TSB Bank
expect more

TSB Bank
General Short Form
Disclosure Statement

for the nine months ended
31 December 2010

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General Short Form Disclosure Statement

For the Nine Months Ended 31 December 2010

This General Short Form Disclosure Statement contains information as required by the Registered Bank Disclosure Statement (Off Quarter - New Zealand Incorporated Registered Banks) Order 2008 ('the Order').

1. Name and Registered Office of Registered Bank

TSB Bank Limited is a registered bank (elsewhere in this statement referred to as the "Bank").
Registered Office: Level Five, TSB Centre, 120 Devon Street East, New Plymouth.

2. Details of Incorporation

The Bank was established in 1850, incorporated under the provisions of the Trustee Bank Restructuring Act 1988 and the Companies Act 1955 on 30 August 1988 and reregistered under the Companies Act 1993 in May 1997.

3. Ownership

TSB Community Trust, an independent body, owns all the shares in the TSB Bank Limited, and is domiciled in New Zealand. TSB Community Trust appoints the Board of Directors. The Address for Service is 64-66 Vivian Street, PO Box 667, New Plymouth.

4. Directorate

All Directors of the Bank reside in New Zealand

E. (Elaine) Gill, ONZM, LLB
(Chair – Board of Directors)
Company Director

B.C. (Bruce) Richards, MNZM, B Com, CA, CMA.
(Deputy Chair)
Chartered Accountant

J.J. (John) Kelly
Company Director

D.L. (David) Lean, QSO., J.P
Company Director

K.J. (Kevin) Murphy, CA
TSB Bank Managing Director/CEO

C.B. (Colleen) Tuuta
Company Director

D.E. (David) Walter, QSO, J.P
Company Director

H.P.W. (Hayden) Wano
Company Director

There have been no changes in the composition of Board of Directors since the publication date of the previous General Disclosure Statement. There have been no transactions between the Bank and any Director or immediate relative or close business associate of any Director which either, has been entered into on terms other than those which would in the ordinary course of business of the Bank be given to any other person of the like circumstances or means or, which could be reasonably likely to influence materially the exercise of the Director's duties. Independent Directors are E Gill, B C Richards, J J Kelly, D L Lean and D E Walter.

The Address to which any communication to the Directors may be sent is:-
TSB Bank Limited
PO Box 240
New Plymouth

5. Auditor

KPMG
10 Customhouse Quay
Wellington 6011

6. Policy on Directors Conflicts of Interest

As per Clause 22 of the Constitution of the TSB Bank Ltd a Director who is in any way, whether directly or indirectly interested in a contract or proposed contract with the company shall declare the nature of his or her interest at a meeting of the Directors in accordance with section 140 of the Companies Act 1993 as amended, but failure to do so shall not disqualify the Director or invalidate the contract or proposed contract or render him or her liable to account. A general notice by a Director that he or she is a member of a specific firm or company and is to be regarded as interested in all transactions with that firm or company shall be sufficient disclosure under this Clause as regards such Director and any such transaction and after such general notice it shall not be necessary for such Director to give a special notice relating to any particular transaction with that firm or company. All declarations and notices given by Directors pursuant to this Clause shall be recorded in the minutes.

7. Conditions of Registration

The following changes have been made to the Bank's Conditions of Registration pursuant to section 74(2) of the Reserve Bank of New Zealand Act 1989.

Condition of Registration 11, is a new condition, effective 1 April 2010. This new condition requires the Bank to comply with certain ratios as part of its liquidity-risk management. For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled "Liquidity Policy" (BS13) dated 20 October 2009 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated October 2009.

Condition of Registration 12, is a new condition, effective 1 April 2010. This new condition requires the Bank to have an internal framework for liquidity risk management.

A copy of the 'Conditions of Registration' is included in this General Short Form Disclosure Statement, as from 15 October 2010.

8. Pending Proceedings or Arbitration

This Bank has no proceedings or arbitration pending in New Zealand or elsewhere which may have a material adverse effect on the Bank.

9. Credit Rating

TSB Bank Limited has a credit rating applicable to its long term senior unsecured obligations payable in New Zealand, in New Zealand dollars. The current rating is **BBB+/Stable/A2**. This was reaffirmed on 9 November 2010. The credit rating was given by Standard & Poor's (Australia) Pty Limited. The rating is not subject to any qualifications.

Rating scale for long term senior unsecured obligations.

AAA Extremely strong capacity to pay interest and repay principal in a timely manner.

AA Very strong capacity to pay interest and repay principal in a timely manner.

A Strong capacity to pay interest and repay principal in a timely manner but may be more susceptible to adverse effects of changes in circumstances and economic conditions than higher rated entities.

BBB Adequate capacity to pay interest and repay principal in a timely manner but are more likely to be weakened by adverse changes in circumstances and economic conditions than higher rated entities.

BB A degree of speculation exists with respect to the ability of an entity with this credit rating to pay interest and repay principal in a timely manner. Adverse business, financial or economic conditions could impair the borrower's capacity or willingness to meet debt service commitments in a timely manner.

B Entities rated B are more vulnerable to adverse business, financial or economic conditions than entities in higher rated categories. Adverse business, financial or economic conditions will likely impair the borrower's capacity or willingness to meet debt service commitments in a timely manner.

CCC Entities rated CCC are currently vulnerable to default and are dependent on favourable business, financial or economic conditions to meet debt service commitments in a timely manner. In the event of adverse business, financial or economic conditions the entity is likely to default.

CC Entities rated CC are currently vulnerable to non-payment of interest and principal.

C Entities rated C have filed a bankruptcy petition or taken similar action, but payment of obligations are being continued.

D 'D' rated entities are in default. This is assigned when interest or principal payments are not made on the date due or when an insolvency petition or a request to appoint a receiver is filed.

Plus (+) or Minus (-)

The ratings from 'AA' to 'CCC' may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

10. Guarantee Arrangements

No material obligations of the Bank are guaranteed.

On the 12 October 2008 the Minister of Finance announced a Deposit Guarantee Scheme, under which the Crown guarantees retail deposits of participating financial institutions under section 65ZD of the Public Finance Act 1989. The Crown Deed of Guarantee is effective against defaults occurring between the period 12 October 2008 and 12 October 2010.

On 13 September 2009 the Crown Retail Deposit Guarantee Scheme Act 2009 came into force, providing legislative authority for the extension of the Crown Guarantee. The extended Crown Retail Deposit Guarantee Scheme (the "Extended Scheme") operates in respect of defaults of institutions that are members of the Extended Scheme which occur during the period 12 October 2010 until 31 December 2011.

The Bank has not applied to be covered under the Extended Scheme.

11. Financial and Supplementary Disclosures

This General Short Form Disclosure Statement is inclusive of the Bank's unaudited interim financial statements for the nine months ended 31 December 2010. All necessary additional financial and supplementary disclosures are included in the notes attached to the interim financial statements.

12. Directors' Statement

The Directors believe, after due enquiry, that as at the date of this General Short Form Disclosure Statement:

- **a)** The Short Form Disclosure Statement contains all the information required by the Registered Bank Disclosure Statement (Off Quarter - New Zealand Incorporated Registered Banks) Order 2008:
- **b)** The Short Form Disclosure Statement is not false or misleading.

The Directors believe, after due enquiry, that for the nine months ended 31 December 2010:

- **a)** The Bank complies with the Conditions of Registration;
- **b)** Credit Exposures to Connected Persons were not contrary to the interests of the Bank; and
- **c)** The Bank has systems in place to monitor and control adequately the Bank's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risks and other business risks, and that these systems are being properly applied.

E. Gill
(Chair – Board of Directors)

B. C. Richards
(Deputy Chair)

J. J. Kelly

D. L. Lean

K. J. Murphy
(Managing Director/CEO)

C.B. Tuuta

D. E. Walter

H. P. W. Wano

17 February 2011

CONDITIONS OF REGISTRATION

The registration of TSB Bank Limited ('the bank') as a registered bank is subject to the following conditions:

1. That the banking group complies with the following requirements:

   (a) the total capital ratio of the banking group is not less than 8 percent;
   (b) the tier one capital ratio of the banking group is not less than 4 percent; and
   (c) the capital of the banking group is not less than NZ $30 million.

   For the purposes of this condition of registration, capital, the total capital ratio and the tier one capital ratio must be calculated in accordance with the Reserve Bank of New Zealand document entitled "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated October 2010.

1A. That-

   (a) the Bank has an internal capital adequacy assessment process ("ICAAP") that accords with the requirements set out in the document "Guidelines on a bank's internal capital adequacy assessment process ("ICAAP")" (BS12) dated December 2007;
   (b) under its ICAAP, the bank identifies and measures its "other material risks" defined as all material risks of the banking group that are not explicitly captured in the calculation of tier one and total capital ratios under the requirements set out in the document "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated October 2010; and
   (c) the Bank determines an internal capital allocation for each identified and measured "other material risk".

