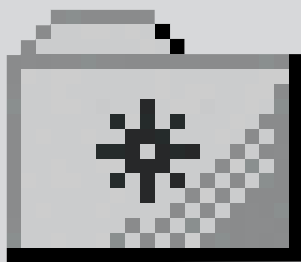
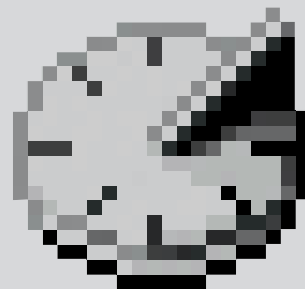


ASB Bank Limited Annual Report 2002

[Personal](#) | [Business](#) | [Rural](#) | [International](#) | [Institutional](#) | [Investment](#) | [Insurance](#) | [Share Trading](#)



Favorites



History

2002 marks the fifth anniversary of the introduction by ASB Bank of Fastnet Classic, the country's first Internet banking service.

Today, more than 200,000 ASB Bank customers use the Bank's online banking services, and transaction volumes exceed two million a month. The uptake of online banking has outpaced that of any other product, including the use of ATMs, and has totally transformed the way New Zealanders undertake their banking.

Fastnet Classic has received international recognition for its sophisticated, yet simple to use, technology and has been rated as having the highest level of satisfaction of any Internet banking service in the country.*

* University of Auckland Residential Customer Surveys, 2000 and 2001. AC Nielsen.consult New Zealand Online Banking Report 2002.



The Directors have pleasure in presenting the Annual Report of ASB Bank Limited for the year ended 30 June 2002.

Gary Judd Q.C.
Chairman
30 July 2002

Hugh Burrett,
Managing Director
30 July 2002

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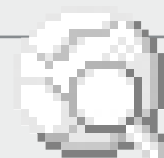
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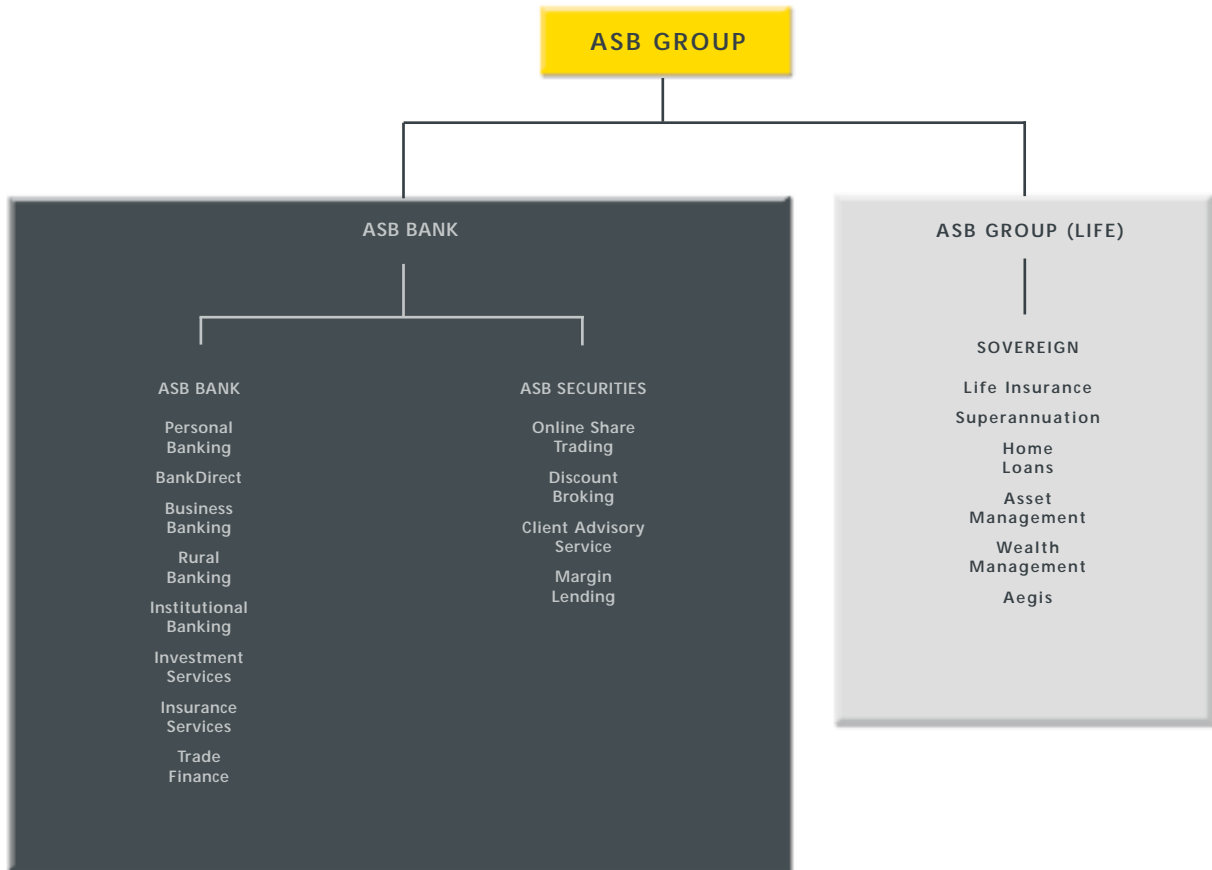
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The companies and subsidiaries under which we provide our customers with the range of products and services they need to achieve their financial goals are collectively known as ASB Group.

The high profile brands which operate within ASB Group include ASB Bank, BankDirect, ASB Life, ASB Securities, Sovereign and Jacques Martin.

This annual report covers the activities of ASB Bank. The Bank and its subsidiaries represent a major component of ASB Group.

New Managing Director Appointed

Mr Hugh Burrett was appointed Chief Executive Officer and Managing Director of ASB Bank in October 2001.

A career banker with more than 30 years' service with ASB Bank, Mr Burrett was previously Chief Operating Officer responsible for the Bank's sales and service delivery in personal, business and rural banking.

Mr Burrett has overseen the expansion of the Bank's branch network nationally, the extension of the Bank's capability into business, rural banking and financial services, and the introduction of award winning levels of customer service.

CONSOLIDATED PERFORMANCE IN BRIEF

For the year ended 30 June	2002	2001	2000	1999	1998
STATEMENT OF FINANCIAL PERFORMANCE (\$ millions)					
Interest Income	1,500.7	1,473.9	1,078.1	954.0	1,121.5
Interest Expense	992.3	1,016.5	693.6	626.4	801.8
Net Interest Earnings	508.4	457.4	384.5	327.6	319.7
Other Income	215.3	187.2	177.4	137.0	121.1
Total Operating Income	723.7	644.6	561.9	464.6	440.8
Debt Provisions Expense	18.0	13.5	11.4	12.8	10.9
Total Operating Income after Debt Provisions Expense	705.7	631.1	550.5	451.8	429.9
Total Operating Expenses	371.0	351.0	322.0	275.3	267.2
Net Surplus before Taxation	334.7	280.1	228.5	176.5	162.7
Taxation	110.0	96.7	78.4	59.6	54.8
Net Surplus after Taxation	224.7	183.4	150.1	116.9	107.9
STATEMENT OF FINANCIAL POSITION (\$ millions)					
Total Assets	24,249.6	20,021.7	17,179.5	14,709.9	12,896.8
Advances	19,031.9	16,173.5	14,406.6	12,460.3	10,821.4
General Provision	71.3	59.3	51.0	44.1	37.3
Specific Provisions	6.8	6.8	7.5	6.6	8.0
Total Liabilities	23,216.8	19,202.0	16,332.6	13,966.5	12,239.5
Deposits (includes Amounts Due to Other Banks)	22,680.4	18,762.8	16,074.6	13,822.0	12,077.6
SHAREHOLDER'S FUNDS (\$ millions)					
Shareholder's Funds at end of year	1,032.8	819.7	846.9	743.4	657.3
Dividends					
Ordinary	10.0	150.0	43.8	22.7	21.0
Special	–	–	–	5.0	–
Non-Cumulative Preference	–	3.1	3.1	3.1	3.1
PERFORMANCE					
Return on Ordinary Shareholder's Funds	24.26%	22.30%	19.73%	17.50%	18.55%
Return on Total Average Assets	1.02%	0.97%	0.92%	0.82%	0.88%
Net Interest Margin / Total Average Assets	2.30%	2.46%	2.41%	2.37%	2.68%
Total Operating Expenses / Total Operating Income	51.27%	54.50%	57.62%	60.40%	61.77%
Growth in Total Assets	21.12%	16.54%	16.79%	14.06%	17.35%
New Home Lending Approvals (\$ millions)	4,748.2	3,141.6	3,301.1	2,887.6	2,535.8
PRUDENTIAL					
Shareholder's Funds as a % of Total Assets	4.26%	4.09%	4.93%	5.05%	5.10%
Tier One Capital as a % of Risk Weighted Exposures	7.90%	7.25%	7.74%	7.68%	7.94%
Total Capital as a % of Total Risk Weighted Exposures	10.44%	10.07%	9.69%	8.73%	9.10%
OTHER INFORMATION					
Full-time Equivalent Employees	3,050	2,937	2,747	2,723	2,594
Number of Branches	119	118	117	121	120

For the fourth consecutive year, ASB Bank is rated New Zealand's No.1 major bank in terms of customer satisfaction.

ASB Bank is a full service, nationally operating bank and financial services company. It provides a seamless, total service that covers a comprehensive range of financial options that can be tailored to the needs of the Bank's 800,000 international, corporate, business, rural and personal customers.

Personal Banking

ASB Bank is New Zealand's pre-eminent personal bank, and a recognised leader in customer service, the practical application of leading edge technology and community support. The Bank has been at the forefront of introducing advanced interactive electronic banking and self service, and has the widest penetration of Internet and mobile banking of any bank in Australasia.

Long recognised as a market leader in the area of home loan finance, the Bank advanced \$4.7 billion in residential loans to customers during the year. The Bank is the main financial services provider to 17% of New Zealanders.

Direct Banking

BankDirect is the ASB Bank's 'virtual bank brand' with a strong focus on the direct home lending market. Customer interaction with BankDirect is undertaken through the Internet, self service or the telephone.

Business and Rural Banking

The Bank is a credible supplier of financial services to businesses and farmers, and its strong capabilities make it the preferred financial partner for many leading businesses. Its point of difference is offering innovative, flexible solutions and delivering its services through the use of advanced, online technology.

International and Institutional Banking

ASB Bank specialises in those international and institutional services in which it can make a significant contribution, especially those where advanced technologies offer customer benefits. Treasury and electronic transactional processing are two areas where the Bank offers cost effective, innovative solutions.

Investment Services

Through ASB Investments Limited, customers can invest in a range of international and domestic managed funds and retirement savings options, and access an Investment Advisory Service.

Insurance Services

Customers' insurance needs are met through a range of life, borrowers' protection, health, and fire and general insurance offerings, available direct or through the Bank's Insurance Advisory Service.

Share Trading

ASB Securities is an industry leading, full service share broking operation and a member of the New Zealand Stock Exchange. Customers have the option of using a broker to undertake trades on their behalf, or trade on the Australian and New Zealand exchanges online.

Trade Finance

Through ASB Bank we provide importers and exporters with a range of specialist trade finance services.



Home

HIGHLIGHTS 2002 FINANCIAL YEAR

For the third successive year the Bank increases its net surplus after tax by more than 20% setting a new record profit of \$225 million.

The Bank improves its productivity by 6%, reduces the percentage of total operating expenses to total income to 51.3% and achieves a greater than 1% return on assets for the first time.

The Bank opens a branch in Queenstown. ASB Bank is now represented by a branch office in every major centre in New Zealand.

The Bank's rural lending portfolio exceeds \$2 billion. This milestone is achieved five years ahead of projections.

In the competitive area of wealth management, funds under management exceeds \$1 billion for the first time.

For the fourth consecutive year, ASB Bank is rated New Zealand's No.1 major bank in terms of customer satisfaction in the highly respected Auckland University survey of residential bank customers. It is also rated No.1 business bank for the second consecutive year in the University's business banking customer survey.

Rated New Zealand's best organisation, and best practice globally, for handling customer complaints by TMI, an international people strategy and development organisation with offices in 35 countries.

ASB Bank introduces to New Zealand the first mobile telephone banking service, *Fastnet Mobile*. The service allows customers to view on screen the service they are accessing.

