ASB General Disclosure Statement

ANNUAL REPORT 2007

ASB

For the year ended

30 June 2007

Contents

1	Consolidated Performance in Brief
2 - 3	Performance Overview
4 - 6	Corporate Governance
7	Directors' Responsibility Statement
8	Historical Summary of Consolidated Financial Statements
9	Income Statement
10	Statement of Recognised Income and Expense
11	Balance Sheet
12	Cash Flow Statement
13 - 61	Notes to the Financial Statements
13 - 20	1 Statement of Accounting Policies
21	2 Interest Income
21	3 Interest Expense
21	4 Discontinued Activities
21	5 Other Income
22	6 Operating Expense Disclosures
22	7 Auditor's Remuneration
22	8 Taxation
22	9 Dividends
23	10 Cash and Call Deposits with the Central Bank
23	11 Advances at Fair Value through Profit or Loss
23	12 Securities
24 - 25	13 Derivative Financial Instruments
26	14 Advances to Customers
26	15 Provisions for Impairment Loss
26	16 Due from Associates and Subsidiaries
27	17 Investments in Associates and Subsidiaries
28	18 Other Assets
28 - 29	19 Property, Plant and Equipment
30	20 Intangible Assets
31	21 Deposits and Other Borrowings at Fair Value through Profit or Loss
31	22 Deposits from Customers
31	23 Other Liabilities
32	24 Deferred Taxation (Liability) / Benefit
32	25 Subordinated Debt
33	26 Contributed Capital
34	27 Asset Revaluation Reserves
34	28 Cash Flow Hedge Reserves
34	29 Retained Earnings
34	30 Reconciliation of Net Profit after Taxation to Net Cash Flows from Operating Activities
35	31 Reconciliation of Cash and Cash Equivalents to the Balance Sheet
35	32 Imputation and Policyholder Credit Accounts
36 - 38	33 Related Party Transactions and Balances
39	34 Directors and Key Management Personnel
40	35 Credit and Capital Commitments, and Contingent Liabilities
41	36 Leasing and Other Commitments
41	37 Material Foreign Currency Balances
42	38 Fair Value of Financial Instruments
43 - 44	39 Interest Rate Repricing Schedule
45 - 46	40 Maturity Analysis
47 - 51	41 Capital Adequacy
52	42 Concentrations of Credit Exposures
53	43 Concentrations of Funding
54	44 Asset Quality
55	45 Concentration of Credit Exposures to Individual Counterparties
56	46 Credit Exposures to Connected Persons and Non-bank Connected Persons
57	47 Securitisation, Funds Management, Other Fiduciary Activities and the Marketing and Distribution of Insurance Products
58	48 Financial Reporting by Segments
59 - 61	49 Risk Management Policies
61	50 Events after the Balance Sheet Date
62 - 65	Additional Disclosures
66	Directors' Statement
67 - 68	Auditor's Report
69 - 70	Directory

Consolidated Performance in Brief

For the year ended 30 June	**NZ IFRS 2007**	NZ IFRS 2006	NZ IFRS 2005	Previous NZ GAAP 2004	Previous NZ GAAP 2003
INCOME STATEMENT ($ MILLIONS)					
Interest Income	**3,816**	3,210	2,682	2,099	1,899
Interest Expense	**2,926**	2,406	1,906	1,411	1,282
Net Interest Earnings	**890**	804	776	688	617
Other Income	**420**	344	268	249	234
Total Operating Income	**1,310**	1,148	1,044	937	851
Impairment Losses on Advances	**18**	19	16	21	25
Total Operating Income after Impairment Losses	**1,292**	1,129	1,028	916	826
Total Operating Expenses	**533**	495	470	446	407
Net Profit before Taxation	**759**	634	558	470	419
Taxation	**227**	194	179	153	141
Net Profit after Taxation	**532**	440	379	317	278
BALANCE SHEET ($ MILLIONS)					
Total Assets	**52,893**	44,568	38,796	33,048	27,538
Advances (includes Money Market Advances and Advances to Customers before Collective Provision for Impairment)	**45,204**	39,034	34,978	28,789	22,297
Collective Provision	**84**	79	123	108	89
Specific Provisions	**7**	1	9	9	10
Total Liabilities	**49,773**	41,879	36,527	31,452	26,228
Deposits (includes Money Market Deposits, Deposits from Customers and Amounts Due to Other Banks)	**47,792**	41,066	36,050	30,832	25,621
SHAREHOLDER'S EQUITY ($ MILLIONS)					
Shareholder's Equity at End of Year	**3,120**	2,689	2,269	1,596	1,310
Dividends: Ordinary	**825**	860	43	25	195
Perpetual Preference	**31**	30	16	10	6
PERFORMANCE					
Return on Ordinary Shareholder's Equity	**21.3%**	21.3%	23.3%	24.5%	25.4%
Return on Total Average Assets	**1.1%**	1.1%	1.1%	1.1%	1.1%
Net Interest Margin as a Percentage of Total Average Assets	**1.8%**	1.9%	2.2%	2.3%	2.4%
Total Operating Expenses as a Percentage of Total Operating Income	**40.7%**	43.1%	45.0%	47.6%	47.9%
Growth in Total Assets	**18.7%**	14.9%	17.4%	20.0%	13.6%
PRUDENTIAL					
Shareholder's Equity as a Percentage of Total Assets	**5.9%**	6.0%	5.8%	4.8%	4.8%
Tier One Capital as a Percentage of Total Risk Weighted Exposures	**9.0%**	9.8%	9.6%	8.2%	8.1%
Total Capital as a Percentage of Total Risk Weighted Exposures	**10.5%**	10.6%	10.2%	10.2%	10.3%

> Performance Overview

ASB Records Strong Result in Competitive Market

ASB countered a slowing New Zealand economy and a competitive market by focusing on both customer service and writing quality business across all segments, albeit at 'sharper' margins.

The Bank's result was positive and strong, with an increased net profit after tax of $480m for the financial year ending 30 June 2007, up 9% on the prior year (after excluding accounting gains arising from the application of NZ IAS 39 - Financial Instruments: Recognition and Measurement).

ASB has evolved from being a modest, regional savings bank with assets of less than $2 billion back in 1988 to the nationally operating, full service financial institution it is today. Despite slowing financial service industry growth, Total Assets grew by 19% to $52.9 billion, exceeding $50 billion for the first time. This is a fine milestone for ASB to achieve in its 160th anniversary year.

The Bank has continued to focus on customer service, writing quality business and being extremely competitive across the entire corporate, business, rural and personal banking range of products.

Reflecting the competitive environment, average net interest margin declined from 1.93% to 1.83%. This has given some relief to customers from the effects of higher interest rates.

Non-interest income was steady at $343m, a reflection of both increased business levels and ASB customers benefiting from the new transaction account offerings launched during the year. Increased use of Treasury products by ASB's Corporate, Business and Rural customers also contributed to this result.

At the same time as growing the business, ASB continued to focus on efficiency, the ratio of operating expenses to operating income remaining steady at 43%.

Impairment losses were slightly below 2006 levels and, at $18m, continue to reflect the strong focus on credit management and the high quality of ASB's loan book.

Over the past 12 months ASB continued to hold its significant share of the housing loan market, advancing a net $4.15 billion to home buyers, while deposits increased by 16% to $47.8 billion at year end.

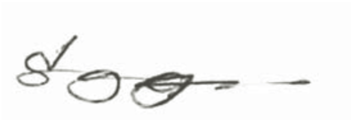
FastSaver, ASB's on-line savings account, passed another milestone in January 2007 with $4 billion of deposits and account numbers growing to over 300,000.

This year also marks the 10th anniversary of ASB's introduction of New Zealand's first internet banking service – Fastnet. Over the past decade Fastnet Classic has attracted more than 500,000 customers and processed more than 450 million transactions.

During the year ASB opened four new branches – in Masterton, Newmarket (Auckland), Papamoa (Mt Maunganui) and the Remarkables (Queenstown). SmartPhones, PDAs and Pago were also added to ASB's line-up of technology based services.

Performance Overview

The Bank has commenced its new financial year with the launch of ASB Kiwisaver to New Zealand investors and initial interest has been strong. ASB Kiwisaver offers a diversified range of investment options for retirement, and is managed by ASB Group Investments Limited.



G.J. Judd Q.C.
Chairman
ASB Bank Limited

15 August 2007

Corporate Governance

The Board of ASB Bank Limited (the “Bank”) places great importance on the governance of the Bank. Performance and compliance are both essential for good governance.

Reviews of the Board’s performance and its policies and practices are carried out annually. These reviews identify where improvements can be made, and also assess the quality and effectiveness of the industry and company information made available to Directors.

The principal features of the Bank’s corporate governance are:

- The Audit Committee consists only of non-Executive Directors.
- The Managing Director does not participate in deliberations of either the Board or the Executive Appointments and Remuneration Committee affecting his position, remuneration or performance.
- There is an established criteria for the appointment of new Directors and external consultants are engaged in the search for new independent Directors.
- In terms of Section 74 of the Reserve Bank of New Zealand Act 1989, the conditions of registration for the Bank include:
  - the Board must have at least two independent Directors;
  - the Chairperson must not be an employee of the Bank;
  - the Bank’s Directors must at all times act in the best interests of the Bank when exercising powers or performing duties as a Director;
  - 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 the Reserve Bank of New Zealand has been supplied with the person’s Curriculum Vitae and the Reserve Bank of New Zealand has advised it has no objection to the appointment;
  - a substantial proportion of the Bank’s business must be conducted in and from New Zealand; and
  - exposures to connected persons cannot be on more favourable terms than corresponding exposures to non-connected persons.

  The Bank complies with these requirements.
- New Directors are invited to participate in an induction programme. They also regularly consider issues, trends and challenges relevant to the Bank, the financial services industry and the economy.
- Non-Executive Directors do not participate in any of the Bank’s incentive plans.

The philosophy underlying the approach to corporate governance is consistent with the ethical standards required of all employees of the Bank.

COMMITTEES OF THE BOARD

The Board has delegated specific powers and responsibilities to Board and management committees. The decisions made by all Board committees are advised to the full Board. Management committees always recommend key decisions to the Board for approval.

There are three permanent Board committees – Audit, Risk and Executive Appointments & Remuneration. Other committees are formed to carry out specific delegated tasks when required.

A non-Executive Director chairs each committee.

Corporate Governance

AUDIT COMMITTEE

The Audit Committee assists the Board in carrying out its responsibilities under the Companies Act 1993 and the Financial Reporting Act 1993 with respect to accounting standards, practices, policies and controls relative to the Bank's financial position.

Members of the Audit Committee are Messrs J.M.R. Syme (Chairman), R. Boven, D.M. Elder, J.P. Hartley and G.L. Mackrell.

The Charter of the Audit Committee incorporates a number of requirements to ensure the Committee is independent and effective. The Audit Committee's authority and responsibilities are to:

> Meet with appropriate personnel, obtain records, and discuss the Bank's statutory and financial responsibilities relating to the reporting of financial information and internal controls.

> Independently review the financial information prepared by management.

> Review accounting policies to ensure compliance with current laws, regulations and accounting standards.

> Consider significant financial reporting issues and judgments made in connection with the preparation of the financial statements.

> Review assurances on the effectiveness of internal control systems.

> Recommend to the shareholder the appointment and removal of the external auditor.

> Oversee and appraise the independence, effectiveness and scope of the internal and external auditors' work.

> Report to the full Board on its deliberations.

The Board has in place policies governing the nature of non-audit work which cannot be undertaken by the Bank's auditor for the Bank or its subsidiaries. There are also procedures in place governing the pre-approval of all non-audit work. The objective of these approvals is to avoid prejudicing the independence of the auditor and to prevent their developing undue reliance on revenue from the Bank. The policy ensures that the auditor does not:

- assume the role of management;
- become an advocate for their own client; or
- audit their own professional expertise.

Under the policy the auditor will not provide the following services:

- bookkeeping or services relating to accounting records;
- appraisal or valuation and fairness opinions;
- advice on deal structuring and related documentation;
- tax planning and strategic advice;
- actuarial advisory services;
- executive recruitment or extensive human resource functions;
- acting as a broker-dealer, promoter or underwriter; or
- legal services.

> The Bank's external auditor carries out audits across the Commonwealth Bank of Australia Group of companies, including ASB Bank Limited. Commonwealth Bank of Australia requires that the partner managing the external audit is changed within a period of five years.

Corporate Governance

RISK COMMITTEE

The responsibilities of the Risk Committee encompass approving and reviewing the management of and monitoring of the Bank's credit, market and operational and compliance risk.

All Directors are members of the Risk Committee.

In respect of credit risk, the Committee ensures that the Bank has in place and maintains credit policies and underwriting standards designed to achieve portfolio outcomes consistent with the Bank's risk / return expectations. This includes:

> Approving and reviewing the Bank's risk management framework.

> Reviewing and adjusting where appropriate the Bank's credit portfolios according to established parameters, including concentration, duration and expected returns and losses.

> Approving the structure of delegated authorities to management for credit approval, review, provisioning and write-offs, and approving individual credits in excess of such delegations.

> Considering and approving the provisioning and write-off amounts each half year.

The Risk Committee also approves and reviews the risk management framework and policies for market risks, including currency, funding, interest rate, equity and liquidity risks, and monitors exposures relative to approved management authorities. New areas of market risk exposure are reviewed by the Committee and management procedures approved.

The Risk Committee's responsibilities in relation to operational and compliance risks include:

> The approval and review of the risk management framework and policies.

> Remaining informed on the Bank's operational risk and regulatory compliance risk practices and procedures, including processes to identify new areas of risk or exposure.

> Reviewing the Bank's large operational and strategic business risk exposures, the economic equity allocated to operational risk, and business units' implementation of the risk management framework.

> Reviewing any compliance breaches and management actions taken.

EXECUTIVE APPOINTMENTS & REMUNERATION COMMITTEE

The Executive Appointments & Remuneration Committee makes recommendations to the Board concerning the appointment and remuneration of the Managing Director and his direct reports.

Members of the Executive Appointments & Remuneration Committee are Messrs G.J. Judd (Chairman), G.H. Burrett, L.G. Cupper and G.L. Mackrell.

Remuneration for the Bank's Executives is determined after taking external advice to ensure competitive remuneration packages are in place to attract and retain competent and high-calibre people.

Incentive payments for Executives are directly related to performance and depend on the extent to which strategic and operating targets set at the beginning of the financial year are achieved.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Bank has effected liability insurance for the Directors and Officers of the Bank and its subsidiaries.

Directors' Responsibility Statement

The Directors are required by the Financial Reporting Act 1993 to prepare financial statements for the accounting period which comply with Generally Accepted Accounting Practice ("GAAP") and provide such additional information as required to present a true and fair view of the financial affairs of the Company and Group.

The Directors are required by the Companies Act 1993 to ensure that proper accounting records have been kept, which enable with reasonable accuracy, the determination of the financial position of the Company and Group.

The Directors have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and Group and to prevent and detect fraud and other irregularities.

The Directors have pleasure in presenting the financial statements and general disclosures of ASB Bank Limited and its subsidiaries for the year ended 30 June 2007.

For, and on behalf of, the Board of Directors, which authorised the issue of the financial statements on 7 August 2007.

G.J. Judd Q.C.
Chairman

G.H. Burrett
Managing Director

7 August 2007

>

Historical Summary of Consolidated Financial Statements

$ millions *For the year ended 30 June*	**NZ IFRS Audited 2007**	NZ IFRS Audited 2006	NZ IFRS Audited 2005	Previous NZ GAAP Audited 2004	Previous NZ GAAP Audited 2003
INCOME STATEMENT					
Interest Income	**3,816**	3,210	2,682	2,099	1,899
Interest Expense	**2,926**	2,406	1,906	1,411	1,282
Net Interest Earnings	**890**	804	776	688	617
Other Income	**420**	344	268	249	234
Total Operating Income	**1,310**	1,148	1,044	937	851
Impairment Losses on Advances	**18**	19	16	21	25
Total Operating Income after Impairment Losses	**1,292**	1,129	1,028	916	826
Total Operating Expenses	**533**	495	470	446	407
Net Profit before Taxation	**759**	634	558	470	419
Taxation	**227**	194	179	153	141
Net Profit after Taxation	**532**	440	379	317	278
Ordinary Dividends	**825**	860	43	25	195
Perpetual Preference Dividends	**31**	30	16	10	6
(Loss) / Profit Retained	**(324)**	(450)	320	282	77
Of which Impaired Asset Expense / (Recovery)	**8**	(1)	(1)	(1)	1

$ millions *As at 30 June*	**NZ IFRS Audited 2007**	NZ IFRS Audited 2006	NZ IFRS Audited 2005	Previous NZ GAAP Audited 2004	Previous NZ GAAP Audited 2003
BALANCE SHEET					
Total Assets	**52,893**	44,568	38,796	33,048	27,538
Of which Impaired Assets	**10**	5	32	26	32
Total Liabilities	**49,773**	41,879	36,527	31,452	26,228
Total Shareholder’s Equity	**3,120**	2,689	2,269	1,596	1,310

Income Statement

$ millions		Consolidated		Parent	
For the year ended 30 June	Note	**2007**	2006	**2007**	2006
Interest Income	2	**3,816**	3,210	**3,756**	3,137
Interest Expense	3	**2,926**	2,406	**2,935**	2,405
Net Interest Earnings		**890**	804	**821**	732
Other Income	5	**420**	344	**419**	355
Total Operating Income		**1,310**	1,148	**1,240**	1,087
Impairment Losses on Advances	15	**18**	19	**18**	19
Total Operating Income after Impairment Losses		**1,292**	1,129	**1,222**	1,068
Total Operating Expenses	6	**533**	495	**539**	482
Salaries and Other Staff Expenses		**314**	276	**309**	271
Building Occupancy and Equipment Expenses		**91**	85	**89**	83
Information Technology Expenses		**50**	50	**49**	49
Other Expenses		**78**	84	**92**	79
Net Profit before Taxation		**759**	634	**683**	586
Taxation	8	**227**	194	**196**	161
Net Profit after Taxation		**532**	440	**487**	425

Interest Rate Swaps which are transacted as economic hedges of interest rate risk, but which do not qualify for hedge accounting under NZ IAS 39 *Financial Instruments: Recognition and Measurement*, are accounted for at fair value. Changes in the fair value of these swaps are reflected in the Income Statement immediately when they occur. This can create an accounting inconsistency, as changes in the fair value of the swaps cannot be offset against changes in the fair value or cash flows attributable to the underlying transaction.

Other Income for the year ended 30 June 2007 included an unrealised gain of $77m before income tax from such swaps. At current interest rates this unrealised gain is expected to reverse over the next 2.5 years, being the average term of the swaps.

These statements are to be read in conjunction with the notes on pages 13 to 61 and the Auditor's Report on pages 67 and 68.

Statement of Recognised Income and Expense

$ millions *For the year ended 30 June*	Note	Consolidated **2007**	 2006	Parent **2007**	 2006
Items Recognised Directly in Equity					
Movement in Asset Revaluation Reserves	27	**4**	5	**4**	5
Net Change in Cash Flow Hedge Reserves	28	**201**	12	**201**	12
Net Income Recognised Directly in Equity		**205**	17	**205**	17
Net Profit after Taxation		**532**	440	**487**	425
Total Recognised Income and Expenses		**737**	457	**692**	442

These statements are to be read in conjunction with the notes on pages 13 to 61 and the Auditor's Report on pages 67 and 68.

Balance Sheet

$ millions		Consolidated		Parent	
As at 30 June	Note	**2007**	2006	**2007**	2006
ASSETS					
Cash and Call Deposits with the Central Bank	10	**3,013**	911	**3,012**	911
Due from Other Banks	11	**1,126**	834	**1,115**	740
Money Market Advances	11	**2,264**	966	**2,264**	966
Securities	12	**2,437**	3,021	**1,450**	2,333
Derivative Assets	13	**761**	511	**651**	495
Advances to Customers	14	**42,856**	37,989	**42,743**	37,800
Due from Associates and Subsidiaries	16	**-**	-	**870**	594
Investments in Associates and Subsidiaries	17	**-**	-	**379**	412
Current Taxation Asset		**38**	-	**38**	-
Other Assets	18	**203**	164	**180**	142
Property, Plant and Equipment	19	**159**	152	**148**	141
Intangible Assets	20	**36**	20	**36**	20
Total Assets		**52,893**	44,568	**52,886**	44,554
Total Interest Earning and Discount Bearing Assets		***51,658***	*43,682*	***51,411***	*43,281*
Financed by:					
LIABILITIES					
Due to Other Banks	21	**5,935**	5,531	**5,935**	5,529
Money Market Deposits	21	**17,334**	14,390	**10,076**	14,390
Derivative Liabilities	13	**984**	241	**984**	221
Deposits from Customers	22	**24,523**	21,145	**24,523**	21,145
Due to Associates and Subsidiaries		**-**	-	**7,502**	212
Current Taxation Liability		**-**	15	**-**	15
Other Liabilities	23	**412**	361	**401**	351
Deferred Taxation Liability	24	**134**	13	**133**	13
Subordinated Debt	25	**451**	183	**451**	183
Total Liabilities		**49,773**	41,879	**50,005**	42,059
SHAREHOLDER'S EQUITY					
Contributed Capital – Ordinary Shareholder	26	**1,563**	1,013	**1,563**	1,013
Asset Revaluation Reserves	27	**27**	23	**24**	20
Cash Flow Hedge Reserves	28	**251**	50	**251**	50
Retained Earnings	29	**729**	1,053	**493**	862
Ordinary Shareholder's Equity		**2,570**	2,139	**2,331**	1,945
Contributed Capital – Perpetual Preference Shareholder	26	**550**	550	**550**	550
Total Shareholder's Equity		**3,120**	2,689	**2,881**	2,495
Total Liabilities and Shareholder's Equity		**52,893**	44,568	**52,886**	44,554
Total Interest and Discount Bearing Liabilities		***46,277***	*39,852*	***46,268***	*39,874*

These statements are to be read in conjunction with the notes on pages 13 to 61 and the Auditor's Report on pages 67 and 68.