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 that 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 an 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 any allowances for impairment) of the banking group to all connected persons do not exceed the rating-contingent limit outlined in the following matrix:

Credit rating	**Connected exposure limit (% of the Banking Group's Tier 1 capital)**
AA/Aa2 and above	75
AA-/Aa3	70
A+/A1	60
A/A2	40
A-/A3	30
BBB+/Baa1 and below	15

Within the rating-contingent limit, credit exposures (of a non-capital nature and net of any allowances for impairment) to non-bank connected persons shall not exceed 15 percent of the banking group's tier 1 capital. For the purposes of this condition of registration, compliance with the rating-contingent connected exposure limit is determined in accordance with Reserve Bank of New Zealand document entitled "Connected exposure policy" (BS8) dated October 2010.

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

6. That the board of the registered bank contains at least two independent directors. In this context an independent director is a director who is not an employee of the registered bank, and who is not a director, trustee or employee of any holding company of the registered bank, or any other entity capable of controlling or significantly influencing the registered bank.

7. That the chairperson of the bank's board is not an employee of the registered bank.

8. That the bank's constitution does not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interest 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

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

11. That the banking group complies with the following quantitative requirements for liquidity-risk management with effect from 1 April 2010:
   (a) the one-week mismatch ratio of the banking group is not less than zero per cent at the end of each business day;
   (b) the one-month mismatch ratio of the banking group is not less than zero per cent at the end of each business day; and
   (c) the one-year core funding ratio of the banking group is not less than 65 per cent at the end of each business day.

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

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

For the purposes of these conditions of registration, the term "banking group" means TSB Bank Limited's financial reporting group (as defined in section 2(1) of the Financial Reporting Act 1993).

INCOME STATEMENT
FOR THE NINE MONTHS ENDED 31 DECEMBER 2010

	Note	31 December 2010 Unaudited $000	31 December 2009 Unaudited $000	31 March 2010 Audited $000
Interest Income	2	196,583	180,985	242,528
Derivative Financial Instruments	2	6,074	16,948	21,456
Interest Expense	2	132,068	113,557	153,713
Net Interest Income		**70,589**	**84,376**	**110,271**
Other Operating Income	3	9,956	11,095	13,709
Net Operating Income		**80,545**	**95,471**	**123,980**
Operating Expenses	4	31,452	32,484	45,131
Net Profit before Impairment Loss and Taxation		**49,093**	**62,987**	**78,849**
Provision for Impairment Loss		1,770	3,566	4,492
Net Profit before Taxation		**47,323**	**59,421**	**74,357**
Taxation		14,212	17,865	23,179
Effect of Change in Tax Legislation		3,461	-	-
Net Profit after Taxation		**29,650**	**41,556**	**51,178**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 31 DECEMBER 2010

		31 December 2010 Unaudited $000	31 December 2009 Unaudited $000	31 March 2010 Audited $000
Net Profit after Taxation		**29,650**	**41,556**	**51,178**
Other Comprehensive Income:				
Effective Portion of Changes in Fair Value of Cash Flow Hedges	16	397	3,172	4,467
Fair Value Movements of Cash Flow Hedges Transferred to Income Statement	16	(6,074)	(16,948)	(21,456)
Income Tax on Other Comprehensive Income	16	1,703	4,133	5,097
Other Comprehensive Income for the period		**(3,974)**	**(9,643)**	**(11,892)**
Total Comprehensive Income for the period		**25,676**	**31,913**	**39,286**

These interim financial statements are to be read in conjunction with the notes on pages 13 to 32.

STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 31 DECEMBER 2010

		Share Capital $000	Cash Flow Hedge Reserve $000	Retained Earnings $000	Total Equity $000
Balance at 1 April 2010		**10,000**	**4,246**	**316,879**	**331,125**
Total comprehensive income for the period					
Net Profit after Tax		-	-	29,650	29,650
Other Comprehensive Income:					
Effective Portion of Changes in Fair Value (net of tax)	16	-	278	-	278
Fair Value Movements transferred to Income Statement (net of tax)	16	-	(4,252)	-	(4,252)
Other Comprehensive Income for the period		**-**	**(3,974)**	**-**	**(3,974)**
Total Comprehensive Income for the period		**-**	**(3,974)**	**29,650**	**25,676**
Transactions with owners, recorded directly in equity					
Dividends to Equity Holders		-	-	(2,600)	(2,600)
Total Transactions with Owners		-	-	(2,600)	(2,600)
Balance at 31 December 2010		**10,000**	**272**	**343,929**	**354,201**

STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 31 DECEMBER 2009

		Share Capital $000	Cash Flow Hedge Reserve $000	Retained Earnings $000	Total Equity $000
Balance at 1 April 2009		**10,000**	**16,138**	**276,851**	**302,989**
Total comprehensive income for the period					
Net Profit after Tax		-	-	41,556	41,556
Other Comprehensive Income:					
Effective Portion of Changes in Fair Value (net of tax)	16	-	2,220	-	2,220
Fair Value Movements transferred to Income Statement (net of tax)	16	-	(11,863)	-	(11,863)
Other Comprehensive Income for the period		**-**	**(9,643)**	**-**	**(9,643)**
Total Comprehensive Income for the period		**-**	**(9,643)**	**41,556**	**31,913**
Transactions with owners, recorded directly in equity					
Dividends to Equity Holders		-	-	(2,800)	(2,800)
Total Transactions with Owners		-	-	(2,800)	(2,800)
Balance at 31 December 2009		**10,000**	**6,495**	**315,607**	**332,102**

STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 31 MARCH 2010

		Share Capital $000	Cash Flow Hedge Reserve $000	Retained Earnings $000	Total Equity $000
Balance at 1 April 2009		**10,000**	**16,138**	**276,851**	**302,989**
Total comprehensive income for the period					
Net Profit after Tax		-	-	51,178	51,178
Other Comprehensive Income:					
Effective Portion of Changes in Fair Value (net of tax)	16	-	3,127	-	3,127
Fair Value Movements transferred to Income Statement (net of tax)	16	-	(15,019)	-	(15,019)
Other Comprehensive Income for the period		**-**	**(11,892)**	**-**	**(11,892)**
Total Comprehensive Income for the period		**-**	**(11,892)**	**51,178**	**39,286**
Transactions with owners, recorded directly in equity					
Dividends to Equity Holders		-	-	(11,150)	(11,150)
Total Transactions with Owners		-	-	(11,150)	(11,150)
Balance at 31 March 2010		**10,000**	**4,246**	**316,879**	**331,125**

These interim financial statements are to be read in conjunction with the notes on pages 13 to 32.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Note	31 December 2010 Unaudited $000	31 December 2009 Unaudited $000	31 March 2010 Audited $000
Assets				
Cash and Cash Equivalents	6	75,875	96,646	94,063
Derivative Financial Instruments	7	1,224	12,887	9,127
Investment Securities	8	2,051,240	1,820,963	1,869,657
Loans and Advances to Customers	9	2,569,735	2,345,359	2,407,158
Other Assets	10	329	1,289	768
Deferred Tax Asset		3,306	3,832	5,063
Property, Plant and Equipment	11	18,798	18,853	18,743
Intangible Assets	12	510	561	503
Total Assets		**4,721,017**	**4,300,390**	**4,405,082**
Liabilities				
Deposits from Customers	14	4,321,171	3,922,862	4,023,884
Derivative Financial Instruments	7	1,102	1,108	1,248
Current Tax Liability		8,112	9,493	7,073
Other Liabilities	15	36,431	34,825	41,752
Total Liabilities		**4,366,816**	**3,968,288**	**4,073,957**
Shareholder's Equity				
Share Capital	17	10,000	10,000	10,000
Cash Flow Hedge Reserve	17	272	6,495	4,246
Retained Earnings	17	343,929	315,607	316,879
Total Shareholder's Equity		**354,201**	**332,102**	**331,125**
Total Liabilities and Shareholder's Equity		**4,721,017**	**4,300,390**	**4,405,082**
Total Interest Earning and Discount Bearing Assets		**4,685,515**	**4,255,566**	**4,363,944**
Total Interest and Discount Bearing Liabilities		**4,106,667**	**3,717,338**	**3,833,859**

These interim financial statements are to be read in conjunction with the notes on pages 13 to 32.

STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 31 DECEMBER 2010

	Note	31 December 2010 Unaudited $000	31 December 2009 Unaudited $000	31 March 2010 Audited $000
Cash Flows from Operating Activities				
Cash provided from (applied to):				
Interest Income Received		199,616	194,132	258,875
Other Income Received		10,395	10,958	14,093
Interest Paid		(89,564)	(86,522)	(157,260)
Operating Expenditure		(26,642)	(36,529)	(50,855)
Taxation Paid		(13,173)	(14,628)	(22,629)
Cash Flows from Operating Profits before Changes in Operating Assets and Liabilities		**80,632**	**67,411**	**42,224**
Increase in Loans and Advances to Customers		(165,091)	(217,856)	(279,259)
Derivative Financial Instruments		2,079	250	937
Increase in Deposits from Customers		254,783	421,476	553,080
Cash Flow from Operating Assets and Liabilities		**91,771**	**203,870**	**274,758**
Net Cash Flow from Operating Activities		**172,403**	**271,281**	**316,982**
Cash Flows from Investing Activities				
Cash provided from (applied to):				
Property, Plant and Equipment Sold		-	74	154
Net Maturity/ (Purchase) of Investment Securities *		(177,778)	(225,544)	(273,100)
Property, Plant and Equipment Purchased		(1,676)	(2,063)	(2,871)
Intangible Assets Purchased		(187)	(28)	(28)
Net Cash Flow from Investing Activities		**(179,641)**	**(227,561)**	**(275,845)**
Cash Flows from Financing Activities				
Cash provided from (applied to):				
Dividends Paid		(10,950)	(9,400)	(9,400)
Net Cash Flow from Financing Activities		**(10,950)**	**(9,400)**	**(9,400)**
Net Increase/(Decrease) in Cash and Cash Equivalents		**(18,188)**	**34,320**	**31,737**
Add Cash and Cash Equivalents at beginning of the Year		94,063	62,326	62,326
Cash and Cash Equivalents at End of Period		**75,875**	**96,646**	**94,063**

* Investment Securities are designated as held to maturity. Cash flows associated with Investment Securities arise when an existing investment security matures or cash positions enable further purchases.

