presented at its carrying value.

ANZSIC codes have been used as the basis for disclosing industry sectors.

Total Funding comprises:	
Deposits from Customers	**39,253**
Due to Financial Institutions	**6,605**
Liabilities at Fair Value through Income Statement	**970**
Debt Issues:	
At Fair Value through Income Statement	**4,684**
At Amortised Cost	**6,658**
Subordinated Debt	**635**
Total Funding	**58,805**
Concentration by Industry	
Agricultural, Forestry and Fishing	**639**
Government and Public Authorities	**706**
Financial, Investments and Insurance	**27,165**
Utilities	**169**
Transport and Storage	**130**
Personal	**26,706**
Other Commercial and Industrial	**3,290**
Total Funding by Industry	**58,805**
Concentration by Geographic Region	
New Zealand	**43,384**
Overseas	**15,421**
Total Funding by Geographic Region	**58,805**

15 Events after the Reporting Period

On 8 February 2012 the Directors resolved to pay, on 15 February 2012, Perpetual Preference Dividends of $4m (0.70 cents per share).

On 8 February 2012 the Directors resolved to pay, on 22 February 2012, an Ordinary Dividend of $160m (7.12 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 six months ended 31 December 2011:

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

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

- the Disclosure Statement contains all the information required by the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order (No 4) 2011; and
- the Disclosure Statement is not false or misleading.

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

G.R. Walker

B.J. Chapman

J.P. Hartley

R.D. Jesudason

J.P. Ling

G.L. Mackrell

R.M. McEwan

23 February 2012

Independent Accountant's Report

To the shareholder of ASB Bank Limited

Report on the financial statements

We have reviewed pages 4 to 26 of the half year Disclosure Statement of ASB Bank Limited (the "Bank") and the entities it controlled at 31 December 2011 or from time to time during the period (the "Banking Group"), which consists of the financial statements required by Clause 25 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order (No 4) 2011 (the "Order") and the supplementary information required by Schedules 5, 7, 11, 13, 16 and 18 of the Order. The financial statements comprise the balance sheet as at 31 December 2011, the income statement, statement of comprehensive income, statement of changes in equity and condensed cash flow statement for the six months then ended, and the notes to the financial statements that include a statement of accounting policies and other explanatory information for the Banking Group.

Directors' Responsibility for the Financial Statements

The Directors of ASB Bank Limited (the "Directors") are responsible for the half year Disclosure Statement, which includes financial statements prepared in accordance with Clause 25 of the Order and that present fairly the financial position of the Banking Group as at 31 December 2011, and its financial performance and cash flows for the period ended on that date.

In addition, the Directors are responsible for including supplementary information in the half year Disclosure Statement which complies with Schedules 3, 5, 7, 11, 13, 16 and 18 of the Order.

Accountant's Responsibility

We are responsible for reviewing the financial statements and the supplementary information, disclosed in accordance with Clause 25 and Schedules 5, 7, 11, 13, 16 and 18 of the Order and presented to us by the Directors.

We are responsible for reviewing the financial statements (excluding the supplementary information) in order to report to you whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the financial statements have not been prepared, in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting.

We are responsible for reviewing the supplementary information (excluding the supplementary information relating to capital adequacy) in order to report to you whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information does not fairly state the matters to which it relates in accordance with Schedules 5, 7, 13, 16 and 18 of the Order.

We are responsible for reviewing the supplementary information relating to capital adequacy in order to report to you whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information is not in all material respects:

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Independent Accountant's Report (continued)

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(a) prepared in accordance with the Bank's Conditions of Registration;

(b) prepared in accordance with the Bank's internal models for credit risk and operational risk as accredited by the Reserve Bank of New Zealand; and

(c) disclosed in accordance with Schedule 11 of the Order.

A review is limited primarily to enquiries of the Banking Group's personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit on the financial statements and, accordingly, we do not express an audit opinion.

We have reviewed the financial statements of the Banking Group for the six months ended 31 December 2011 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants.

We carry out other assignments on behalf of the Banking Group in the areas of taxation and other assurance services. In addition, certain partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of trading activities of the Banking Group. These matters have not impaired our independence as auditors of the Banking Group. We have no other interests in the Banking Group.

Opinion

Based on our review nothing has come to our attention that causes us to believe that:

(a) the financial statements on pages 4 to 26 (excluding the supplementary information disclosed in Notes 2, 3, 5, 9, 11, 12 and 14), which have been prepared in all material respects in accordance with New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting, do not present fairly the financial position of the Banking Group as at 31 December 2011 and its financial performance and cash flows for the six months ended on that date;

(b) the supplementary information disclosed in Notes 2, 3, 5, 9, 12 and 14 prescribed by Schedules 5, 7, 13, 16 and 18 of the Order, does not fairly state the matters to which it relates in accordance with those Schedules; and

(c) the supplementary information relating to capital adequacy disclosed in Note 11 prescribed by Schedule 11 of the Order, is not, in all material respects:

    i. prepared in accordance with the Bank's Conditions of Registration;

    ii. prepared in accordance with the Bank's internal models for credit risk and operational risk as accredited by the Reserve Bank of New Zealand; and

    iii. disclosed in accordance with Schedule 11 of the Order.

Restriction on Distribution or Use

This report is made solely to the Bank's shareholder. Our review work has been undertaken so that we might state to the Bank's shareholder those matters which we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's shareholder for our review procedures, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants — Auckland

23 February 2012

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