Cash Flow Statement

$ millions *For the year ended 30 June*	Note	Consolidated 2007	 2006	Parent 2007	 2006
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest Received		**3,838**	3,203	**3,777**	3,133
Other Income Received		**58**	329	**76**	231
Dividends Received		**4**	5	**4**	22
Interest Paid		**(2,786)**	(2,291)	**(2,785)**	(2,237)
Operating Expenses		**(499)**	(451)	**(506)**	(439)
Net Taxation Paid		**(140)**	(182)	**(121)**	(149)
Payments to Related Parties for Tax Related Items		**(104)**	(7)	**(99)**	(1)
Cash Flows from Operating Profits before Changes in Operating Assets and Liabilities		**371**	606	**346**	560
Changes in Operating Assets and Liabilities					
Net (Increase) / Decrease in Money Market Advances		**(1,928)**	829	**(1,928)**	829
Net Increase in Due from Other Banks (Term)		**(259)**	(661)	**(342)**	(569)
Net Increase in Advances to Customers		**(4,930)**	(5,245)	**(5,006)**	(5,401)
Net Decrease / (Increase) in Trading Securities		**868**	(174)	**868**	(174)
Net Increase in Customer Deposits		**3,377**	2,767	**3,377**	2,767
Net Increase / (Decrease) in Money Market Deposits		**4,787**	504	**(2,845)**	504
Net Increase in Due to Other Banks (Term)		**383**	1,402	**385**	1,403
Cash Flows from Operating Assets and Liabilities		**2,298**	(578)	**(5,491)**	(641)
Net Cash Flows from Operating Activities	30	**2,669**	28	**(5,145)**	(81)
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Movement in Due to / from Associates and Subsidiaries		**-**	-	**-**	621
Increase in Investments in Associates and Subsidiaries		**-**	-	**1**	350
Sale of Property, Plant and Equipment		**-**	2	**-**	1
		-	2	**1**	972
Cash was applied to:					
Net Increase / (Decrease) in Other Securities		**455**	(859)	**(1)**	-
Purchase of Property, Plant and Equipment		**38**	39	**38**	38
Purchase of Intangible Assets		**24**	11	**23**	11
		517	(809)	**60**	49
Net Cash Flows from Investing Activities		**(517)**	811	**(59)**	923
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Issue of Ordinary Share Capital		**550**	690	**550**	690
Issue of Perpetual Preference Share Capital		**-**	550	**-**	550
Issue of Subordinated Debt		**267**	183	**267**	183
Movement in Due to / from Associates and Subsidiaries		**-**	-	**7,355**	-
		817	1,423	**8,172**	1,423
Cash was applied to:					
Dividends Paid		**856**	890	**856**	890
Redemption of Perpetual Preference Share Capital		**-**	550	**-**	550
		856	1,440	**856**	1,440
Net Cash Flows from Financing Activities		**(39)**	(17)	**7,316**	(17)
SUMMARY OF MOVEMENTS IN CASH FLOWS					
Net Increase in Cash and Cash Equivalents		**2,113**	822	**2,112**	825
Add: Cash and Cash Equivalents at Beginning of Year		**849**	27	**847**	22
Cash and Cash Equivalents at End of Year	31	**2,962**	849	**2,959**	847

These statements are to be read in conjunction with the notes on pages 13 to 61 and the Auditor's Report on pages 67 and 68.

Notes to the Financial Statements

For the year ended 30 June 2007

1 Statement of Accounting Policies

GENERAL ACCOUNTING POLICIES
The reporting entity is ASB Bank Limited and its subsidiaries (the "Banking Group"). ASB Bank Limited (the "Bank") is registered under the Companies Act 1993. These financial statements have been drawn up in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993, and the Registered Bank Disclosure Statement (Full and Half-Year – New Zealand Incorporated Registered Banks) Order 2007. They were approved for issue by the Directors on 7 August 2007.

The Banking Group's financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. Compliance with NZ IFRS ensures that the financial statements also comply with International Financial Reporting Standards.

The following new standards, amendments to standards and interpretations relevant to the Banking Group are not yet effective for the year ended 30 June 2007, and have not been applied in preparing these financial statements. Apart from NZ IFRS 8, which will become mandatory for the Banking Group's financial statements for the period beginning 1 July 2009, they will be applied from the period beginning 1 July 2007.

> NZ IFRS 7 *Financial Instruments: Disclosures* and Amendments to NZ IAS 1 *Presentation of Financial Statements – Capital Disclosures* will impact the type and amount of disclosures in the Banking Group's financial statements, but will not have any impact on its reported profits or financial position.

> NZ IFRIC 9 *Reassessment of Embedded Derivatives* requires that a reassessment of whether an embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. Adoption of NZ IFRIC 9 is not expected to have any impact on the Banking Group's financial statements.

> NZ IFRIC 10 *Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. NZ IFRIC 10 will apply prospectively from the date that the Banking Group first applied the measurement criteria of NZ IAS 36 *Impairment of Assets* and NZ IAS 39 *Financial Instruments: Recognition and Measurement* respectively (i.e. 1 July 2004 and 1 July 2005), but is not expected to have any impact on the Banking Group's financial statements.

> NZ IFRS 8 *Operating Segments* will affect the financial and descriptive information disclosed about the Banking Group's reportable segments, but will not have any impact on its reported profits or financial position.

Basis of Preparation
The measurement base adopted is that of historical cost as modified by the fair value measurement of Available for Sale Financial Assets, Financial Instruments at Fair Value through Profit or Loss, Derivative contracts and the revaluation of certain Property, Plant and Equipment.

The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates, although it is not anticipated that such differences would be material.

Presentation Currency and Rounding
The amounts contained in this disclosure statement and the financial statements are presented in millions of New Zealand dollars, unless otherwise stated.

PARTICULAR ACCOUNTING POLICIES
There have been no material changes to accounting policies in the year ended 30 June 2007. All policies have been applied on a basis consistent with that used during the year ended 30 June 2006.

A Glossary of Terms included within the Statement of Accounting Policies is set out on page 20.

(a) Basis of Consolidation
Subsidiaries
Subsidiaries are those entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of entities so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Bank until the date that control ceases.

Assets, liabilities and results of subsidiaries are included in the consolidated financial statements on the basis of financial statements made up to balance date, using the purchase method. All intra-group balances and transactions have been eliminated in preparing the consolidated financial statements.

Associates
Associates are those entities in which the Bank has significant influence, but not control, over the financial and operating policies. The Bank has representation on the board of directors of all companies classified as Associates. Associates are accounted for under the equity method of accounting.

(b) Segment Reporting
The Banking Group's primary reporting format is business segments (refer to Note 48). Segments reported are in line with the organisational structure of the Banking Group and take into account the nature of the products and services provided.

The Banking Group operates predominantly within New Zealand. On this basis geographical segment reporting is not applicable.

Notes to the Financial Statements

For the year ended 30 June 2007

1 Statement of Accounting Policies (continued)

(c) Foreign Currency Translation

All foreign currency monetary assets and liabilities are converted at the rates of exchange ruling as at balance date. Foreign currency forward, futures, swaps and option positions are valued at fair value as at balance date. Unrealised gains and losses arising from these revaluations and gains and losses arising from foreign exchange dealings are recognised immediately in the Income Statement.

(d) Revenue Recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Banking Group and that the revenue can be reliably measured. The principal sources of revenue are interest income, fees and commissions.

Interest Income and Expense

Financial instruments are classified in the manner described in (f). Some are measured by reference to amortised cost, others by reference to fair value.

For financial instruments measured at amortised cost, the effective interest method is used to measure the Interest Income or Expense recognised in the Income Statement.

For financial instruments measured at fair value, Interest Income or Expense is recognised on an accrual basis, either daily or on a yield to maturity basis.

Lending Fees

Fees and direct costs relating to loan origination, financing or restructuring and to loan commitments are deferred and amortised to Interest Income over the life of the loan using the effective interest method. Lending fees not directly related to the origination of a loan are recognised over the period of service.

Commission and Other Fees

When commissions or fees relate to specific transactions or events, they are recognised in the Income Statement when the service is provided to the customer. When they are charged for services provided over a period, they are taken to Other Income on an accruals basis as the service is provided.

Other Income

Dividend income is recorded in the Income Statement when the Banking Group's right to receive the dividend is established. Realised and unrealised gains and losses from re-measurement of Financial Instruments at Fair Value through Profit or Loss are included in Other Income.

(e) Expense Recognition

All expenses are recognised in the Income Statement on an accrual basis.

(f) Financial Instruments

BASIS OF RECOGNITION AND MEASUREMENT

The Bank is a full service financial institution offering an extensive range of financial instruments. Financial instruments are transacted on a commercial basis to derive an interest yield / cost with terms and conditions having due regard to the nature of the transaction and the risks involved. All financial instruments are accounted for on a settlement date basis. They are classified in one of the following categories at initial recognition: Financial Assets at Fair Value through Profit or Loss, Available for Sale Financial Assets, Loans and Receivables, Held to Maturity, Financial Liabilities at Fair Value through Profit or Loss and Other Financial Liabilities.

Some of these categories require measurement at fair value. Where available, quoted market prices are used as a measure of fair value. Bid prices are used to estimate fair values of assets, whereas offer prices are applied to liabilities. Where the Banking Group has assets and liabilities with offsetting market risk, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies a bid / offer spread adjustment to the net open position as appropriate. Where quoted market prices do not exist, fair values are estimated using present value or other market accepted valuation techniques, using methods and assumptions that are based on market conditions and risks existing as at balance date.

If changes in these assumptions to a reasonably possible alternative would result in a significantly different fair value this has been disclosed with a range of possible alternatives.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Assets in this category are either held for trading or are managed with other assets and liabilities transacted in the Bank's Treasury and Financial Markets Division, which are accounted for and evaluated on a fair value basis. Fair value reporting of these assets and liabilities reflects the Banking Group's risk management process, which includes utilising natural offsets where possible and managing the overall risks of the Treasury portfolio on a trading basis.

Assets in this category are measured at fair value and include:

Due from Other Banks

Due from Other Banks is defined by the nature of the counterparty and includes loans, nostro balances and settlement account balances due from other banks. Fair value is calculated on the same basis as for Money Market Advances.

Money Market Advances

Money Market Advances are advances transacted in the Bank's Treasury and Financial Markets Division, which are managed with other assets and liabilities accounted for and evaluated on a fair value basis.

Fair value is calculated using discounted cash flow models based on the interest rate repricing and maturity of the Advances. Discount rates applied in this calculation are based on current market interest rates for Advances with similar credit profiles.

Notes to the Financial Statements

For the year ended 30 June 2007

1 Statement of Accounting Policies (continued)

Securities
Securities included in this category are short and long term public and other debt securities, which are held for trading, as well as securities designated as at Fair Value through Profit or Loss. The fair value of Securities is based on quoted market prices, where available, or calculated using discounted cash flow models based on current market rates.

Derivative Assets
Derivative Assets that do not meet the criteria for hedge accounting are recorded at Fair Value through Profit or Loss. Refer to (g) for more details on derivatives.

AVAILABLE FOR SALE FINANCIAL ASSETS
Available for Sale Financial Assets are measured at fair value, with changes in fair value recognised directly in Equity. The Banking Group has not classified any financial assets in this category.

LOANS AND RECEIVABLES
Assets in this category are measured at amortised cost using the effective interest method and include:

Cash and Call Deposits with the Central Bank
Cash and Call Deposits with the Central Bank includes the Bank's overnight settlement account with the Central Bank, and is brought to account at face value.

Advances to Customers
Advances cover all forms of lending to customers, other than those classified as at Fair Value through Profit or Loss, and include mortgages, overdrafts, personal loans and credit card balances. They are recognised in the Balance Sheet when cash is advanced to the customer.

Advances are reported net of Provisions for Impairment to reflect the estimated recoverable amounts. Refer to (j).

Due from Associates and Subsidiaries
This includes all amounts due from Associates and Subsidiaries.

Other Assets
Other Assets include the accrual of interest coupons and fees receivable. For derivatives any accrued interest is recognised and measured as part of the derivative's fair value.

HELD TO MATURITY INVESTMENTS
Assets in this category are measured at amortised cost. The Banking Group has not classified any financial assets as Held to Maturity.

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS
Liabilities in this category are either held for trading or are managed with other assets and liabilities transacted in the Bank's Treasury and Financial Markets Division, which are accounted for and evaluated on a fair value basis. Fair value reporting of these assets and liabilities reflects the Banking Group's risk management process, which includes utilising natural offsets where possible and managing the overall risks of the Treasury portfolio on a trading basis.

Liabilities in this category are measured at fair value and include:

Due to Other Banks
Due to Other Banks is defined by the nature of the counterparty and includes deposits, vostro balances and settlement account balances due to other banks. Fair value is calculated on the same basis as for Money Market Deposits.

Money Market Deposits
Money Market Deposits are Certificates of Deposit, Issued Paper and other deposits that are transacted in the Bank's Treasury and Financial Markets Division, and which are managed with other assets and liabilities accounted for and evaluated on a fair value basis.

The fair value of Deposits, Certificates of Deposit and Issued Paper is calculated using discounted cash flow models based on the interest rate repricing and maturity of the instruments. The discount rates applied in this calculation are based on current market rates.

Derivative Liabilities
Derivative Liabilities that do not meet the criteria for hedge accounting are recorded at Fair Value through Profit or Loss. Refer to (g) for more details on derivatives.

OTHER FINANCIAL LIABILITIES
This category includes all financial liabilities other than those at Fair Value through Profit or Loss. Liabilities in this category are measured at amortised cost and include:

Deposits from Customers
Deposits from Customers cover all forms of funding, apart from those classified as at Fair Value through Profit or Loss and include transactional and savings accounts, term deposits and credit balances on cards.

Due to Associates and Subsidiaries
This includes all amounts due to Associates and Subsidiaries.

Other Liabilities
Other Liabilities include the accrual of interest coupons and fees payable. For derivatives any accrued interest is recognised and measured as part of the derivative's fair value.

Subordinated Debt
Subordinated Debt is recognised in the Balance Sheet including accrued interest as both components are subordinate to other liabilities.

Notes to the Financial Statements

For the year ended 30 June 2007

1 Statement of Accounting Policies (continued)

(g) Derivative Financial Instruments

Derivatives, including foreign exchange contracts, forward rate agreements, futures, options, interest rate swaps and currency swaps, are used as part of the Banking Group's financial market activities and to hedge certain assets and liabilities.

The Banking Group recognises derivatives in the Balance Sheet at their fair value. Fair values are obtained from market yields and discounted cash flow models or option pricing models as appropriate. Derivative Assets are the fair value of derivatives which have a positive fair value. Derivative Liabilities are the fair value of derivatives which have a negative fair value.

Derivative Financial Instruments at Fair Value through Profit or Loss

All derivatives that do not meet the criteria for hedge accounting under NZ IAS 39 are classified as at Fair Value through Profit or Loss. This includes derivatives transacted as part of the trading activity of the Bank's Treasury and Financial Markets Division, as well as derivatives transacted as economic hedges, but not qualifying for hedge accounting. Changes in fair value are reflected in the Income Statement immediately when they occur.

Derivative Financial Instruments qualifying for Hedge Accounting

The Banking Group uses derivatives as part of its asset and liability management activities to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions. The Banking Group applies either Cash Flow or Fair Value Hedge accounting when transactions meet the specified criteria to obtain hedge accounting treatment. The Banking Group has predominantly used Cash Flow Hedge accounting.

The Banking Group discontinues hedge accounting when it is determined that a hedge has ceased to be highly effective; when the derivative expires, or is sold, terminated, or exercised; when the hedged item matures or is sold or repaid; when a forecast transaction is no longer deemed highly probable; or when the Banking Group elects to revoke the hedge designation.

Cash Flow Hedge Accounting

A fair valuation gain or loss associated with the effective portion of a derivative designated as a Cash Flow Hedge is recognised initially in Cash Flow Hedge Reserves. When the transaction or item that the derivative is hedging (including cash flows from transactions that were only forecast when the derivative hedge was effected) affects income or expense then the associated gain or loss on the hedging derivative is simultaneously transferred from Cash Flow Hedge Reserves to the corresponding income or expense line item in the Income Statement.

When a hedging derivative expires or is sold, the hedge no longer meets the criteria for hedge accounting, or the Banking Group elects to revoke the hedge designation, the cumulative gain or loss on the hedging derivative remains in Cash Flow Hedge Reserves until the forecast transaction occurs and affects income, at which point it is transferred to the corresponding income or expense line. If a forecast transaction is no longer expected to occur, the cumulative gain or loss on the hedging derivative previously reported in Cash Flow Hedge Reserves is immediately transferred to Other Income.

Fair Value Hedge Accounting

For qualifying Fair Value Hedges the change in fair value of the hedging derivative is recognised within Other Income in the Income Statement. Those changes in fair value of the hedged item which are attributable to the risks hedged with the derivative instrument are reflected in an adjustment to the carrying value of the hedged item, which is also recognised in Other Income. If the hedging instrument expires or is sold, terminated or exercised, if the hedge no longer meets the criteria for hedge accounting, or the Banking Group revokes the hedge designation, the difference between the carrying value of the hedged item at that point and the value at which it would have been carried had the hedge never existed (the "unamortised fair value adjustment"), is maintained as part of the carrying value of the hedged item.

(h) Repurchase and Reverse Repurchase Agreements

Securities sold under agreements to repurchase are retained within the relevant security portfolio and accounted for accordingly. The obligation to repurchase is recorded as a Money Market Deposit. The difference between the sale and repurchase price represents Interest Expense and is recognised in the Income Statement over the term of the repurchase agreement. Securities held under reverse repurchase agreements are recorded as Money Market Advances. The difference between the purchase and sale price represents Interest Income and is recognised in the Income Statement over the term of the reverse repurchase agreement.

(i) Offsetting Financial Instruments

The Banking Group offsets financial assets and financial liabilities and reports the net balance in the Balance Sheet where there is a legally enforceable right to set-off and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(j) Asset Quality

IMPAIRED ASSETS

Impaired Assets consist of restructured assets, assets acquired through the enforcement of security and other impaired assets.

A restructured asset is any credit exposure for which:

(a) the original terms have been changed to grant the counterparty a concession that would not otherwise have been available, due to the counterparty's difficulties in complying with the original terms;

(b) the revised terms of the facility are not comparable with the terms of new facilities with comparable risks; and

(c) the yield on the asset following restructuring is equal to, or greater than, the Banking Group's average cost of funds, or that a loss is not otherwise expected to be incurred.

Assets acquired through the enforcement of security are those real estate and other assets acquired in full or partial satisfaction of a debt.

Other impaired assets means any credit exposures for which an impairment loss is required in accordance with NZ IAS 39.

Notes to the Financial Statements

For the year ended 30 June 2007

1 Statement of Accounting Policies (continued)

OTHER DEFINITIONS

A Past Due Asset is any credit exposure which has not been operated by the counterparty within its key terms for at least 90 days and which is not an Impaired Asset.

An Asset under Administration is any credit exposure which is not an Impaired Asset or a Past Due Asset, but which is to a counterparty:

(a) who is in receivership, liquidation, bankruptcy, statutory management or any form of administration in New Zealand; or

(b) who is in any other equivalent form of voluntary or involuntary administration in an overseas jurisdiction.

PROVISION FOR IMPAIRMENT

Loans and Receivables are reviewed at each balance date to determine whether there is any objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated and provision is made for the difference between the carrying amount and the recoverable amount. The recoverable amounts of Advances measured at amortised cost are calculated as the present value of the expected future cash flows discounted at the instrument's original effective interest rate for fixed rate Advances and the current effective interest rate for variable rate Advances. Short term balances are not discounted.

Financial Assets at Fair Value through Profit or Loss are not assessed for impairment as their fair valuation reflects the credit quality of the instrument, and changes in fair value are recognised in Other Income.

Allowances for credit losses on off balance sheet items such as commitments are reported in Other Liabilities.

Advances to Customers

Advances are presented net of specific and collective allowances for uncollectibility. Specific allowances are made against the carrying amount of Advances that are identified as being impaired based on regular reviews of outstanding balances, to reduce these Advances to their recoverable amounts. Collective allowances are maintained to reduce the carrying amount of portfolios of similar Advances to their estimated recoverable amounts as at balance date. These allowances relate to incurred losses not yet specifically identified in the portfolio. The expected future cash flows for portfolios of similar assets are estimated based on previous experience and considering the credit rating of the underlying customers and late payments of interest or penalties. Increases in the specific and collective allowances are recognised in the Income Statement. When a loan is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the loan is written off directly to the Income Statement.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down or allowance is reversed through the Income Statement.

Details of the level of provision for impairment and movements during the accounting period are set out in Note 15.

(k) Investments in Associates and Subsidiaries

Investments in Associates and Subsidiaries are recognised in the Balance Sheet at the lower of cost or recoverable amount.

(l) Property, Plant and Equipment

Property, Plant and Equipment other than Land and Buildings are recognised in the Balance Sheet at cost less Accumulated Depreciation and Impairment Losses.

Land and Buildings are revalued annually to reflect current market value. The valuations are carried out by independent registered valuers in May of each year. The valuers are all Associate Members of the New Zealand Institute of Valuers and the major valuers are Jones Lang LaSalle Advisory Limited (Auckland), Perry Heavey & Company Limited (Auckland) and Robisons (Whangarei).

Changes in valuations are transferred directly to Asset Revaluation Reserves. Where such a transfer results in a debit balance in the Asset Revaluation Reserve of any individual asset the loss is recognised in the Income Statement, and any subsequent revaluation gains are written back through the Income Statement to the extent of past losses written off.