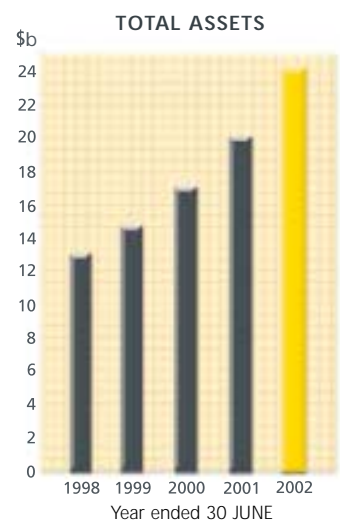
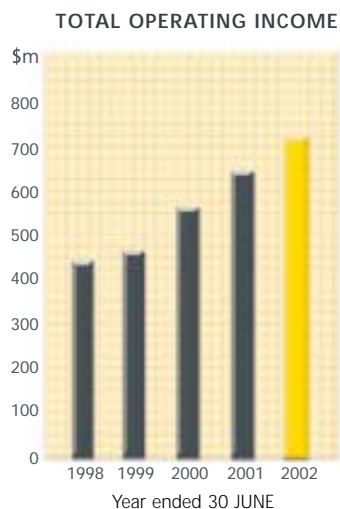
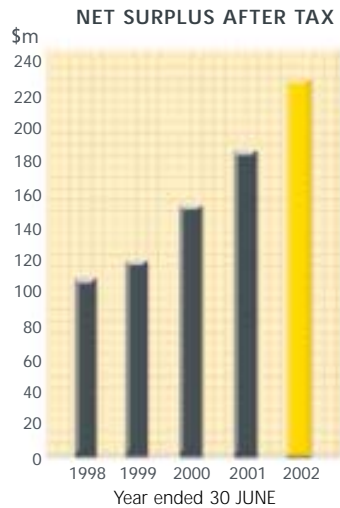
The Bank introduces a new transaction account named *Streamline*. The product has particular appeal to high frequency, electronic transaction users and offers the lowest EFTPOS transaction fees in the market.

The Bank's "Ira Goldstein" television commercials rated Best Ad by TV1's Fair Go programme and voted People's Choice in the Axis Awards.

ASB Bank introduces to New Zealand the first mobile telephone banking service, *Fastnet Mobile*.



Favorites



Financial Performance

For the third consecutive year, ASB Bank lifted its audited after tax surplus by more than 20%, sustaining its growth rate well ahead of the average for the market.

This represents an excellent achievement in what is a competitive, local financial services market.

For the 12 months ending 30 June 2002, audited, after tax surplus was a record \$225 million, up 23%. This year's performance was achieved through strong, across the board business growth and a sharp focus on cost management and margins.

This combination enabled the Bank to lift productivity by 6%, with the percentage of total operating expenses to income declining to 51.3% and the Bank achieving its goal of lifting the return on assets to 1% or better.

ASB Bank's core strength has for many years been personal banking. The combination of customer service, the innovative use of technology to deliver leading edge products and services, and a strong commitment to community support, has assisted the Bank to consistently improve its market share.

Within this sector, the Bank has long been recognised as one of the foremost providers of home mortgage lending, and during the year the ASB Bank and BankDirect brands advanced a record \$4.7 billion to assist people to purchase homes.

In more recent years, the Bank has extended its personal banking portfolio to include financial services such as wealth management, insurances and stockbroking activities.

In a number of these areas, ASB Bank branded products and services have established themselves among the market leaders.

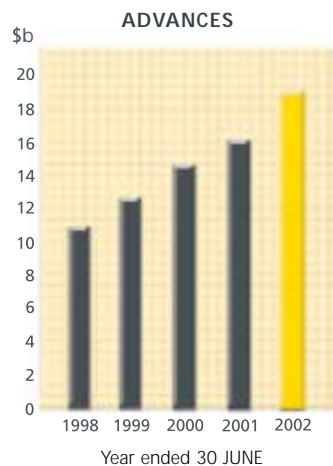
During the year the Bank's personal banking division grew its assets by more than 16% off a large base.

In association with Commonwealth Bank of Australia, ASB Bank has been an active and selective participant in international and institutional banking, in addition to the provision of traditional corporate and treasury services.

During the year, corporate banking increased its assets by 45%. Both corporate banking and treasury made significant contributions to the Bank's overall profit performance.

Our retail foreign exchange business continued the strong growth of recent years across all product groups, overcoming the impacts of a strengthening New Zealand dollar and the downturn in global tourism in the second half of 2001.

PERFORMANCE OVERVIEW



Our rural banking assets increased by 29% during the year and business banking assets grew at the more modest rate of 5%.

In the last decade ASB Bank has become one of the country's major rural banks, and during the year the level of advances exceeded the \$2 billion milestone. The Bank achieved this target five-years ahead of its projected date.

Non Financial Performance

To the Bank, of equal importance to financial results is its performance in the critical areas of customer service and product innovation.

The Bank has internal performance criteria against which it measures customer service on an ongoing basis. It also seeks to benchmark its performance externally against other New Zealand and international banks.

The most widely accepted measure of bank customer service in New Zealand is a survey conducted annually by the University of Auckland. In the 2002 survey ASB Bank was rated number one major bank for customer satisfaction for residential customers. This is the fourth consecutive year ASB Bank has achieved this ranking.

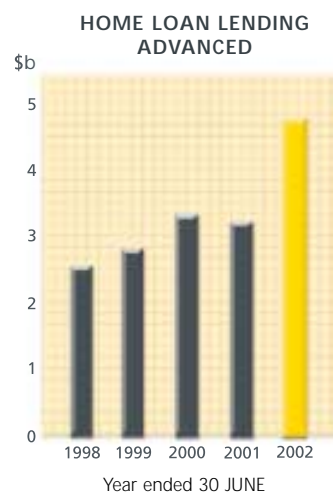
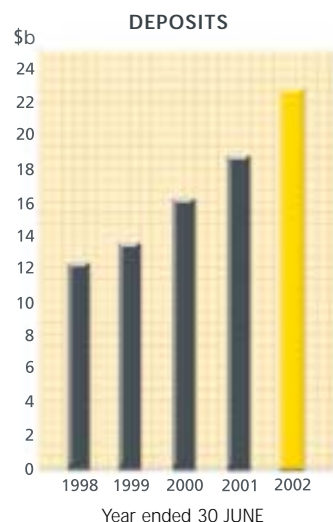
The Bank was also rated best business bank in the University's business banking survey for the second consecutive year.

The Bank's customer complaints management processes were also recognised as best in New Zealand, and best practice globally, during the year by the international people strategy and development organisation TMI.

ASB Bank has long been in the forefront of being the first to bring to market new products and services.

During the year the Bank introduced a new low cost, transaction account for customers who are frequent users of automated devices. Called *Streamline*, the account set a new industry benchmark for transaction fees and has been strongly supported by existing and new customers.

The Bank also extended the service capabilities of its telephone banking services with the introduction of *Fastnet Mobile*. This service enables mobile telephone users to view on screen the banking service they are undertaking. This linking of telephone banking to mobiles is only the first step of what will, over time, become an extensive range of screen based services.



History

Community support is a major element of ASB Bank's heritage and we maintain a strong community presence. During the year ASB Bank joined Team New Zealand as the exclusive supplier of banking services to the team. We wish the team well for their defence of the America's Cup.

Nationwide

Team New Zealand
 Operation Marlin –
 (Police boats and safe
 boating campaign around
 America's Cup Regatta)
 ASB BANK Classic (Women's
 International Tennis Tournament)
 Ellerslie Flower Show
 Post Graduate Medical Committee
 (ASB Bank Visiting Professor)
 Starship Children's Health
 The New Zealand Breast Cancer
 Foundation
 Variety Club

Auckland

ASB BANK/Auckland Primary
 Schools Principals Association
 Travelling Fellowship
 ASB BANK College Sport
 ASB BANK Festival
 (Auckland Secondary Schools'
 Maori and Pacific Islands
 Cultural Festival)
 ASB BANK Lounge (North
 Harbour Stadium)
 ASB Stadium
 ASB Bank Stand at Eden Park
 (ASB Lounge)
 ASB BANK Tennis Centre
 Auckland Netball
 Auckland Rugby Football Union
 Auckland Tennis
 Auckland Theatre Company
 City Mission Christmas Party
 Counties Manukau Rugby
 Football Union.
 Hobson Wharf
 Information Centre
 MRX Yachts
 Netball North Harbour
 Netball Waitakere
 North Harbour Rugby
 North Harbour Rugby
 Referees Association
 The Edge Explorer Programme
 and Youth Arts Festival

Northland

Northland Rugby Football Union
 Sport Northland

Central North Island

Hamilton City Netball Centre
 NZ Ironman (Taupo)
 Sport Bay of Plenty
 Taranaki Rugby Union

Hawkes Bay

Hawkes Bay MultiSport Club
 Sport Hawkes Bay

Wellington

Downstage Theatre
 Wellington Netball
 Wellington Tennis

Upper South Island

ASB BANK Nelson Giants
 (Basketball Team)

Christchurch

ASB BANK Starry Nights
 Canterbury Tennis

Lower South Canterbury

Tennis South Canterbury

Otago

ASB BANK Starry Eyed
 Otago Rugby Union

Southland

Netball Southland

TRIBUTE**Tribute To Staff Member John Vaughan**

On 15 May 2002, Mangere Bridge staff member John Vaughan was shot during an armed robbery and died of his wounds. John was the second victim of a random killer and acted bravely to protect his colleagues during the robbery.

John's family, ASB Bank, his colleagues, friends and the Mangere Bridge community have all been deeply affected by his tragic and unnecessary death, and in our own ways we have marked his life and what he meant to us.

ASB Bank has established the *John Vaughan Memorial Scholarships*, awards designed to assist the children of ASB Bank staff members as they transition from youth to adulthood. John's only child, a young son, will receive one of these scholarships when the time is right.

The Bank also made the commitment to continue to serve the Mangere Bridge community, and after remodeling the branch reopened its doors for business on 5 August 2002.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Corporate governance is a subject that has come sharply into focus as the result of some spectacular collapses of corporations in the USA and in Australia, and as a result of concern being expressed in relation to the validity of reported results by some companies.

The Board of ASB Bank has consistently placed great importance on the governance of the Bank. There are two elements to the governance of corporations: performance and conformance. Both are important but it is critical that focus on the latter does not crowd out attention to the principal function of an enterprise, which is to generate rewards for shareholders who invest their capital, provide goods and services of value to customers, and provide meaningful employment for employees, and to do so in a way that contributes to the welfare of the community.

The Bank has for some years carried out an annual review of the Board's performance, and of its policies and practices. These reviews have sought to identify where improvements can be made, and have also assessed the quality and effectiveness of information made available to Directors.

Some of the principal features of the Bank's corporate governance are:

- The Audit Committee consists only of non-Executive Directors. This has been the established position for some time.
- The CEO does not participate in deliberations of the Executive Appointments and Remuneration Committee when matters could affect his position.
- There is an established criteria for the appointment of new Directors and external consultants are always engaged in the search for new independent Directors.
- The non-Executive Directors meet at least annually without management present. This is in addition to the consideration of the Chief Executive Officer's performance and remuneration, which is conducted in the absence of the CEO.
- One-third of the Directors (other than the Managing Director) must retire from office at each annual meeting. A retiring Director is eligible for re-election.
- 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 are not permitted to act in the interest of a holding company, where to do so would conflict with the interests of the Bank, to the detriment of creditors.

The Bank complies with these requirements.

- Directors participate in an induction programme upon appointment and in refresher programmes on a regular basis. Directors are also regularly updated in their knowledge of 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 a number of Board and management committees. Key decisions made by management committees are always recommended to the Board for approval.

There are three permanent Board committees, other committees being formed to carry out specific delegated tasks when required. A non-executive Director chairs each committee.

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 management accounting practices, policies and controls relative to the Group's financial position.

Members of the Audit Committee are Messrs J.M.R. Syme (Chairman), R. Boven, P.A. Edwards and Dr J.A. Hood.

The Charter of the Audit Committee incorporates a number of policies and practices to ensure that the Committee is independent and effective. Among these are:

- The Audit Committee consists entirely of non-Executive Directors, all of whom have familiarity with financial management, accounting and reporting. The Chairman of the Audit Committee is not the Chairman of the Bank.
- At least twice a year the Audit Committee meets the external Auditors and the Group Internal Auditor independently of management.
- The Audit Committee is responsible for recommending the external Auditor to the Board for appointment by the shareholder. The Audit Committee approves the terms of the contract with the external Auditor, agrees the annual audit plan and approves payments to the Auditor.
- The Audit Committee discusses and receives assurances from the external Auditors on the quality of the Bank's systems, its accounting processes and its financial results. It also receives a report from the Auditors on any significant matters raised by the Auditors with management.
- All material accounting matters requiring exercise of judgment by management are specifically reviewed by the Audit Committee and reported on by the Committee to the Board.
- Certified assurances are received by the Audit Committee and the Board that the Auditors meet the independence requirements as recommended by the Blue Ribbon Committee of the SEC of the USA.
- The Board has in place policies governing the nature of non-audit work which can not be undertaken by the Bank's Auditors for the Bank or its subsidiaries. There are also procedures in place governing approval of any other non-audit work before that work can be carried out. The objective of these approvals is to avoid prejudicing the independence of the Auditors 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 broker-dealer, promoter or underwriter, or
- Provision of legal services.
- The Bank's external Auditor carries out audits across the Commonwealth Bank of Australia (CBA) Group of companies, including ASB Bank. CBA currently requires that the partner managing the audit for the external Auditor be changed within a period of five years.

The Bank is already materially in compliance with the framework of the legislation recently enacted as the Sarbanes-Oxley Act in the USA. This is largely reflective of the fact that corporate governance in Australia and New Zealand had generally already moved ahead of that in many corporations in the USA.

CORPORATE GOVERNANCE

Risk Committee

The responsibilities of the Risk Committee encompass the management and monitoring of credit, market and operational risk.