These interim financial statements are to be read in conjunction with the notes on pages 13 to 32.

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE NINE MONTHS ENDED 31 DECEMBER 2010

	31 December 2010 Unaudited $000	31 December 2009 Unaudited $000	31 March 2010 Audited $000
Reconciliation of Net Profit after Taxation To Net Cash Flows from Operating Activities			
Net Profit after Taxation	**29,649**	**41,556**	**51,178**
Add Movements in Statement of Financial Position Items			
Accounts Payable	45,533	21,888	(10,117)
Provision for Tax	1,039	3,722	1,302
Deposits from Customers	254,783	421,476	553,080
Deferred Tax Asset	3,461	(485)	(752)
Accounts Receivable	(2,601)	(3,938)	(4,725)
Derivative Financial Instruments	2,079	250	937
Loans and Advances to Customers	(165,091)	(217,856)	(279,259)
	139,203	**225,057**	**260,466**
Add Non - Cash Items			
Depreciation	1,621	1,813	2,651
Impairment Losses on Advances to Customers	1,750	2,656	2,430
Amortisation of Intangible Assets	180	199	257
	3,551	**4,668**	**5,338**
Net Cash Flow from Operating Activities	**172,403**	**271,281**	**316,982**
Reconciliation of Cash and Cash Equivalents to the Statement of Financial Position			
Cash and Balances with Central Bank	69,320	88,955	88,312
Cash and Cash at Bank	6,555	7,691	5,751
Total Cash and Cash Equivalents at End of Period	**75,875**	**96,646**	**94,063**

These interim financial statements are to be read in conjunction with the notes on pages 13 to 32.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 2010

1. STATEMENT OF ACCOUNTING POLICIES

GENERAL ACCOUNTING POLICIES

TSB Bank Limited is a profit-oriented company registered under the Companies Act 1993 and incorporated in New Zealand. The Bank's principal business activity is retail banking in New Zealand. These financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting, the Companies Act 1993, the Financial Reporting Act 1993, and the Registered Bank Disclosure Statement (Off Quarter – New Zealand Incorporated Registered Banks) Order 2008.

The Bank's financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), and should be read in conjunction with the 31 March 2010 Annual Report. 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.

The interim financial statements were approved by the Board of Directors on 17 February 2011.

Change in Accounting Policies:

There have been no changes in accounting policies since the authorisation date of the previous General Disclosure Statement on 17 December 2010.

Presentation Currency and Rounding

The amounts contained in this disclosure statement and the financial statements are presented in New Zealand dollars and are rounded to the nearest thousand dollars.

Comparative Data

To ensure consistency with the current period, comparative figures have been restated where appropriate.

Standards Issued But Not Yet Effective

The following new standards are not yet effective and have not been applied in the preparation of these financial statements:

NZ IFRS 9 – Financial Instruments. It is the intention of the IASB to replace IAS 39 with IFRS 9. This standard is effective for annual reporting period beginning on or after 1 January 2013.

NZ IAS 24 – Related Party Disclosures (revised 2009). This standard is effective for annual reporting period beginning on or after 1 January 2011.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 2010

	31 December 2010 Unaudited $000	31 December 2009 Unaudited $000	31 March 2010 Audited $000
2. NET INTEREST INCOME			
Interest Income			
Cash and Cash Equivalents	1,364	5,159	1,479
Investment Securities	68,153	52,032	76,508
Loans and Advances to Customers*	127,066	123,794	164,541
Total Interest Income	**196,583**	**180,985**	**242,528**
Derivative Financial Instrument Income			
Derivative Financial Instrument Income	**6,074**	**16,948**	**21,456**
Interest Expense			
Deposits from Customers	**132,068**	**113,557**	**153,713**
Net Interest Income	**70,589**	**84,376**	**110,271**

* Interest income on Loans and Advances to Customers includes interest earned on Impaired Assets of $0.191m ($0.327m; 31 Dec 2009, $0.343m; 31 March 2010)

Interest income from Investment Securities relates to investment securities that are held to maturity.

Interest income from Loans and Advances to Customers relates to financial assets that are designated as loans and receivables.

The only components of Interest Income reported above that relate to financial assets carried at fair value through profit or loss is the income on derivative financial instruments.

Interest expense on Deposits from Customers relates to financial liabilities measured at amortised cost.

3. OTHER OPERATING INCOME

	31 December 2010	31 December 2009	31 March 2010
Lending and Credit Facility Related Income	2,486	4,199	5,208
Commission and Other Trading Income *	6,633	6,690	8,709
Gain/(Loss) in Fair Value on Derivatives.	(90)	(455)	(925)
Other Income	927	661	717
	9,956	**11,095**	**13,709**

*Includes income from TSB Realty, and TSB Foreign Exchange.

4. OPERATING EXPENSES

	31 December 2010	31 December 2009	31 March 2010
Auditors Remuneration:			
Statutory Audit	120	90	120
Depreciation:			
Buildings	754	653	1,129
Computer Equipment	277	487	591
Other	590	673	931
Amortisation of Intangible Assets	180	199	257
Directors' Fees	274	232	311
Personnel Expenses	12,072	13,266	17,633
Defined Contribution Plan	311	814	1,018
Information Technology Expenses	4,064	3,940	5,307
Premises Occupancy	1,498	1,234	1,637
Marketing	5,110	4,797	8,273
Other Expenses	6,202	6,099	7,924
	31,452	**32,484**	**45,131**

5. TAXATION

With effect from the 2011/2012 income year, a 0% depreciation rate will apply to "Buildings" that have an estimated useful life of 50 years or more. This means, that from the beginning of the 2011/2012 income year, no further tax depreciation can be claimed. Also with effect from 2011/2012 income year, the company tax rate will drop from 30% to 28%.

The combined effect of the above changes and temporary differences has given rise to an adjustment to deferred tax of $3.461m.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 31 DECEMBER 2010

6. CASH AND CASH EQUIVALENTS

	31 December 2010 Unaudited $000	31 December 2009 Unaudited $000	31 March 2010 Audited $000
Cash and Cash at Bank	6,555	7,691	5,751
Cash and Balances with Reserve Bank	69,320	88,955	88,312
	75,875	**96,646**	**94,063**

7. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank uses interest rate swaps to manage the interest rate exposure on identified fixed rate Loans and Investment Securities. Interest rate swaps are used to manage a margin for fixed rate interest rate arrangements.

	As at 31 December 2010 Unaudited		
	Notional	Fair Value	
Interest Rate Contracts	Amount $000	Assets $000	Liabilities $000
Swaps	24,500	-	1,102
	24,500	**-**	**1,102**

	As at 31 December 2009 Unaudited		
	Notional	Fair Value	
Interest Rate Contracts	Amount $000	Assets $000	Liabilities $000
Swaps	25,700	-	1,108
	25,700	**-**	**1,108**

	As at 31 March 2010 Audited		
	Notional	Fair Value	
Interest Rate Contracts	Amount $000	Assets $000	Liabilities $000
Swaps	24,500	-	1,248
	24,500	**-**	**1,248**

Cash Flow Hedges

The Bank uses interest rate options to hedge the interest rate risk on interest bearing assets and liabilities. Interest Rate Options (CAPS and FLOORS) are used to hedge the forecasted interest cash flows affected by the rise and fall of interest rates.

	As at 31 December 2010 Unaudited		
	Notional	Fair Value	
Interest Rate Contracts	Amount $000	Assets $000	Liabilities $000
Options	1,400,000	1,224	-
	1,400,000	**1,224**	**-**

	As at 31 December 2009 Unaudited		
	Notional	Fair Value	
Interest Rate Contracts	Amount $000	Assets $000	Liabilities $000
Options	1,750,000	12,887	-
	1,750,000	**12,887**	**-**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 2010

7. DERIVATIVE FINANCIAL INSTRUMENTS – continued

	As at 31 March 2010 Audited		
	Notional	Fair Value	
	Amount	Assets	Liabilities
Interest Rate Contracts	$000	$000	$000
Options	1,650,000	9,127	-
	1,650,000	**9,127**	**-**

The time periods in which the cash flows are expected to occur and affect the income statement are:

	Within 1 year	1-5 years	Over 5 years
31 December 2010			
Cash inflows	878	-	-

	Within 1 year	1-5 years	Over 5 years
31 December 2009			
Cash inflows	16,750	1,051	-

	Within 1 year	1-5 years	Over 5 years
31 March 2010			
Cash inflows	8,917	-	-

8. INVESTMENT SECURITIES

	31 December 2010 Unaudited $000	31 December 2009 Unaudited $000	31 March 2010 Audited $000
Local Authority Securities	652,354	684,060	664,999
Registered Bank Certificates of Deposit	351,344	355,293	315,848
Registered Bank Term Investments	580,000	370,000	480,000
Other Investments *	467,542	411,610	408,810
	2,051,240	**1,820,963**	**1,869,657**

* Other Investments relate to investments in Commercial Paper and Bonds of an investment grade or better.

9. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2010 Unaudited $000	31 December 2009 Unaudited $000	31 March 2010 Audited $000
Residential Mortgages	2,318,038	2,126,184	2,184,121
Community	4,913	5,781	5,418
Commercial	132,947	113,932	114,018
Farming	80,660	70,508	71,239
Other *	49,430	45,930	49,222
Total Gross Loans and Advances to Customers	**2,585,988**	**2,362,335**	**2,424,018**
Less Provision for Impairment Loss	(16,253)	(16,976)	(16,860)
Total Loans and Advances to Customers	**2,569,735**	**2,345,359**	**2,407,158**

* Other is inclusive of other Retail Lending and Visa balances.

10. OTHER ASSETS

Trade and Other Receivables	329	1,289	768
	329	**1,289**	**768**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 2010

11. PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2010 Unaudited $000	Land	Buildings	Computer Equipment	Other *	Work in Progress	Total
Cost						
Opening Balance	**4,318**	**15,351**	**8,268**	**12,020**	**-**	**39,957**
Additions	-	334	321	260	1,676	2,591
Disposals	-	-	-	(7)	-	(7)
Transfers	-	-	-	-	(915)	(915)
Closing Balance	**4,318**	**15,685**	**8,589**	**12,273**	**761**	**41,626**
Depreciation and Impairment Losses						
Opening Balance	**-**	**4,541**	**7,754**	**8,919**	**-**	**21,214**
Depreciation for the period	-	753	276	592	-	1,621
Impairment Loss	-	-	-	-	-	-
Disposals	-	-	-	(7)	-	(7)
Closing Balance	**-**	**5,294**	**8,030**	**9,504**	**-**	**22,828**
Closing Net Book Value						
Balance as at 1 April 2010	4,318	10,810	514	3,101	-	18,743
Balance as at 31 December 2010	**4,318**	**10,391**	**559**	**2,769**	**761**	**18,798**

* Other is inclusive of Asset categories – Fixtures & Fittings, Plant & Equipment, Furniture, Office Equipment, and Motor Vehicles.

As at 31 December 2009 Unaudited $000	Land	Buildings	Computer Equipment	Other *	Work in Progress	Total
Cost						
Opening Balance	**4,318**	**13,779**	**8,046**	**11,297**	**23**	**37,463**
Additions	-	1,306	139	738	2,870	5,053
Disposals	-	-	(15)	(292)	-	(307)
Transfers	-	-	-	-	(2,886)	(2,886)
Closing Balance	**4,318**	**15,085**	**8,170**	**11,743**	**7**	**39,323**
Depreciation and Impairment Losses						
Opening Balance	**-**	**3,412**	**7,163**	**8,211**	**-**	**18,786**
Depreciation for the period	-	653	487	673	-	1,813
Impairment Loss	-	-	-	-	-	-
Disposals	-	-	(4)	(125)	-	(129)
Closing Balance	**-**	**4,065**	**7,646**	**8,759**	**-**	**20,470**
Closing Net Book Value						
Balance as at 1 April 2009	4,318	10,367	883	3,086	23	18,677
Balance as at 31 December 2009	**4,318**	**11,020**	**524**	**2,984**	**7**	**18,853**

* Other is inclusive of Asset categories – Fixtures & Fittings, Plant & Equipment, Furniture, Office Equipment, and Motor Vehicles.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 2010

11. PROPERTY, PLANT AND EQUIPMENT – continued

As at 31 March 2010 Audited $000	Land	Buildings	Computer Equipment	Other *	Work in Progress	Total
Cost						
Opening Balance	4,318	13,779	8,046	11,297	23	37,463
Additions	-	1,572	222	1,167	2,938	5,899
Disposals	-	-	-	(444)	-	(444)
Transfers	-	-	-	-	(2,961)	(2,961)
Closing Balance	**4,318**	**15,351**	**8,268**	**12,020**	**-**	**39,957**
Depreciation and Impairment Losses						
Opening Balance	-	3,412	7,163	8,211	-	18,786
Depreciation for the period	-	1,129	591	931	-	2,651
Impairment Loss	-	-	-	-	-	-
Disposals	-	-	-	(223)	-	(223)
Closing Balance	**-**	**4,541**	**7,754**	**8,919**	**-**	**21,214**
Closing Net Book Value						
Balance as at 1 April 2009	4,318	10,367	883	3,086	23	18,677
Balance as at 31 March 2010	**4,318**	**10,810**	**514**	**3,101**	**-**	**18,743**

- Other is inclusive of Asset categories – Fixtures & Fittings, Plant & Equipment, Furniture, Office Equipment, and Motor Vehicles.

12. INTANGIBLE ASSETS

	31 December 2010 Unaudited $000	31 December 2009 Unaudited $000	31 March 2010 Audited $000
Cost			
Opening Balance	4,063	4,035	4,035
Additions	187	28	28
Disposals	-	-	-
Closing Balance	**4,250**	**4,063**	**4,063**
Amortisation and Impairment			
Opening Balance	3,560	3,303	3,303
Amortisation for the period	180	199	257
Accumulated Amortisation (Disposals)	-	-	-
Closing Balance	**3,740**	**3,502**	**3,560**
Closing Net Book Value			
Balance as at 1 April 2010	503	732	732
Closing Balance as at 31 December 2010	**510**	**561**	**503**

13. CREDIT RISK MANAGEMENT AND ASSET QUALITY

As set out in the Accounting Policies, Other Impaired Assets are any credit exposures for which an impairment loss is required to be recognised in accordance with NZ IAS 39. The majority of the Bank's provisions for impairment are made on a collective basis. The loan portfolio is predominantly residential mortgages which are secured by a first mortgage over freehold dwellings. For overdrafts and visa balances, some are unsecured as well as secured by obligation mortgages, which cover all undertakings with the Bank. The Bank does not have any restructured assets, assets acquired through the enforcement of security, or assets under administration, other than those disclosed in this note.
The credit quality of Loans and Advances to Customers that were neither past due or impaired can be assessed by reference to the Bank's internal rating system. At the origination of Loans and Advances to Customers, loans are risk graded based on debt servicing ability and Loan-to-Valuation (LVR) ratios. These risk grades are reviewed periodically for adverse changes during the loans life. Interest continues to be accrued on all loans. No interest has been foregone in either period.

(a) Credit Quality Information for Loans and Advances to Customers

Gross Loans and Advances to Customers by Credit Quality	31 December 2010 Unaudited $000	31 December 2009 Unaudited $000	31 March 2010 Audited $000
Neither Past Due or Impaired	2,564,248	2,337,932	2,401,761
Past Due Assets	20,567	19,903	18,836
Impaired Assets	1,173	4,500	3,421
Total Gross Loans and Advances to Customers	**2,585,988**	**2,362,335**	**2,424,018**

Lending commitments to customers were $58.4m as at 31 December 2010 ($82.9m; 31 December 2009 and $78m; 31 March 2010).

Aging Analysis of Past Due Assets			
30 to 59 days	5,304	10,039	9,486
60 to 89 days	5,602	3,868	2,496
Over 90 days	9,661	5,186	6,854
Balance at End of Period	**20,567**	**19,093**	**18,836**
90-day Past Due Assets			
Balance at Beginning of Period	6,854	8,055	8,055
Additions	11,534	4,775	13,648
Deletions	(8,727)	(7,644)	(14,849)
Balance at End of Period	**9,661**	**5,186**	**6,854**
Impaired Assets			
Balance at Beginning of Period	3,421	2,429	2,429
Additions	2,729	6,240	6,345
Amounts Written Off	(1,788)	(777)	(1,343)
Transfers back to Loans and Advances to Customers	(3,189)	(3,392)	(4,010)
Balance at End of Period	**1,173**	**4,500**	**3,421**
Real Estate Assets Acquired through Enforcement of Security			
Balance at Beginning of Period	-	-	-
Transfers to Real Estate Assets Acquired through Enforcement of Security	630	-	-
Balance at End of Period	**630**	**-**	**-**

13. CREDIT RISK MANAGEMENT AND ASSET QUALITY - continued

(b) Provision for Impairment Loss

Collective Provision for Doubtful Debts	31 December 2010 Unaudited $000	31 December 2009 Unaudited $000	31 March 2010 Audited $000
Balance at Beginning of Period	15,100	13,600	13,600
Charged to Income Statement	750	1,250	1,500
Balance at End of Period	**15,850**	**14,850**	**15,100**
Specific Provision for Doubtful Debts			
Balance at Beginning of Period	1,760	830	830
Add New Provisions	1,383	2,316	2,589
Less Amounts Written off	(1,993)	(865)	(1,343)
Less Amounts Received	(747)	(155)	(316)
Balance at End of Period	**403**	**2,126**	**1,760**
Total Provision for Impairment Loss	**16,253**	**16,976**	**16,860**
Impairment Losses charged to Income Statement			
Collective Provisions	750	1,250	1,500
Specific Provisions	(1,357)	1,296	930
Bad Debts Written Off	2,377	1,020	2,062
Total Impairment Losses charged to Income Statement	**1,770**	**3,566**	**4,492**

The estimated fair value of collateral and other charges related to financial assets that are individually impaired is $0.899 million.