The cost or revalued amount of Property, Plant and Equipment (excluding Land) less the estimated residual value is depreciated over their useful lives on a straight line basis. The range of useful lives of the major assets are:

Buildings	10-100 years
Furniture and Fittings	5-25 years
Computer and Office Equipment, and Operating Software	3-10 years
Other Property, Plant and Equipment	2-25 years

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate at each balance date.

Assets are reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. For revalued assets the write-down is treated in the same way as adjustments arising from revaluations described above. For other assets the impairment loss is recognised as an expense. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Where the Banking Group expects the carrying amount of assets held within Property, Plant and Equipment to be recovered principally through a sale transaction rather than through continuing use, these assets are classified as Held for Sale.

Notes to the Financial Statements

For the year ended 30 June 2007

1 Statement of Accounting Policies (continued)

(m) Intangible Assets

Intangible Assets comprise acquired Computer Software licences and certain application software.

Acquired Computer Software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their expected useful lives (three to four years) on a straight line basis.

The Banking Group generally expenses Computer Software costs in the period incurred. However, some costs associated with developing identifiable and unique software products controlled by the Bank, including employee costs and an appropriate portion of relevant overheads are capitalised and treated as Intangible Assets. These assets are amortised using the straight line method over their useful lives (not exceeding three years).

Intangible Assets are subject to the same impairment review process as Property, Plant and Equipment. Any impairment loss is recognised under Operating Expenses in the Income Statement.

(n) Taxation

Income tax on the Net Profit for the financial year comprises current and deferred tax. Income tax is recognised in the Income Statement, except to the extent that it relates to items recognised directly within Equity, in which case it is recognised directly in Equity.

Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted as at balance date after taking advantage of all allowable deductions under current taxation legislation and any adjustment to tax payable in respect of previous financial years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at balance date.

In accordance with NZ IAS 12 *Income Taxes*, a Deferred Taxation Benefit is recognised only to the extent that it is probable (i.e. more likely than not) that a future taxable profit will be available against which the asset can be utilised. Deferred Taxation Benefits are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax related to fair value re-measurement of Available for Sale Financial Assets, Cash Flow Hedges and the revaluation of Non-current Assets, which are charged or credited directly to Equity, is also credited or charged directly to Equity and is subsequently recognised in the Income Statement if and when the deferred gain or loss on the related asset or liability affects income.

(o) Provisions

A provision is recognised in the Balance Sheet when: the Banking Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

(p) Contingent Liabilities and Credit Commitments

The Banking Group is involved in a range of transactions that give rise to contingent and / or future liabilities. The Banking Group discloses a Contingent Liability when it has a possible obligation arising from past events, that will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Banking Group's control. A Contingent Liability is disclosed when a present obligation is not recognised because it is not probable that an outflow of resources will be required to settle an obligation, or the amount of the obligation cannot be measured with sufficient reliability.

The Banking Group issues commitments to extend credit, letters of credit, guarantees and other credit facilities. These financial instruments attract fees in line with market prices for similar arrangements. They are not sold or traded. The items generally do not involve cash payments other than in the event of default. The fee pricing is set as part of the broader customer credit process and reflects the probability of default. They are disclosed as Contingent Liabilities at their face value.

(q) Cash Flow Statement

This has been prepared using the direct approach modified by the netting of cash flows associated with Securities, Due from / to Other Banks, Advances, Deposits and amounts Due from / to Associates and Subsidiaries. This method provides more meaningful disclosure as many cash flows are on behalf of the Banking Group's customers and do not reflect the activities of the Banking Group.

Cash and Cash Equivalents comprises Cash, Cash at Bank, Cash in Transit and Call Deposits Due from / to Other Banks, all of which are used in the day-to-day cash management of the Banking Group.

Notes to the Financial Statements

For the year ended 30 June 2007

1 Statement of Accounting Policies (continued)

FAIR VALUE ESTIMATES
For financial instruments not presented in the Banking Group's Balance Sheet at their fair value, fair value is estimated as follows:

Cash and Call Deposits with the Central Bank
These assets are short term in nature and the related carrying value is equivalent to their fair value.

Advances to Customers
For Floating Rate Advances, the carrying amount in the Balance Sheet is considered a reasonable estimate of their fair value after making allowances for the fair value of Impaired and potential problem loans. For Fixed Rate Advances, fair value is estimated using discounted cash flow models based on the interest rate repricing of the Advances. Discount rates applied in this calculation are based on current market interest rates for Advances with similar credit and maturity profiles.

Due from / to Associates and Subsidiaries
Carrying amounts in the Balance Sheet are a reasonable estimate of fair value for these assets.

Deposits from Customers and Other Liabilities
For Non-interest Bearing Debt, call and variable rate Deposits, the carrying amounts in the Balance Sheet are a reasonable estimate of their fair value. For other term Deposits, fair value is estimated using discounted cash flow models based on the maturity of the Deposits. The discount rates applied in this calculation are based on current market interest rates for similar Deposits with similar maturity profiles. For all Other Liabilities, the carrying amount in the Balance Sheet is a reasonable estimate of their fair value.

Subordinated Debt
The estimated fair value of Subordinated Debt is based on quoted market rates of publicly traded securities of similar maturity.

Off Balance Sheet Items
For those off balance sheet items such as Direct Credit Substitutes (including acceptance and endorsement of Bills of Exchange), Trade Related Items and Commitments, no secondary market exists and it is therefore not practical to obtain fair values for those instruments. These items have therefore been excluded from fair value calculations.

COMPARATIVE DATA
In prior years the Bank's overnight settlement account with the Central Bank has been classified under Due from Other Banks. As at 30 June 2007, this account has been reclassified to Cash and Call Deposits with the Central Bank (refer to Note 10), to better reflect the liquid nature of the balances held. The Interest Income earned on this account has also been reclassified in Note 2 from Advances at Fair Value through Profit or Loss, to Central Bank Deposits. Comparative data has therefore been restated accordingly.

The following amounts have been reclassified in both Consolidated and Parent for the year ended 30 June 2006:

	$ millions
Cash and Call Deposits with the Central Bank	894
Interest Income from Central Bank Deposits	42

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

Notes to the Financial Statements

For the year ended 30 June 2007

1 Statement of Accounting Policies (continued)

GLOSSARY OF TERMS

Amortised Cost of Financial Asset or Financial Liability
The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Available for Sale Financial Assets
Non-derivative financial assets intended to be held for an indefinite period of time, and which may be sold in response to needs for liquidity or changes in interest rates or exchange rates. They are recognised on acquisition at cost and thereafter at fair value. Changes in the value of Available for Sale Financial Assets are reported in an Available for Sale Reserve, until the assets are sold or otherwise disposed of, or until they are impaired. On disposal the accumulated change in fair value is transferred to the Income Statement and reported under Other Income. Interest, premiums and discounts are amortised through the Income Statement using the effective interest method.

Cash Flow Hedge
A hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, and could affect profit or loss.

Effective Interest Method
A method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or financial liabilities) and of allocating the Interest Income or Interest Expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Banking Group estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. The interest income or expense is allocated through the life of the instrument and is measured for inclusion in the Income Statement by applying the effective interest rate to its amortised cost.

Fair Value
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair Value Hedge
A hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

Financial Instruments at Fair Value through Profit or Loss
All financial assets and financial liabilities held for trading and any financial asset or financial liability that on initial recognition is designated by the Banking Group as at Fair Value through Profit or Loss. Assets and Liabilities in this category are measured at fair value. Gains or losses arising from changes in fair value are recognised in Other Income.

Hedge Effectiveness
The degree to which changes in the fair value or cash flows of the hedged items that are attributable to the hedged risk are offset by changes in the fair value or cash flows of the hedging instrument.

Hedge Ineffectiveness
The amount by which changes in the cash flow of the hedging derivative differ from changes (or expected changes) in the cash flow of the hedged item, or the amount by which the changes in the fair value of the hedging derivative differ from changes in the fair value of the hedged item. Such gains and losses are recorded in current period earnings.

Hedged Item
An asset, liability, firm commitment or highly probable forecast transaction that exposes the Banking Group to risk of changes in fair value or cash flows, and that is designated as being hedged.

Hedging Instrument
A designated derivative, the changes in fair value or cash flows of which are expected to offset changes in the fair value or cash flows of a designated hedged item.

Held to Maturity Investments
Non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Banking Group has a positive intention and ability to hold to maturity. They are measured at amortised cost using the effective interest method.

Impairment Loss
The amount by which the carrying amount of an asset exceeds its recoverable amount.

Loans and Receivables
Non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are measured at amortised cost using the effective interest method.

Notes to the Financial Statements

For the year ended 30 June 2007

$ millions	Consolidated		Parent	
For the year ended 30 June	**2007**	2006	**2007**	2006
2 Interest Income				
Central Bank Deposits	**139**	42	**139**	42
Advances at Fair Value through Profit or Loss	**175**	180	**174**	181
Securities	**260**	236	**170**	145
Advances to Customers	**3,236**	2,752	**3,223**	2,733
Associates and Subsidiaries	**-**	-	**44**	36
Other	**6**	-	**6**	-
Total Interest Income	**3,816**	3,210	**3,756**	3,137

Interest Income on Advances for the year ended 30 June 2007 included interest earned on Impaired Assets of Nil (30 June 2006 Nil) for both consolidated and parent.

	Consolidated 2007	Consolidated 2006	Parent 2007	Parent 2006
3 Interest Expense				
Deposits at Fair Value through Profit or Loss				
Certificates of Deposit	**207**	219	**207**	219
Issued Paper	**383**	326	**195**	326
Term Deposits	**86**	46	**86**	46
Deposits Bearing Interest (on Demand and Short Term)	**558**	405	**558**	406
	1,234	996	**1,046**	997
Derivative Instruments not in Hedge Relationships	**268**	254	**268**	246
Deposits From Customers				
Term Deposits	**827**	715	**827**	715
Associates and Subsidiaries	**-**	-	**191**	1
Other Interest Bearing Deposits from Customers	**583**	440	**589**	445
	1,410	1,155	**1,607**	1,161
Subordinated Debt	**14**	1	**14**	1
Total Interest Expense	**2,926**	2,406	**2,935**	2,405

4 Discontinued Activities

There were no discontinued activities during the year ended 30 June 2007 (30 June 2006 Nil).

	Consolidated 2007	Consolidated 2006	Parent 2007	Parent 2006
5 Other Income				
Services and Commission Income				
Lending and Credit Facility Related Fee Income	**144**	134	**144**	134
Other Fees Received	**158**	153	**146**	143
Total Services and Commission Income	**302**	287	**290**	277
Services and Commission Expense				
Lending and Credit Facility Related Fee Expense	**(34)**	(20)	**(34)**	(20)
Other Fees Paid	**(5)**	(6)	**(5)**	(6)
Total Services and Commission Expense	**(39)**	(26)	**(39)**	(26)
Net Foreign Exchange Earnings and Commissions	**43**	38	**41**	36
Net Fair Value (Loss) / Gain from:				
Trading Securities	**(4)**	(1)	**(4)**	(1)
Ineffective Portion of Hedges	**4**	2	**4**	2
Derivatives Transacted as Hedges but not Qualifying for Hedge Accounting	**77**	1	**77**	1
Other Derivatives	**(1,951)**	1,399	**(1,950)**	1,383
Financial Assets Designated as at Fair Value through Profit or Loss	**(539)**	41	**(151)**	46
Financial Liabilities Designated as at Fair Value through Profit or Loss	**2,526**	(1,406)	**2,150**	(1,406)
Total Net Fair Value Gain	**113**	36	**126**	25

Notes to the Financial Statements

For the year ended 30 June 2007

$ millions	Consolidated		Parent	
For the year ended 30 June	**2007**	2006	**2007**	2006
5 Other Income (continued)				
Other Operating Income				
Net Capital Gain	**-**	-	**-**	19
Net Loss on Disposal of Property, Plant and Equipment	**(1)**	-	**(1)**	-
Dividends Received from Associates and Subsidiaries	**2**	2	**2**	19
Other Dividends Received	**2**	3	**2**	3
Other	**(2)**	4	**(2)**	2
Total Other Operating Income	**1**	9	**1**	43
Total Other Income	**420**	344	**419**	355

6 Operating Expense Disclosures

Depreciation				
Buildings	**7**	9	**7**	8
Furniture and Fittings	**6**	5	**5**	5
Computer and Office Equipment and Operating Software	**19**	17	**19**	17
Total Depreciation	**32**	31	**31**	30
Operating Lease Rentals	**39**	35	**37**	34
Amortisation of Intangible Assets	**8**	6	**8**	6

7 Auditor's Remuneration

Auditing Services	**-**	-	**-**	-
Other Services	**-**	-	**-**	-

Ernst & Young is the appointed auditor of the Banking Group.

Auditor's Remuneration for the year ended 30 June 2007 included audit fees of $417,000 (30 June 2006 $403,000).

8 Taxation

Current Taxation	**198**	191	**168**	158
Deferred Taxation (refer to Note 24)	**29**	3	**28**	3
Total Income Tax Charged to the Income Statement	**227**	194	**196**	161

The Taxation Expense on the Banking Group's Net Profit before Taxation differs from the theoretical amount that would arise using the domestic rate as follows:

Net Profit before Taxation	**759**	634	**683**	586
Tax at the Domestic Rate of 33%	**250**	209	**225**	193
Tax Effect of Income not Subject to Taxation	**(15)**	(8)	**(21)**	(25)
Tax Effect of Expenses not Deductible for Taxation Purposes	**1**	-	**1**	-
Tax Effect of Imputation Credit Adjustments	**(8)**	(7)	**(8)**	(7)
Tax Effect of Change to Domestic Rate	**(1)**	-	**(1)**	-
Taxation Expense	**227**	194	**196**	161
Weighted Average Applicable Tax Rate	**29.9%**	30.6%	**28.7%**	27.5%

In May 2007 legislation was passed to reduce the New Zealand corporate tax rate from 33% to 30%, effective for the 2009 income tax year. The tax effect shown is the impact on the value of Deferred Tax as a result of the reduction in the corporate tax rate from 1 July 2008 (refer to Note 24).

9 Dividends

Ordinary Dividends	**825**	860	**825**	860
Perpetual Preference Dividends	**31**	30	**31**	30
Total Dividends	**856**	890	**856**	890

Notes to the Financial Statements

For the year ended 30 June 2007

$ millions *As at 30 June*	Consolidated **2007**	 2006	Parent **2007**	 2006
9 Dividends (continued)				
The dividend on ordinary shares for the year ended 30 June 2007 was $0.814 per share (30 June 2006 $2.66 per share).				
The dividend on perpetual preference shares for the year ended 30 June 2007 was 5.69 cents per share (30 June 2006 5.41 cents per share).				
On 7 August 2007 the Directors resolved to pay, on 15 August 2007, Perpetual Preference Dividends of $8m being 1.51 cents per share.				
10 Cash and Call Deposits with the Central Bank				
Cash and Cash at Bank	**59**	53	**58**	53
Cash in Transit	**(44)**	(36)	**(44)**	(36)
Call Deposits with the Central Bank	**2,998**	894	**2,998**	894
Total Cash and Call Deposits with the Central Bank	**3,013**	911	**3,012**	911
11 Advances at Fair Value through Profit or Loss				
(a) Due from Other Banks				
Call	**56**	23	**54**	21
Term	**1,070**	811	**1,061**	719
Total Due from Other Banks	**1,126**	834	**1,115**	740
Fair Value of collateral accepted for Loans to Other Banks, which the Banking Group is permitted to sell or repledge:				
Other Government Securities accepted	**78**	-	**78**	-
Other Securities accepted	**251**	-	**251**	-
No Securities have been repledged.				
(b) Money Market Advances				
Call	**66**	217	**66**	217
Term	**2,198**	749	**2,198**	749
Total Money Market Advances	**2,264**	966	**2,264**	966
Fair Value of collateral accepted for Money Market Advances, which the Banking Group is permitted to sell or repledge:				
Other Government Securities accepted	**49**	-	**49**	-
No Securities have been repledged.				
12 Securities				
Trading Securities				
Local Authority Securities	**103**	93	**103**	93
New Zealand Government Securities	**21**	7	**21**	7
Treasury Bills	**30**	165	**30**	165
Bank Bills	**869**	1,709	**869**	1,709
Other Securities	**404**	337	**404**	337
	1,427	2,311	**1,427**	2,311
Other Securities Designated as at Fair Value through Profit or Loss				
Debt Securities	**987**	688	**-**	-
Equity Securities	**23**	22	**23**	22
	1,010	710	**23**	22
Total Securities	**2,437**	3,021	**1,450**	2,333
Fair Value of securities pledged under repurchase agreements or other arrangements:				
New Zealand Government Securities	**12**	-	**12**	-

The Banking Group has not reclassified any financial assets as measured at amortised cost rather than at fair value during the year ended 30 June 2007 (30 June 2006 Nil).

Notes to the Financial Statements

For the year ended 30 June 2007

$ millions	Consolidated Notional Amount	Consolidated Fair Value Assets	Consolidated Fair Value Liabilities	Parent Notional Amount	Parent Fair Value Assets	Parent Fair Value Liabilities

13 Derivative Financial Instruments

Derivatives not qualifying for hedge accounting treatment are classified as at Fair Value through Profit or Loss. Refer to Note 1(g) for an explanation of the Banking Group's accounting policies for Derivatives.

Equity related contracts were transacted by the Bank to offset the equity risk associated with shares designated at Fair Value through Profit or Loss. Gains on contracts are offset by losses on the underlying shares.

The Bank has entered into credit default swaps to offset the credit risk associated with certain Money Market Advances.

HEDGE ACCOUNTING

Cash Flow Hedges

The Banking Group hedges the forecasted interest cash flows from floating rate deposits and the roll-over of short term fixed rate funding arrangements using Cross Currency and Interest Rate Swaps. There were no transactions where Cash Flow Hedge accounting ceased during the year ended 30 June 2007 (30 June 2006 Nil) as a result of highly probable cash flows no longer expected to occur.

Fair valuation gains and losses deferred in Cash Flow Hedge Reserves will be transferred to Profit or Loss over the next one to five years, as the cash flows under the hedged transactions occur.

Fair Value Hedges

The Banking Group uses Interest Rate Swaps to hedge interest rate risk exposure of a portion of its portfolio of fixed rate mortgage loans.

$ millions	Consolidated Notional Amount	Consolidated Fair Value Assets	Consolidated Fair Value Liabilities	Parent Notional Amount	Parent Fair Value Assets	Parent Fair Value Liabilities
As at 30 June 2007						
AT FAIR VALUE THROUGH PROFIT OR LOSS						
Exchange Rate Contracts						
Forward Contracts	9,229	92	(323)	9,231	92	(323)
Swaps	7,691	119	(292)	6,744	9	(292)
Options	181	4	(4)	181	4	(4)
Total Exchange Rate Contracts	17,101	215	(619)	16,156	105	(619)
Interest Rate Contracts						
Forward Contracts	5,147	1	(1)	5,147	1	(1)
Swaps	32,343	193	(185)	32,485	193	(185)
Futures	5,855	1	-	5,855	1	-
Options	1,492	4	(4)	1,492	4	(4)
Total Interest Rate Contracts	44,837	199	(190)	44,979	199	(190)
Equity Contracts						
Swaps	-	-	-	348	-	-
Options	47	-	-	47	-	-
Total Equity Contracts	47	-	-	395	-	-
Credit Contracts						
Swaps	191	-	-	791	-	-
Commodity Contracts						
Forward Contracts	1	-	-	1	-	-
Total at Fair Value through Profit or Loss	62,177	414	(809)	62,322	304	(809)
DESIGNATED AS CASH FLOW HEDGES						
Exchange Rate Contracts						
Swaps	2,231	6	(77)	2,231	6	(77)
Interest Rate Contracts						
Swaps	29,447	333	(89)	29,376	333	(89)
Total Designated as Cash Flow Hedges	31,678	339	(166)	31,607	339	(166)
DESIGNATED AS FAIR VALUE HEDGES						
Interest Rate Contracts						
Swaps	1,551	8	(9)	1,551	8	(9)
Total Designated as Fair Value Hedges	1,551	8	(9)	1,551	8	(9)
Total Recognised Derivative Assets / (Liabilities)	95,406	761	(984)	95,480	651	(984)

Notes to the Financial Statements

For the year ended 30 June 2007

13 Derivative Financial Instruments (continued)

As at 30 June 2006

$ millions	Consolidated Notional Amount	Consolidated Fair Value Assets	Consolidated Fair Value Liabilities	Parent Notional Amount	Parent Fair Value Assets	Parent Fair Value Liabilities
AT FAIR VALUE THROUGH PROFIT OR LOSS						
Exchange Rate Contracts						
Forward Contracts	8,255	218	(38)	8,255	218	(38)
Swaps	4,958	143	(29)	4,175	128	(9)
Options	306	8	(8)	306	8	(8)
Total Exchange Rate Contracts	13,519	369	(75)	12,736	354	(55)
Interest Rate Contracts						
Forward Contracts	9,334	2	(2)	9,334	2	(2)
Swaps	7,516	31	(36)	7,641	30	(36)
Futures	2,325	1	-	2,325	1	-
Options	761	1	(1)	761	1	(1)
Total Interest Rate Contracts	19,936	35	(39)	20,061	34	(39)
Equity Contracts						
Swaps	-	-	-	383	-	-
Options	49	4	-	49	4	-
Total Equity Contracts	49	4	-	432	4	-
Credit Contracts						
Swaps	-	-	-	400	-	-
Commodity Contracts						
Forward Contracts	6	1	(1)	6	1	(1)
Total at Fair Value through Profit or Loss	33,510	409	(115)	33,635	393	(95)
DESIGNATED AS CASH FLOW HEDGES						
Exchange Rate Contracts						
Swaps	2,127	43	(11)	2,127	43	(11)
Interest Rate Contracts						
Swaps	24,905	59	(115)	24,905	59	(115)
Total Designated as Cash Flow Hedges	27,032	102	(126)	27,032	102	(126)
Total Recognised Derivative Assets / (Liabilities)	60,542	511	(241)	60,667	495	(221)

Notes to the Financial Statements

For the year ended 30 June 2007

$ millions	Consolidated		Parent	
As at 30 June	**2007**	2006	**2007**	2006
14 Advances to Customers				
Loans and Other Receivables	**42,953**	38,069	**42,840**	37,880
Fair Value Hedge Adjustments	**(6)**	-	**(6)**	-
Provisions for Impairment	**(91)**	(80)	**(91)**	(80)
Total Advances to Customers	**42,856**	37,989	**42,743**	37,800
15 Provisions for Impairment Loss				
Collective Provision				
Balance at Beginning of Year	**79**	123	**79**	122
Adjustments on Transition to NZ IFRS	**-**	(60)	**-**	(60)
Restated Opening Balance	**79**	63	**79**	62
Charged to Income Statement	**5**	16	**5**	17
Balance at End of Year	**84**	79	**84**	79
Specific Provisions				
Balance at Beginning of Year	**1**	9	**1**	9
Adjustments on Transition to NZ IFRS	**-**	(7)	**-**	(7)
Restated Opening Balance	**1**	2	**1**	2
Add / (Less):				
Charged to Income Statement:				
New Provisions	**8**	1	**8**	1
Amounts Recovered	**-**	(2)	**-**	(2)
Write Offs Against Specific Provisions	**(2)**	-	**(2)**	-
Balance at End of Year	**7**	1	**7**	1
Total Provisions for Impairment Loss	**91**	80	**91**	80
Impairment Losses charged to the Income Statement				
Movement in Collective Provision	**5**	16	**5**	17
Movement in Specific Provisions	**8**	(1)	**8**	(1)
Bad Debts Written Off	**9**	8	**9**	7
Bad Debts Recovered	**(4)**	(4)	**(4)**	(4)
Total Impairment Losses charged to the Income Statement	**18**	19	**18**	19

The Banking Group recognises a loan impairment provision when there is objective evidence of impairment. This incurred loss basis of provisioning does not measure expected loss on credit exposures over the full credit cycle.