Members of the Risk Committee are Messrs R. Boven (Chairman), G. H. Burrett, L. G. Cupper, G. L. Mackrell and J. M. R. Syme.

In respect of credit risk, the Committee ensures that the Bank maintains credit underwriting standards designed to achieve portfolio outcomes consistent with the Bank's risk/return expectations; reviews the Bank's credit portfolios according to established parameters including concentration, duration, and expected returns and losses; approves the overall structure of delegated credit approval authorities to management and individual credits in excess of such delegations; and recommends to the Board the bad and doubtful debt provisioning amounts each half year.

The Risk Committee also reviews market, funding and liquidity risks and monitors exposures relative to approved management authorities. New areas of market risk exposure are reviewed by the Committee, with appropriate management procedures being approved.

Operational risk identification, management and measurement practices and procedures are also reviewed by this Committee.

Executive Appointments & Remuneration Committee

The Executive Appointments & Remuneration Committee makes recommendations to the Board concerning the appointment and remuneration of the Executive Management Committee.

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

Executive appointments and remuneration is another aspect of corporate governance on which there is much focus currently. Remuneration for the Bank's Executives is determined, after taking advice, to ensure competitive remuneration packages are in place to attract and retain competent and high-calibre staff.

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

Directors' and Officers' Liability Insurance

ASB Bank has effected liability insurance for the Directors and officers of the Bank and its subsidiaries.

Items Excluded by Shareholder Agreement

The following information specified in Section 211 of the Companies Act 1993 has not been included in the Annual Report following agreement to its non-inclusion by ASB Bank's ordinary shareholder.

- Particulars of entries in the Directors' interests register.
- Total remuneration received by each Director or former Director during the accounting period. Remuneration received by highly paid employees during the accounting period.
- The total amount of donations made by the Company and any subsidiary during the accounting period.

Changes to Group Business

There have been no material changes during the financial year in the nature of the Company's business, or in the Company's subsidiaries, or in the classes of business in which the Company has an interest, whether as a member of another company or otherwise.

Auditors

Ernst & Young were re-appointed as the Bank's Auditors on 23 October 2001.

Changes in Accounting Policies

There have been no material changes in accounting policies. All policies have been applied on a basis consistent with those in the previous year.

FINANCIAL STATEMENTS
INCORPORATING GENERAL DISCLOSURE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2002



FINANCIAL STATEMENTS

INCORPORATING GENERAL DISCLOSURE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2002

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 for the year ended 30 June 2002.

For, and on behalf of, the Board of Directors, which authorised the issue of the financial report on 30 July 2002.

G.J. Judd *o.c.*
Chairman

G.H. Burrett
Managing Director

30 July 2002

HISTORICAL SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS

\$ millions	2002	2001	2000	1999	1998
STATEMENT OF FINANCIAL PERFORMANCE					
Interest Income	1,500.7	1,473.9	1,078.1	954.0	1,121.5
Interest Expense	992.3	1,016.5	693.6	626.4	801.8
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Taxation	110.0	96.7	78.4	59.6	54.8
Net Surplus after Taxation	224.7	183.4	150.1	116.9	107.9
Ordinary Dividends	10.0	150.0	43.8	22.7	21.0
Special Dividends	-	-	-	5.0	-
Non-Cumulative Preference Dividends	-	3.1	3.1	3.1	3.1
Surplus Retained	214.7	30.3	103.2	86.1	83.8
STATEMENT OF FINANCIAL POSITION					
Total Assets	24,249.6	20,021.7	17,179.5	14,709.9	12,896.8
Impaired Assets	35.2	31.2	16.2	31.2	24.4
Total Liabilities	23,216.8	19,202.0	16,332.6	13,966.5	12,239.5
Total Shareholder's Equity	1,032.8	819.7	846.9	743.4	657.3

STATEMENT OF FINANCIAL PERFORMANCE

\$ millions	Note	Consolidated		Parent	
		2002	2001	2002	2001
Interest Income	2	1,500.7	1,473.9	1,374.7	1,418.1
Interest Expense	3	992.3	1,016.5	988.9	1,010.8
Net Interest Earnings		508.4	457.4	385.8	407.3
Other Income	5	215.3	187.2	255.3	189.2
Total Operating Income		723.7	644.6	641.1	596.5
Debt Provisions Expense	14	18.0	13.5	12.7	12.7
Total Operating Income after Debt Provisions		705.7	631.1	628.4	583.8
Total Operating Expenses	6	371.0	351.0	373.9	341.0
Salaries and Other Staff Expenses		182.5	164.2	178.3	161.2
Building Occupancy Expenses		51.4	50.2	44.8	43.0
Equipment Expenses		23.3	22.7	23.2	22.5
Information Technology Expenses		40.0	40.0	38.6	37.9
Other Expenses		73.8	73.9	89.0	76.4
Net Surplus before Taxation		334.7	280.1	254.5	242.8
Taxation	8	110.0	96.7	57.0	67.7
Net Surplus after Taxation		224.7	183.4	197.5	175.1

These statements are to be read in conjunction with the notes on pages 22 to 50 and the Auditors' Report on page 54.

STATEMENT OF MOVEMENTS IN EQUITY

\$ millions	Note	Consolidated		Parent	
		2002	2001	2002	2001
Total Shareholder's Equity at Beginning of Year		819.7	846.9	788.6	816.6
Net Surplus after Taxation		224.7	183.4	197.5	175.1
(Devaluations)	25	(1.6)	(7.5)	(0.4)	-
Repayment of Preference Share Capital		-	(50.0)	-	(50.0)
<i>Less:</i>					
Ordinary Dividends		10.0	150.0	10.0	150.0
Non-Cumulative Preference Dividends		-	3.1	-	3.1
Total Dividends	9 & 26	10.0	153.1	10.0	153.1
Total Shareholder's Equity at End of Year		1,032.8	819.7	975.7	788.6

STATEMENT OF FINANCIAL POSITION

\$ millions	Note	Consolidated		Parent	
		2002	2001	2002	2001
ASSETS					
Cash and Liquid Assets	10	105.7	46.9	105.7	47.0
Due from Other Banks	11	2,495.8	831.0	1,511.0	217.9
Investment Securities	12	484.0	154.8	-	-
Other Securities	12	1,897.9	2,612.6	1,897.9	2,612.6
Advances	13	19,031.9	16,173.5	17,438.0	15,026.8
		24,015.3	19,818.8	20,952.6	17,904.3
<i>Less: General Provision for Bad and Doubtful Debts</i>	14	71.3	59.3	65.3	57.9
		23,944.0	19,759.5	20,887.3	17,846.4
Due from Associates and Subsidiaries	15	-	1.7	1,666.0	1,246.5
Investments in Associates and Subsidiaries	16	0.1	4.5	1,429.1	720.0
Property, Plant and Equipment	17	200.5	195.0	118.8	108.8
Other Assets	18	97.9	49.9	45.0	37.1
Deferred Taxation Benefit	19	7.1	11.1	8.4	13.1
Total Assets		24,249.6	20,021.7	24,154.6	19,971.9
<i>Total Interest Earning and Discount Bearing Assets</i>		23,910.4	19,772.3	22,494.6	19,088.6
Financed by:					
LIABILITIES					
<i>Deposits and Other Borrowings</i>					
Deposits	20	18,263.2	17,618.9	18,211.1	17,371.9
Due to Other Banks	21	4,417.2	1,143.9	4,405.0	1,143.9
<i>Other Liabilities</i>					
Due to Associates and Subsidiaries		-	-	70.0	252.3
Other Current Liabilities	22	281.2	188.3	237.6	164.3
		22,961.6	18,951.1	22,923.7	18,932.4
Subordinated Debt	23	255.2	250.9	255.2	250.9
Total Liabilities		23,216.8	19,202.0	23,178.9	19,183.3
SHAREHOLDER'S EQUITY					
Contributed Capital – Ordinary Shareholder	24	323.1	323.1	323.1	323.1
Asset Revaluation Reserves	25	4.7	6.3	10.9	11.3
Accumulated Surplus	26	705.0	490.3	641.7	454.2
Total Shareholder's Equity		1,032.8	819.7	975.7	788.6
Total Liabilities and Shareholder's Equity		24,249.6	20,021.7	24,154.6	19,971.9
<i>Total Interest and Discount Bearing Liabilities</i>		22,008.9	18,221.9	21,954.9	18,172.2

These statements are to be read in conjunction with the notes on pages 22 to 50 and the Auditors' Report on page 54.

STATEMENT OF CASH FLOWS

\$ millions	Note	Consolidated		Parent	
		2002	2001	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Interest Received		1,451.4	1,442.4	1,374.7	1,420.0
Other Income Received		208.5	199.6	257.2	186.3
		1,659.9	1,642.0	1,631.9	1,606.3
Cash was applied to:					
Interest Paid		940.8	993.8	936.8	986.6
Operating Expenditure		330.8	304.8	342.0	302.9
Net Taxation Paid		29.4	42.9	15.7	42.2
Payments to Related Parties for Loss Offsets		45.6	27.5	39.7	28.3
		1,346.6	1,369.0	1,334.2	1,360.0
Net Cash Flows from Operating Activities	27	313.3	273.0	297.7	246.3
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Sale of Property, Plant and Equipment		0.2	8.0	0.2	8.0
Net Decrease / (Increase) in Securities		361.2	(586.9)	690.4	(619.3)
Due from / (to) Associates and Subsidiaries		1.7	(5.1)	(1,132.9)	(963.6)
Sale of Shares in Associates and Subsidiaries		7.4	-	7.4	-
		370.5	(584.0)	(434.9)	(1,574.9)
Cash was applied to:					
Net Increase / (Decrease) in:					
Due from Other Banks (Term)		1,716.9	493.0	1,343.7	(107.0)
Advances		2,869.2	1,775.7	2,421.1	1,359.5
Due to Associates and Subsidiaries		-	-	182.4	545.7
Purchase of Property, Plant and Equipment		37.7	30.9	36.8	29.3
		4,623.8	2,299.6	3,984.0	1,827.5
Net Cash Flows from Investing Activities		(4,253.3)	(2,883.6)	(4,418.9)	(3,402.4)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Net Increase / (Decrease) in:					
Deposits		683.3	3,690.5	878.2	4,242.5
Due to Other Banks (Term)		3,703.1	(1,219.2)	3,690.9	(1,219.2)
Subordinated Debt		-	150.0	-	150.0
		4,386.4	2,621.3	4,569.1	3,173.3
Cash was applied to:					
Dividends Paid		10.0	153.1	10.0	153.1
Repayment of Preference Share Capital		-	50.0	-	50.0
		10.0	203.1	10.0	203.1
Net Cash Flows from Financing Activities		4,376.4	2,418.2	4,559.1	2,970.2
SUMMARY OF MOVEMENTS IN CASH FLOWS					
Net Increase / (Decrease) in Cash and Cash Equivalents		436.4	(192.4)	437.9	(185.9)
Add: Cash and Cash Equivalents at Beginning of Year		(359.7)	(167.3)	(372.8)	(186.9)
Cash and Cash Equivalents at End of Year	28	76.7	(359.7)	65.1	(372.8)

These statements are to be read in conjunction with the notes on pages 22 to 50 and the Auditors' Report on page 54.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF ACCOUNTING POLICIES

GENERAL ACCOUNTING POLICIES

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 1998. 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.

The measurement base adopted is that of historical cost as modified by the revaluation of certain Property, Plant and Equipment and financial instruments, as identified below.

PARTICULAR ACCOUNTING POLICIES

(a) Basis of Consolidation

Assets, liabilities, and operating 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 material intercompany balances and transactions have been eliminated.

The results of associate companies are not equity accounted for, as their net surpluses are rebated to shareholders.

(b) Income Recognition

Interest Income is recognised on an accrual basis, either daily or on a yield to maturity basis. Early repayment interest adjustments are matched against the cost of relevant hedging positions. All material fee income is recognised in the Statement of Financial Performance when the service is provided to the customer.

Amortisation of premiums and discounts on financial assets and liabilities are included in net interest earnings. Market value adjustments are included in Other Income.

(c) Expense Recognition

All material expenses are recognised in the Statement of Financial Performance on an accrual basis, including interest expense either daily or on a yield to maturity basis.

(d) Advances

Advances cover all forms of lending to customers including mortgages, overdrafts, personal loans and credit card balances. Advances which are processed in the Bank's Treasury Department are recognised in the Statement of Financial Position at their fair value, less accrued interest, which is included in Interest Receivable Accrued. All other advances are recognised in the Statement of Financial Position at their outstanding principal balances.

(e) Investment Securities

Investment Securities are public and other debt securities which were purchased with the intention of holding them for the long term or until maturity.

Bond securities are recognised at cost, adjusted for the amortisation of premiums and discounts.

Interest income and discounts on other Investment Securities are recognised on an accrual basis.

Gains or losses due to changes in market value are only recognised in the Statement of Financial Performance if an Investment Security is sold.

(f) Other Securities

Other Securities are public and other debt securities, which were purchased without the intention of holding them until maturity. Such securities are recognised at their fair value, with unrealised gains or losses in respect of market value adjustments being recognised immediately in the Statement of Financial Performance.