(c) Concentrations of Credit Exposures to Individual Counterparties

The following disclosures show the number of individual counterparties (not being members of groups of closely related counterparties) or groups of closely related counterparties (excluding central government of any country with a long-term credit rating of A- or A3 or above, or its equivalent, and connected persons), where the period end and peak end-of-day credit exposures equalled or exceeded 10% of the Bank's equity as at balance date. Credit exposures disclosed are based on actual exposures.

	31 December 2010			31 December 2009			31 March 2010		
	Unaudited			Unaudited			Audited		
Percentage of Shareholder's Equity	**Number of Counterparties**			**Number of Counterparties**			**Number of Counterparties**		
	Non Bank	**Bank**	**Total**	**Non Bank**	**Bank**	**Total**	**Non Bank**	**Bank**	**Total**
As at balance date									
10% - 20%	6	-	6	9	1	10	11	3	14
21% - 30%	1	1	2	4	1	5	2		2
31% - 40%	-	-	-	-	-	-	-	-	-
41% - 50%	1	-	1	-	-	-	-	-	-
51% - 60%	-	1	1	-	1	1	-	-	-
61% - 70%	-	-	-	-	-	-	-	-	-
71% - 80%	-	-	-	-	-	-	-	-	-
81% - 90%	-	2	2	-	-	-	-	1	1
91% - 100%	-	-	-	-	1	1	-	1	1
Peak Exposure									
10% - 20%	7	-	7	12	2	14	10	2	12
21% - 30%	1	1	2	4	2	6	4	1	5
31% - 40%	-	-	-	-	-	-	-	-	-
41% - 50%	1	-	1	-	-	-	-	-	-
51% - 60%	-	-	-	-	1	1	-	-	-
61% - 70%	-	-	-	-	-	-	-	-	-
71% - 80%	-	1	1	-	-	-	-	-	-
81% - 90%	-	1	1	-	-	-	-	-	-
91% - 100%	-	-	-	-	1	1	-	2	2
100% +	-	1	1	-	-	-	-	-	-

13. CREDIT RISK MANAGEMENT AND ASSET QUALITY - continued

(d) Credit Exposure by Credit Rating

The following table presents the Bank's credit exposure based on the credit rating of the issuer. Credit exposure concentrations are disclosed on the basis of actual credit exposures and calculated on a gross basis, (net of individual provisions and excluding advances of a capital nature). An investment credit rating means a credit rating of BBB- or Baa3 or above, or its equivalent. The amount and percentage of the Bank's credit exposure, excluding connected persons and central government of any country with a long-term credit rating of A- or A3 or above, or its equivalent, where the period end aggregate exposure equalled or exceeded 10% of the Bank's Shareholder's Equity, as at balance date are:

	31 Dec 2010 Unaudited		31 Dec 2009 Unaudited		31 March 2010 Audited	
	Principal Amount $000	% of Total Credit Exposure	Principal Amount $000	% of Total Credit Exposure	Principal Amount $000	% of Total Credit Exposure
Bank Counterparties						
Investment grade credit rating	929,988	100%	644,180	100%	762,511	100%
Below investment grade credit rating			-	-	-	-
Not rated			-	-	-	-
Total Credit Exposure	**929,988**	**100%**	**644,180**	**100%**	**762,511**	**100%**
Non-Banks Counterparties						
Investment grade credit rating	762,139	69%	499,750	72%	497,750	74%
Below investment grade credit rating			-	-	-	-
Not rated *	342,500	31%	196,000	28%	176,000	26%
Total Credit Exposure	**1,104,639**	**100%**	**695,750**	**100%**	**673,750**	**100%**

* Not rated exposures are investment securities in unrated Local Authorities.

The credit rating is applicable to an entity's long term senior unsecured obligations payable in New Zealand, in New Zealand dollars.

(e) Credit exposures to connected persons

Credit exposure concentrations are disclosed on the basis of actual credit exposures and calculated on a gross basis (net of specific provisions and excluding advances of a capital nature). The Bank only has credit exposures to non-bank connected persons. Peak end-of-day credit exposures to connected and non-bank connected persons are calculated using the Bank's tier one capital at the end of the period. The rating-contingent limit, which is applicable to the Bank as at balance date, is 15%. There have been no rating-contingent limit changes during the last quarter. Within the rating-contingent limit there is a sub-limit of 15%, which applies to non-bank connected persons. All limits on aggregate credit exposure to all connected persons and non-bank connected persons in the Bank's Conditions of Registration have been complied with at all times over the last quarter. The information on credit exposures to connected persons has been derived in accordance with the Reserve Bank of New Zealand document entitled "Connected Exposures Policy (BS8)" dated October 2010. There are no specific provisions against credit exposures to connected persons as at 31 December 2010 (31 December 2009: nil).

	2010 31 Dec Unaudited $000	2009 31 Dec Unaudited $000	2010 31 March Audited $000
Credit exposures to non-bank connected persons at period end	**258**	**479**	**271**
Credit exposures to non-bank connected persons at period end expressed as a percentage of total tier one capital	**0.1%**	**0.2%**	**0.1%**
Peak credit exposures to non-bank connected persons during the period	**268**	**479**	**495**
Peak credit exposures to non-bank connected persons during the period expressed as a percentage of total tier one capital	**0.1%**	**0.2%**	**0.2%**

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14. DEPOSITS FROM CUSTOMERS

	31 December 2010 Unaudited $000	31 December 2009 Unaudited $000	31 March 2010 Audited $000
Retail Term Deposits	2,104,203	1,858,714	1,878,189
Wholesale Term Deposits	39,822	-	-
On Call Deposits Bearing Interest	1,962,641	1,858,624	1,955,670
On Call Deposits Not Bearing Interest	214,505	205,524	190,025
	4,321,171	**3,992,862**	**4,023,884**

All creditors and depositors are ranked equally and have equal priority to any creditor claims.

15. OTHER LIABILITIES

Employee Entitlements	4,871	5,156	5,677
Dividend Payable	-	-	8,350
Trade and Other Payables	31,560	29,669	27,725
	36,431	**34,825**	**41,752**

All creditors and depositors are ranked equally and have equal priority to any creditor claims.

16. CASH FLOW HEDGE RESERVE

Cash Flow Hedge Reserve			
Opening Balance	4,246	16,138	16,138
Effective Portion of Changes in Fair Value	397	3,172	4,467
Fair Value Movements Transferred to Income Statement	(6,074)	(16,948)	(21,456)
Deferred Income Tax	1,703	4,133	5,097
Balance at End of Period	**272**	**6,495**	**4,246**

17. SHARE CAPITAL & RETAINED EARNINGS

Share Capital			
Issued and Fully Paid Up Capital:			
20,000,000 Ordinary Shares	**10,000**	**10,000**	**10,000**

All ordinary Shares have equal voting rights and share equally in dividends and assets on winding up. All shares are held by the TSB Community Trust. Dividends are recognised in the financial year in which they are authorised and approved by the Board of Directors.

Retained Earnings			
Opening Balance	**316,879**	**276,851**	**276,851**
Net Profit after Taxation	29,650	41,556	51,178
	346,529	**318,407**	**328,029**
Dividends	(2,600)	(2,800)	(11,150)
Balance at End of Period	**343,929**	**315,607**	**316,879**

18. CAPITAL ADEQUACY

(i) Capital Management Policies

The Bank's objectives for the management of capital adequacy are to comply at all times with the regulatory capital requirements set by the Reserve Bank of New Zealand (RBNZ); to maintain a strong capital base to cover the inherent risks of the business in excess of that required by rating agencies to maintain an investment credit grading; and to support the future development and growth of the business to maximise shareholders value.

The Bank is subject to regulation by the RBNZ. The RBNZ has set minimum regulatory capital requirements for banks that are consistent with the internationally agreed framework developed by the Basel Committee on Banking Supervision. These requirements define what is acceptable as capital and provide for methods of measuring the risks incurred by the Bank. The Bank must comply with RBNZ minimum capital adequacy ratios under its Conditions of Registration.

Regulatory capital is divided into Tier One and Tier Two Capital. Tier One Capital primarily consists of Shareholder's Equity and other capital instruments acceptable to the RBNZ, less Intangible Assets and a deduction for any advances of a capital nature to Connected Persons. Tier Two Capital consists of two levels with Upper Tier Two Capital comprising Asset Revaluation Reserves and Lower Tier Two Capital comprising Subordinated Debt. Tier Two Capital also includes other hybrid and debt instruments acceptable to the RBNZ. The tangible element of investments in subsidiaries that are not wholly owned or funded is deducted from the sum of Tier One and Tier Two Capital to arrive at Total Regulatory Capital. The Bank does not have any Tier Two Capital components.