In determining whether an impairment loss should be recorded, the Banking Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. In making these judgements, the Banking Group uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio.

The Banking Group's low loss experience, consistent with its conservative lending policies and the recent benign credit cycle, means that the Banking Group has low levels of historical loss experience on which to base its estimates. As a result of this, Commonwealth Bank of Australia Group risk factors have been used reflecting wider market experience.

The methodology and assumptions used for estimating the key data inputs, including the timing and amount of future cash flows, will be subject to ongoing review to reduce any differences between loss estimates and actual loss experience.

Specific Provisions relate to individually assessed impaired assets (refer to Note 44).

16 Due from Associates and Subsidiaries				
Advances	**-**	-	**865**	569
Interest Accrued and Other Receivables	**-**	-	**5**	25
Total Due from Associates and Subsidiaries	**-**	-	**870**	594

Notes to the Financial Statements

For the year ended 30 June 2007

	%	Nature of Business	Balance Date

17 Investments in Associates and Subsidiaries

Associates

Cards NZ Limited	15	Financial Services	30 September
Electronic Transaction Services Limited	25	EFTPOS	31 March
Interchange and Settlement Limited	11	Interchange and Settlement	31 March
Mondex New Zealand Limited	20	Smartcard Operations	31 December

Summarised financial information for Associates is not provided, as the amounts involved are immaterial.

Subsidiaries

ASB Finance Limited	100	Finance	30 June
ASB Management Services Limited	100	Management and Payment Services	30 June
ASB Nominees Limited	100	Nominee Company	30 June
ASB Properties Limited	100	Property and Investment	30 June
ASB Securities Limited	100	Sharebroking	30 June
ASB Smart Cards Limited	100	Investment Holding Company	30 June
Bayswater and Bond Limited	75	Finance	30 June
Bond Investments No 1 Limited	100	Non-trading	30 June
Charter House Investments Limited	100	Finance	30 June
Hildon Holdings Limited	100	Non-trading	30 June
Hildon Investments Limited	100	Non-trading	30 June
King's Ferry Holdings Limited	100	Non-trading	30 June
King's Ferry Investments Limited	100	Non-trading	30 June
Kiwi Home Loans (NZ) Limited	100	Lending	30 June
McCaig Investments Limited	100	Finance	30 June
Pago Limited	100	Non-trading	30 June
Sinatra Investments Limited	100	Finance	30 June
St Giles Investments Limited	100	Finance	30 June
Stockbridge Holdings Limited	100	Finance	30 June
Waterloo & Victoria Limited	75	Finance	30 June

All subsidiaries were incorporated in New Zealand except for Bayswater and Bond Limited and Waterloo & Victoria Limited, which were incorporated in the Cayman Islands.

The consolidated financial statements also include the controlled entity Lighthouse Trust as an in-substance subsidiary. Lighthouse Trust has a balance date of 31 December.

Changes in Composition of the Banking Group
On 29 June 2007 Netbills Limited and ASB Management Services Limited were amalgamated to become ASB Management Services Limited. This amalgamation did not result in any change to the net assets of the Banking Group.

The following wholly owned subsidiaries were incorporated in New Zealand during the year ended 30 June 2007:

Subsidiary	Date Incorporated	Contributed Equity
Charter House Investments Limited	3 July 2006	$1,203,477
Pago Limited	14 November 2006	-
Sinatra Investments Limited	23 November 2006	$1,000
Bond Investments No 1 Limited	5 June 2007	-

On 18 July 2006 Charter House Investments Limited purchased 75% of the ordinary shares and 100% of the preference shares of Bayswater and Bond Limited. Assets included in the Banking Group on acquisition of Bayswater and Bond Limited comprised $200m of Securities classified as at Fair Value through Profit or Loss. All liabilities held by the acquired subsidiaries are amounts due to other members of the Banking Group and therefore, there is no impact on consolidated liabilities.

IDI (No.1) Limited, IDI (No.2) Limited, Riley Investments Limited and Riley International Limited were placed into liquidation on 9 June 2006 and were subsequently removed from the register on 25 November 2006. This did not result in any change to the net assets of the Banking Group.

The following subsidiaries were sold during the year ended 30 June 2006:

Subsidiary	Date Sold	Total Cash Disposal Consideration	Amount of Assets in Subsidiaries Disposed of	Amount of Liabilities in Subsidiaries Disposed of
SR Edinburgh Limited	20 September 2005	$400m	$400m	-
LB Alpha Finance Cayman Limited	27 September 2005	$350m	$350m	-
Whitcomb Company	27 October 2005	$49m	$49m	-

These disposals did not result in any change to the net assets of the Banking Group.

Notes to the Financial Statements

For the year ended 30 June 2007

$ millions	Consolidated		Parent	
As at 30 June	**2007**	2006	**2007**	2006

17 Investments in Associates and Subsidiaries (continued)

Assets disposed comprised Securities at Fair Value through Profit or Loss. For Whitcomb Company a deposit of $351m was offset against $400m of Floating Rate Notes, as a legal right of set-off existed. All liabilities held by the subsidiaries were amounts due to other members of the Banking Group and therefore there is no impact on consolidated liabilities.

Cash consideration on the disposal of SR Edinburgh Limited and Whitcomb Company is included in Cash provided from Associates and Subsidiaries in the Cash Flow Statement. Other cash consideration is included in Sale of Investment in Associates and Subsidiaries.

18 Other Assets

Interest Receivable Accrued	**145**	115	**136**	107
Other Current Assets	**58**	49	**44**	35
Total Other Assets	**203**	164	**180**	142

19 Property, Plant and Equipment

$ millions	Consolidated Land Freehold	Buildings Freehold	Buildings Leasehold	Furniture & Fittings	Computer & Office Equipment	Operating Software	Total
As at 30 June 2007							
Cost / Valuation	**21**	**24**	**93**	**79**	**161**	**20**	**398**
Accumulated Depreciation	**-**	**-**	**(58)**	**(54)**	**(125)**	**(9)**	**(246)**
Opening Net Book Value	**21**	**24**	**35**	**25**	**36**	**11**	**152**
Additions	**-**	**-**	**8**	**7**	**18**	**-**	**33**
Depreciation	**-**	**-**	**(7)**	**(6)**	**(16)**	**(3)**	**(32)**
Revaluation	**3**	**3**	**-**	**-**	**-**	**-**	**6**
Closing Net Book Value	**24**	**27**	**36**	**26**	**38**	**8**	**159**
Cost / Valuation	**24**	**27**	**82**	**79**	**134**	**20**	**366**
Accumulated Depreciation	**-**	**-**	**(46)**	**(53)**	**(96)**	**(12)**	**(207)**
Closing Net Book Value	**24**	**27**	**36**	**26**	**38**	**8**	**159**
As at 30 June 2006							
Cost / Valuation	16	21	95	80	155	25	392
Accumulated Depreciation	-	-	(59)	(55)	(118)	(11)	(243)
Opening Net Book Value	16	21	36	25	37	14	149
Additions	1	2	8	5	16	-	32
Disposals	-	-	(1)	-	(3)	-	(4)
Depreciation	-	(1)	(8)	(5)	(14)	(3)	(31)
Revaluation	4	2	-	-	-	-	6
Closing Net Book Value	21	24	35	25	36	11	152
Cost / Valuation	21	24	93	79	161	20	398
Accumulated Depreciation	-	-	(58)	(54)	(125)	(9)	(246)
Closing Net Book Value	21	24	35	25	36	11	152

Notes to the Financial Statements

For the year ended 30 June 2007

$ millions	Land Freehold	Buildings Freehold	Buildings Leasehold	Parent Furniture & Fittings	Computer & Office Equipment	Operating Software	Total
19 Property, Plant and Equipment (continued)							
As at 30 June 2007							
Cost / Valuation	**18**	**18**	**89**	**76**	**161**	**20**	**382**
Accumulated Depreciation	**-**	**-**	**(55)**	**(52)**	**(125)**	**(9)**	**(241)**
Opening Net Book Value	**18**	**18**	**34**	**24**	**36**	**11**	**141**
Additions	**-**	**-**	**9**	**7**	**17**	**-**	**33**
Depreciation	**-**	**-**	**(7)**	**(5)**	**(16)**	**(3)**	**(31)**
Revaluation	**3**	**2**	**-**	**-**	**-**	**-**	**5**
Closing Net Book Value	**21**	**20**	**36**	**26**	**37**	**8**	**148**
Cost / Valuation	**21**	**20**	**79**	**76**	**132**	**20**	**348**
Accumulated Depreciation	**-**	**-**	**(43)**	**(50)**	**(95)**	**(12)**	**(200)**
Closing Net Book Value	**21**	**20**	**36**	**26**	**37**	**8**	**148**
As at 30 June 2006							
Cost / Valuation	15	15	84	72	155	25	366
Accumulated Depreciation	-	-	(50)	(48)	(118)	(11)	(227)
Opening Net Book Value	15	15	34	24	37	14	139
Additions	-	2	7	5	16	-	30
Disposals	-	-	-	-	(3)	-	(3)
Depreciation	-	(1)	(7)	(5)	(14)	(3)	(30)
Revaluation	3	2	-	-	-	-	5
Closing Net Book Value	18	18	34	24	36	11	141
Cost / Valuation	18	18	89	76	161	20	382
Accumulated Depreciation	-	-	(55)	(52)	(125)	(9)	(241)
Closing Net Book Value	18	18	34	24	36	11	141

Freehold Land and Buildings are carried at fair value based on independent market valuations. The latest market valuations were undertaken in May 2007 and were applied on 30 June 2007. The market value of Freehold property is determined using market rental values with an allowance for disposal costs as assessed by the valuer. Unit Metre Frontage and Land Area methodology is used to assess the land value component, and this is deducted from the total property value to determine the market value of buildings. Under the cost model these assets would have been recognised at a carrying amount of $5m and $13m respectively (30 June 2006 $5m and $13m respectively).

Notes to the Financial Statements

For the year ended 30 June 2007

$ millions	Consolidated Internally Generated Application Software	Consolidated External Application Software	Consolidated Application Software Total	Parent Internally Generated Application Software	Parent External Application Software	Parent Application Software Total
20 Intangible Assets						
As at 30 June 2007						
Cost	**6**	**59**	**65**	**6**	**59**	**65**
Accumulated Amortisation	**(6)**	**(39)**	**(45)**	**(6)**	**(39)**	**(45)**
Opening Net Book Value	**-**	**20**	**20**	**-**	**20**	**20**
Additions	**20**	**4**	**24**	**20**	**4**	**24**
Amortisation	**(2)**	**(6)**	**(8)**	**(2)**	**(6)**	**(8)**
Closing Net Book Value	**18**	**18**	**36**	**18**	**18**	**36**
Cost	**26**	**62**	**88**	**26**	**62**	**88**
Accumulated Amortisation	**(8)**	**(44)**	**(52)**	**(8)**	**(44)**	**(52)**
Closing Net Book Value	**18**	**18**	**36**	**18**	**18**	**36**
As at 30 June 2006						
Cost	6	48	54	6	48	54
Accumulated Amortisation	(6)	(33)	(39)	(6)	(33)	(39)
Opening Net Book Value	-	15	15	-	15	15
Additions	-	11	11	-	11	11
Amortisation	-	(6)	(6)	-	(6)	(6)
Closing Net Book Value	-	20	20	-	20	20
Cost	6	59	65	6	59	65
Accumulated Amortisation	(6)	(39)	(45)	(6)	(39)	(45)
Closing Net Book Value	-	20	20	-	20	20

Notes to the Financial Statements

For the year ended 30 June 2007

$ millions	Consolidated		Parent	
As at 30 June	**2007**	2006	**2007**	2006

21 Deposits and Other Borrowings at Fair Value through Profit or Loss

(a) Due to Other Banks				
Call	**107**	85	**107**	85
Term	**5,828**	5,446	**5,828**	5,444
Total Due to Other Banks	**5,935**	5,531	**5,935**	5,529
(b) Money Market Deposits				
Call	**2,720**	2,410	**2,728**	2,410
Term	**2,005**	1,954	**1,997**	1,954
Non-interest Bearing	**37**	126	**37**	126
Certificates of Deposit	**3,142**	3,136	**3,142**	3,136
Other Issued Paper	**9,430**	6,764	**2,172**	6,764
Total Money Market Deposits	**17,334**	14,390	**10,076**	14,390

All changes in Fair Value are attributable to changes in the benchmark interest rate. Refer to Note 1 for details of the fair valuation methodology.

As at 30 June 2007 the principal at maturity of Deposits and Other Borrowings designated at fair value was $23,354m for consolidated and $16,139m for parent (30 June 2006 $19,996m for consolidated and parent).

The Banking Group has not defaulted on any principal, interest or redemption amounts on its borrowed funds during the year ended 30 June 2007.

22 Deposits from Customers

Retail Term Deposits	**12,779**	10,911	**12,779**	10,911
Other Deposits Bearing Interest	**9,816**	8,963	**9,816**	8,963
Deposits Not Bearing Interest	**1,928**	1,271	**1,928**	1,271
Total Deposits from Customers	**24,523**	21,145	**24,523**	21,145

23 Other Liabilities

Interest Payable Accrued	**265**	224	**266**	224
Employee Entitlements	**52**	42	**52**	42
Trade Accounts Payable and Other Liabilities	**95**	95	**83**	85
Total Other Liabilities	**412**	361	**401**	351

Notes to the Financial Statements

For the year ended 30 June 2007

$ millions *As at 30 June*	Consolidated **2007**	2006	Parent **2007**	2006
24 Deferred Taxation (Liability) / Benefit				
Balance at Beginning of Year	**(13)**	14	**(13)**	14
Adjustment on Transition to NZ IFRS	**-**	(17)	**-**	(17)
Restated Opening Balance	**(13)**	(3)	**(13)**	(3)
Taxation Expense Recognised in the Income Statement	**(29)**	(3)	**(28)**	(3)
Deferred Taxation Recognised in Equity	**(92)**	(7)	**(92)**	(7)
Balance at End of Year	**(134)**	(13)	**(133)**	(13)
Deferred Taxation relates to:				
Asset Revaluation Reserves	**(5)**	(4)	**(4)**	(3)
Cash Flow Hedge Reserves	**(115)**	(24)	**(115)**	(24)
Deferred Fees	**(30)**	(27)	**(30)**	(27)
Depreciation	**8**	11	**7**	10
Holiday Pay	**6**	5	**6**	5
Provision for Impairment Losses	**28**	26	**28**	26
Other Temporary Differences	**(26)**	-	**(25)**	-
Total Deferred Taxation Liability	**(134)**	(13)	**(133)**	(13)

The reduction in the corporate tax rate from 33% to 30% from the 2009 tax year has been taken into account in calculating the value of Deferred Tax as at 30 June 2007.

As at 30 June 2007 Deferred Taxation of $68m (30 June 2006 $26m) is expected to crystallise after more than 12 months for both consolidated and parent. This Deferred Taxation balance has been calculated based on the corporate tax rate of 30% that will apply at that time.

As a result of the reduction in the corporate tax rate and the revaluation of Deferred Tax, the Deferred Taxation Liability in respect of Cash Flow Hedge Reserves decreased by $5m.

Deferred Taxation Recognised in the Income Statement:				
Deferred Fees	**(3)**	(3)	**(3)**	(3)
Depreciation	**(3)**	5	**(3)**	4
Holiday Pay	**1**	1	**1**	1
Provision for Impairment Losses	**2**	5	**2**	5
Other Temporary Differences	**(26)**	(11)	**(25)**	(10)
Total Deferred Taxation Recognised in the Income Statement	**(29)**	(3)	**(28)**	(3)
Deferred Taxation Recognised in Equity:				
Asset Revaluation Reserves	**(1)**	(1)	**(1)**	(1)
Cash Flow Hedge Reserves	**(91)**	(6)	**(91)**	(6)
Total Deferred Taxation Recognised in Equity	**(92)**	(7)	**(92)**	(7)

25 Subordinated Debt

The Bank issued $200m of Subordinated Notes on 15 June 2006, of which $17m was repurchased by the Bank as at 30 June 2006 and then subsequently resold during the year ended 30 June 2007.

On 29 June 2007 the Bank issued an additional $250m of Subordinated Notes to its ultimate parent, Commonwealth Bank of Australia.

All Subordinated Debt is subordinate to all other general liabilities of the Bank and is denominated in New Zealand dollars. Both issues carried an AA- credit rating from Standard & Poor's (Australia) Pty Limited as at 30 June 2007.

All Subordinated Debt qualifies as Lower Tier Two Capital for Capital Adequacy calculation purposes.

Face Value	Terms	Callable	Maturity
$200m	Coupon rate of 7.03% until 15 June 2011, after which the rate will be reset for the remaining term plus an additional 0.5% per annum	15 June 2011	15 June 2016
$250m	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	15 June 2011	15 June 2016

Notes to the Financial Statements

For the year ended 30 June 2007

$ millions	Consolidated		Parent	
As at 30 June	**2007**	2006	**2007**	2006
26 Contributed Capital				
Issued and Fully Paid Ordinary Share Capital				
Balance at Beginning of Year	**1,013**	323	**1,013**	323
Proceeds from Shares Issued	**550**	690	**550**	690
Balance at End of Year	**1,563**	1,013	**1,563**	1,013
Issued and Fully Paid Perpetual Preference Share Capital				
Balance at Beginning of Year	**550**	550	**550**	550
Cancellation of Shares	**-**	(550)	**-**	(550)
Proceeds from Shares Issued (Series 1 & 2)	**-**	550	**-**	550
Balance at End of Year	**550**	550	**550**	550
Total Contributed Capital	**2,113**	1,563	**2,113**	1,563

Ordinary Shares
The Bank issued 550,000,000 Ordinary Shares on 29 June 2007 and 690,000,000 Ordinary Shares on 29 June 2006.

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 are satisfied.

Dividends are declared subject, in all cases, to the applicable Directors' resolutions being passed.

Perpetual Preference Shares
On 15 May 2006 the Bank acquired 200,000,000 Perpetual Preference Shares issued in December 2002 and 350,000,000 Perpetual Preference Shares issued in December 2004. The shares were cancelled on acquisition.

Also on 15 May 2006 the Bank issued 200,000,000 2006 Series 1 Perpetual Preference Shares and 350,000,000 Series 2 Perpetual Preference Shares to its immediate parent, ASB Holdings Limited. ASB Holdings Limited subsequently transferred the Perpetual Preference Shares by way of novation to its subsidiary ASB Funding Limited.

The Perpetual Preference Shares have been issued as part of transactions with ASB Capital Limited and ASB Capital No. 2 Limited, both of which are subsidiaries of CBA Funding (NZ) Limited, which is ultimately owned by Commonwealth Bank of Australia.

Under the transactions, ASB Capital Limited and ASB Capital No. 2 Limited have advanced proceeds received from a public issue of their own Perpetual Preference Shares to ASB Funding Limited. ASB Funding Limited in turn invested the proceeds in Perpetual Preference Shares issued by the Bank. ASB Funding Limited and The New Zealand Guardian Trust Company Limited (the "Trustee") together with ASB Capital Limited and ASB Capital No. 2 Limited respectively are party to Trust Deeds, whereby ASB Funding Limited provides covenants to the Trustee for the benefit of holders of the ASB Capital Limited and ASB Capital No. 2 Limited Perpetual Preference Shares and grants security over the ASB Bank Perpetual Preference Shares in favour of the Trustee.

The Perpetual Preference Shares are non-redeemable and carry limited voting rights. Dividends are payable quarterly in arrears and are non-cumulative.

The dividend payable on the 2006 Series 1 issue 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 2006 to 8.85% per annum. The next dividend reset date is 15 November 2007.

The dividend payable on the 2006 Series 2 issue is based on the one year swap rate plus a margin of 1.0%. Rates are reset annually on 15 May or succeeding business day. The rate was reset on 15 May 2007 at a rate of 9.11% per annum. The next dividend reset date is 15 May 2008.