(g) 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 deposit. The difference between the sale and repurchase price represents interest expense and is recognised in the Statement of Financial Performance over the term of the repurchase agreement. Securities held under reverse repurchase agreements are recorded as Interest Earning Assets. The difference between the purchase and sale price represents Interest Income and is recognised in the Statement of Financial Performance over the term of the reverse repurchase agreement.

(h) Due to/from Other Banks

Due to/from Other Banks are categories defined by the nature of the counterparty. Assets and liabilities within this category are generally recognised at their fair value reflecting the nature of the asset or liability.

(i) Asset Quality

Impaired Assets consists of non-accrual assets and restructured assets.

A non-accrual asset is any asset for which the Bank will not be able to collect all amounts owing in accordance with the terms of the contract with the counterparty.

A restructured asset is any asset which is not a non-accrual asset and 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; and
- (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 Bank's average cost of funds, or that a loss is not otherwise expected to be incurred.

NOTES TO THE FINANCIAL STATEMENTS

Specific Provisions are made and recognised against impaired assets, where full recovery of principal and interest is not considered probable. Interest on these assets is accounted for on a cash basis. All receipts are attributed to outstanding interest before being recognised as repayment of principal.

Incorporated in the Specific Provisions are bulk provisions made against statistically managed portfolios.

A General Provision for Bad and Doubtful Debts is maintained to cover unidentified possible losses and latent risks inherent in the overall portfolio of advances and other lending transactions. This is assessed having regard to the level of risk weighted credit exposure of on and off balance sheet assets and a range of other criteria.

Bad debts specifically provided for and recoveries of the same are written off against Specific Provisions, whilst bad debts not specifically provided for and recoveries of the same, are written off through the General Provision. Amounts required to bring the Provisions to their assessed levels are recognised in the Statement of Financial Performance.

(j) Investments in Subsidiaries and Associates

Investments in Subsidiaries and Associates are recognised in the Statement of Financial Position at cost.

(k) Property, Plant and Equipment

Property, Plant and Equipment other than Land and Buildings are recognised in the Statement of Financial Position at cost less Accumulated Depreciation.

Land and Buildings are valued to reflect current use. The valuations are carried out by independent registered valuers in May of each year for all major buildings, and cyclically over three years for all others. 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). In light of prevailing economic conditions, the Directors have adopted a valuation at or below the independent valuation and the properties are recognised in the Statement of Financial Position at those values with subsequent additions at cost.

Changes in valuations are transferred directly to Asset Revaluation Reserves. Where such a transfer results in a debit balance in the Asset Revaluation Reserves the deficit is transferred direct to the Statement of Financial Performance, and any subsequent revaluation gains are written back through the Statement of Financial Performance to the extent of past deficits written off.

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

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

(l) Deposits

Deposits cover all forms of funding from customers including transactional and savings accounts, term deposits, certificates of deposit, and credit balances on cards. Certificates of deposit are recognised at their fair value. Deposits that are processed in the Bank's Treasury Department are recognised in the Statement of Financial Position at their fair value less accrued interest, which is included in Interest Payable Accrued. All other deposits are recognised at their outstanding principal balances.

(m) Subordinated Debt

Subordinated Debt is recognised in the Statement of Financial Position at principal plus accrued interest, as both components are subordinate to other liabilities.

(n) Foreign Currencies

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 the appropriate market rates applying at balance date. Unrealised gains and losses arising from these revaluations are recognised immediately in the Statement of Financial Performance.

(o) Taxation

Provision is made for taxation after taking advantage of all allowable deductions under current taxation legislation.

The liability method (comprehensive basis) of accounting for the taxation effect of timing differences between the accounting treatment and taxation treatment of certain items, has been adopted.

Deferred Future Taxation Benefits are only recognised in the Statement of Financial Position where there is virtual certainty that the benefit will be utilised.

(p) Interest Rate Contracts

Interest Rate Futures, options and Forward Rate Agreements are used as part of the Banking Group's trading activities and are also used to hedge certain assets and liabilities, commitments and anticipated transactions. Gains and losses on interest rate contracts related to trading activities are recognised immediately in the Statement of Financial Performance. Gains and losses related to contracts that are designated and are effective as hedges are generally deferred and recognised in the Statement of Financial Performance over the expected remaining life of the hedged item.

(q) Interest Rate Swaps

Interest Rate Swaps entered into for purposes other than trading have the principal objective of managing balance sheet risk. To be effective as hedges, the derivatives are identified and allocated against the underlying instrument and generally modify the total exposure on that position. Such derivative financial instruments are purchased with the intent of being held to maturity. Derivatives that are designated and effective as hedges are accounted for on the same basis as the instruments they are hedging.

NOTES TO THE FINANCIAL STATEMENTS

(r) Financial Instruments

BASIS OF RECOGNITION

Assets and liabilities arising from the revaluation or accrual of interest on off balance sheet items are recognised in the Statement of Financial Position.

Information on the face value and credit equivalents of off balance sheet items is given in notes 32, 37, 38 and 45.

The basis for recognising all other financial instruments is covered in individual notes to these financial statements.

Fair Value

Where available, quoted market prices are used as a measure of fair value. However, for some of the Bank's financial instruments, quoted market prices do not exist. Where this is the case, fair values are estimated using present value or other market accepted valuation techniques.

The methodologies and assumptions adopted are based on the terms and risk characteristics of the various financial instruments and include the following:

Cash and Liquid Assets

These assets are short term in nature and the related carrying value is equivalent to their fair value.

Investment Securities

For Investment Securities, the estimated fair value is based on quoted market prices.

Other Securities

For Other Securities, the estimated fair value recognised in the Statement of Financial Position is based on quoted market prices, which is also equivalent to their carrying value.

Advances

For floating rate Advances, the carrying amount in the Statement of Financial Position is considered a reasonable estimate of their fair value after making allowances for the fair value of non-accrual and potential problem loans. For fixed rate Advances, fair value has been estimated using discounted cash flow models based on the interest rate repricing of the Advances. The discount rates applied in this calculation were based on current market interest rates for Advances with similar credit and maturity profiles.

Due to/from Associates and Subsidiaries

For Advances and Amounts Due to/from Associates and Subsidiaries, the carrying amounts in the Statement of Financial Position are a reasonable estimate of fair value.

Deposits and Other Liabilities

For non-interest bearing debt, call and variable rate Deposits, the carrying amounts in the Statement of Financial Position are a reasonable estimate of their fair value. For other term Deposits, fair value was estimated using discounted cash flow models based on the maturity of the Deposits. The discount rates applied in these calculations were based on current market interest rates for similar Deposits with similar maturity profiles. For all other liabilities, the carrying amount in the Statement of Financial Position is a reasonable estimate of their fair value.

Subordinated Debt

For Subordinated Debt, the estimated fair value 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 and Performance 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. The fair values of Foreign Exchange and Interest Rate Contracts were obtained from quoted market prices, discounted cash flow models or option pricing models as appropriate.

(s) Statement of Cash Flows

This has been prepared using the direct approach modified by the netting of the cash flows associated with Securities, Due to and from Other Banks, Advances, Deposits and amounts Due to / from Associates and Subsidiaries. This method provides more meaningful disclosure as many of the cash flows are on behalf of the Bank's customers and do not reflect the activities of the Bank. Cash and cash equivalents consist of cash and liquid assets used in the day-to-day cash management of the Bank.

CHANGES IN ACCOUNTING POLICIES

There have been no material changes in accounting policies. All policies have been applied on a basis consistent with that used in the prior year.

COMPARATIVE DATA

The Interest cost inherent in Foreign Exchange Contracts has been reported on a net basis in Interest Expense. The Credit Exposure Guarantee Fee previously included in Interest Expense is now included in Interest Income. Accrued Interest Receivable and Payable on Interest Rate Swaps is now reported on a net basis in Other Current Liabilities where a legal right of set-off exists.

Certain comparative figures for the year ended 30 June 2001 have been reclassified to conform with the current year's presentation.

NOTES TO THE FINANCIAL STATEMENTS

\$ millions	Consolidated		Parent	
	2002	2001	2002	2001
2. INTEREST INCOME				
Advances	1,347.7	1,290.2	1,191.0	1,194.6
Investment Securities	36.7	20.2	-	-
Other Securities	113.1	162.8	118.0	162.8
Associates and Subsidiaries	-	0.1	62.5	60.0
Other	3.2	0.6	3.2	0.7
Total Interest Income	1,500.7	1,473.9	1,374.7	1,418.1

New Zealand Government and

Local Authority Securities Income (included above)

8.4	12.9	8.4	12.9
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Interest Income on Advances includes interest earned on Impaired Assets of \$2.0m for consolidated (30 June 2001 \$1.7m) and \$1.7m for parent (30 June 2001 \$1.5m).

Consolidated

Within Investment Securities (refer note 12), deposits have been set-off against interest bearing debentures. Accordingly, for the year ended 30 June 2002 the Interest Expense of \$35.9m (30 June 2001 \$33.5m) on those deposits (7.20% p.a.) (30 June 2001 7.20% p.a.) has been set-off against the debenture interest, inclusive of imputation credits of \$53.6m (30 June 2001 \$53.6m) (8.74% p.a. inclusive of imputation credits) (30 June 2001 8.74% p.a. inclusive of imputation credits). This results in net interest earnings of \$17.7m (30 June 2001 \$20.2m) and is included in Investment Securities above of \$36.7m (30 June 2001 \$20.2m).

Parent

In Due from Associates and Subsidiaries (refer note 15), deposits have been set-off against redeemable preference shares. Accordingly, for the year ended 30 June 2002 the Interest Expense of \$35.9m (30 June 2001 \$33.5m) on these deposits (7.29% p.a.) (30 June 2001 7.29% p.a.) has been set-off against the redeemable preference share dividend income of \$35.7m (30 June 2001 \$35.9m) (8.74% p.a. inclusive of imputation credits) (30 June 2001 8.74% p.a. inclusive of imputation credits). This results in net interest earnings of (\$0.2m) (30 June 2001 \$2.4m) being included in interest from Associates and Subsidiaries.

3. INTEREST EXPENSE

Certificates of Deposit and Issued Paper	106.7	161.9	100.4	124.2
Retail Term Deposits	315.8	325.3	315.8	325.3
Other Deposits Bearing Interest	552.4	515.0	551.2	512.4
Associates and Subsidiaries	-	-	4.1	34.6
Subordinated Debt	17.4	14.3	17.4	14.3
Total Interest Expense	992.3	1,016.5	988.9	1,010.8

4. DISCONTINUED ACTIVITIES

There were no discontinued activities during the years ended 30 June 2002 and 30 June 2001.

5. OTHER INCOME

Lending and Credit Facility Related Fees	55.5	55.4	55.5	55.4
Other Fees	108.3	92.3	90.4	78.0
Net Foreign Exchange Earnings and Commissions	27.7	24.9	27.0	24.2
Trading Gains	13.2	6.4	13.0	8.1
Rent	5.9	7.3	0.4	1.4
Other Income from Associates and Subsidiaries	-	-	11.0	8.7
Net Capital Gain/(Loss)	3.0	(0.1)	2.5	(0.1)
Dividends Received	0.7	-	54.6	12.5
Other	1.0	1.0	0.9	1.0
Total Other Income	215.3	187.2	255.3	189.2

NOTES TO THE FINANCIAL STATEMENTS

\$ millions	Consolidated		Parent	
	2002	2001	2002	2001
6. OPERATING EXPENSE DISCLOSURES				
Depreciation – Buildings	9.2	9.6	6.2	6.5
Depreciation – Other Assets	20.9	20.3	19.8	18.9
Operating Lease Rentals	35.6	34.2	33.4	32.0
Directors' Fees and Allowances	–	0.4	–	0.4
Net Losses on Sale of Property, Plant and Equipment.	0.2	0.6	0.2	0.4
7. AUDITORS' REMUNERATION				
Auditing Services	–	0.1	–	0.1
Ernst & Young were appointed as auditors of the Banking Group on 24 October 2000. The Group audit fee is paid by the Bank's ultimate parent bank, Commonwealth Bank of Australia.				
No fees for other services were paid to the Bank's auditors during the year (30 June 2001 Nil).				
8. TAXATION				
Net Surplus before Taxation	334.7	280.1	254.5	242.8
Permanent Differences:				
Net Capital Gains	(3.0)	–	(2.5)	–
Change in General Provision for Doubtful Debts	12.0	8.3	7.4	8.1
Exempt Dividend Income	–	–	(89.6)	(48.4)
Other	(10.3)	4.6	3.0	2.8
	333.4	293.0	172.8	205.3
The current tax rate @ 33% gives the Statement of Financial Performance Income Tax Expense	110.0	96.7	57.0	67.7
Income Tax Expense is comprised of:				
Current Taxation	106.0	96.4	52.3	66.5
Deferred Taxation	4.0	0.3	4.7	1.2
	110.0	96.7	57.0	67.7
9. DIVIDENDS				
Ordinary Dividends				
Interim	10.0	–	10.0	–
Final	–	150.0	–	150.0
Total Ordinary Dividends	10.0	150.0	10.0	150.0
Non-Cumulative Preference Dividends				
Interim	–	1.5	–	1.5
Final	–	1.6	–	1.6
Total Non-Cumulative Preference Dividends	–	3.1	–	3.1
Total Dividends	10.0	153.1	10.0	153.1