Regulatory capital adequacy ratios are calculated by expressing capital as a percentage of Risk Weighted Exposures. Risk Weighted Exposures are derived by assigning a risk weight percentage to certain categories of exposures, including Statement of Financial Position assets (excluding Intangible Assets and Capital Deductions for Investments in Subsidiaries not Wholly Owned or Funded), and "Off Balance Sheet" Assets. There are six risk weighting categories – 0%, 20%, 35%, 50%, 75% and 100%. It should be noted that the regulatory risk weightings may not be consistent with the loss experience of the Bank.

As a condition of Registration, the Bank must comply with the following minimum requirements set by RBNZ:

- Total Regulatory Capital must not be less that 8% of Risk Weighted Exposure.
- Tier One Capital must not be less than 4% of Risk Weighted Exposures.
- Capital must not be less than NZ$30m.

The Board of Directors has ultimate responsibility for capital adequacy, and approves capital policy and minimum capital levels and limits. These are typically at a higher level than required by the Regulator to reduce the risk of breaching conditions of registration. The Bank monitors its capital adequacy and reports this on a regular basis to the Board.

The Capital Adequacy tables set out on the following pages summarise the composition of regulatory capital and the capital adequacy ratios for the Bank for the period ended 31 December 2010. During the period and the comparative periods shown, the Bank complied with all of the RBNZ capital requirements to which it is subject. No changes have been made to the Board approved levels of regulatory capital to be held during the period.

Basel II

The Basel Committee has issued a revised framework for the calculation of capital adequacy for banks, commonly known as Basel II. The Bank has adopted the "Standardised Approach" as per BS2A to calculate regulatory capital requirements under Basel II from the first quarter of 2008. The objective of the Basel II Framework is to develop capital adequacy guidelines that are more accurately aligned with the individual risk profile of banks. Basel II consists of 3 pillars – Pillar One covers the capital requirements for banks for credit, operation, and market risks; Pillar Two covers all other material risks not already included in Pillar One; and Pillar Three relates to market disclosure.

Pillar 2 of Basel II is intended to ensure that banks have adequate capital to support all risks in their business, and includes the requirement on banks to have an "Internal Capital Adequacy Assessment Process (ICAAP)" for assessing their overall capital adequacy in relation to risk profile and a strategy for maintaining adequate capital to support risk. The Bank's ICAAP has identified other areas of risk not covered by Pillar I (credit risk, market risk, and operational risk) and assigned a level of capital to them. These risks include (but are not limited to) strategic risk, reputational risk, environmental risk, liquidity risk, and ownership structure. The Bank has made internal capital allocation of $130m to cover these identified costs.

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18. CAPITAL ADEQUACY - continued

Total Capital Adequacy Ratios for the Bank as at 31 December 2010 are:

	31 Dec 2010 Unaudited	31 Dec 2009 Unaudited	31 Mar 2010 Audited
Tier One	15.05%	14.43%	15.90%
Total Capital	16.29%	16.38%	15.90%

(ii) Qualifying Capital

Tier One Capital	**$000**	**$000**	**$000**
Issued and fully paid up Share Capital	10,000	10,000	10,000
Retained Earnings	316,879	276,851	276,851
Current period's Reviewed/ Audited Retained Earnings	-	-	40,028
Less Deductions from Tier One Capital			
Intangible Assets	(510)	(561)	(503)
Total Tier One Capital	**326,369**	**286,290**	**326,376**
Upper Tier Two Capital			
Unaudited Current Retained Earnings	**27,049**	**38,756**	**-**
Lower Tier Two Capital	**-**	**-**	**-**
Total Tier Two Capital	**27,049**	**38,756**	**-**
Total Capital	**353,418**	**325,046**	**326,376**

(iii) Total Risk Weighted Exposures – 31 December 2010

	Total Exposure after credit risk mitigation Dec-10 Unaudited $000	Risk Weight	Risk Weight Exposure Dec-10 Unaudited $000	Minimum Pillar One Capital Requirement Dec-10 Unaudited $000
On Balance Sheet Exposures				
Cash	6,555	0%	-	-
Reserve Bank of New Zealand	69,320	0%	-	-
Public Sector Entities	701,399	20%	140,280	11,222
Banks	870,677	20%	174,135	13,931
Banks	70,667	50%	35,334	2,827
Corporate	67,758	20%	13,551	1,084
Corporate	116,755	50%	58,378	4,670
Corporate	180,764	100%	180,764	14,461
Residential Bonds	25,724	35%	9,003	720
Residential Mortgages <80% LVR	1,890,488	35%	661,671	52,934
Residential Mortgages 80%<90% LVR	165,533	50%	82,767	6,622
Residential Mortgages Welcome Home Loans	231,028	50%	115,514	9,241
Residential Mortgages 90%<100% LVR	20,155	75%	15,116	1,209
Past Due and Impaired Residential Mortgages	10,834	100%	10,834	867
Other Assets	291,626	100%	291,626	23,330
Non-Risk Weighted Assets	1,734	0%	-	-
Total On Balance Sheet Exposures	**4,721,017**		**1,788,973**	**143,118**

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 31 DECEMBER 2010

18. CAPITAL ADEQUACY - continued

	Total Exposure	Credit Conversion Factor	Credit Equivalent Amount	Average Risk Weight	Risk Weighted Exposure	Minimum Pillar One Capital Requirement
	Dec-10 Unaudited $000		Dec-10 Unaudited $000		Dec-10 Unaudited $000	Dec-10 Unaudited $000
Off Balance Sheet Exposure						
Revolving Credit Facility	20,000	50%	10,000	20%	2,000	160
Commitments where original maturity:						
is more than one year	212,522	50%	106,261	35%	37,192	2,975
is less than one year	104,112	20%	20,822	100%	20,822	1,666
Market Related Contracts						
Interest Rate Contracts*	1,424,500	N/A	5,166	20%	1,033	83
Sub Totals	**1,761,134**		**142,249**		**61,047**	**4,884**

* The credit equivalent amount for market related contracts (which are all interest rate contracts) were calculated using the current exposure method.

Operational Risk and Market Risk Analysis	Implied Risk Weighted Exposure	Capital Requirement
Operational Risk	256,010	20,481
Market Risk	63,173	5,054
Sub Total	**319,183**	**25,535**

Total Capital Requirements	Total Exposure after credit risk mitigation	Risk Weighted exposure or Implied RWE	Capital Requirement
Total credit risk plus equity	4,863,266	1,850,020	148,001
Operational Risk	N/A	256,010	20,481
Market Risk	N/A	63,173	5,054
Total		**2,169,203**	**173,536**

Residential Mortgages by Loan-to-Valuation Ratio

LVR Range	**0%-80%**	**80% - 90%**	**Over 90%**
Value of Exposure	1,890,488	165,533	251,183

		Implied Risk Weighted Exposure	Aggregate Capital Charge	Aggregate Capital Charge as % of Banks Equity	Banks Equity
Market Risk					
End of Period capital charges	Interest Risk	63,173	5,054	1.43%	353,418
Peak end of day capital charges	Interest Risk	87,338	6,987	1.98%	353,418

In accordance with clause 9 of Schedule 5A of the Registered Bank Disclosure Statement (Full and Half Year – New Zealand Incorporated Registered Banks) Order 2008, peak end-of-day aggregate capital charge and peak end-of-day aggregate capital charge as a percentage of the Bank's Equity at the end of the period, is derived by following the risk methodology for measuring capital requirements within Part 10 of – Capital Adequacy Framework (Standardised Approach) (BS2A).

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 2010

18. CAPITAL ADEQUACY - continued

(iv) Total Risk Weighted Exposures – 31 December 2009

	Total Exposure after credit risk mitigation Dec-09 Unaudited $000	Risk Weight	Risk Weight Exposure Dec-09 Unaudited $000	Minimum Pillar One Capital Requirement Dec-09 Unaudited $000
On Balance Sheet Exposures				
Cash	7,252	0%	-	-
Reserve Bank of New Zealand	89,394	0%	-	-
Public Sector Entities	694,060	20%	138,812	11,105
Banks	676,788	20%	135,358	10,829
Banks	48,505	50%	24,252	1,940
Corporate	125,364	20%	25,073	2,006
Corporate	111,145	50%	55,573	4,446
Corporate	149,000	100%	149,000	11,920
Residential Bonds	3,572	35%	1,250	100
Residential Mortgages <80%	1,784,058	35%	624,420	49,954
Residential Mortgages 80%<90%	154,324	50%	77,162	6,173
Residential Mortgages Welcome Home Loans	158,068	50%	79,034	6,323
Residential Mortgages 90%<100%	18,663	75%	13,997	1,120
Past Due Residential Mortgages	9,687	100%	9,687	775
Other Assets	257,062	100%	257,062	20,565
Non-Risk Weighted Assets	13,448	0%	-	-
Total On Balance Sheet Exposures	**4,300,390**		**1,590,680**	**127,256**

	Total Exposure Dec-09 Unaudited $000	Credit Conversion Factor	Credit Equivalent Amount Dec-09 Unaudited $000	Average Risk Weight	Risk Weighted Exposure Dec-09 Unaudited $000	Minimum Pillar One Capital Requirement Dec-09 Unaudited $000
Off Balance Sheet Exposure						
Revolving Credit Facility	20,000	50%	10,000	20%	2,000	160
Commitments where original maturity is more than one year	222,522	50%	111,261	35%	38,941	3,115
Market Related Contracts						
Interest Rate Contracts*	1,775,700	N/A	18,042	20%	3,608	289
Sub Totals	**2,018,222**		**139,303**		**44,549**	**3,564**

* The credit equivalent amount for market related contracts (which are all interest rate contracts) were calculated using the current exposure method.