In the event of the liquidation of the Bank, payment of the issue price and cumulative dividends on the Perpetual Preference Shares 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 year ended 30 June 2007

$ millions *As at 30 June*	Consolidated **2007**	 2006	Parent **2007**	 2006
27 Asset Revaluation Reserves				
Balance at Beginning of Year	**23**	18	**20**	15
Revaluations	**5**	6	**5**	6
Deferred Income Tax	**(1)**	(1)	**(1)**	(1)
Balance at End of Year	**27**	23	**24**	20

Asset Revaluation Reserves relate 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.

28 Cash Flow Hedge Reserves				
Balance at Beginning of Year	**50**	-	**50**	-
Adjustment on Transition to NZ IFRS	**-**	38	**-**	38
Net Gain from Changes in Fair Value	**325**	47	**325**	47
Transferred to Profit or Loss	**(33)**	(29)	**(33)**	(29)
Deferred Income Tax	**(91)**	(6)	**(91)**	(6)
Balance at End of Year	**251**	50	**251**	50

Cash Flow Hedge Reserves comprise the effective portion of the cumulative net change in the fair value of foreign exchange and interest rate derivative contracts related to hedged forecasted transactions that have not yet occurred.

29 Retained Earnings				
Balance at Beginning of Year	**1,053**	1,378	**862**	1,202
Adjustments on Transition to NZ IFRS	**-**	125	**-**	125
Restated Opening Balance	**1,053**	1,503	**862**	1,327
Net Profit after Taxation	**532**	440	**487**	425
	1,585	1,943	**1,349**	1,752
Less:				
Ordinary Dividends	**825**	860	**825**	860
Perpetual Preference Dividends	**31**	30	**31**	30
Balance at End of Year	**729**	1,053	**493**	862

30 Reconciliation of Net Profit after Taxation to Net Cash Flows from Operating Activities				
Net Profit after Taxation	**532**	440	**487**	425
Add: Non-cash Items				
Impairment Losses on Advances	**18**	24	**18**	24
Asset Revaluation Reserves	**(1)**	-	**(1)**	-
Depreciation	**32**	31	**31**	30
Amortisation of Intangible Assets	**8**	6	**8**	6
Net Loss on Sale of Property, Plant and Equipment	**1**	-	**1**	-
	58	61	**57**	60
Add: Movements in Balance Sheet Items				
Changes in Operating Assets and Liabilities	**2,298**	(578)	**(5,491)**	(641)
Interest Receivable – Decrease / (Increase)	**22**	(7)	**21**	(4)
Interest Payable – Increase	**139**	115	**150**	168
Other Income Accrued – Increase	**(358)**	(11)	**(339)**	(102)
Operating Expenses Accrued – (Decrease) / Increase	**(4)**	3	**(5)**	2
Taxation Balances – (Decrease) / Increase	**(18)**	5	**(25)**	11
	2,079	(473)	**(5,689)**	(566)
Net Cash Flows from Operating Activities	**2,669**	28	**(5,145)**	(81)

Notes to the Financial Statements

For the year ended 30 June 2007

$ millions	Consolidated		Parent	
As at 30 June	**2007**	2006	**2007**	2006

31 Reconciliation of Cash and Cash Equivalents to the Balance Sheet

Cash and Call Deposits with the Central Bank	**3,013**	911	**3,012**	911
Call Deposits Due from Other Banks	**56**	23	**54**	21
Call Deposits Due to Other Banks	**(107)**	(85)	**(107)**	(85)
Total Cash and Cash Equivalents at End of Year	**2,962**	849	**2,959**	847

32 Imputation and Policyholder Credit Accounts

With effect from 1 April 2005 the Bank and some of its subsidiaries formed an imputation group with other members of the Commonwealth Bank of Australia Group ("ICA Group"). The closing imputation credit account balances presented below represent the imputation credits available to the ICA Group.

Income tax flows and imputation credit movements are reported on an ICA Group basis across all members of the ICA Group. The credits are available to shareholders (and shareholders of other ICA Group members) through the Bank's inclusion in the ICA Group.

Because one of the associate companies in the ICA Group is a life insurance company the ICA Group is required to maintain a policyholder credit account ("PCA"). The closing balance in the PCA below can be transferred back to the ICA Group's imputation credit account and, therefore, is available to shareholders (and shareholders of other ICA Group members).

Imputation Credit Account

Balance at Beginning of Year	**145**	256	**-**	-
Opening Balances of Associates Entering the ICA Group	**1**	(1)	**-**	-
Net Income Tax Paid	**82**	145	**-**	-
Imputation Credits Attached to Dividends Received	**80**	45	**-**	-
Less: Imputation Credits Attached to Dividends Paid	**229**	300	**-**	-
Balance at End of Year	**79**	145	**-**	-

Dividends paid by companies may include imputation credits representing the New Zealand taxation already paid by the company or tax group on profits distributed by way of dividends. New Zealand resident shareholders may claim a tax credit to the value of the imputation credit attached to the dividends.

Policyholder Credit Account

The balance of the PCA can be transferred to the above imputation credit account. Accordingly, credits in the PCA are available to the shareholders (and shareholders of other members of the ICA Group) through the Bank's inclusion in the ICA Group.

Balance at Beginning of Year	**57**	69	**-**	-
Prior Year Adjustment	**-**	(4)	**-**	-
Closing Balances of Associates Leaving the Consolidated Group	**-**	(8)	**-**	-
Balance at End of Year	**57**	57	**-**	-

Notes to the Financial Statements

For the year ended 30 June 2007

33 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. The Commonwealth Bank Group refers to the Commonwealth Bank of Australia and the various companies and other entities owned and controlled by the Commonwealth Bank of Australia. Commonwealth Bank of Australia New Zealand Life Insurance Group includes Colonial Group and ASB Group (Life) Limited Group of Companies.

During the year ended 30 June 2007 the Banking Group has entered into, or had in place various financial transactions with members of the Commonwealth Bank Group, and other related parties. The Bank provides administrative functions to some subsidiaries and related companies for which no payments have been made. In all other cases, arrangements with related parties were conducted on an arm's length basis and on normal commercial terms, and within the Bank's approved policies. Loans to and borrowings from related parties are unsecured.

Transactions processed during the year ended 30 June 2007 included:

Guarantees
Commonwealth Bank Group provides guarantees over various lending offered by the Bank to the value of $30m (30 June 2006 $30m).

Distribution and Administrative Services
A payment of $14m (30 June 2006 $21m) was made to the Commonwealth Bank of Australia New Zealand Life Insurance Group, for the origination of mortgages.

No payments (30 June 2006 $1m) were made to Commonwealth Bank Group for leasing of equipment.

No payments (30 June 2006 $3m) were made to Commonwealth Bank Group for arrangement fees.

Receipts of $2m (30 June 2006 $2m) were received from Commonwealth Bank Group, for administrative functions provided by the Bank.

Receipts of $20m (30 June 2006 $6m) were received from the Commonwealth Bank of Australia New Zealand Life Insurance Group, for administrative functions provided by the Bank.

Receipts of $19m (30 June 2006 $13m) were received from the Commonwealth Bank of Australia New Zealand Life Insurance Group, for insurance commission and profit share.

Receipts of $17m (30 June 2006 $17m) were received from the Commonwealth Bank of Australia New Zealand Life Insurance Group, for distribution of fund management services.

Commonwealth Bank of Australia New Zealand Life Insurance Group manages and administers a number of Superannuation, Unit and Other Trusts. These trusts hold some of their funds with the Bank. Total deposits held with the Bank as at 30 June 2007 were $1,633m (30 June 2006 $1,067m) and total interest expense related to these deposits for the year ended 30 June 2007 was $80m (30 June 2006 $50m). These deposits are held on normal commercial terms and conditions.

Derivative Transactions
Net unrealised losses on derivatives held with the Commonwealth Bank Group were $162m (30 June 2006 $61m gain), the Commonwealth Bank of Australia New Zealand Life Insurance Group $75m (30 June 2006 $23m gain) and the Trusts managed or administered by the Commonwealth Bank of Australia New Zealand Life Insurance Group $23m (30 June 2006 $14m gain).

The Bank has in place interest rate swaps with Commonwealth Bank Group with a face value of $3,685m (30 June 2006 $2,897m), interest rate options with a face value of $344m (30 June 2006 $321m), currency swaps with a face value of $2,694m (30 June 2006 $503m), foreign exchange contracts with a face value of $1,843m (30 June 2006 $1,618m), forward commodity contracts with a face value of $1m (30 June 2006 face value $1m), credit default swaps with a face value of $191m (30 June 2006 Nil) and forward rate agreements with a face value of $700m (30 June 2006 $750m).

The Bank had foreign exchange contracts with the Commonwealth Bank of Australia New Zealand Life Insurance Group with a face value of $2,676m (30 June 2006 $1,799m) and interest rate swaps with a face value of $1,814m (30 June 2006 Nil).

The Bank had foreign exchange contracts with Trusts managed or administered by the Commonwealth Bank of Australia New Zealand Life Insurance Group with a face value of $1,179m (30 June 2006 $878m).

Other
Net payments of $104m (30 June 2006 $7m) were made between the Bank and Related Parties, relating to the utilisation of tax related items.

No Provisions for Impairment Loss have been recognised in respect of loans given to related parties (30 June 2006 Nil).

Refer to Note 9 for details of dividends paid to shareholders.

Refer to Note 26 for details of preference shares issued to related parties.

For the year ended 30 June 2007

$ millions	Consolidated	
As at 30 June	**2007**	2006
33 Related Party Transactions and Balances (continued)		
Transactions between the Bank and its Subsidiaries		
Refer to Note 17 for details of the Bank's interests in Associates and Subsidiaries.		

Amounts due from and to Associates and Subsidiaries are disclosed in the Parent Balance Sheet.

Details of interest received from and paid to Associates and Subsidiaries are included in Notes 2 and 3.

Details of guarantees issued by the Bank relating to subsidiary transactions are included in Note 35.

The Bank enters into derivative transactions with its subsidiaries in the normal course of business.

	2007	2006
Related Party Balances		
Commonwealth Bank Group (100% Ultimate Shareholder)		
Due from Other Banks		
Balance at Beginning of Year	**323**	30
Net Movement	**29**	293
Balance at End of Year	**352**	323
Interest Income on Due from Other Banks	**12**	8
Derivative Assets / (Liabilities)		
Balance at Beginning of Year	**61**	-
Net Movement	**(223)**	61
Balance at End of Year	**(162)**	61
Other Assets	**2**	2
Due to Other Banks		
Balance at Beginning of Year	**5,467**	4,034
Net Movement	**515**	1,433
Balance at End of Year	**5,982**	5,467
Interest Expense on Due to Other Banks	**398**	324
Subordinated Debt		
Balance at Beginning of Year	**-**	-
Net Movement	**250**	-
Balance at End of Year	**250**	-
Other Liabilities	**51**	51
Commonwealth Bank of Australia New Zealand Life Insurance Group (Subsidiaries of Commonwealth Bank Group)		
Derivative Assets / (Liabilities)		
Balance at Beginning of Year	**23**	-
Net Movement	**(99)**	23
Balance at End of Year	**(76)**	23
Other Assets	**5**	5
Deposits from Customers		
Balance at Beginning of Year	**260**	251
Net Movement	**(24)**	9
Balance at End of Year	**236**	260
Interest Expense on Deposits from Customers	**17**	7
Other Liabilities	**2**	2
Trusts Managed or Administered by the Commonwealth Bank of Australia New Zealand Life Insurance Group (Subsidiaries of Commonwealth Bank Group)		
Derivative Assets / (Liabilities)		
Balance at Beginning of Year	**14**	-
Net Movement	**(37)**	14
Balance at End of Year	**(23)**	14

Notes to the Financial Statements

For the year ended 30 June 2007

$ millions	Consolidated	
As at 30 June	**2007**	2006
33 Related Party Transactions and Balances (continued)		
Related Party Balances (continued)		
ASB Holdings Limited*		
(Former 100% Ultimate New Zealand Shareholder)		
Deposits from Customers		
Balance at Beginning of Year	**-**	49
Net Movement	**-**	(49)
Balance at End of Year	**-**	-
ASB Group (Holdings) Limited*		
(Former 100% Immediate New Zealand Shareholder)		
Deposits from Customers		
Balance at Beginning of Year	**-**	3
Net Movement	**-**	(3)
Balance at End of Year	**-**	-
ASB Holdings Limited (Formerly ASB Group Limited)*		
(New Zealand Shareholder and Subsidiary of Commonwealth Bank Group)		
Deposits from Customers		
Balance at Beginning of Year	**405**	24
Net Movement	**(312)**	381
Balance at End of Year	**93**	405
Interest Expense on Deposits from Customers	**18**	22
Other Liabilities	**-**	3

Other assets and liabilities include sundry debtors and creditors and accrued interest.

* *ASB (Group) Holdings Limited and ASB Holdings Limited amalgamated with ASB Group Limited on 15 and 16 March 2006 respectively. On amalgamation, ownership of ASB Bank Limited was transferred to ASB Group Limited (subsequently renamed ASB Holdings Limited).*

> Notes to the Financial Statements

For the year ended 30 June 2007

$ millions *As at 30 June*	Consolidated **2007**	 2006
34 Directors and Key Management Personnel		
Key Management Compensation		
Short Term Employee Benefits	**12**	7
Total Key Management Compensation	**12**	7

Dealings with Directors and parties related to Directors: Payments of $1m (30 June 2006 $676,000) were made to Research Solutions Limited for services rendered.

Loans to Directors and Key Management Personnel		
Balance at Beginning of Year	**10**	8
Adjustment Due to Change in Key Management Personnel	**1**	-
Received During the Year	**21**	19
Repaid During the Year	**(24)**	(17)
Balance at End of Year	**8**	10
Interest Income*	**1**	1

All loans were made in the ordinary course of business of the Bank on an arm's length basis and on normal commercial terms and conditions. The interest rates applicable were between 6.7% and 19.75% (30 June 2006 6.2% and 19.25%). Terms of repayment range between variable, fixed rates up to three years, and interest only loans, all of which have been in accordance with the Bank's lending policies.

Deposits from Directors and Key Management Personnel		
Balance at Beginning of Year	**3**	3
Received During the Year	**37**	17
Repaid During the Year	**(34)**	(17)
Balance at End of Year	**6**	3
Interest Expense*	**-**	-

Deposits consist of on call, savings, cheque, term investments and cash management balances, all lodgements being made and conducted on an arm's length basis in the normal course of business and on commercial terms and conditions.

Interest rates are from 0% to 8.36% (30 June 2006 1% to 7.55%), terms of repayment ranging between on call and six months.

* *Interest is received and paid on Loans and Deposits respectively at market rates, but is reported as Nil in most periods, as a result of rounding to the nearest million.*

Notes to the Financial Statements

For the year ended 30 June 2007

As at 30 June	2007		2006	
$ millions	**Notional Amount**	**Credit Equivalent**	Notional Amount	Credit Equivalent

35 Credit and Capital Commitments, and Contingent Liabilities

	Consolidated			
(a) Credit and Capital Commitments				
Lending Commitments Approved but Not Yet Advanced	**7,749**	**1,535**	7,947	896
Capital Expenditure Commitments	**8**	**8**	3	3
Total Credit and Capital Commitments	**7,757**	**1,543**	7,950	899
	Parent			
Credit and Capital Commitments				
Lending Commitments Approved but Not Yet Advanced	**7,818**	**1,535**	8,003	896
Capital Expenditure Commitments	**8**	**8**	3	3
Total Credit and Capital Commitments	**7,826**	**1,543**	8,006	899
	Consolidated			
(b) Contingent Liabilities				
Guarantees	**71**	**71**	1	1
Standby Letters of Credit	**89**	**89**	85	85
Other Credit Facilities	**75**	**29**	51	20
Other Contingent Liabilities	**12**	**6**	8	4
Total Contingent Liabilities	**247**	**195**	145	110
	Parent			
Contingent Liabilities				
Guarantees	**123**	**112**	35	33
Standby Letters of Credit	**89**	**89**	85	85
Other Credit Facilities	**75**	**29**	51	20
Other Contingent Liabilities	**5**	**3**	5	2
Total Contingent Liabilities	**292**	**233**	176	140

(c) The Parent Bank guarantees cross currency swaps transacted by Waterloo and Victoria Limited and Bayswater and Bond Limited. The value of these guarantees are recognised as the risk weighted exposure of the cross currency swaps which as at 30 June 2007 was $22m (30 June 2006 $4m).

The Parent Bank guarantees certain obligations of its subsidiary ASB Finance Limited. Proceeds of paper issued by ASB Finance Limited are on-lent to the Bank and are included in Due to Associates and Subsidiaries. The Parent Bank also provides a guarantee to the New Zealand Exchange Limited ("NZX") over the obligations of ASB Securities Limited up to $30m.

As previously disclosed in the General Disclosure Statement for the year ended 30 June 2006, the New Zealand Inland Revenue Department ("IRD") is carrying out an industry-wide review of structured finance transactions. On 30 March 2005 and 30 March 2006, the Bank received Notices of Proposed Adjustments ("NOPAs") from the IRD in respect of structured finance transactions for the years ended 30 June 2001 to 30 June 2004.

A NOPA is not an assessment of tax. It is the first step in New Zealand's tax disputes process, under which the IRD formally advises a taxpayer that they are proposing to amend a tax assessment. Notices of assessment have now been received in relation to one of these transactions for the 2001 tax year and two of these transactions for the 2002 tax year. These assessments would result in a tax liability of $41m if upheld (including tax effected use of money interest charges). No provision has been created for a tax liability as a result of the issued assessment.

The adjustments proposed by the IRD are for the 2002 to 2004 years and would result in an estimated potential tax liability of $95m (inclusive of the $41m from the assessment). If applied up to 30 June 2007, an additional $108m would arise (including tax effected use of money interest charges).

Should NOPAs also be issued to the Bank for all similar transactions, and for all tax years from 2002 onward, the combined assessments and adjustments proposed by the IRD would result in a net potential tax liability covering all transactions of $235m up to 30 June 2007 (including tax effected use of money interest charges).

The Bank has taken extensive independent tax advice and is confident the tax treatment it has adopted for the transactions to which the NOPAs relate is correct. Accordingly, the Bank has not created any provisions for a tax liability as a result of the issue of the NOPAs.

Notes to the Financial Statements

For the year ended 30 June 2007

$ millions	Consolidated		Parent	
As at 30 June	**2007**	2006	**2007**	2006

35 Credit and Capital Commitments, and Contingent Liabilities (continued)

Also as disclosed in the 30 June 2006 General Disclosure Statement, the New Zealand Commerce Commission was taking action against credit and debit card issuers for alleged misleading practices under the Fair Trading Act 1986 in relation to the disclosure of international currency conversion fees. The Bank has accepted that the way in which fees were disclosed in the past was a breach of the Fair Trading Act 1986 and has agreed to pay compensation to all current and former cardholders who used their ASB debit or credit card to make foreign currency transactions between 1 March 2002 and 31 March 2005. As agreed with the Commerce Commission the Bank has paid total compensation of $3.5m. This amount is included within Operating Expenses in the Income Statement.

In November 2006 the Commerce Commission issued proceedings against Visa, MasterCard and 11 financial institutions, including the Bank, for alleged price fixing in relation to interchange fees. Also in November 2006, similar proceedings were issued against the same defendants by 11 retailers. No provisions have been made relating to these claims.

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 where appropriate.

36 Leasing and Other Commitments

Leasing Commitments

The following non-cancellable operating lease commitments existed at the end of the year:

	Consolidated 2007	Consolidated 2006	Parent 2007	Parent 2006
Within One Year of Balance Date	**32**	29	**29**	26
Between One and Two Years	**28**	26	**24**	23
Between Two and Five Years	**62**	58	**51**	49
Over Five Years	**30**	35	**27**	28
Total Leasing Commitments	**152**	148	**131**	126
Other Commitments	**10**	13	**10**	13

The Bank leases various premises under non-cancellable operating lease agreements. The leases have varying terms and renewal rights. The Bank also leases motor vehicles and certain office equipment. Lease expenditure is charged to the Income Statement (refer to Note 6).

The Bank has entered into certain sub-leasing arrangements. Sub-leasing income of $1m for the year ended 30 June 2007 was included in the Income Statement (30 June 2006 $2m).

37 Material Foreign Currency Balances

Material Assets and Liabilities denominated in foreign currencies recognised in these financial statements, and Net Open Positions were:

		Consolidated			Parent		
	Exchange Rate	Assets NZ $m	Liabilities NZ $m	Net Open Position NZ $m	Assets NZ $m	Liabilities NZ $m	Net Open Position NZ $m
As at 30 June 2007							
US Dollar	**0.7692**	**685**	**4,976**	**1**	**593**	**4,929**	**1**
Australian Dollar	**0.9063**	**74**	**951**	**(1)**	**45**	**951**	**(1)**
Sterling	**0.3841**	**42**	**1,060**	**(2)**	**10**	**1,057**	**(2)**
Japanese Yen	**94.9602**	**6**	**672**	**-**	**6**	**671**	**-**
EURO	**0.5721**	**697**	**1,706**	**(1)**	**26**	**1,690**	**(1)**
Swiss Franc	**0.9484**	**2**	**1,677**	**(1)**	**2**	**1,677**	**(1)**
As at 30 June 2006							
US Dollar	0.6091	786	2,906	(36)	619	2,906	(36)
Australian Dollar	0.8218	157	1,031	8	35	1,031	8
Sterling	0.3323	46	281	-	9	281	-
Japanese Yen	70.0328	6	1,045	45	6	1,045	45
EURO	0.4792	471	2,196	-	18	2,196	-
Swiss Franc	0.7511	3	1,511	-	3	1,511	-

All material foreign currency assets and liabilities are reported in the Balance Sheet at fair value.