NOTES TO THE FINANCIAL STATEMENTS

\$ millions	Consolidated		Parent	
	2002	2001	2002	2001
10. CASH AND LIQUID ASSETS				
Cash and Cash at Bank	47.2	45.7	47.2	45.7
Cash in Transit	57.6	1.2	57.6	1.3
Demand Balances with Central Banks	0.9	-	0.9	-
Total Cash and Liquid Assets	105.7	46.9	105.7	47.0
11. DUE FROM OTHER BANKS				
Call	22.5	74.7	10.9	61.5
Term	2,473.3	756.3	1,500.1	156.4
Total Due from Other Banks	2,495.8	831.0	1,511.0	217.9
12. SECURITIES				
Investment Securities	484.0	154.8	-	-
Other Securities				
Local Authority Securities	2.8	3.1	2.8	3.1
New Zealand Government Securities	6.6	437.7	6.6	437.7
Treasury Bills	117.8	493.3	117.8	493.3
Other Securities	1,770.7	1,678.5	1,770.7	1,678.5
Total Other Securities	1,897.9	2,612.6	1,897.9	2,612.6
<p>As at 30 June 2002 the Banking Group had an investment of \$622.7m (\$614.2m principal plus accrued interest) (30 June 2001 \$622.6m) in interest bearing debentures. The Banking Group had also received a deposit, which as at 30 June 2002 amounted to \$502.8m (30 June 2001 \$467.9m). Both the debentures and the deposit mature in 2005. On maturity, the value of the deposit with capitalised interest will amount to \$614.2m (plus accrued interest).</p> <p>The Banking Group has entered into agreements such that, on maturity, the debentures will be used to extinguish the liability under the deposit. The two balances have been set-off and recognised in Investment Securities as the net amount of \$119.9m (30 June 2001 \$154.8m).</p>				
13. ADVANCES				
Loans and Other Receivables	19,038.7	16,180.3	17,444.1	15,032.9
Less: Specific Provisions for Bad and Doubtful Debts	6.8	6.8	6.1	6.1
Total Advances	19,031.9	16,173.5	17,438.0	15,026.8

NOTES TO THE FINANCIAL STATEMENTS

\$ millions	Consolidated		Parent	
	2002	2001	2002	2001
14. DEBT PROVISIONS				
General Provision for Bad and Doubtful Debts				
Balance at Beginning of Year	59.3	51.0	57.9	49.8
Charged to the Statement of Financial Performance:	16.9	12.1	11.6	11.7
Bad Debts Recovered	3.7	3.8	3.7	3.8
	79.9	66.9	73.2	65.3
Less: Bad Debts Written Off	8.6	7.6	7.9	7.4
Balance at End of Year	71.3	59.3	65.3	57.9
Specific Provisions for Bad and Doubtful Debts				
Balance at Beginning of Year	6.8	7.5	6.1	6.8
Charged to the Statement of Financial Performance:				
New Provisions	3.0	3.1	3.0	2.8
Less: Amounts Recovered	1.9	1.7	1.9	1.7
Less: Advances Written Off	2.7	2.1	2.7	1.8
Plus: Increase in Bulk Provisions	1.6	-	1.6	-
Balance at End of Year	6.8	6.8	6.1	6.1
Total Debt Provisions	78.1	66.1	71.4	64.0
Debt Provisions Expense Charged to the Statement of Financial Performance				
General Provision	16.9	12.1	11.6	11.7
Specific Provisions	1.1	1.4	1.1	1.0
Total Debt Provisions Expense Charged to the Statement of Financial Performance	18.0	13.5	12.7	12.7

As at 30 June 2002 the Specific Provisions were comprised of:

- (a) Bulk provisions of \$5.0m (30 June 2001 \$4.0m) for both consolidated and parent; and
- (b) Provisions relating to non-accrual loans of \$1.8m (30 June 2001 \$2.8m) for consolidated and \$1.1m (30 June 2001 \$2.1m) for parent.

15. DUE FROM ASSOCIATES AND SUBSIDIARIES**Parent**

As at 30 June 2002, the Bank had invested in \$614.2m (30 June 2001 \$614.2m) of redeemable preference shares (accrued interest is included in Other Assets). As at 30 June 2002, the Bank had also received deposits from various subsidiaries, which amounted to \$502.8m (30 June 2001 \$467.9m). Both the redeemable preference shares and deposits mature in 2005. On maturity, the value of the deposits with capitalised interest will amount to \$614.2m (plus accrued interest) (30 June 2001 \$614.2m).

As at 30 June 2002 the two balances are recognised in Due from Associates and Subsidiaries \$1,666.0m (30 June 2001 \$1,246.5m) as the net amount of \$111.3m (30 June 2001 \$146.3m), as per an offset agreement between the parties.

NOTES TO THE FINANCIAL STATEMENTS

16. INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

	%	Nature of Business	Balance Date
Associates			
Electronic Transaction Services Limited	25	EFTPOS	31 March
Interchange and Settlement Limited	11	Interchange and Settlement	31 March
Mondex New Zealand Limited	17	Smartcard Operations	31 March
Subsidiaries			
ASB Finance Limited	100	Finance	30 June
ASB Investments Limited	100	Funds Management	30 June
ASB Management Services Limited	100	Management and Payment Services	30 June
ASB Nominees Limited	100	Trustee Company	30 June
ASB Properties Limited	100	Property and Investment	30 June
ASB Securities Limited	100	Sharebroking	30 June
ASB Smartcards Limited	100	Investment Holding Company	30 June
Hildon Holdings Limited	100	Finance	30 June
Hildon Investments Limited	100	Finance	30 June
IDDI (No.1) Limited	100	Finance	30 June
IDDI (No.2) Limited	100	Finance	30 June
IDI (No.1) Limited	100	Finance	30 June
IDI (No.2) Limited	100	Finance	30 June
King's Ferry Holdings Limited	100	Finance	30 June
King's Ferry Investments Limited	100	Finance	30 June
Kiwi Home Loans (NZ) Limited	100	Lending	30 June
LB Alpha Finance (Cayman) Limited	25	Investment	30 November
McCaig Investments Limited	100	Finance	30 June
Netbills Limited	100	Bill Processing	30 June
S.H. Lock (NZ) Limited	100	Trade Finance	30 June
SilverFern Investments Limited	25	Finance	31 December

During the year, the 10% share of RD1.COM Limited was sold.

McCaig Investments Limited was incorporated on 10 October 2001.

Hildon Holdings Limited was incorporated on 22 March 2002.

Hildon Investments Limited was incorporated on 25 March 2002.

The consolidated financial statements also include the controlled entity, Lighthouse Trust as an in-substance subsidiary. Lighthouse Trust was established on 15 November 2001 and has a balance date of 31 December.

LB Alpha Finance (Cayman) Limited is included as an in-substance subsidiary as the 25% shareholding acquired 5 April 2002 represents 75% of the voting rights.

SilverFern Investments Limited is included as an in-substance subsidiary as the 25% shareholding represents 70% of the voting rights.

The day-to-day management of SilverFern Investments Limited and LB Alpha Finance (Cayman) Limited is provided by external parties.

The Companies Office has given exemptions for L B Alpha Finance (Cayman) Limited and SilverFern Investments Limited to maintain balance dates different to that of The Bank.

NOTES TO THE FINANCIAL STATEMENTS

\$ millions	Consolidated		Parent		
	2002	2001	2002	2001	
17. PROPERTY, PLANT AND EQUIPMENT					
Land	Freehold	13.6	14.8	6.8	7.4
Buildings	Freehold	95.9	100.1	23.8	27.5
	Leasehold	65.9	53.2	60.4	48.1
	Less: Accumulated Depreciation	42.2	33.5	36.5	30.6
		119.6	119.8	47.7	45.0
Other Assets		246.6	215.4	231.3	203.7
	Less: Accumulated Depreciation	179.3	155.0	167.0	147.3
		67.3	60.4	64.3	56.4
Total Property, Plant and Equipment		200.5	195.0	118.8	108.8
Other Assets include Computer Equipment, Software, Office Equipment, Furniture and Fittings and Motor Vehicles.					
No property was intended for sale as at 30 June 2002 (30 June 2001 Nil) for both consolidated and parent.					
The total of the latest Government valuations of the consolidated Freehold Land and Buildings amounts to \$132.4m (30 June 2001 \$132.1m). Cost of additions subsequent to those valuations amounts to \$0.5m (30 June 2001 \$0.2m).					
18. OTHER ASSETS					
Interest Receivable Accrued		63.8	24.2	26.3	13.7
Other Current Assets		34.1	25.7	18.7	23.4
Total Other Assets		97.9	49.9	45.0	37.1
19. DEFERRED TAXATION BENEFIT					
Balance at Beginning of Year		11.1	11.4	13.1	14.3
Net Movements in Timing Differences During Year		(4.0)	(0.3)	(4.7)	(1.2)
Balance at End of Year		7.1	11.1	8.4	13.1
The Deferred Taxation Benefit relates to:					
Specific Provisions for Bad and Doubtful Debts		1.7	2.0	1.4	1.8
Depreciation		2.1	2.1	4.5	4.4
Other		3.3	7.0	2.5	6.9
Total Deferred Taxation Benefit		7.1	11.1	8.4	13.1
20. DEPOSITS					
Certificates of Deposit and Issued Paper		3,901.8	4,702.1	3,851.1	4,455.5
Retail Term Deposits		6,539.3	5,377.4	6,539.3	5,377.4
Other Deposits Bearing Interest		6,895.8	6,747.6	6,894.0	6,747.2
Deposits Not Bearing Interest		926.3	791.8	926.7	791.8
Total Deposits		18,263.2	17,618.9	18,211.1	17,371.9

NOTES TO THE FINANCIAL STATEMENTS

\$ millions	Consolidated		Parent	
	2002	2001	2002	2001
21. DUE TO OTHER BANKS				
Call	51.5	481.3	51.5	481.3
Term	4,365.7	662.6	4,353.5	662.6
Total Due to Other Banks	4,417.2	1,143.9	4,405.0	1,143.9
22. OTHER CURRENT LIABILITIES				
Interest Payable Accrued	156.7	100.9	155.6	98.5
Employee Entitlements	22.3	20.2	22.3	20.2
Provision for Income Tax	24.2	11.0	(5.0)	(1.8)
Trade Accounts Payable and Other Liabilities	78.0	56.2	64.7	47.4
Total Other Current Liabilities	281.2	188.3	237.6	164.3
23. SUBORDINATED DEBT				
<p>The subordinated debt is subordinate to all other general liabilities of the Bank. All subordinated debt is denominated in New Zealand dollars. \$100.0m face value matures 15 December 2009 with a coupon rate of 8.30% until 15 December 2004, after which the rate will be reset against the three month Bank Bill benchmark rate. The first subordinated debt is callable on 15 December 2004. Another \$100.0m face value matures 30 August 2010 with a coupon rate which is reset against the three month Bank Bill benchmark rate. This subordinated debt is callable on 30 August 2005. A further \$50.0m face value matures 28 June 2011 with a coupon rate which is reset against the three month Bank Bill benchmark rate. This subordinated debt is callable on 28 June 2006.</p> <p>All subordinated debt qualifies as Lower Tier Two Capital for Capital Adequacy calculation purposes.</p>				
24. CONTRIBUTED CAPITAL				
323,121,300 Ordinary Shares	323.1	323.1	323.1	323.1
Total Contributed Capital	323.1	323.1	323.1	323.1
<p>All Ordinary Shares have equal voting rights and share equally in dividends and surplus on winding up Dividends are declared subject, in all cases, to the applicable Directors' resolutions being passed.</p>				
25. ASSET REVALUATION RESERVES				
Total Asset Revaluation Reserves at Beginning of Year	6.3	-	11.3	-
(Devaluations)	(1.6)	(7.5)	(0.4)	-
Transfers to Accumulated Surplus	-	13.8	-	11.3
Total Asset Revaluation Reserves at End of Year	4.7	6.3	10.9	11.3
26. ACCUMULATED SURPLUS				
Total Accumulated Surplus at Beginning of Year	490.3	473.8	454.2	443.5
Net Surplus after Taxation	224.7	183.4	197.5	175.1
Less:				
Ordinary Dividends	10.0	150.0	10.0	150.0
Non-Cumulative Preference Dividends	-	3.1	-	3.1
Transfers to Asset Revaluation Reserves	-	13.8	-	11.3
Total Accumulated Surplus at End of Year	705.0	490.3	641.7	454.2