Operational Risk and Market Risk Analysis	Implied Risk Weighted Exposure	Capital Requirement
Operational Risk	222,851	17,828
Market Risk	126,334	10,107
Sub Total	**349,185**	**27,935**

18. CAPITAL ADEQUACY - continued

Total Capital Requirements	Total Exposure after credit risk mitigation	Risk Weighted exposure or Implied RWE	Capital Requirement
Total credit risk plus equity	4,439,693	1,635,229	130,820
Operational Risk	N/A	222,851	17,828
Market Risk	N/A	126,334	10,107
Total		**1,984,414**	**158,755**

Residential Mortgages by Loan-to-Valuation Ratio

LVR Range	0% - 80%	80% - 90%	Over 90%
Value of Exposure	1,784,058	154,324	186,417

Market Risk		Implied Risk Weighted Exposure	Aggregate Capital Charge	Aggregate Capital Charge as % of Banks Equity	Banks Equity
End of Period capital charges	Interest Risk	126,334	10,107	3.11%	325,046
Peak end of day capital charges	Interest Risk	133,250	10,660	3.28%	325,046

In accordance with clause 8 of Schedule 4A of the Registered Bank Disclosure Statement (Off Quarter – New Zealand Incorporated Registered Banks) Order 2008, peak end-of-day aggregate capital charge and peak end-of-day aggregate capital charge as a percentage of the Bank's Equity at the end of the period, is derived by following the risk methodology for measuring capital requirements within Part 10 of – Capital Adequacy Framework (Standardised Approach) (BS2A).

(v) Total Risk Weighted Exposures – 31 March 2010

	Total Exposure after credit risk mitigation Mar-10 Audited $000	Risk Weight	Risk Weight Exposure Mar-10 Audited $000	Minimum Pillar One Capital Requirement Mar-10 Audited $000
On Balance Sheet Exposures				
Cash	5,751	0%	-	-
Reserve Bank of New Zealand	88,312	0%	-	-
Public Sector Entities	714,050	20%	142,810	11,425
Banks	762,342	20%	152,468	12,197
Banks	43,505	50%	21,752	1,740
Corporate	45,500	20%	9,100	728
Corporate	111,214	50%	55,607	4,449
Corporate	176,024	100%	176,024	14,082
Residential Bonds	3,356	35%	1,175	94
Residential Mortgages <80% LVR	1,819,140	35%	636,699	50,936
Residential Mortgages 80%<90% LVR	159,714	50%	79,857	6,389
Residential Mortgages Welcome Home Loans	177,481	50%	88,740	7,099
Residential Mortgages 90%<100% LVR	17,512	75%	13,134	1,051
Past Due and Impaired Residential Mortgages	10,275	100%	10,275	822
Other Assets	261,276	100%	261,276	20,902
Non-Risk Weighted Assets	9,630	0%	-	-
Total On Balance Sheet Exposures	**4,405,082**		**1,648,917**	**131,914**

18. CAPITAL ADEQUACY – continued

	Total Exposure	Credit Conversion Factor	Credit Equivalent Amount	Average Risk Weight	Risk Weighted Exposure	Minimum Pillar One Capital Requirement
	Mar-10 Audited $000		Mar-10 Audited $000		Mar-10 Audited $000	Mar-10 Audited $000
Off Balance Sheet Exposure						
Revolving Credit Facility	20,000	50%	10,000	20%	2,000	160
Commitments where original maturity:						
is more than one year	217,151	50%	108,576	35%	38,001	3,040
Is less than one year	103,500	20%	20,700	100%	20,700	1,656
Market Related Contracts						
Interest Rate Contracts*	1,674,500	N/A	13,820	20%	2,764	221
Sub Totals	**2,015,151**		**153,096**		**63,465**	**5,077**

* The credit equivalent amount for market related contracts (which are all interest rate contracts) were calculated using the current exposure method.

Operational Risk and Market Risk Analysis	Implied Risk Weighted Exposure	Capital Requirement
Operational Risk	230,860	18,469
Market Risk	109,589	8,767
Sub Total	**340,449**	**27,236**

Total Capital Requirements	Total Exposure after credit risk mitigation	Risk Weighted exposure or Implied RWE	Capital Requirement
Total credit risk plus equity	4,558,178	1,712,382	136,991
Operational Risk	N/A	230,860	18,469
Market Risk	N/A	109,589	8,767
Total		**2,052,831**	**164,227**

Residential Mortgages by Loan-to-Valuation Ratio

LVR Range	0%-80%	80% - 90%	Over 90%
Value of Exposure	1,826,420	162,538	195,162

		Implied Risk Weighted Exposure	Aggregate Capital Charge	Aggregate Capital Charge as % of Banks Equity	Banks Equity
Market Risk					
End of Period capital charges	Interest Risk	109,589	8,767	2.68%	326,376
Peak end of day capital charges	Interest Risk	127,975	10,238	3.13%	326,376

In accordance with clause 9 of Schedule 5A of the Registered Bank Disclosure Statement (Full and Half Year – New Zealand Incorporated Registered Banks) Order 2008, peak end-of-day aggregate capital charge and peak end-of-day aggregate capital charge as a percentage of the Bank's Equity at the end of the period, is derived by following the risk methodology for measuring capital requirements within Part 10 of – Capital Adequacy Framework (Standardised Approach) (BS2A).

19. FOREIGN CURRENCY BALANCES

As at Balance Date there were no material holdings of Foreign Currency.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 2010

20. SECURITISATION, FUNDS MANAGEMENT, OTHER FIDUCIARY ACTIVITIES AND THE MARKETING AND DISTRIBUTING OF INSURANCE PRODUCTS

The Bank has no involvement with any Securitisation, Custodial, Funds Management or other Fiduciary activities. The Bank does not conduct any insurance business, however general and life insurance products are marketed through the Bank's branch network. These have been provided on arms length terms and conditions and at fair value. The Bank provides no funding to the entities on whose behalf the insurance products are marketed. External third party insurance companies underwrite these, and the Bank has no financial association with them.

On the 1 October 2008, the TSB Bank PIE Cash Fund commenced. TSB Bank Limited is the manager and promoter of the TSB Bank PIE Unit Trust, and the New Zealand Guardian Trust Company Limited is the trustee. Units in the Fund do not directly represent deposits or other liabilities of TSB Bank. However, the Trust Deed stipulates that 100% of the TSB Bank PIE Cash Fund is invested exclusively in TSB Bank debt securities. As at 31 December 2010, the TSB Bank PIE Unit Trust had $78.4m (30 December 2009, $51.8m; 31 March 2010, $69.2m) invested with the Bank.

21. REPORTING BY SEGMENT

TSB Bank operates predominantly in the business of Retail Banking in New Zealand.

22.COMMITMENTS AND CONTINGENT LIABILITIES

	31 December 2010 Unaudited $000	31 December 2009 Unaudited $000	31 March 2010 Audited $000
Commitments approved to advance less than one year	104,112	103,544	103,500
Commitments approved to advance greater than one year	232,522	242,522	237,151
Capital Commitments	-	-	-
	336,634	**346,066**	**340,651**

There are no material contingent liabilities and outstanding claims known by the Directors as at 31 December 2010 that would impact on the financial statements.

23. SUBSEQUENT EVENTS

In accordance with NZ IAS 10 – "Events after the Reporting Period", there have been no material events requiring adjustment to these interim financial statements.

24. Risk Management Policies

The Bank is committed to the management of risk and has management structures and information systems to manage individual risks. The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors has approved the Bank's Treasury Management Policy. The Asset and Liability Management Committee (ALMC) meet on a regular basis to review the overall risk management framework for funding and investments. The following sections describe the risk management framework components.

(i) 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 of providing lending facilities. The Bank is predominantly a residential lender. Residential and non-residential loans are generally secured by way of 1st mortgage over Land and Buildings. Borrowers must satisfy a number of conditions when applying for credit including an ability to service the debt whilst satisfying loan to asset ratios. Discretionary lending limits exist at different levels within the Bank.

Regular reviews of loans by both Management and Internal Audit ensure that the Bank is well positioned to assess the financial position of borrowers. Investment in non-lending assets is controlled by limiting the concentration and type of investment, and through the establishment of formal limits permitted with each counterparty. The current policy permits investing with the New Zealand Government, Registered Banks, Local Authorities, State Owned Enterprises and other issuers of paper with a short term debt rating of A1 or better and excludes trading in Derivatives, Futures and Foreign Exchange options. The Bank has a comprehensive, clearly defined policy for the approval and management of all credit risk, including risk to other banks and related counterparties. Both intra-day and term credit risk exposures are monitored on a daily basis and form an integral part of the management reporting system.

(ii) Foreign Currency Risk

Foreign Exchange risk is the risk to earning and value caused by a change in foreign exchange rates. The Bank operates Retail Foreign Currency outlets. Bank policy is to maintain minimal levels of holdings and therefore foreign currency exposure is immaterial.