Differences between total monetary assets and total monetary liabilities in individual currencies are covered by contracts with other parties and / or are controlled within internal policy limits.

Notes to the Financial Statements

For the year ended 30 June 2007

38 Fair Value of Financial Instruments

The following table summarises the carrying amounts and fair values of those financial assets and financial liabilities not presented in the Banking Group's Balance Sheet at their fair value. Refer to Note 1 for a description of how fair values are estimated.

	Consolidated		Parent	
$ millions	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Balance Sheet Items				
As at 30 June 2007				
Cash and Call Deposits with the Central Bank	**3,013**	**3,013**	**3,012**	**3,012**
Advances to Customers	**42,856**	**42,042**	**42,743**	**42,033**
Due from Associates and Subsidiaries	**-**	**-**	**870**	**870**
Other Assets	**203**	**203**	**180**	**180**
Deposits from Customers	**24,523**	**24,476**	**24,523**	**24,476**
Due to Associates and Subsidiaries	**-**	**-**	**7,502**	**7,502**
Other Liabilities	**412**	**412**	**401**	**401**
Subordinated Debt	**451**	**443**	**451**	**443**
As at 30 June 2006				
Cash and Call Deposits with the Central Bank	911	911	911	911
Advances to Customers	37,989	37,739	37,800	37,576
Due from Associates and Subsidiaries	-	-	594	594
Other Assets	164	164	142	142
Deposits from Customers	21,145	21,148	21,145	21,148
Due to Associates and Subsidiaries	-	-	212	212
Other Liabilities	361	361	351	351
Subordinated Debt	183	183	183	183

Off Balance Sheet Items

There are no fair values for Direct Credit Substitutes, Trade and Performance Related Items and Commitments as no secondary market exists.

Notes to the Financial Statements

For the year ended 30 June 2007

39 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".

		Consolidated						
$ millions	Weighted Average Interest Rate %	Within 6 Months	Between 6-12 Months	Between 1-2 Years	Between 2-5 Years	Over 5 Years	Non-interest Bearing	Total
As at 30 June 2007								
Assets								
Cash and Call Deposits with the Central Bank	**8.0**	**2,998**	**-**	**-**	**-**	**-**	**15**	**3,013**
Due from Other Banks	**6.6**	**1,126**	**-**	**-**	**-**	**-**	**-**	**1,126**
Money Market Advances	**7.8**	**2,222**	**29**	**7**	**6**	**-**	**-**	**2,264**
Securities	**8.2**	**1,560**	**444**	**37**	**309**	**64**	**23**	**2,437**
Derivative Assets	**-**	**-**	**-**	**-**	**-**	**-**	**761**	**761**
Advances to Customers	**8.4**	**13,772**	**5,628**	**11,369**	**12,164**	**14**	**(91)**	**42,856**
Other Assets	**-**	**-**	**-**	**-**	**-**	**-**	**436**	**436**
Total Assets		**21,678**	**6,101**	**11,413**	**12,479**	**78**	**1,144**	**52,893**
Liabilities								
Due to Other Banks	**8.0**	**5,935**	**-**	**-**	**-**	**-**	**-**	**5,935**
Money Market Deposits	**5.8**	**15,200**	**1,322**	**161**	**593**	**21**	**37**	**17,334**
Derivative Liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**984**	**984**
Deposits from Customers	**6.7**	**20,278**	**2,111**	**125**	**81**	**-**	**1,928**	**24,523**
Other Liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**546**	**546**
Subordinated Debt	**7.9**	**250**	**-**	**-**	**200**	**-**	**1**	**451**
Total Liabilities		**41,663**	**3,433**	**286**	**874**	**21**	**3,496**	**49,773**
Lending Commitments		**(146)**	**51**	**276**	**887**	**230**		
Net Derivative Notional Principals		**22,892**	**(2,953)**	**(9,391)**	**(10,359)**	**(189)**		
As at 30 June 2006								
Assets								
Cash and Call Deposits with the Central Bank	7.0	894	-	-	-	-	17	911
Due from Other Banks	5.5	834	-	-	-	-	-	834
Money Market Advances	8.1	945	9	9	3	-	-	966
Securities	7.7	2,472	-	441	49	37	22	3,021
Derivative Assets	-	-	-	-	-	-	511	511
Advances to Customers	7.9	14,814	5,951	9,534	7,759	11	(80)	37,989
Other Assets	-	-	-	-	-	-	336	336
Total Assets		19,959	5,960	9,984	7,811	48	806	44,568
Liabilities								
Due to Other Banks	7.4	5,531	-	-	-	-	-	5,531
Money Market Deposits	4.8	12,979	493	442	336	14	126	14,390
Derivative Liabilities	-	-	-	-	-	-	241	241
Deposits from Customers	6.2	18,813	815	155	91	-	1,271	21,145
Other Liabilities	-	-	-	-	-	-	389	389
Subordinated Debt	7.0	-	-	-	182	-	1	183
Total Liabilities		37,323	1,308	597	609	14	2,028	41,879
Lending Commitments		-	74	168	736	187		
Net Derivative Notional Principals		17,691	(3,139)	(8,889)	(5,515)	(148)		

Notes to the Financial Statements

For the year ended 30 June 2007

$ millions	Weighted Average Interest Rate %	Parent Within 6 Months	Between 6-12 Months	Between 1-2 Years	Between 2-5 Years	Over 5 Years	Non-interest Bearing	Total
39 Interest Rate Repricing Schedule (continued)								
As at 30 June 2007								
Assets								
Cash and Call Deposits with the Central Bank	**8.0**	**2,998**	**-**	**-**	**-**	**-**	**14**	**3,012**
Due from Other Banks	**6.6**	**1,115**	**-**	**-**	**-**	**-**	**-**	**1,115**
Money Market Advances	**7.8**	**2,222**	**29**	**7**	**6**	**-**	**-**	**2,264**
Securities	**8.3**	**1,219**	**102**	**11**	**56**	**39**	**23**	**1,450**
Derivative Assets	**-**	**-**	**-**	**-**	**-**	**-**	**651**	**651**
Advances to Customers	**8.4**	**13,711**	**5,612**	**11,349**	**12,148**	**14**	**(91)**	**42,743**
Due from Associates and Subsidiaries	**6.9**	**716**	**14**	**26**	**89**	**25**	**-**	**870**
Other Assets	**-**	**-**	**-**	**-**	**-**	**-**	**781**	**781**
Total Assets		**21,981**	**5,757**	**11,393**	**12,299**	**78**	**1,378**	**52,886**
Liabilities								
Due to Other Banks	**8.0**	**5,935**	**-**	**-**	**-**	**-**	**-**	**5,935**
Money Market Deposits	**6.6**	**9,085**	**598**	**36**	**299**	**21**	**37**	**10,076**
Derivative Liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**984**	**984**
Deposits from Customers	**6.7**	**20,278**	**2,111**	**125**	**81**	**-**	**1,928**	**24,523**
Due to Associates and Subsidiaries	**4.3**	**6,123**	**716**	**125**	**285**	**-**	**253**	**7,502**
Other Liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**534**	**534**
Subordinated Debt	**7.9**	**250**	**-**	**-**	**200**	**-**	**1**	**451**
Total Liabilities		**41,671**	**3,425**	**286**	**865**	**21**	**3,737**	**50,005**
Lending Commitments		**(146)**	**51**	**276**	**887**	**230**		
Net Derivative Notional Principals		**22,351**	**(2,604)**	**(9,375)**	**(10,184)**	**(189)**		
As at 30 June 2006								
Assets								
Cash and Call Deposits with the Central Bank	7.0	894	-	-	-	-	17	911
Due from Other Banks	5.5	740	-	-	-	-	-	740
Money Market Advances	8.1	945	9	9	3	-	-	966
Securities	7.4	2,197	-	28	49	37	22	2,333
Derivative Assets	-	-	-	-	-	-	495	495
Advances to Customers	7.9	14,697	5,930	9,504	7,738	11	(80)	37,800
Due from Associates and Subsidiaries	7.1	569	-	-	-	-	25	594
Other Assets	-	-	-	-	-	-	715	715
Total Assets		20,042	5,939	9,541	7,790	48	1,194	44,554
Liabilities								
Due to Other Banks	7.4	5,529	-	-	-	-	-	5,529
Money Market Deposits	4.8	12,979	493	442	336	14	126	14,390
Derivative Liabilities	-	-	-	-	-	-	221	221
Deposits from Customers	6.2	18,813	815	155	91	-	1,271	21,145
Due to Associates and Subsidiaries	0.6	35	-	-	-	-	177	212
Other Liabilities	-	-	-	-	-	-	379	379
Subordinated Debt	7.0	-	-	-	182	-	1	183
Total Liabilities		37,356	1,308	597	609	14	2,175	42,059
Lending Commitments		-	74	168	736	187		
Net Derivative Notional Principals		17,224	(3,116)	(8,458)	(5,502)	(148)		

Notes to the Financial Statements

For the year ended 30 June 2007

40 Maturity Analysis

The following tables analyse the Banking Group's assets and liabilities into relevant maturity groupings based on the remaining period as at balance date to the contractual maturity date. 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 includes 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. Refer to Note 39 for Interest Rate Repricing information.

				Consolidated			
$ millions	Within 6 Months	Between 6-12 Months	Between 1-2 Years	Between 2-5 Years	Over 5 Years	Not Specified	Total
As at 30 June 2007							
Assets							
Cash and Call Deposits with the Central Bank	**3,013**	**-**	**-**	**-**	**-**	**-**	**3,013**
Due from Other Banks	**1,126**	**-**	**-**	**-**	**-**	**-**	**1,126**
Money Market Advances	**2,222**	**29**	**7**	**6**	**-**	**-**	**2,264**
Securities	**1,382**	**466**	**101**	**355**	**133**	**-**	**2,437**
Derivative Assets	**-**	**-**	**-**	**-**	**-**	**761**	**761**
Advances to Customers	**5,565**	**984**	**1,946**	**4,922**	**29,530**	**(91)**	**42,856**
Other Assets	**-**	**-**	**-**	**-**	**-**	**436**	**436**
Total Assets	**13,308**	**1,479**	**2,054**	**5,283**	**29,663**	**1,106**	**52,893**
Liabilities							
Due to Other Banks	**467**	**970**	**2,373**	**-**	**2,125**	**-**	**5,935**
Money Market Deposits	**13,103**	**1,534**	**684**	**1,992**	**21**	**-**	**17,334**
Derivative Liabilities	**-**	**-**	**-**	**-**	**-**	**984**	**984**
Deposits from Customers	**22,206**	**2,111**	**125**	**81**	**-**	**-**	**24,523**
Other Liabilities	**-**	**-**	**-**	**-**	**-**	**546**	**546**
Subordinated Debt	**-**	**-**	**-**	**-**	**450**	**1**	**451**
Total Liabilities	**35,776**	**4,615**	**3,182**	**2,073**	**2,596**	**1,531**	**49,773**
As at 30 June 2006							
Assets							
Cash and Call Deposits with the Central Bank	911	-	-	-	-	-	911
Due from Other Banks	742	-	92	-	-	-	834
Money Market Advances	945	9	9	3	-	-	966
Securities	2,040	46	726	120	87	2	3,021
Derivative Assets	-	-	-	-	-	511	511
Advances to Customers	5,330	942	1,723	4,581	25,492	(79)	37,989
Other Assets	-	-	-	-	-	336	336
Total Assets	9,968	997	2,550	4,704	25,579	770	44,568
Liabilities							
Due to Other Banks	720	-	1,050	2,386	1,375	-	5,531
Money Market Deposits	10,782	1,455	1,583	556	14	-	14,390
Derivative Liabilities	-	-	-	-	-	241	241
Deposits from Customers	20,084	815	155	91	-	-	21,145
Other Liabilities	-	-	-	-	-	389	389
Subordinated Debt	-	-	-	-	182	1	183
Total Liabilities	31,586	2,270	2,788	3,033	1,571	631	41,879

Notes to the Financial Statements

For the year ended 30 June 2007

$ millions	Within 6 Months	Between 6-12 Months	Between 1-2 Years	Parent Between 2-5 Years	Over 5 Years	Not Specified	Total
40 Maturity Analysis (continued)							
As at 30 June 2007							
Assets							
Cash and Call Deposits with the Central Bank	**3,012**	**-**	**-**	**-**	**-**	**-**	**3,012**
Due from Other Banks	**1,115**	**-**	**-**	**-**	**-**	**-**	**1,115**
Money Market Advances	**2,222**	**29**	**7**	**6**	**-**	**-**	**2,264**
Securities	**1,041**	**124**	**75**	**102**	**108**	**-**	**1,450**
Derivative Assets	**-**	**-**	**-**	**-**	**-**	**651**	**651**
Advances to Customers	**5,562**	**983**	**1,943**	**4,912**	**29,434**	**(91)**	**42,743**
Due from Associates and Subsidiaries	**117**	**408**	**26**	**289**	**25**	**5**	**870**
Other Assets	**-**	**-**	**-**	**-**	**-**	**781**	**781**
Total Assets	**13,069**	**1,544**	**2,051**	**5,309**	**29,567**	**1,346**	**52,886**
Liabilities							
Due to Other Banks	**467**	**970**	**2,373**	**-**	**2,125**	**-**	**5,935**
Money Market Deposits	**8,609**	**810**	**337**	**299**	**21**	**-**	**10,076**
Derivative Liabilities	**-**	**-**	**-**	**-**	**-**	**984**	**984**
Deposits from Customers	**22,206**	**2,111**	**125**	**81**	**-**	**-**	**24,523**
Due to Associates and Subsidiaries	**4,494**	**718**	**344**	**1,678**	**-**	**268**	**7,502**
Other Liabilities	**-**	**-**	**-**	**-**	**-**	**534**	**534**
Subordinated Debt	**-**	**-**	**-**	**-**	**450**	**1**	**451**
Total Liabilities	**35,776**	**4,609**	**3,179**	**2,058**	**2,596**	**1,787**	**50,005**
As at 30 June 2006							
Assets							
Cash and Call Deposits with the Central Bank	911	-	-	-	-	-	911
Due from Other Banks	740	-	-	-	-	-	740
Money Market Advances	945	9	9	3	-	-	966
Securities	2,040	46	38	120	87	2	2,333
Derivative Assets	-	-	-	-	-	495	495
Advances to Customers	5,327	939	1,717	4,563	25,333	(79)	37,800
Due from Associates and Subsidiaries	169	-	400	-	-	25	594
Other Assets	-	-	-	-	-	715	715
Total Assets	10,132	994	2,164	4,686	25,420	1,158	44,554
Liabilities							
Due to Other Banks	718	-	1,050	2,386	1,375	-	5,529
Money Market Deposits	10,782	1,455	1,583	556	14	-	14,390
Derivative Liabilities	-	-	-	-	-	221	221
Deposits from Customers	20,084	815	155	91	-	-	21,145
Due to Associates and Subsidiaries	35	-	-	-	-	177	212
Other Liabilities	-	-	-	-	-	379	379
Subordinated Debt	-	-	-	-	182	1	183
Total Liabilities	31,619	2,270	2,788	3,033	1,571	778	42,059

Notes to the Financial Statements

For the year ended 30 June 2007

$ millions	Consolidated		Parent	
As at 30 June	**2007**	2006	**2007**	2006
41 Capital Adequacy				
CAPITAL				
Tier One Capital				
Issued and Fully Paid-up Ordinary Share Capital	**1,563**	1,013	**1,563**	1,013
Perpetual Fully Paid-up Non-cumulative Preference Shares	**550**	550	**550**	550
Revenue and Similar Reserves at Beginning of Year	**1,053**	1,378	**862**	1,202
Current Year's Retained Earnings	**(324)**	(325)	**(369)**	(340)
Less: Deductions from Tier One Capital				
Intangible Assets	**36**	20	**36**	20
Total Tier One Capital	**2,806**	2,596	**2,570**	2,405
Tier Two Capital (Upper)				
Asset Revaluation Reserves	**27**	23	**24**	20
Tier Two Capital (Lower)				
Term Subordinated Debt	**450**	183	**450**	183
Total Capital	**3,283**	2,802	**3,044**	2,608
Deduction for Investments in Subsidiaries not Wholly Owned or Funded	**-**	-	**3**	3
Total Capital	**3,283**	2,802	**3,041**	2,605
RISK WEIGHTED EXPOSURES				
Total Balance Sheet Exposures	**29,645**	25,483	**30,584**	26,082
Total Off Balance Sheet Exposures	**1,501**	926	**1,563**	946
Total Risk Weighted Exposures	**31,146**	26,409	**32,147**	27,028
Tier One Capital Expressed as a Percentage of				
Total Risk Weighted Exposures	**9.0%**	9.8%	**8.0%**	8.9%
Minimum Tier One Capital per the Bank's Conditions of Registration	**4.0%**	4.0%	**4.0%**	4.0%
Total Capital Expressed as a Percentage of				
Total Risk Weighted Exposures	**10.5%**	10.6%	**9.5%**	9.6%
Minimum Total Capital per the Bank's Conditions of Registration	**8.0%**	8.0%	**8.0%**	8.0%

Notes to the Financial Statements

For the year ended 30 June 2007

41 Capital Adequacy (continued)

RISK WEIGHTED EXPOSURES

As at 30 June 2007

	Consolidated Principal Amount $ millions	Risk Weight %	Risk Weighted Exposure $ millions
Balance Sheet Exposures			
Cash and Short Term Claims on Government	3,209	-	-
Long Term Claims on Government	196	10	20
Claims on Banks	2,835	20	567
Claims on Public Sector Entities	192	20	38
Claims Secured by Residential Mortgages	33,300	50	16,650
Other	12,370	100	12,370
Non-risk Weighted Assets	755	-	-
Total Balance Sheet Exposures	52,857		29,645

(excludes Intangible Assets)

	Principal Amount $ millions	Credit Conversion Factor %	Credit Equivalent Amount $ millions	Average Counterparty Risk Weight %	Risk Weighted Exposure $ millions
Off Balance Sheet Exposures					
Direct Credit Substitutes	160	100	160	100	160
Commitments with Certain Drawdown	1,427	100	1,427	60	859
Underwriting and Sub-underwriting Facilities	7	50	4	100	4
Transaction Related Contingent Items	53	50	27	100	27
Short Term, Self-liquidating Trade Related Contingencies	27	20	5	100	5
Other Commitments to Provide Financial Services with Original Maturity of:					
One Year or More	231	50	116	100	116
Less Than One Year or Can Be Cancelled at Any Time	6,098	-	-	-	-
Market Related Contracts (Current Exposure):					
Foreign Exchange Contracts	19,241	3.0	570	28	157
Interest Rate Contracts	75,089	1.0	788	22	171
Other	25	8.0	2	100	2
Total Off Balance Sheet Exposures					1,501
Total Risk Weighted Exposures					31,146

Notes to the Financial Statements

For the year ended 30 June 2007

	Consolidated Principal Amount $ millions	Risk Weight %	Risk Weighted Exposure $ millions

41 Capital Adequacy (continued)

RISK WEIGHTED EXPOSURES (continued)

As at 30 June 2006

	Principal Amount $ millions	Risk Weight %	Risk Weighted Exposure $ millions
Balance Sheet Exposures			
Cash and Short Term Claims on Government	1,133	-	-
Long Term Claims on Government	158	10	16
Claims on Banks	3,195	20	639
Claims on Public Sector Entities	180	20	36
Claims Secured by Residential Mortgages	29,159	50	14,580
Other	10,212	100	10,212
Non-risk Weighted Assets	511	-	-
Total Balance Sheet Exposures	44,548		25,483

(excludes Intangible Assets)

	Principal Amount $ millions	Credit Conversion Factor %	Credit Equivalent Amount $ millions	Average Counterparty Risk Weight %	Risk Weighted Exposure $ millions
Off Balance Sheet Exposures					
Direct Credit Substitutes	86	100	86	100	86
Commitments with Certain Drawdown	3	100	3	100	3
Underwriting and Sub-underwriting Facilities	3	50	2	100	2
Transaction Related Contingent Items	37	50	18	100	18
Short Term, Self-liquidating Trade Related Contingencies	19	20	4	100	4
Other Commitments to Provide Financial Services with Original Maturity of:					
One Year or More	1,793	50	896	67	599
Less Than One Year or Can Be Cancelled at Any Time	6,154	-	-	-	-
Market Related Contracts (Current Exposure):					
Foreign Exchange Contracts	15,499	4.6	708	24	166
Interest Rate Contracts	44,461	0.4	194	21	41
Other	30	22.8	7	100	7
Total Off Balance Sheet Exposures					926
Total Risk Weighted Exposures					26,409

Notes to the Financial Statements

For the year ended 30 June 2007

41 Capital Adequacy (continued)

RISK WEIGHTED EXPOSURES (continued)

	Parent		
	Principal Amount $ millions	Risk Weight %	Risk Weighted Exposure $ millions
As at 30 June 2007			
Balance Sheet Exposures			
Cash and Short Term Claims on Government	3,086	-	-
Long Term Claims on Government	149	10	15
Claims on Banks	2,006	20	401
Claims on Public Sector Entities	192	20	38
Claims Secured by Residential Mortgages	33,278	50	16,639
Other	13,491	100	13,491
Non-risk Weighted Assets	645	-	-
Total Balance Sheet Exposures	52,847		30,584

(excludes Intangible Assets and Capital Deduction for Investments in Subsidiaries not Wholly Owned or Funded)

	Principal Amount $ millions	Credit Conversion Factor %	Credit Equivalent Amount $ millions	Average Counterparty Risk Weight %	Risk Weighted Exposure $ millions
Off Balance Sheet Exposures					
Direct Credit Substitutes	7,447	3	190	100	190
Commitments with Certain Drawdown	1,427	100	1,427	60	859
Underwriting and Sub-underwriting Facilities	-	50	-	100	-
Transaction Related Contingent Items	75	50	37	100	37
Short Term, Self-liquidating Trade Related Contingencies	27	20	5	100	5
Other Commitments to Provide Financial Services with Original Maturity of:					
One Year or More	231	50	116	100	116
Less Than One Year or Can Be Cancelled at Any Time	6,167	-	-	-	-
Market Related Contracts (Current Exposure):					
Foreign Exchange Contracts	18,296	3.8	697	26	182
Interest Rate Contracts	75,160	1.0	788	22	172
Other	25	8.0	2	100	2
Total Off Balance Sheet Exposures					1,563
Total Risk Weighted Exposures					32,147

Notes to the Financial Statements

For the year ended 30 June 2007

41 Capital Adequacy (continued)

RISK WEIGHTED EXPOSURES (continued)

As at 30 June 2006

	Parent		
	Principal Amount $ millions	Risk Weight %	Risk Weighted Exposure $ millions
Balance Sheet Exposures			
Cash and Short Term Claims on Government	1,133	-	-
Long Term Claims on Government	6	10	1
Claims on Banks	2,734	20	547
Claims on Public Sector Entities	180	20	36
Claims Secured by Residential Mortgages	28,970	50	14,485
Other	11,013	100	11,013
Non-risk Weighted Assets	495	-	-
Total Balance Sheet Exposures	44,531		26,082

(excludes Intangible Assets and Capital Deduction for Investments in Subsidiaries not Wholly Owned or Funded)

	Principal Amount $ millions	Credit Conversion Factor %	Credit Equivalent Amount $ millions	Average Counterparty Risk Weight %	Risk Weighted Exposure $ millions
Off Balance Sheet Exposures					
Direct Credit Substitutes	116	100	116	100	116
Commitments with Certain Drawdown	3	100	3	100	3
Underwriting and Sub-underwriting Facilities	-	50	-	100	-
Transaction Related Contingent Items	41	50	20	100	20
Short Term, Self-liquidating Trade Related Contingencies	19	20	4	100	4
Other Commitments to Provide Financial Services with Original Maturity of:					
One Year or More	1,793	50	896	67	599
Less Than One Year or Can Be Cancelled at Any Time	6,210	-	-	-	-
Market Related Contracts (Current Exposure):					
Foreign Exchange Contracts	14,715	4.4	654	24	156
Interest Rate Contracts	44,586	0.4	195	21	41
Other	30	22.8	7	100	7
Total Off Balance Sheet Exposures					946
Total Risk Weighted Exposures					27,028

Notes to the Financial Statements

For the year ended 30 June 2007

42 Concentrations of Credit Exposures

Investments in Associates and Subsidiaries, Current Taxation Asset, 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.