NOTES TO THE FINANCIAL STATEMENTS

\$ millions	Consolidated		Parent	
	2002	2001	2002	2001
27. RECONCILIATION OF NET SURPLUS AFTER TAXATION TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Net Surplus after Taxation	224.7	183.4	197.5	175.1
Add: Movements in Balance Sheet Items				
Interest Receivable Accrued – (Increase) / Decrease	(31.6)	(13.8)	–	1.9
Interest Payable Accrued – Increase	51.5	22.7	52.1	24.2
Other Income Accrued – (Increase) / Decrease	(3.7)	12.4	4.9	(3.1)
Operating Expenses Accrued – Increase	6.1	11.7	2.0	8.5
Taxation Balances – Increase / (Decrease)	17.3	8.6	1.6	(2.8)
	39.6	41.6	60.6	28.7
Add: Non-Cash Items				
Bad and Doubtful Debts	21.7	17.3	16.4	16.5
Depreciation	30.1	29.9	26.0	25.4
Capital Gain on Sale of Shares in Associates and Subsidiaries	(3.0)	–	(3.0)	–
Net Losses on Sale of Property, Plant and Equipment	0.2	0.8	0.2	0.6
	49.0	48.0	39.6	42.5
Net Cash Flows from Operating Activities	313.3	273.0	297.7	246.3
28. RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF FINANCIAL POSITION				
Cash and Liquid Assets	105.7	46.9	105.7	47.0
Demand Balances Due from Other Banks	22.5	74.7	10.9	61.5
Demand Balances Due to Other Banks	(51.5)	(481.3)	(51.5)	(481.3)
Total Cash and Cash Equivalents at End of Year	76.7	(359.7)	65.1	(372.8)
29. IMPUTATION CREDIT ACCOUNT				
Balance at Beginning of Year	10.2	93.5	–	–
Income Tax Paid	15.7	32.0	–	–
Imputation Credits Attached to Dividends Received	18.0	17.6	–	–
<i>Less:</i>				
Transfer to ASB Holdings Tax Group	–	4.8	–	–
Imputation Credits Attached to Dividends Paid	31.7	75.4	–	–
Imputation Credits Transferred (from) / to Policyholder Credit Account	(4.3)	46.5	–	–
Imputation Credits Adjustment Due to Change in Shareholding	–	6.2	–	–
Balance at End of Year	16.5	10.2	–	–
Dividends paid by resident companies may include imputation credits representing the taxation already paid by the company or tax group on the surpluses 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.				
The Bank, together with its subsidiary companies and a number of associated companies, form a consolidated group for income tax purposes. Accordingly, income tax payments and imputation credit movements are generally reported on a consolidated basis and are available to shareholders through their shareholding in the Bank.				
POLICYHOLDER CREDIT ACCOUNT				
Balance at Beginning of Year	107.0	60.5	–	–
Transfer (to)/from Imputation Credit Account During Year	(4.3)	46.5	–	–
Balance at End of Year	102.7	107.0	–	–
In the consolidated tax group, one of the fellow subsidiary companies (Sovereign Group Limited) is a life insurance company which gives rise to a tax group Policyholder Credit Account. The balance of the Policyholder Credit Account is available to be transferred back to the Imputation Credit Account at the discretion of the Directors.				

NOTES TO THE FINANCIAL STATEMENTS

30. RELATED PARTY TRANSACTIONS AND BALANCES

Effective 1 July 2001, the ownership of the bank moved from ASB Group Limited to ASB Group (Holdings) Limited which is effectively a 100% owned subsidiary of Commonwealth Bank of Australia.

During the year ended 30 June 2002, the Bank has entered into, or had in place various financial transactions with members of the Commonwealth Bank Group, and other related parties. In all cases these arrangements were conducted on market terms and conditions, and within the Bank's approved policies. Due to the transactional nature of banking, it is the opinion of the Directors that disclosure of total transactions processed for the year ended 30 June 2002 did not add any useful information, with the exception of:

Payments of \$0.7m (30 June 2001 \$0.2m) were made to Commonwealth Bank of Australia to guarantee repayments to the bank and its subsidiaries for obligations against default by a counterparty, referred to in note 43.

Payments of \$35.8m, \$1.6m, \$6.5m and \$1.7m (30 June 2001 \$11.4m, \$7.1m, \$8.9m and Nil) were made to the ASB Group (Life) Limited Group of Companies, ASB Group Limited, CBA NZ Subsidiaries and ASB Holdings Limited respectively, for the utilisation of tax losses.

A payment of \$5.6m (30 June 2001 \$4.4m) was made to ASB Group (Life) Limited Group of Companies for the origination of mortgages.

A payment of \$4.4m (30 June 2001 \$4.0m) was made to IT Fleet NZ (No.2) Limited for leasing of equipment.

Dealings with Directors and Parties Related to Directors: Payments of \$0.5m (30 June 2001 \$0.6m) were made to Research Solutions Limited for services rendered.

The Bank provides administrative functions for some subsidiaries and related companies for which no payments have been made.

Related Party Balances \$ millions	2002		2001	
	Assets	Liabilities	Assets	Liabilities
Commonwealth Bank Group (100% Ultimate Shareholder)	30.1	4,509.6	43.6	788.8
ASB Holdings Limited (100% Ultimate New Zealand Shareholder)	-	34.0	-	-
ASB Group Limited (Subsidiary of Commonwealth Bank Group)	0.9	16.0	0.3	19.3
ASB Group (Life) Limited Group of Companies (Subsidiary of Commonwealth Bank Group)	4.0	272.5	0.3	231.9
ASB Bank Provident Savings Fund (Staff Superannuation Scheme)	-	-	-	0.1
ASB Unit Trusts (Funds Manager)	2.3	606.5	1.7	417.5
ASB Retirement Savings Scheme (Easyplan)	1.7	51.6	2.9	59.1
ASB Superannuation Scheme (Master Trust)	-	2.0	-	1.4
Body Corporate 135 Albert Street (Management of ASB Bank Centre)	0.2	0.3	0.2	0.5
IT Fleet NZ (No.2) Limited (Subsidiary of Commonwealth Bank Group)	-	0.8	-	0.8
RD1.COM Limited (Previously an Associate)	-	-	1.2	-

Colonial Group, Sovereign Group Limited and Sovereign Group of Companies have been amalgamated into ASB Group (Life) Limited Group of Companies. Comparatives have been restated.

Off Balance Sheet Items

The Bank has in place interest rate swaps with Commonwealth Bank Group with a face value of \$462.7m (30 June 2001 \$545.8m), currency swaps with a face value of \$849.3m (30 June 2001 \$39.9m) and forward exchange contracts with a face value of \$672.5m (30 June 2001 \$1,698.8m). The Bank has forward exchange contracts with ASB Unit Trusts with a face value of \$72.9m (30 June 2001 \$77.7m), ASB Retirement Savings Scheme with a face value of \$143.8m (30 June 2001 \$138.3m) and with ASB Master Trust Scheme \$5.7m (30 June 2001 \$3.6m). The Bank has foreign exchange contracts with the ASB Group (Life) Limited Group of Companies with a face value of \$75.9m (30 June 2001 \$92.4m). The Bank has interest rate swaps with ASB Group Limited of \$63.0m (30 June 2001 \$63.0m).

31. LOANS TO/DEPOSITS FROM DIRECTORS

Loans to Directors

As at 30 June 2002 the aggregate amount of loans to Directors of the Banking Group, their spouses, dependants, trusts, or entities in which any of these persons have an interest of not less than 10%, was \$2.9m (30 June 2001 \$3.5m).

All loans were made in the ordinary course of business of the Bank and on an arm's length basis and on normal commercial terms and conditions. The interest rates applicable are between 6.7% and 18.75%. Terms of repayment range between variable, fixed rates up to two years, and interest only loans, all of which have been in accordance with the Bank's lending policies.

Directors: R. Boven, G.H. Burrett, P.S. Hall, G.J. Judd, J.S.N. Mitchell, T.J. Preston, J.M.R. Syme, C.G. Wakefield, L.A. Wood S.T. Wright.

Deposits from Directors

The aggregate amount payable by the Bank to Directors as at 30 June 2002 was \$1.2m (30 June 2001 \$2.4m). The amount payable consists of savings, cheque, term deposit 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 5%, terms of repayment ranging between on call and 90 day terms.

Directors: R. Boven, G.H. Burrett, J.W. Duncan, P.A. Edwards, P.S. Hall, J.A. Hood, G.J. Judd, J.M.R. Syme, L.A. Wood S.T. Wright.

NOTES TO THE FINANCIAL STATEMENTS

\$ millions	Consolidated				Parent			
	2002		2001		2002		2001	
	Notional Amount	Credit Equivalent	Notional Amount	Credit Equivalent	Notional Amount	Credit Equivalent	Notional Amount	Credit Equivalent

32. CONTINGENT LIABILITIES AND CREDIT COMMITMENTS

(a) Commitments

Lending Commitments Approved but Not Yet Advanced	3,428.9	388.8	2,898.0	246.6	3,551.7	450.2	2,848.6	221.9
Capital Expenditure Commitments	13.6	13.6	11.6	11.6	13.6	13.6	11.3	11.3
Other Commitments	-	-	2.6	2.6	-	-	2.6	2.6
Total Commitments	3,442.5	402.4	2,912.2	260.8	3,565.3	463.8	2,862.5	235.8

(b) Contingent Liabilities

Guarantees	51.1	25.7	80.3	51.8	51.2	25.8	269.8	146.6
Standby Letters of Credit	54.0	54.0	31.4	31.4	54.0	54.0	31.4	31.4
Other Arrangements Entered Into	27.2	7.3	38.7	13.6	27.2	7.3	38.7	13.6
Total Contingent Liabilities	132.3	87.0	150.4	96.8	132.4	87.1	339.9	191.6

(c) The Bank guarantees ASB Finance Limited's issue of Promissory Notes. ASB Finance Limited had \$50.8m outstanding Promissory Notes as at 30 June 2002 (30 June 2001 \$246.5m). The Promissory Note guarantee has been included in (b) above.

(d) The Bank has a loyalty programme in connection with the use of its credit cards. The Bank only expects a portion of outstanding points to be redeemed. The dollar value of outstanding points that have not been provided for as at 30 June 2002 is \$2.4m (30 June 2001 \$2.3m), and is included in (b) above.

\$ millions	Consolidated		Parent	
	2002	2001	2002	2001

33. LEASING COMMITMENTS

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

Within One Year of Balance Date	33.6	33.4	31.0	30.1
Between One and Two Years	26.6	24.6	23.4	22.1
Between Two and Five Years	52.7	52.0	44.6	43.1
Over Five Years	59.8	72.4	46.0	56.1
Total Leasing Commitments	172.7	182.4	145.0	151.4

NOTES TO THE FINANCIAL STATEMENTS

	Exchange Rate	Consolidated		Net Open Position
		Assets NZ \$m	Liabilities NZ \$m	
34. MATERIAL FOREIGN CURRENCY BALANCES				
Material Assets and Liabilities denominated in foreign currencies recognised in these financial statements, and Net Open Positions were:				
As at 30 June 2002				
US Dollar	0.4883	397.0	503.2	6.5
Australian Dollar	0.8653	427.6	1,273.0	34.7
Sterling	0.3201	623.5	47.7	0.1
Japanese Yen	58.3871	16.9	2,143.9	(13.6)
EURO	0.4944	0.6	19.5	0.4
Canadian Dollar	0.7384	0.2	1.2	(0.1)
As at 30 June 2001				
US Dollar	0.4036	37.7	164.6	(25.8)
Australian Dollar	0.7966	77.8	991.1	1.8
Sterling	0.2866	4.7	30.0	0.6
Japanese Yen	50.0540	15.4	2,963.9	0.5
Deutschmarks	0.9339	-	1.4	(1.6)
EURO	0.4775	-	10.1	4.1
Hong Kong Dollar	3.1480	2.0	0.2	(0.1)
Canadian Dollar	0.6150	-	1.4	(0.1)
As at 30 June 2002				
US Dollar	0.4883	34.8	491.0	6.5
Australian Dollar	0.8653	13.1	1,222.2	34.7
Sterling	0.3201	3.5	26.8	0.1
Japanese Yen	58.3871	16.9	2,143.9	(13.6)
EURO	0.4944	0.6	19.5	0.4
Canadian Dollar	0.7384	0.2	1.2	(0.1)
As at 30 June 2001				
US Dollar	0.4036	37.7	164.6	(25.8)
Australian Dollar	0.7966	20.8	933.0	1.8
Sterling	0.2866	4.7	30.0	0.6
Japanese Yen	50.0540	15.4	2,963.9	0.5
Deutschmarks	0.9339	-	1.4	(1.6)
EURO	0.4775	-	10.1	4.1
Hong Kong Dollar	3.1480	2.0	0.2	(0.1)
Canadian Dollar	0.6150	-	1.4	(0.1)

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

\$ millions	2002		2001	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
35. FAIR VALUE OF FINANCIAL INSTRUMENTS				
Consolidated				
Balance Sheet Items				
Cash and Liquid Assets	105.7	105.7	46.9	46.9
Due from Other Banks	2,495.8	2,495.8	831.0	831.0
Investment Securities	484.0	503.0	154.8	164.7
Other Securities	1,897.9	1,897.9	2,612.6	2,612.6
Advances	19,031.9	18,988.3	16,173.5	16,209.3
Due from Associates and Subsidiaries	-	-	1.7	1.7
Other Assets	97.9	97.9	49.9	49.9
Deposits	18,263.2	18,256.5	17,618.9	17,628.9
Due to Other Banks	4,417.2	4,417.2	1,143.9	1,143.9
Subordinated Debt	255.2	255.6	250.9	250.9

Parent**Balance Sheet Items**

Cash and Liquid Assets	105.7	105.7	47.0	47.0
Due from Other Banks	1,511.0	1,511.0	217.9	217.9
Other Securities	1,897.9	1,897.9	2,612.6	2,612.6
Advances	17,438.0	17,398.2	15,026.8	15,062.3
Due from Associates and Subsidiaries	1,666.0	1,685.0	1,246.5	1,256.5
Other Assets	45.0	45.0	37.1	37.1
Deposits	18,211.1	18,204.4	17,371.9	17,381.9
Due to Other Banks	4,405.0	4,405.0	1,143.9	1,143.9
Due to Associates and Subsidiaries	70.0	70.0	252.3	252.3
Subordinated Debt	255.2	255.6	250.9	250.9

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. Refer to note 45 for details of Fair Values of Derivative Financial Instruments.