(iii) Interest Rate Risk

Interest rate risk arises where the Bank is exposed to an adverse movement in interest rates, which would significantly affect the banks net interest income. Interest Rate related contracts hedge interest rate risk associated with the Bank's Statement of Financial Position.

The Bank controls its interest rate risk by paying close attention to ensuring a deemed appropriate margin between interest income and interest expense is maintained. Interest Rate Swaps and Interest Rate Options are tools that may be used to assist with the management of interest rate risk.

Interest rate risk is monitored on a day to day basis and forms an integral part of the management reporting system.

(iv) Equity Risk

Equity risk results from the repricing of equity investments. The Bank's current policy does not permit the investment in or trading of equities.

(v) Liquidity Risk

TSB Bank defines its Liquidity Risk as the risk that the Bank is unable to meet its obligations as they become payable as a result of:

- an unanticipated change in customer demand (such as a "run" on Call deposits);
- an unexpected difficulty in accessing adequate funding (for example, a credit rating downgrade resulting in reduced bank funding lines); or
- an unanticipated level of asset write-down (for example, from defaulting loans).

The Bank has an internal framework and policy in place to ensure it maintains sufficient liquidity to enable it to meet its obligations as they become payable and more specifically to:

a) meet its minimum liquidity requirements as defined in the Reserve Bank of New Zealand regulation (BS13); and
b) meet its minimum liquidity requirements as modelled by the Bank.

24. RISK MANAGEMENT POLICIES - continued

The Liquidity Risk Management Policy sets out the minimum liquidity requirements to be met by the Liquidity Portfolio. The precise structure of the Liquidity Portfolio, however, is governed by the Asset Management Policy and Credit Risk Management Policy.

Key points of the policy are:

- TSB Bank will not place reliance on committed bank funding facilities for the purpose of maintaining its minimum desired liquidity risk profile. Any such stand-by facilities will be treated as a secondary or buffer source of liquidity only.

- Investment Limits for assets held for liquidity management purposes are set out in the Asset Management Policy, subject to the Credit Risk Policy.

- Modelling of the Bank's liquidity requirements will be undertaken regularly. Modelling should explicitly break down the source of liquidity requirement, based on an assessment of likely movements in the event of a crisis. For example, it may be considered that all bank and capital markets funding may be withdrawn on the first day of the crisis, or that a given percentage of cheque account balance will remain after the first week of the crisis. A key output of the model will be a "crisis time-line", detailing the speed and extent of deposit and funding source withdrawal compared with the Bank's ability to source funds from its Liquidity Portfolio (or other source).

- The Bank has set internal limits that will ensure it exceeds Liquidity Policy Quantitative requirements at all times.

- A liquidity contingency plan is in place which is to include the following scenarios:
    - Regular breaches of internal limits;
    - Difficulty or being unable to borrow in the wholesale markets;
    - Lenders demanding a higher than standard funding premium or seeking collateral for funding provided;
    - Deteriorating cash flow positions as evidenced by increasing liquid asset requirements in the short term time bands in order to meet normal cash flow requirements;
    - Unusual volatility in the deposit base;
    - Frequent utilisation of overdraft or standby facilities;
    - Deterioration in asset quality or profitability; or
    - An adverse rating change.

Liquidity Management:
Daily cash flow requirements will be managed through:

1. A minimum holding in the Reserve Bank ESAS (Exchange Settlement Account System) account. The main purpose of ESAS is to provide settlement accounts for the settlement of all real time payments. There are no overdrafts permitted on these accounts.
2. Tactical investing of short term investments in the form of bank paper to ensure regular maturities or maturity dates to cover known events.
3. Use of overnight autorepo facilities or inter bank borrowing when short in the ESAS account.
4. Tactical pricing of liability products to attract funding.

Daily cash flow requirements can be projected from historical movements through the ESAS account which reflect current trends in retail deposit products and lending products.

Liquidity risk may be minimised through the use of:

- Committed bank funding (a "stand-by" facility), which may be drawn upon to obtain funds if required; and/or
- Securitisation of lending assets which my be used as collateral with the Reserve Bank; and/or
- A portfolio of high quality liquid assets (the "Liquidity Portfolio"), which may be sold to realise funds if required. The Liquidity Portfolio comprises highly-rated and highly-liquid assets, for the purpose of maintaining the Bank's desired liquidity position. These assets comprise of those listed as Primary Liquidity Assets in BS13A.

24. RISK MANAGEMENT POLICIES - continued

It is recognised, however, that stand-by facilities may become unavailable in a crisis, either due to defaults or other breaches by the Bank, or due to the external circumstances affecting the Bank's liquidity also being classified as a force majeure for the providing bank. TSB Bank will therefore rely primarily on the Liquidity Portfolio to provide its liquidity requirements.

All breaches are to be reported immediately to the Deputy CEO (and Reserve Bank if applicable) and remedial action undertaken. All breaches are reported via the ALMC to the Board. Liquidity risk is managing risk to ensure the Bank is able in the short term to meet its financial obligations as they fall due.

(vi) Operational Risk

Operational Risk is defined as the risk of economic gain or loss resulting from inadequate or failed internal processes and methodologies, people, systems or external events. Senior management are accountable to the Board for maintaining an adequate and effective control environment. While operational risk can never be eliminated, TSB Bank endeavours to minimise the impact of operational incidents by ensuring that the appropriate infrastructure of controls, systems, staff and processes are in place.

(vii) Internal Audit

The Bank's Audit and Compliance Manager reports ultimately to the Chair of the Audit and Compliance Committee and meets at least annually with the committee. The scope of internal audit ensures that aspects of the Bank's operational, compliance, financial and systems operations are reviewed based on an assessment of risk on an ongoing basis. A comprehensive audit program gives a good coverage of audit procedures to be applied in order to achieve the audit objectives.

The Audit and Compliance Committee's primary function is to liaise with the External Auditors and the Bank's Audit and Compliance Manager. The Audit and Compliance Committee comprises four directors who are B C Richards (independent director), E Gill (independent director), D L Lean (independent director), and C B Tuuta. A meeting with the External Auditor takes place at least annually.

There have been no material changes to the above policies in the year prior to this balance date.

Directory

Directors

E. (Elaine) Gill, ONZM, LLB, J.P, Chair
B.C. (Bruce) Richards, MNZM, B Com, CA, CMA, Deputy Chair
J.J. (John) Kelly
D.L. (David) Lean, QSO, J.P
K.J. (Kevin) Murphy, CA, Managing Director/CEO
C. B. (Colleen) Tuuta
D.E. (David) Walter, QSO, J.P
H.P.W. (Hayden) Wano

Management

K.J. (Kevin) Murphy, CA, Managing Director/ CEO
C.L. (Charles) Duke, Deputy Chief Executive
R.G. (Roddy) Bennett, B. Sci, ACA, Chief Financial Officer
R. (Rod) Grant, National Business Manager - Marketing
R. (Rod) Main, National Business Manager - Operations
M.D. (Marie) Collins, Manager Technology Services
L.D. (Linda) Burczynski, Dipl. Mgmt, Manager Human Resources
P.D. (Phil) Gerrard, AAIBS, Manager Lending Services
C.D. (Carolyn) Wratislav, Manager Training
J. (John) Ainsworth, Manager Audit and Compliance

National

H.D. (Heather) King, Manager, Bank Direct
S.J. (Stephanie) White, Manager, Network Support
L.N. (Lindsay) McElroy, Business Development Manager, Auckland
S.A. (Sharon) Young, Manager, Auckland Central
N.M. (Neil) Carrie, Manager, Takapuna Service Centre
S. (Sandra) Makein, Manager, Hamilton Service Centre
K.G. (Kerry) Clement, Manager, Tauranga Service Centre
C.P. (Chris) Greatholder, Manager, Napier Service Centre
J.E. (Jo) Robson, Manager, Hastings Service Centre
L.M. (Lisa) Aull, Manager, Palmerston North Service Centre
H.L. (Lynne) Russell, Manager, Wellington Service Centre
G.J. (Graham) Clarke, Manager, Nelson Service Centre
S.L. (Steven) Kirk, Manager, Christchurch Service Centre

Taranaki

L.S. (Len) Walker, Manager, City
P.J. (Paul) Drake, Manager, Fitzroy
V.J. (Viv) Hall, Manager, Waitara
F.J. (Fay) Bint, Manager, Inglewood
N.L. (Neal) Spragg, Manager, Stratford
K.H. (Kim) Dines, Manager, Westown
L.A. (Lisa) Hardegger, Manager, Moturoa
R.A. (Rachel) Werder, Manager, Hawera
J.A. (Jill) Sutton, Manager, Eltham
L. (Linda) Bishop, Manager, Opunake
C.M. (Campbell) Third, Manager, Centre
E.A. (Elizabeth) Dobson, Manager, Frankleigh Park
S.R. (Steven) Dickson, Manager, Vogeltown
V.J. (Valmai) McEldowney, Manager, Bell Block
J.A. (Jade) Hopkinson, Manager, Merrilands

Divisions

S.J. (Stephen) McIntosh, Manager, TSB Foreign Exchange
G.P. (Greg) Hull, AREINZ, Manager, TSB Realty

Registered Office

Level 5, TSB Centre, 120 Devon St East, New Plymouth

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Auditor

KPMG
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