Financial Assets are presented at their carrying values. Other Credit Exposures represents the notional amounts of irrevocable Lending Commitments, Guarantees, Standby Letters of Credit and other off balance sheet Credit Commitments.

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

Within the Geographic analysis, Uncategorised Exposures include Due from Other Banks and Securities. The nature of these assets makes them inappropriate to categorise geographically.

	Consolidated				Parent			
$ millions	Financial Assets at Amortised Cost	Financial Assets at Fair Value	Other Credit Exposures	Total Credit Exposures	Financial Assets at Amortised Cost	Financial Assets at Fair Value	Other Credit Exposures	Total Credit Exposures
As at 30 June 2007								
	Concentration by Industry							
Agricultural, Forestry and Fishing	**4,195**	**411**	**480**	**5,086**	**4,195**	**411**	**480**	**5,086**
Government and Public Authorities	**100**	**446**	**122**	**668**	**100**	**277**	**122**	**499**
Financial, Investments and Insurance	**12,116**	**4,797**	**1,299**	**18,212**	**12,979**	**3,858**	**1,420**	**18,257**
Utilities	**5**	**162**	**4**	**171**	**5**	**162**	**4**	**171**
Transport and Storage	**93**	**132**	**39**	**264**	**93**	**132**	**39**	**264**
Housing	**27,192**	**-**	**4,146**	**31,338**	**27,080**	**-**	**4,146**	**31,226**
Construction	**300**	**77**	**141**	**518**	**300**	**77**	**141**	**518**
Personal	**519**	**-**	**1,169**	**1,688**	**519**	**-**	**1,169**	**1,688**
Other Commercial and Industrial	**1,349**	**563**	**584**	**2,496**	**1,349**	**563**	**584**	**2,496**
Total Credit Exposures by Industry	**45,869**	**6,588**	**7,984**	**60,441**	**46,620**	**5,480**	**8,105**	**60,205**
	Concentration by Geographic Region							
Auckland	**25,607**	**1,641**	**5,002**	**32,250**	**26,247**	**1,628**	**5,101**	**32,976**
Rest of New Zealand	**20,262**	**1,436**	**2,668**	**24,366**	**20,373**	**1,272**	**2,668**	**24,313**
Overseas	**-**	**1**	**10**	**11**	**-**	**1**	**10**	**11**
Uncategorised Exposures	**-**	**3,510**	**304**	**3,814**	**-**	**2,579**	**326**	**2,905**
Total Credit Exposures by Geographic Region	**45,869**	**6,588**	**7,984**	**60,441**	**46,620**	**5,480**	**8,105**	**60,205**
As at 30 June 2006								
	Concentration by Industry							
Agricultural, Forestry and Fishing	4,125	23	447	4,595	4,125	23	447	4,595
Government and Public Authorities	106	605	179	890	106	453	179	738
Financial, Investments and Insurance	8,095	4,256	1,842	14,193	8,495	3,610	1,932	14,037
Utilities	5	78	6	89	5	78	6	89
Transport and Storage	96	106	50	252	96	106	50	252
Housing	24,378	-	3,693	28,071	24,358	-	3,693	28,051
Construction	301	37	169	507	301	37	169	507
Personal	488	-	1,034	1,522	488	-	1,034	1,522
Other Commercial and Industrial	1,306	227	664	2,197	1,306	227	664	2,197
Total Credit Exposures by Industry	38,900	5,332	8,084	52,316	39,280	4,534	8,174	51,988
	Concentration by Geographic Region							
Auckland	22,641	875	4,637	28,153	23,106	875	4,723	28,704
Rest of New Zealand	16,259	708	2,415	19,382	16,174	598	2,416	19,188
Overseas	-	2	-	2	-	2	-	2
Uncategorised Exposures	-	3,747	1,032	4,779	-	3,059	1,035	4,094
Total Credit Exposures by Geographic Region	38,900	5,332	8,084	52,316	39,280	4,534	8,174	51,988

Notes to the Financial Statements

For the year ended 30 June 2007

$ millions	Consolidated Deposits at Fair Value	Consolidated Other Funding	Consolidated Total Funding	Parent Deposits at Fair Value	Parent Other Funding	Parent Total Funding

43 Concentrations of Funding

Funding comprises Due to Other Banks, Money Market Deposits, Deposits from Customers and Subordinated Debt, and is presented at its carrying value. Parent funding also includes Deposits from Associates and Subsidiaries.

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

Within the geographic analysis, Uncategorised Funding includes Certificates of Deposit, Issued Paper, Due to Other Banks and Subordinated Debt. The nature of these liabilities makes them inappropriate to categorise geographically.

As at 30 June 2007

$ millions	Consolidated Deposits at Fair Value	Consolidated Other Funding	Consolidated Total Funding	Parent Deposits at Fair Value	Parent Other Funding	Parent Total Funding
Concentration by Industry						
Agricultural, Forestry and Fishing	**33**	**463**	**496**	**33**	**463**	**496**
Government and Public Authorities	**504**	**269**	**773**	**504**	**269**	**773**
Financial, Investments and Insurance	**20,661**	**4,660**	**25,321**	**20,616**	**4,697**	**25,313**
Utilities	**52**	**36**	**88**	**52**	**36**	**88**
Transport and Storage	**263**	**76**	**339**	**263**	**76**	**339**
Personal	**1,232**	**18,016**	**19,248**	**1,231**	**18,016**	**19,247**
Other Commercial and Industrial	**524**	**1,454**	**1,978**	**524**	**1,454**	**1,978**
Total Funding by Industry	**23,269**	**24,974**	**48,243**	**23,223**	**25,011**	**48,234**
Concentration by Geographic Region						
Auckland	**2,818**	**16,015**	**18,833**	**2,842**	**16,052**	**18,894**
Rest of New Zealand	**1,724**	**6,123**	**7,847**	**1,724**	**6,123**	**7,847**
Overseas	**265**	**2,385**	**2,650**	**265**	**2,385**	**2,650**
Uncategorised Funding	**18,462**	**451**	**18,913**	**18,392**	**451**	**18,843**
Total Funding by Geographic Region	**23,269**	**24,974**	**48,243**	**23,223**	**25,011**	**48,234**

As at 30 June 2006

$ millions	Consolidated Deposits at Fair Value	Consolidated Other Funding	Consolidated Total Funding	Parent Deposits at Fair Value	Parent Other Funding	Parent Total Funding
Concentration by Industry						
Agricultural, Forestry and Fishing	22	358	380	22	358	380
Government and Public Authorities	471	237	708	471	237	708
Financial, Investments and Insurance	17,797	3,226	21,023	17,795	3,226	21,021
Utilities	9	16	25	9	16	25
Transport and Storage	171	81	252	171	81	252
Personal	1,002	15,872	16,874	1,002	15,872	16,874
Other Commercial and Industrial	449	1,538	1,987	449	1,538	1,987
Total Funding by Industry	19,921	21,328	41,249	19,919	21,328	41,247
Concentration by Geographic Region						
Auckland	2,273	13,672	15,945	2,262	13,672	15,934
Rest of New Zealand	2,183	5,272	7,455	2,183	5,272	7,455
Overseas	26	2,201	2,227	26	2,201	2,227
Uncategorised Funding	15,439	183	15,622	15,448	183	15,631
Total Funding by Geographic Region	19,921	21,328	41,249	19,919	21,328	41,247

Notes to the Financial Statements

For the year ended 30 June 2007

$ millions	Consolidated		Parent	
As at 30 June	**2007**	2006	**2007**	2006

44 Asset Quality

Impaired Assets (Pre-provisions)

Other Impaired Assets are any Credit Exposures for which an impairment loss is required in accordance with NZ IAS 39. Specific Provisions relate to Other Impaired Assets. The majority of the Banking Group's provisions for impairment are made on a collective basis and, as such, individual exposures are not identified.

Other Impaired Assets				
Balance at Beginning of Year	**5**	32	**5**	32
Adjustments on Transition to NZ IFRS	**-**	(28)	**-**	(28)
Restated Opening Balance	**5**	4	**5**	4
Additions	**7**	1	**7**	1
Less: Amounts Written Off	**2**	-	**2**	-
Balance at End of Year	**10**	5	**10**	5

Interest forgone 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 NZ IFRS interest on impaired assets is no longer reserved and therefore no interest has been forgone.

The Banking Group does not have any restructured assets or material assets acquired through enforcement of security (30 June 2006 Nil).

Past Due Assets (Pre-provisions)				
Balance at Beginning of Year	**83**	35	**82**	34
Adjustments on Transition to NZ IFRS	**-**	28	**-**	28
Restated Opening Balance	**83**	63	**82**	62
Additions	**23**	28	**23**	28
Less: Amounts Written Off	**9**	8	**9**	8
Balance at End of Year	**97**	83	**96**	82

Other Assets Under Administration (Pre-provisions)				
Balance at Beginning of Year	**9**	6	**9**	6
Additions	**-**	3	**-**	3
Balance at End of Year	**9**	9	**9**	9

Notes to the Financial Statements

For the year ended 30 June 2007

45 Concentration of Credit Exposures to Individual Counterparties

Peak Credit Exposures for the Three Months ended 30 June

Percentage of Shareholder's Equity	Number of Banks 2007	Number of Banks 2006	Number of Non-banks 2007	Number of Non-banks 2006
10 - 19	**3**	5	**2**	1
20 - 29	**5**	4	**-**	-
30 - 39	**-**	-	**-**	-
40 - 49	**-**	-	**-**	-
50 - 59	**-**	-	**-**	-
60 - 69	**-**	-	**-**	-
70 - 79	**-**	-	**-**	-
80 - 89	**-**	-	**-**	-
90 - 100	**-**	-	**-**	-

Balance Date Credit Exposures as at 30 June

Percentage of Shareholder's Equity	Number of Banks 2007	Number of Banks 2006	Number of Non-banks 2007	Number of Non-banks 2006
10 - 19	**3**	4	**2**	1
20 - 29	**5**	4	**-**	-
30 - 39	**-**	-	**-**	-
40 - 49	**-**	-	**-**	-
50 - 59	**-**	-	**-**	-
60 - 69	**-**	-	**-**	-
70 - 79	**-**	-	**-**	-
80 - 89	**-**	-	**-**	-
90 - 100	**-**	-	**-**	-

Balance Date Credit Exposures as at 30 June

Percentage of Shareholder's Equity	Total Exposure to Banks ($ millions) 2007	Total Exposure to Banks ($ millions) 2006	Total Exposure to Non-banks ($ millions) 2007	Total Exposure to Non-banks ($ millions) 2006
10 - 19	**1,430**	1,598	**687**	324
20 - 29	**3,400**	2,600	**-**	-
30 - 39	**-**	-	**-**	-
40 - 49	**-**	-	**-**	-
50 - 59	**-**	-	**-**	-
60 - 69	**-**	-	**-**	-
70 - 79	**-**	-	**-**	-
80 - 89	**-**	-	**-**	-
90 - 100	**-**	-	**-**	-

The basis of calculation is the greater of actual credit exposures or internal limits. Exposures are shown net of allowances for impairment loss on individual assets and gross of set-offs. Percentages are calculated using the Banking Group's Shareholder's Equity as at balance date.

The above tables have been compiled using gross exposures and do not include any guarantee arrangements.

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 year ended 30 June 2007

	Consolidated			
	Peak Exposure for the Three Months ended		Balance Date Exposure	
	$ millions	Percentage of Tier One Capital	$ millions	Percentage of Tier One Capital
46 Credit Exposures to Connected Persons and Non-bank Connected Persons				
30 June 2007				
All Connected Persons*	**836**	**29.8%**	**834**	**29.7%**
Non-bank Connected Persons	**266**	**9.5%**	**265**	**9.4%**
30 June 2006				
All Connected Persons*	727	28.0%	564	21.7%
Non-bank Connected Persons	89	3.4%	66	2.5%

* Credit Exposures to Connected Persons included exposures to the Bank's ultimate parent bank, Commonwealth Bank of Australia. As at 30 June 2007, this amount was $569m (30 June 2006 $499m).

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

As at 30 June 2007 the Banking Group had a contingent exposure to its ultimate parent, Commonwealth Bank of Australia, arising from risk lay-off arrangements in respect of credit exposures to counterparties. As at 30 June 2007, this amounted to $221m (30 June 2006 $30m).

The Banking Group had no Specific Provisions provided against credit exposures to connected persons (30 June 2006 Nil).

As at 30 June 2007 the Banking Group's rating-contingent limit was 75% of Tier One Capital. The rating-contingent limit was increased from 70% during the quarter ended 31 March 2007. There have been no further changes during the quarter ended 30 June 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 quarter.

Notes to the Financial Statements

For the year ended 30 June 2007

47 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 subsidiaries provide limited custodial services relating to holding interest bearing instruments and equity securities on behalf of clients.

The Bank markets and distributes Funds Management products which are issued by ASB Group Investments Limited, a 100% owned subsidiary of ASB Group (Life) Limited. Funds Under Management distributed by the Bank totalled $2,241m as at 30 June 2007 (30 June 2006 $2,070m). 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.

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 100% 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.

Risk Management
The Bank and subsidiaries participating in the activities identified above have in place policies and procedures to ensure that those activities are conducted in an appropriate manner. Should adverse conditions arise, it is considered that these policies and procedures will minimise the possibility that these conditions will adversely impact the Bank. The policies and procedures include comprehensive and prominent disclosure of information regarding products, and formal and regular review of operations and policies by management and auditors.

In addition, the following measures have been taken to manage any risk to the Bank of marketing and distributing insurance products:

- Investment statements, prospectuses and brochures for insurance products include disclosures that the Bank and its subsidiaries do not guarantee the insurer, nor the insurer's subsidiaries, nor any of the products issued by the insurer or the insurer's subsidiaries.
- Where the insurance products are subject to the Securities Act 1978, investment statements, prospectuses and brochures additionally include disclosures that:
  - the policies do not represent deposits or other liabilities of the Bank or its subsidiaries;
  - the policies are subject to investment risk, including possible loss of income and principal; and
  - the Bank and its subsidiaries do not guarantee the capital value or performance of the policies.
- Application forms for insurance products contain acknowledgements to be signed by a purchaser which are consistent with the disclosures for insurance products noted above.

In addition, the following measures have been taken to manage any risk to the Bank of marketing and distributing fund management products:

- Prospectuses, investment statements and brochures for funds management products include disclosures:
  - that the securities do not represent deposits or other liabilities of the Bank;
  - that the securities are subject to investment risk including possible loss of income and principal invested; and
  - that the Bank does not guarantee the capital value or performance of the securities.
- Application forms for funds management products contain acknowledgements to be signed by a purchaser which are consistent with the disclosures for funds management products noted above.

Provision of Financial Services
Financial services (including deposit-taking and foreign exchange services) provided by the Bank to entities which are involved in trust, custodial, funds management and other fiduciary activities, and to affiliated insurance companies which conduct marketing or distribution of insurance products, or on whose behalf the marketing or distribution of insurance products are conducted, are provided on arm's length terms and conditions and at fair value. Any assets purchased from such entities have been purchased on an arm's length basis and at fair value.

Notes to the Financial Statements

For the year ended 30 June 2007

$ millions	Retail	Relationship	Consolidated Wholesale	Other	Unallocated	Total
48 Financial Reporting by Segments						
Primary Segment Information: Business						
As at 30 June 2007						
Total Operating Income	**614**	**305**	**69**	**322**	**-**	**1,310**
Net Profit before Taxation	**297**	**204**	**56**	**202**	**-**	**759**
Total Assets	**29,911**	**15,094**	**7,522**	**328**	**38**	**52,893**
Total Liabilities	**18,730**	**7,503**	**22,795**	**611**	**134**	**49,773**
Acquisition of Property, Plant and Equipment and Intangible Assets	**40**	**13**	**3**	**1**	**-**	**57**
Depreciation and Amortisation Expense	**30**	**8**	**1**	**1**	**-**	**40**
As at 30 June 2006						
Total Operating Income	572	291	73	212	-	1,148
Net Profit before Taxation	261	190	60	123	-	634
Total Assets	25,906	13,595	5,038	29	-	44,568
Total Liabilities	16,484	6,024	18,990	353	28	41,879
Acquisition of Property, Plant and Equipment and Intangible Assets	35	7	1	-	-	43
Depreciation and Amortisation Expense	29	7	1	-	-	37

Retail Banking: The Retail Banking Segment provides services to 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, corporate, institutional and rural customers.

Wholesale Banking: The Wholesale Banking Segment incorporates transactions booked through the Bank's Treasury and Financial Markets Division, including financial instruments trading, foreign currency transactions, debt issues and Certificates of Deposit, and structured financing.

Other: The Other Segment comprises other operations, none of which constitutes a separately reportable segment.

Unallocated: Income Tax Assets and Liabilities.

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.

Secondary Segment Information: Geographical
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 year ended 30 June 2007

49 Risk Management Policies

Introduction

The Bank is committed to the management of risk to achieve sustainability of service, employment and profits, and therefore, takes on controlled amounts of risk when considered appropriate. The risk management framework identifies, assesses, manages and reports risk and risk adjusted returns using an economic equity framework. This is targeted at ensuring that the Bank has sufficient capital to enable a strong credit rating relative to the overall market and its peers.

The primary risks are those of credit, market (liquidity, funding, price, interest rate, foreign exchange) and operational risk.

The Bank's risk management strategy is set by the Board of Directors through the Board Risk Committee. All of the Directors are members of the Board Risk Committee, which is chaired by the Chairman of the Board. Implementation of risk management strategy is the responsibility of the Managing Director and is facilitated through formal executive committee forums for credit, market and operational risk. The Head of Group Finance and Risk Management has day-to-day responsibility for the management of risk across the Bank.

The Bank has management structures and information systems to manage individual risks. Risk initiation and monitoring tasks are separated where feasible, and all material systems are subjected to regular internal audit. Periodic reviews of all risk management systems are undertaken by internal audit and, in respect of market risk, by the Bank's ultimate parent bank, the Commonwealth Bank of Australia.

The Bank's external auditor may also review parts of the Bank's risk management framework that impact on significant aspects of the financial systems, but only to the extent necessary to form their review on the Bank's six monthly results or audit opinion on the Bank's annual results. With effect from the financial year beginning 1 July 2007 the Bank's external auditor has changed from Ernst & Young to PricewaterhouseCoopers.

The following sections describe the risk management framework components.

Credit Risk

Credit risk is the potential risk for loss arising from failure of a debtor or counterparty to meet their contractual obligations.

Credit risk principally arises within the Bank from its core business in providing lending facilities. Credit risk also arises from the Bank assuming contingent liabilities, taking equity participations, participating in financial market transactions and assuming underwriting commitments. The Bank is selective in targeting credit risk exposures and avoids exposures to any high risk area.

The Bank has comprehensive, clearly defined credit policies for the approval and management of all credit risk, including risk to other bank and related counterparties. Both intra-day and term credit risk are managed in an integrated fashion.

Lending standards and criteria are clearly defined into different business sectors for all Bank products. The Bank relies primarily on the integrity of the debtor or counterparty and their assessed ability to meet contracted financial obligations to the Bank.

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 is generally secured against real estate while short term revolving consumer credit is generally unsecured.

Industry and product concentrations are managed within established guidelines and limits. Maximum aggregated exposure limits also apply for any debtor or counterparty.

Refer to Notes 42, 45 and 46 for details of Concentrations of Credit Exposures.