36. FINANCIAL REPORTING BY SEGMENTS

The Bank operates predominantly in the banking industry within New Zealand. Notes 39 and 40 show the geographical distribution of credit exposures and funding within New Zealand.

NOTES TO THE FINANCIAL STATEMENTS

\$ millions	Weighted Average Interest Rate %	Consolidated					Total
		0-6	6-12	1-2	2-5	Over 5	
		Months	Months	Years	Years	Years	
37. INTEREST RATE REPRICING SCHEDULE							
As at 30 June 2002							
Monetary Assets							
Cash and Liquid Assets	-	105.7	-	-	-	-	105.7
Due from Other Banks	7.8	1,545.8	-	-	600.0	350.0	2,495.8
Investment Securities*	4.4	364.0	-	-	120.0	-	484.0
Other Securities	6.0	1,862.7	20.1	3.5	3.9	7.7	1,897.9
Advances	7.4	10,661.4	3,346.8	3,655.8	1,367.9	-	19,031.9
Other Monetary Assets	-	97.9	-	-	-	-	97.9
Total Monetary Assets		14,637.5	3,366.9	3,659.3	2,091.8	357.7	24,113.2
Monetary Liabilities							
Deposits	3.9	16,733.2	1,082.6	281.2	166.2	-	18,263.2
Due to Other Banks	5.4	4,417.2	-	-	-	-	4,417.2
Other Current Liabilities	-	281.2	-	-	-	-	281.2
Subordinated Debt	6.6	155.1	-	-	100.1	-	255.2
Total Monetary Liabilities		21,586.7	1,082.6	281.2	266.3	-	23,216.8
<i>(Weighted Average Interest Rate on Liabilities)</i>		3.82%	4.14%	6.27%	6.70%	-	
Off Balance Sheet Items		6,875.7	(1,619.7)	(3,140.8)	(1,735.2)	(380.0)	-
As at 30 June 2001							
Monetary Assets							
Cash and Liquid Assets	-	46.9	-	-	-	-	46.9
Due from Other Banks	7.4	231.0	-	-	600.0	-	831.0
Investment Securities*	1.5	-	-	-	154.8	-	154.8
Other Securities	5.7	2,125.0	359.0	13.9	110.9	3.8	2,612.6
Advances	7.9	9,155.2	2,572.7	2,722.9	1,695.1	27.6	16,173.5
Due from Associates and Subsidiaries	1.9	1.7	-	-	-	-	1.7
Other Monetary Assets	-	49.9	-	-	-	-	49.9
Total Monetary Assets		11,609.7	2,931.7	2,736.8	2,560.8	31.4	19,870.4
Monetary Liabilities							
Deposits	4.1	16,070.9	1,305.6	162.7	79.7	-	17,618.9
Due to Other Banks	5.2	1,143.9	-	-	-	-	1,143.9
Other Current Liabilities	-	188.3	-	-	-	-	188.3
Subordinated Debt	7.3	150.5	-	-	100.4	-	250.9
Total Monetary Liabilities		17,553.6	1,305.6	162.7	180.1	-	19,202.0
<i>(Weighted Average Interest Rate on Liabilities)</i>		4.18%	2.82%	6.56%	7.74%	-	
Off Balance Sheet Items		5,914.7	(2,103.0)	(2,242.8)	(1,527.0)	(41.9)	-

*Offset arrangement and Imputation Credits result in a nominal interest rate that does not reflect the actual value of the investment (refer note 2).

NOTES TO THE FINANCIAL STATEMENTS

\$ millions	Weighted Average Interest Rate %	Parent					Total
		0-6 Months	6-12 Months	1-2 Years	2-5 Years	Over 5 Years	

37. INTEREST RATE REPRICING SCHEDULE (Continued)**As at 30 June 2002****Monetary Assets**

Cash and Liquid Assets	-	105.7	-	-	-	-	105.7
Due from Other Banks	5.5	1,511.0	-	-	-	-	1,511.0
Investment Securities*	-	-	-	-	-	-	-
Other Securities	6.0	1,862.7	20.1	3.5	3.9	7.7	1,897.9
Advances	7.7	9,667.5	3,346.8	3,655.8	767.9	-	17,438.0
Due from Associates and Subsidiaries	5.5	1,554.7	-	-	111.3	-	1,666.0
Other Monetary Assets	-	45.0	-	-	-	-	45.0
Total Monetary Assets		14,746.6	3,366.9	3,659.3	883.1	7.7	22,663.6

Monetary Liabilities

Deposits	3.9	16,681.1	1,082.6	281.2	166.2	-	18,211.1
Due to Other Banks	5.4	4,405.0	-	-	-	-	4,405.0
Due to Associates and Subsidiaries	0.2	70.0	-	-	-	-	70.0
Other Current Liabilities	-	237.6	-	-	-	-	237.6
Subordinated Debt	6.6	155.1	-	-	100.1	-	255.2
Total Monetary Liabilities		21,548.8	1,082.6	281.2	266.3	-	23,178.9

(Weighted Average Interest Rate on Liabilities)

Off Balance Sheet Items		5,273.9	(1,434.1)	(2,783.8)	(676.0)	(380.0)	-
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As at 30 June 2001**Monetary Assets**

Cash and Liquid Assets	-	47.0	-	-	-	-	47.0
Due from Other Banks	5.1	217.9	-	-	-	-	217.9
Other Securities	5.7	2,125.0	359.0	13.9	110.9	3.8	2,612.6
Advances	7.9	8,362.8	2,381.1	2,569.5	1,685.8	27.6	15,026.8
Due from Associates and Subsidiaries*	6.5	1,091.7	-	-	154.8	-	1,246.5
Other Monetary Assets	-	37.1	-	-	-	-	37.1
Total Monetary Assets		11,881.5	2,740.1	2,583.4	1,951.5	31.4	19,187.9

Monetary Liabilities

Deposits	4.1	15,823.9	1,305.6	162.7	79.7	-	17,371.9
Due to Other Banks	5.2	1,143.9	-	-	-	-	1,143.9
Due to Associates and Subsidiaries	3.9	252.3	-	-	-	-	252.3
Other Current Liabilities	-	164.3	-	-	-	-	164.3
Subordinated Debt	7.3	150.5	-	-	100.4	-	250.9
Total Monetary Liabilities		17,534.9	1,305.6	162.7	180.1	-	19,183.3

(Weighted Average Interest Rate on Liabilities)

Off Balance Sheet Items		5,583.3	(1,933.3)	(2,124.3)	(1,483.8)	(41.9)	-
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*Offset arrangement and Imputation Credits result in a nominal interest rate that does not reflect the actual value of the investment (refer note 2).

NOTES TO THE FINANCIAL STATEMENTS

\$ millions	Consolidated		Parent	
	2002	2001	2002	2001
38. CAPITAL ADEQUACY				
Capital				
Tier One Capital				
Issued and Fully Paid-up Ordinary Share Capital	323.1	323.1	323.1	323.1
Revenue and Similar Reserves at Beginning of Year	490.3	473.8	454.2	443.5
Current Year's Accumulated Surplus	214.7	16.5	187.5	10.6
Total Tier One Capital	1,028.1	813.4	964.8	777.2
Tier Two Capital (Upper)				
General Provision for Bad and Doubtful Debts	71.3	59.3	65.3	57.9
Asset Revaluation Reserve	4.7	6.3	10.9	11.3
Total Tier Two Capital (Upper)	76.0	65.6	76.2	69.2
Tier Two Capital (Lower)				
Term Subordinated Debt	255.2	250.9	255.2	250.9
Total Tier Two Capital (Lower)	255.2	250.9	255.2	250.9
Total Capital	1,359.3	1,129.9	1,296.2	1,097.3
Risk Weighted Exposures				
Total Balance Sheet Exposures	12,625.7	10,842.4	13,618.2	11,279.7
Total Off Balance Sheet Exposures	391.7	374.0	455.7	348.7
Total Risk Weighted Exposures	13,017.4	11,216.4	14,073.9	11,628.4
Tier One Capital expressed as a percentage of Total Risk Weighted Exposures				
	7.90%	7.25%	6.86%	6.68%
Total Capital expressed as a percentage of Total Risk Weighted Exposures				
	10.44%	10.07%	9.21%	9.44%

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated				
	Principal	Risk	Risk		
	Amount	Weight	Weighted		
	\$ millions	%	\$ millions		
38. CAPITAL ADEQUACY (Continued)					
Risk Weighted Exposures					
As at 30 June 2002					
Balance Sheet Exposures					
Cash and Short Term Claims on Government	1,244.8	–	–		
Long Term Claims on Government	596.2	10	59.6		
Claims on Banks	2,563.3	20	512.7		
Claims on Public Sector Entities	103.8	20	20.8		
Claims Secured by Residential Mortgages	15,560.4	50	7,780.2		
Other	4,252.4	100	4,252.4		
Total Balance Sheet Exposures	24,320.9		12,625.7		
<i>(excludes General Provision for Bad and Doubtful Debts)</i>					
	Principal	Credit	Credit	Average	Risk
	Amount	Conversion	Equivalent	Counterparty	Weighted
	\$ millions	Factor	Amount	Risk Weight	Exposure
		%	\$ millions	%	\$ millions
Off Balance Sheet Exposures					
Direct Credit Substitutes	54.4	100	54.4	100	54.4
Commitments with Certain Drawdown	13.6	100	13.6	100	13.6
Underwriting and Sub-underwriting Facilities	–	50	–	100	–
Transaction Related Contingent Items	56.8	50	28.4	100	28.4
Short Term, Self-liquidating Trade Related Contingencies	21.0	20	4.2	100	4.2
Other Commitments to Provide Financial Services Which Have an Original Maturity of One Year or More	777.7	50	388.8	57	220.9
Other Commitments with an Original Maturity of Less Than One Year or Which can be Unconditionally Cancelled at any Time	2,651.3	–	–	–	–
Market Related Contracts (current exposure)					
Foreign Exchange Contracts	6,679.4	3.4	225.6	24	53.7
Interest Rate Contracts	20,061.6	0.3	66.0	25	16.5
Total Off Sheet Exposures					391.7
Total Risk Weighted Exposures					13,017.4

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated				
	Principal	Risk	Risk		
	Amount	Weight	Weighted		
	\$ millions	%	\$ millions		
38. CAPITAL ADEQUACY (Continued)					
Risk Weighted Exposures					
As at 30 June 2001					
Balance Sheet Exposures					
Cash and Short Term Claims on Government	876.4	–	–		
Long Term Claims on Government	104.0	10	10.4		
Claims on Banks	2,099.0	20	419.8		
Claims on Public Sector Entities	73.0	20	14.6		
Claims Secured by Residential Mortgages	13,061.5	50	6,530.8		
Other	3,866.8	100	3,866.8		
Non-Risk Weighted Assets	0.3	–	–		
Total Balance Sheet Exposures	20,081.0		10,842.4		
<i>(excludes General Provision for Bad and Doubtful Debts)</i>					
	Principal	Credit	Credit	Average	Risk
	Amount	Conversion	Equivalent	Counterparty	Weighted
	\$ millions	Factor	Amount	Risk Weight	Exposure
		%	\$ millions	%	\$ millions
Off Balance Sheet Exposures					
Direct Credit Substitutes	54.7	100	54.7	100	54.7
Commitments with Certain Drawdown	14.2	100	14.2	100	14.2
Underwriting and Sub-underwriting Facilities	9.0	50	4.5	100	4.5
Transaction Related Contingent Items	67.4	50	33.7	100	33.7
Short Term, Self-liquidating Trade Related Contingencies	19.3	20	3.9	100	3.9
Other Commitments to Provide Financial Services Which Have an Original Maturity of One Year or More	493.2	50	246.6	77	189.0
Other Commitments with an Original Maturity of Less Than One Year or Which can be Unconditionally Cancelled at any Time	2,404.8	–	–	–	–
Market Related Contracts (current exposure)					
Foreign Exchange Contracts	8,524.3	2.9	246.5	23	55.9
Interest Rate Contracts	13,250.9	0.6	75.1	24	18.1
Total Off Balance Sheet Exposures					374.0
Total Risk Weighted Exposures					11,216.4