Credit risk is strongly monitored and reviewed, with regular independent internal inspections being undertaken to test the quality of the credit exposures, compliance with policy and the effectiveness of management control. Cases of non-compliance with credit policy are reported to the Board of Directors through the Board Risk Committee.

Market Risk

Market risk is the risk that movements in the level or volatility of market rates and prices will affect the Bank's income or the value of its holdings of financial instruments.

Market risk arises from the mismatch between assets and liabilities, both on and off balance sheet, and from controlled trading undertaken in pursuit of profit. The Bank is exposed to diverse financial markets including interest rates, foreign currencies, equities and commodities, and transacts in both physical and derivative instruments.

The Board sets limits on the value of market risk from market price movements that may be accepted. Specific limits are set for Treasury and Financial Markets trading activities, and for the Bank's balance sheet management.

Treasury and Financial Markets trading risk is monitored daily using historical Value at Risk ("VaR") measures, set at a 97.5% confidence level and a one day holding period. Actual outcomes are monitored against expected outcomes to ensure the validity of assumptions used in the VaR modelling. Losses may exceed this measure in the event that actual market movements exceed those in the historical data.

Bank balance sheet risk is measured using a market value sensitivity measure similar to VaR and by modelling the change in net interest income from a 1% change in interest rates. These measures are calculated on a monthly basis. Bank balance sheet risk is managed on a daily basis using interest rate gapping techniques.

The Bank carries out regular stress testing of its market risk exposures.

Notes to the Financial Statements

For the year ended 30 June 2007

49 **Risk Management Policies** (continued)

Market risk includes liquidity, funding, price, interest rate, foreign exchange and equity risk. Details of the Bank's policies for management of these risks are set out below.

Liquidity Risk
Liquidity risk is the potential for the Bank to encounter difficulty meeting its financial obligations as they fall due. Policies are in place to manage liquidity in a day-to-day basis, and also under crisis scenarios.

The objectives of the Bank's funding and liquidity policies are to:
> ensure all financial obligations are met when due;
> provide adequate protection, even under crisis scenarios, at lowest cost; and
> achieve sustainable, lowest-cost funding within the limitations of funding diversification requirements.

The Bank monitors liquidity risk primarily by forecasting future daily cash requirements. To provide for any unexpected patterns in cash movements the Bank holds a pool of readily tradable investment assets and deposits with high credit quality counterparties, on call or maturing within seven days. It also seeks a diverse and stable funding base.

Limits are set to ensure that holdings of liquid assets do not fall below prudent levels. Limits are also set on the level of interbank and offshore funding, as well as on the amount of wholesale funding that may mature in any period.

The contractual maturity of the Bank's assets and liabilities are shown in Note 40.

Funding Risk
Funding risk is the risk of over-reliance on a funding source, to the extent that a change in that funding source could increase overall funding costs or cause difficulty in raising funds. The Bank's policy of funding diversification augments the Bank's liquidity policy, with its aim to ensure that the Bank has a stable diversified funding base without over-reliance on any one market sector.

Price Risk
Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments of a specific type traded in the market.

Price risk is controlled by ensuring a diverse range of investments, limits on counterparty exposure and restrictions on types of instruments.

Interest Rate Risk
Cash flow interest rate risk is the potential for a change in interest rates to change net interest earnings, in the current reporting period and in future years. Fair value interest rate risk arises from the potential for a change in interest rates to cause a fluctuation in the fair value of financial instruments. Interest rate risk arises from the structure and characteristics of the Bank's assets, liabilities and equity, and in the mismatch of repricing dates of its assets and liabilities. The Bank's objective is to manage interest rate risk to achieve stable and sustainable net interest earnings in the long term.

The Bank reduces interest rate risk by seeking to match the repricing of assets and liabilities. This is achieved by changing the mix of assets and liabilities through marketing and pricing initiatives, by buying and selling long term securities and through the use of derivatives such as interest rate swaps and forward rate agreements. In managing this risk, the Bank seeks to achieve a balance between reducing risk to earnings and market value from adverse interest rate movements, and enhancing net interest income through correct anticipation of the direction and extent of interest rate changes.

Overall strategic direction is provided by the Asset and Liability Management Committee ("ALCO") which meets monthly. On a day-to-day basis, interest rate risk is monitored and managed within the Bank's Treasury and Financial Markets Division.

For Treasury and Financial Markets risk, daily reports of positions and potential loss amounts are produced based on past interest rate volatility to ensure that the maximum loss from an adverse movement in interest rates is known. Regular stress testing is also carried out.

Risk associated with the Bank's Balance Sheet is also monitored daily by the Bank's Treasury and Financial Markets Division and monthly by ALCO. Gap analysis and gap limits provide the day-to-day management tool while regular simulation of Bank activity and analysis of expected maximum changes in market value provide the key management information and limits.

Future net interest earnings are regularly estimated employing existing interest rates, rates 1% above and below current levels and rates based on historical rate analysis. The Bank manages the known and assumed repricing characteristics of its assets and liabilities as well as future commitments to put the Bank in a position to benefit from anticipated interest rate movements and to limit the risk of adverse interest rate movements.

Note 39 shows the interest rate repricing structure of the Balance Sheet.

Two major limits are imposed. The sensitivity to interest rate changes must be such that expected net interest earnings under different interest rate scenarios remain within a set percentage of the central forecast and, similarly, expected maximum market value changes remain within a set percentage of capital. These limits are set by the Board of Directors and monitored by ALCO.

Repricing mismatches, the simulation results and a stress test on the market value of the Bank's assets and liabilities, including derivatives, are reported monthly by management to ALCO and the Board Risk Committee, along with associated limits.

Notes to the Financial Statements

For the year ended 30 June 2007

49 Risk Management Policies (continued)

Foreign Exchange Risk
Foreign exchange risk is the risk to earnings and value caused by a change in foreign exchange rates.

Foreign exchange mismatches can arise from the day-to-day purchase and sale of foreign currency, from trading positions taken, from deposit and lending activity in foreign currencies and from offshore funding by the Bank.

The Bank monitors and manages this risk through its Treasury and Financial Markets Division. Mismatches, and the contingent risk associated with any mismatch, are reported daily. Limits, both intra-day and overnight, are set on the basis of past exchange rate volatility to ensure that the maximum exposure to losses from an adverse movement in exchange rates is known to agreed statistical confidence levels.

Adherence to limits is monitored by an independent department within the Bank.

Details of material foreign currency balances and net open positions are shown in Note 37.

Equity Risk
Equity risk results from the repricing of equity investments held by the Bank. This is not a material risk to the Bank. A formal equity risk policy approved by the Board Risk Committee is in place, under which trading in equities is not permitted.

Derivatives
Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. The Bank enters into derivative transactions including swaps, forward rate agreements, futures, options and combinations of these instruments. The sale of derivatives to customers as risk management products and their use for trading purposes is integral to the Bank's financial markets activities. Derivatives are also used to manage the Bank's own exposure to market risk.

Details of derivatives are shown in Note 13.

Operational and Strategic Business Risk
Operational Risk is defined as the risk of economic loss or gain resulting from inadequate or failed internal processes and methodologies, people, systems or external events.

Strategic Business Risk is defined as the risk of economic gain or loss resulting from changes in the business environment caused by economic, competitive, social trend or regulatory factors.

Each business manager is responsible for the identification and assessment of these risks and for maintaining appropriate internal controls, and is supported by the Bank's governance structures, operational risk framework and operational risk policies.

The Bank's operational risk measurement methodology combines expert assessment of individual risk exposures with internal loss data to determine potential losses and calculate operational risk economic capital.

Business Continuity Management
Business Continuity Management ("BCM") within the Bank involves the development, maintenance and testing of action plans to respond to defined risk events. This ensures that business processes continue with minimal adverse impact on customers, staff, products, services and brands.

BCM constitutes an essential component of the Bank's risk management process by providing a controlled response to potential operational risks that could have a significant impact on the Bank's critical processes and revenue streams. It includes both cost-effective responses to mitigate the impact of risk events or disasters and crisis management plans to respond to crisis events.

A comprehensive BCM programme including plan development, testing and education has been implemented across all business units.

Internal Audit
The Bank maintains an independent Internal Audit function which is ultimately accountable to the Board of Directors through the Managing Director and the Board Audit Committee.

Internal Audit provides independent opinions on the effectiveness of risk management systems, the framework of controls and governance processes within the Bank's operations. Operational, compliance and systems audits of all areas of the Bank's operations are undertaken based on an assessment of risk.

The Board Audit Committee meets on a regular basis to consider the Bank's financial reporting, internal control and corporate governance issues. It reviews the interim and annual financial statements, the activities of the internal and external auditors and monitors the relationship between management and the external auditors.

50 Events after the Balance Sheet Date

Refer to Note 9 for details of Perpetual Preference Dividends declared after the balance sheet date.

On 27 July 2007, the Banking Group acquired 100% of the ordinary capital of Bond Investments UK Limited, a company incorporated in the Cayman Islands, for consideration of $1,000.

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

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Additional Disclosures

(To be read in conjunction with the Financial Statements)

30 June 2007

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

Ultimate Parent Bank
The ultimate parent bank of ASB Bank Limited is Commonwealth Bank of Australia, its registered office being Level 7, 48 Martin Place, Sydney, NSW, Australia.

Commonwealth Bank of Australia is required by the Australian Prudential Regulation Authority ("APRA") to meet minimum Total Capital Adequacy requirements of 8.0% of Total Risk Weighted Assets and minimum Tier One Capital requirements of 4.0% of Total Risk Weighted Assets, in compliance with the Basel framework. As at 30 June 2007, Commonwealth Bank of Australia exceeded APRA minimum requirements with Tier One Capital being 7.14% of Total Risk Weighted Assets and Total Capital being 9.76% of Total Risk Weighted Assets.

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.

Guarantee Arrangements
The material obligations of the Bank are not guaranteed.

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), 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 (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 deposit liabilities in Australia in priority to all other liabilities of the ADI.

Dealings with Directors
Directors' details are contained in the Directory.

On 2 August 2007, Mary Quin resigned as Director. The resignation was effective immediately.

There have been no other changes to Directors since the 31 March 2007 General Short Form Disclosure Statement was signed.

There have been no dealings with Directors or parties related to the Directors on terms other than in the ordinary course of business. Refer to Note 34 for outstanding balances with Directors.

All Directors are required to table all possible conflicts of interest at the Board of Directors' meetings and are required to abstain from any vote on those proceedings. The Bank complies with all requirements of the Companies Act 1993 in terms of registers and notices for Directors' conflicts of interest.

Communications addressed to the Directors should be sent to:
Level 28
ASB BANK Centre
135 Albert Street
Auckland
New Zealand

> Additional Disclosures

(To be read in conjunction with the Financial Statements)

Conditions of Registration as from 30 April 2007 – 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:
   > Capital of the Banking Group is not less than 8% of risk weighted exposures.
   > Tier One Capital of the Banking Group is not less than 4% of risk weighted exposures.
   > Capital of the Banking Group is not less than NZ$15m.

   For the purposes of this condition of registration, Capital, Tier One Capital and risk weighted exposures shall be calculated in accordance with the Reserve Bank of New Zealand document entitled "Capital Adequacy Framework" (BS2) dated March 2007.

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.

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

Credit Rating	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 specific provisions) 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 Exposure Policy" (BS8) dated March 2007.

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 of Directors 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 in respect of the Bank 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.

Additional Disclosures

(To be read in conjunction with the Financial Statements)

Conditions of Registration as from 30 April 2007 – ASB Bank Limited (continued)

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

11. That by 31 December 2007 the Bank will have 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.

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 decision 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.

    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).

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

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

The Moody's rating was raised from Aa3 to Aa2 on 11 May 2007. The S&P rating was raised from AA- to AA on 21 February 2007.

Long Term Debt Ratings	Moody's[(a)]	S&P[(b)]
Highest quality / Extremely strong capacity to pay interest and principal	Aaa	AAA
High quality / Very strong	Aa	AA
Upper medium grade / Strong	A	A
Medium grade (lowest investment grade) / Adequate	Baa	BBB
Predominantly speculative / Less near term vulnerability to default	Ba	BB
Speculative, low grade / Greater vulnerability	B	B
Poor to default / Identifiable vulnerability	Caa	CCC
Highest speculations	Ca	CC
Lowest quality, no interest	C	C
In payment default, in arrears – questionable value	-	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 apply plus (+) or minus (-) signs to ratings from 'AA' to 'CCC' to indicate relative standing within the major rating categories.

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Additional Disclosures

(To be read in conjunction with the Financial Statements)

Market Risk Exposure

The Market Risk Methodology is intended to attribute a dollar value amount to the market risk a registered bank is exposed to, based on the structure of its Balance Sheet positions, using the process prescribed by the Reserve Bank of New Zealand.

The Market Risk Exposures have been prepared on the basis of actual exposures.

	Consolidated			
$ millions	**Peak Exposure for Three Months ended 30-Jun-07**	**Exposure as at 30-Jun-07**	Peak Exposure for Three Months ended 30-Jun-06	Exposure as at 30-Jun-06
Aggregate Interest Rate Exposure	**95**	**95**	73	73
(expressed as a percentage of Balance Date Equity)	**3.0%**	**3.0%**	2.7%	2.7%
Aggregate Foreign Currency Exposure	**4**	**2**	5	4
(expressed as a percentage of Balance Date Equity)	**0.1%**	**0.1%**	0.2%	0.2%
Aggregate Equity Exposure	**-**	**-**	-	-
(expressed as a percentage of Balance Date Equity)	**-**	**-**	-	-

Directors' Statement

After due enquiry by the Directors it is each Director's opinion that for the year ended 30 June 2007:

> 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 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 (Full and Half-Year – New Zealand Incorporated Registered Banks) Order 2007; 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

JMR Syme by his agent

J.M.R. Syme

G.H. Burrett

R. Boven

L.G. Cupper

D.M. Elder

S.I. Grimshaw

J.P. Hartley

G.L. Mackrell

7 August 2007

Auditor’s Report

ERNST & YOUNG

Chartered Accountants

Auditor’s Report to the Shareholder of ASB Bank Limited

We have audited the financial statements and the financial information in the supplementary information on pages 9 to 61 and 65. The financial statements and supplementary information provide information about the past financial performance of ASB Bank Limited (the “Registered Bank”) and its subsidiaries (the “Banking Group”) and their financial position as at 30 June 2007. The supplementary information is disclosed in accordance with clauses 12(3) and 12(4) of the Registered Bank Disclosure Statement (Full and Half-Year – New Zealand Incorporated Registered Banks) Order 2007 (the “Order”). This information is stated in accordance with the accounting policies set out on pages 13 to 20.

Directors’ responsibilities

The directors are responsible for the preparation of:

> financial statements in accordance with clause 12(1) and 12(2A) of the Order which give a true and fair view of the financial position of the Registered Bank and Banking Group as at 30 June 2007 and of their financial performance and cash flows for the year ended on that date;

> supplementary information in accordance with clause 12(3) and 14(A) of the Order which gives a true and fair view of the matters to which it relates; and

> supplementary information in accordance with clause 12(4) of the Order which complies with Schedules 7 and 8 of the Order.

Auditor’s responsibilities

In accordance with clause 15(1) of the Order, it is our responsibility to express an independent opinion on the financial statements and supplementary information presented by the directors and report our opinion to you.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements and supplementary information. It also includes assessing:

> the significant estimates and judgements made by the directors in the preparation of the financial statements and supplementary information; and

> whether the accounting policies are appropriate to the circumstances of the Registered Bank and Banking Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and supplementary information are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and supplementary information.

We provide other audit related services to the Banking Group. We have no other interest in the Registered Bank or Banking Group.

> # Auditor's Report

ERNST & YOUNG

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

> proper accounting records have been kept by the Registered Bank and Banking Group as far as appears from our examination of those records; and

> the financial statements on pages 9 to 61:

  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of the financial position of the Registered Bank and Banking Group as at 30 June 2007 and their financial performance and cash flows for the year ended on that date.

> the supplementary information included within the financial statements on pages 9 to 61 and 65 has been prepared in accordance with:

  - the guidelines issued pursuant to section 78(3) of the Reserve Bank of New Zealand Act 1989 and any Conditions of Registration; and
  - the books and records of the Registered Bank and Banking Group.

> the supplementary information included within the financial statements on pages 9 to 61 and 65 and disclosed in accordance with clause 12(3) of the Order gives a true and fair view of the matters to which it relates; and

> the supplementary information included within the financial statements on pages 9 to 61 and 65 and disclosed in accordance with clause 12(4) of the Order complies with Schedules 7 and 8 of the Order.

Our audit was completed on 7 August 2007 and our unqualified opinion is expressed as at that date.

Ernst + Young

Auckland

Directory

INDEPENDENT DIRECTORS

G.J. (Gary) Judd Q.C. (Chairman)
LL.B (Hons), F.Inst.D.
Barrister
Auckland, New Zealand
External Directorships:
ASB Group (Life) Limited (Chairman), Ports of Auckland Limited (Chairman)

J.M.R. (Jim) Syme (Deputy Chairman)
B.Com., F.A.C.A., C.M.A.
Company Director
Auckland, New Zealand
External Directorships:
ASB Group (Life) Limited, Auckland Quayside Limited, Earnslaw Holdings Limited, Kiwi Income Properties Limited, Software of Excellence International Limited (Chairman), Puketapu Estate Limited

R. (Rick) Boven
B.A. (Hons), M.A., M.B.A., Ph.D. (Auckland)
Company Director
Auckland, New Zealand
External Directorships:
ASB Group (Life) Limited, Go Virtual Medical Limited, Stakeholder Strategies Limited, Strategic Performance Ventures Limited

D.M. (Don) Elder
B.E. (Hons), D.Phil.
Chief Executive Officer
Christchurch, New Zealand
External Directorships:
ASB Group (Life) Limited, Biodiesel New Zealand Limited, CO2CRC Management Pty Limited, CO2CRC Pilot Project Limited, Coal Association of New Zealand Incorporated, Coal New Zealand International Limited, Coal New Zealand Limited, CoalCorp Insurance Services Limited, Innovative Carbon Technologies Pty Limited, Orion Group Limited, Orion New Zealand Limited, Solid Energy Land Holdings Limited, Spring Creek Mine Holdings Limited, Spring Creek Mining Company, World Coal Institute

J.P. (Jon) Hartley
B.A. (Hons), F.C.A., A.C.A., F.A.I.C.D.
Adviser
Wellington, New Zealand
External Directorships:
ASB Group (Life) Limited, Landco Limited (Chairman), Trango Capital Limited, VisionFund Cambodia Limited, VisionFund International Limited

L.G. (Les) Cupper
B.Econ. (Hons), M.Econ., Dip.Ed.
Company Director
Sydney, Australia
External Directorships:
ASB Group (Life) Limited, Commonwealth Bank of Australia Staff Benefits Scheme Trustee Company Ltd, Commonwealth Bank Officers' Superannuation Corporation, Invisible Hand Consulting Pty Limited

SHAREHOLDER REPRESENTATIVES

S.I. (Stuart) Grimshaw
B.C.A., M.B.A.
Bank Executive
Sydney, Australia
External Directorships:
ASB Funding Limited, ASB Group (Life) Limited, ASB Holdings Limited, 452 Capital Pty Limited, Preferred Capital Limited, Commonwealth Securities Limited, Commsec Trading Limited, AFMA, Odyssey House McGrath Foundation, Australian Hockey Association

G.L. (Garry) Mackrell
B.Sc., B.Econ. (Hons), M.Com.
Bank Executive
Sydney, Australia
External Directorships:
ASB Funding Limited, ASB Group (Life) Limited, ASB Holdings Limited, China Life-CMG Life Assurance Company Limited, Commfinance Co Ltd, Commonwealth Capital Corporation Limited, Commonwealth Capital Limited, Commonwealth Group Pty Limited, Commonwealth International Holdings Pty Limited, First State Investments (Bermuda) Limited, First State Investments Managers (Asia) Limited, Hangzhou City Commercial Bank, PT Astra CMG Life Limited, PT Bank Commonwealth

EXECUTIVE DIRECTOR

G.H. (Hugh) Burrett (Managing Director)
Bank Executive
Auckland, New Zealand
External Directorships:
ASB Funding Limited, ASB Group (Life) Limited, ASB Group Investments Limited, ASB Holdings Limited, Buco Enterprises Limited, Jacques Martin New Zealand Limited, Sovereign Limited

Directory

AUDIT COMMITTEE	J.M.R. (Jim) Syme **(Chairman)**	
	R. (Rick) Boven	
	D.M. (Don) Elder	
	J.P. (Jon) Hartley	
	G.L. (Garry) Mackrell	
EXECUTIVE MANAGEMENT	G.H. (Hugh) Burrett	Managing Director and Chief Executive Officer
	J.S. (John) Barclay	Head of Group Human Resources
	G.T. (Graeme) Edwards	General Counsel and Company Secretary
	K.D. (Kerry) Francis	Head of Treasury and Financial Markets
	P.S. (Peter) Hall	Head of Business Ventures
	S.B. (Stewart) McRobie	Head of Group Finance and Risk Management
	J.S.N. (James) Mitchell	Head of Relationship Banking and Financial Services
	I. (Ian) Park	Head of Retail Banking
	J.E.M. (Jonathan) Symons	Head of Marketing
	C.G. (Clayton) Wakefield	Head of Technology and Operations
	L.A. (Linley) Wood	Head of Group Strategy and Communications

AUDITOR

Ernst & Young
Chartered Accountants
41 Shortland Street
Auckland
New Zealand

ULTIMATE SHAREHOLDER (ORDINARY SHARES)

Commonwealth Bank of Australia
48 Martin Place
Sydney, NSW
Australia

REGISTERED OFFICE

Level 28
ASB BANK Centre
135 Albert Street
Auckland
New Zealand

Notes

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Notes

ASB Bank Limited 6031 1302 0807

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