NOTES TO THE FINANCIAL STATEMENTS

	Principal Amount \$ millions	Parent Risk Weight %	Risk Weighted Exposure \$ millions		
38. CAPITAL ADEQUACY (Continued)					
Risk Weighted Exposures					
As at 30 June 2002					
Balance Sheet Exposures					
Cash and Short Term Claims on Government	1,244.8	–	–		
Long Term Claims on Government	246.2	10	24.6		
Claims on Banks	1,565.0	20	313.0		
Claims on Public Sector Entities	103.8	20	20.8		
Claims Secured by Residential Mortgages	15,600.6	50	7,800.3		
Other	5,459.5	100	5,459.5		
Total Balance Sheet Exposures	24,219.9		13,618.2		
<i>(excludes General Provision for Bad and Doubtful Debts)</i>					
	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	54.4	100	54.4	100	54.4
Commitments with Certain Drawdown	13.6	100	13.6	100	13.6
Underwriting and Sub-underwriting Facilities	–	50	–	100	–
Transaction Related Contingent Items	56.9	50	28.5	100	28.5
Short Term, Self-liquidating Trade Related Contingencies	21.0	20	4.2	100	4.2
Other Commitments to Provide Financial Services Which Have an Original Maturity of One Year or More	900.4	50	450.2	68	303.8
Other Commitments with an Original Maturity of Less Than One Year or Which can be Unconditionally Cancelled at any Time	2,651.3	–	–	–	–
Market Related Contracts (current exposure)					
Foreign Exchange Contracts	5,355.4	3.0	159.4	22	35.1
Interest Rate Contracts	19,949.1	0.3	65.3	25	16.1
Total Off Balance Sheet Exposures					455.7
Total Risk Weighted Exposures					14,073.9

NOTES TO THE FINANCIAL STATEMENTS

	Parent		Risk
	Principal Amount \$ millions	Risk Weight %	Weighted Exposure \$ millions
38. CAPITAL ADEQUACY (Continued)			
Risk Weighted Exposures			
As at 30 June 2001			
Balance Sheet Exposures			
Cash and Short Term Claims on Government	876.4	–	–
Long Term Claims on Government	104.0	10	10.4
Claims on Banks	1,485.9	20	297.2
Claims on Public Sector Entities	73.0	20	14.6
Claims Secured by Residential Mortgages	13,065.5	50	6,532.8
Other	4,424.7	100	4,424.7
Non-Risk Weighted Assets	0.3	–	–
Total Balance Sheet Exposures	20,029.8		11,279.7
<i>(excludes General Provision for Bad and Doubtful Debts)</i>			

	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	54.7	100	54.7	100	54.7
Commitments with Certain Drawdown	13.9	100	13.9	100	13.9
Underwriting and Sub-underwriting Facilities	9.0	50	4.5	100	4.5
Transaction Related Contingent Items	256.9	50	128.5	26	33.7
Short Term, Self-liquidating Trade Related Contingencies	19.3	20	3.9	100	3.9
Other Commitments to Provide Financial Services Which Have an Original Maturity of One Year or More	443.8	50	221.9	74	164.3
Other Commitments with an Original Maturity of Less Than One Year or Which can be Unconditionally Cancelled at any Time	2,404.8	–	–	–	–
Market Related Contracts (current exposure)					
Foreign Exchange Contracts	7,924.3	3.1	243.5	23	55.9
Interest Rate Contracts	13,093.7	0.6	73.9	24	17.8
Total Off Balance Sheet Exposures					348.7
Total Risk Weighted Exposures					11,628.4

NOTES TO THE FINANCIAL STATEMENTS

\$ millions	Consolidated		Parent	
	2002	2001	2002	2001

39. CONCENTRATIONS OF CREDIT EXPOSURES

	Concentration by Industry			
Agricultural, Forestry and Fishing	2,028.2	1,581.8	2,026.4	1,581.8
Government and Public Authorities	253.3	81.6	253.3	81.6
Financial, Investments and Insurance	6,357.8	5,142.5	6,655.1	4,513.3
Utilities	196.1	204.5	196.1	204.5
Transport and Storage	169.3	74.8	165.1	74.8
Housing	12,982.5	10,863.8	11,488.5	10,865.9
Personal	309.4	290.8	309.4	290.8
Other Commercial and Industrial	1,612.9	1,533.8	1,399.8	1,477.1
Total Credit Exposures by Industry	23,909.5	19,773.6	22,493.7	19,089.8

Cash and Liquid Assets, Investments in Associates and Subsidiaries, Property, Plant and Equipment, Other Assets and Deferred Taxation Benefit have been excluded from the above analysis on the basis that any credit exposure is insignificant or nil. Unrecognised credit equivalent exposures as at 30 June 2002 of \$781.0m consolidated and \$775.6m parent (30 June 2001 \$679.2m consolidated and \$744.8m parent) are also excluded.

	Concentration by Geographic Region			
Auckland	12,098.2	10,253.3	12,920.0	10,849.2
Northland	727.7	640.2	727.7	640.2
Waikato	1,167.6	869.3	891.5	804.3
Rest of North Island	2,725.9	2,415.1	2,492.6	2,262.5
South Island	2,280.5	1,938.8	2,021.2	1,644.6
Overseas	31.9	62.8	31.9	57.3
Uncategorised	4,877.7	3,594.1	3,408.8	2,831.7
Total Credit Exposures by Geographic Region	23,909.5	19,773.6	22,493.7	19,089.8

Uncategorised exposures includes Due from Other Banks, Investment Securities and Other Securities. The Directors consider that the nature of these assets make them inappropriate to categorise geographically. Unrecognised credit equivalent exposures are excluded as per the industry segmentation above.

NOTES TO THE FINANCIAL STATEMENTS

\$ millions	Consolidated		Parent	
	2002	2001	2002	2001

40. CONCENTRATIONS OF FUNDING

	Concentration by Industry			
Agricultural, Forestry and Fishing	206.6	207.4	206.6	207.4
Government and Public Authorities	400.7	336.9	400.7	336.9
Financial, Investments and Insurance	10,422.6	8,371.1	10,369.9	8,319.3
Utilities	87.5	96.4	87.5	96.4
Transport and Storage	12.8	47.7	12.8	47.7
Personal	10,673.4	8,854.7	10,673.4	8,854.7
Other Commercial and Industrial	1,132.0	1,099.5	1,132.0	1,104.9
Total Funding by Industry	22,935.6	19,013.7	22,882.9	18,967.3

Funding comprises Deposits, Subordinated Debt and Due to Other Banks.

	Concentration by Geographic Region			
Auckland	9,732.4	8,248.5	9,742.7	8,448.8
Northland	640.4	577.1	640.4	577.1
Waikato	281.8	204.7	281.8	204.7
Rest of North Island	1,513.8	1,816.1	1,513.8	1,816.1
South Island	994.6	831.7	994.6	831.7
Overseas	1,174.0	1,238.6	1,174.0	1,238.6
Uncategorised	8,598.6	6,097.0	8,535.6	5,850.3
Total Funding by Geographic Region	22,935.6	19,013.7	22,882.9	18,967.3

Uncategorised funding includes Certificates of Deposit and Issued Paper, Subordinated Debt and Due to Other Banks. The Directors consider that the nature of these liabilities make them inappropriate to categorise geographically.

NOTES TO THE FINANCIAL STATEMENTS

\$ millions	Consolidated			Parent		
	Non-Accrual	Restructured	Total	Non-Accrual	Restructured	Total
41. ASSET QUALITY						
Impaired Assets (Pre-provisions)						
As at 30 June 2002						
Balance at Beginning of Year	31.2	-	31.2	28.5	-	28.5
Additions	6.7	-	6.7	7.7	-	7.7
Less: Amounts Written Off	2.7	-	2.7	2.7	-	2.7
Balance at End of Year	35.2	-	35.2	33.5	-	33.5
As at 30 June 2001						
Balance at Beginning of Year	16.2	-	16.2	12.6	-	12.6
Additions	17.1	-	17.1	17.7	-	17.7
Less: Amounts Written Off	2.1	-	2.1	1.8	-	1.8
Balance at End of Year	31.2	-	31.2	28.5	-	28.5

Interest foregone is the amount of income that would have been recorded if interest accruals on specific loans had not been set to nil. It is estimated based on market rates. The 30 June 2002 figure is estimated at \$1.0m (30 June 2001 \$0.7m) for consolidated and \$0.9m (30 June 2001 \$0.7m) for parent.

The Bank does not have any material assets acquired through enforcement of security.

\$ millions	Consolidated		Parent	
	2002	2001	2002	2001
Past Due Assets (Pre-provisions)				
Balance at Beginning of Year	63.4	39.9	59.6	32.9
(Deletions) / Additions	(28.1)	31.1	(27.4)	34.1
Less: Amounts Written Off	8.6	7.6	7.9	7.4
Balance at End of Year	26.7	63.4	24.3	59.6

42. MANAGED FUND AND OTHER FIDUCIARY ACTIVITIES

ASB Investments Limited is the manager for the ASB Unit Trusts. An independent Trustee firm is appointed for each Unit Trust, who monitors compliance with the requirements of the Trust Deeds. The Bank provides banking and administration services for the Unit Trusts.

Total Unitholders' Funds as at 30 June 2002 were \$757.0m (30 June 2001 \$590.6m).

ASB Investments Limited is also the Trustee for the ASB Easyplan Retirement Savings Scheme. Specialist Fund Managers have been appointed. The Bank provides banking and administration services for the Scheme.

Total Members' Funds as at 30 June 2002 were \$326.7m (30 June 2001 \$340.5m).

ASB Investments Limited is also the Trustee for the ASB Superannuation Master Trust Scheme. Specialist Fund Managers have been appointed. The Bank provides banking and administration services for the Scheme.

Total Members' Funds as at 30 June 2002 were \$16.5m (30 June 2001 \$12.1m).

The Bank provides limited custodial services relating to holding Certificates of Deposit on behalf of clients.

NOTES TO THE FINANCIAL STATEMENTS

43. CONCENTRATION OF CREDIT EXPOSURES TO INDIVIDUAL COUNTERPARTIES

Peak Credit Exposures for the Three Months ended 30 June

Percentage of Shareholders' Equity	Number of Non-Banks		Number of Banks	
	2002	2001	2002	2001
10 – 19	2	4	–	5
20 – 29	3	–	4	3
30 – 39	2	2	3	2
40 – 49	–	1	3	5
50 – 59	–	–	–	–
60 – 69	–	–	–	–
70 – 79	–	–	1	1

Balance Date Credit Exposures

Percentage of Shareholders' Equity	Number of Non-Banks		Number of Banks	
	2002	2001	2002	2001
10 – 19	2	4	–	5
20 – 29	3	–	4	3
30 – 39	2	2	3	2
40 – 49	–	1	3	5
50 – 59	–	–	–	–
60 – 69	–	–	–	–
70 – 79	–	–	1	1

The basis of calculation is the greater of actual credit exposures or internal limits. Exposures are shown net of specific provisions and gross of set-offs. Percentages are calculated using the Banking Group's equity at balance date.

A portion of the Balance Date Credit Exposure itemised as 70-79% of Shareholder's Equity (30 June 2001 70-79% of Shareholder's Equity) has been guaranteed by the banks ultimate parent, Commonwealth Bank of Australia. This Exposure is itemised as a 70-79% Peak Credit Exposure (30 June 2001 70-79%). As at 30 June 2002, the amount of this guarantee was \$435.0m (30 June 2001 \$435.0m). The above tables have been compiled using gross exposures and do not include any guarantee arrangements.

	Consolidated			
	Peak Exposure for the Three Months ended 30 June		Balance Date Exposure	
	Percentage of Tier One Capital		Percentage of Tier One Capital	
	\$ millions		\$ millions	

44. CREDIT EXPOSURES TO CONNECTED PERSONS AND NON-BANK CONNECTED PERSONS

2002	All Connected Persons*	465.7	45.3%	463.7	45.1%
	Non-Bank Connected Persons	5.2	0.5%	3.2	0.3%
2001	All Connected Persons*	402.0	49.4%	401.9	49.4%
	Non-Bank Connected Persons	2.7	0.3%	2.6	0.3%

*Credit Exposures to Connected Persons include exposures to the Bank's ultimate parent bank, Commonwealth Bank of Australia. As at 30 June 2002, this amount was \$425.2m (30 June 2001 \$365.0m).

The basis of calculation is the greater of actual credit exposures or internal limits. Exposures are shown net of specific provisions and gross of set-offs. Percentages are calculated using the Banking Group's equity at balance date.

The Banking Group has 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 2002, this amounted to \$435.0m (30 June 2001 \$435.0m).

The Banking Group has no Specific Provisions provided against credit exposures to connected persons.

NOTES TO THE FINANCIAL STATEMENTS

\$ millions	Consolidated			Parent		
	Notional Value	Credit Equivalent	Fair Value	Notional Value	Credit Equivalent	Fair Value
45. DERIVATIVE FINANCIAL INSTRUMENTS						
As at 30 June 2002						
Foreign Exchange Rate Related Contracts						
Trading	1,141.8	24.2	(22.3)	1,141.8	24.2	(22.3)
Other than Trading	5,537.6	201.4	(9.3)	4,213.6	135.2	(8.8)
Total Foreign Exchange Rate Related Contracts	6,679.4	225.6	(31.6)	5,355.4	159.4	(31.1)
Interest Rate Related Contracts						
Trading	8,103.1	7.4	(1.2)	8,103.1	7.4	(1.2)
Other than Trading	11,958.5	58.6	(54.8)	11,846.0	57.9	(54.5)
Total Interest Rate Related Contracts	20,061.6	66.0	(56.0)	19,949.1	65.3	(55.7)
As at 30 June 2001						
Foreign Exchange Rate Related Contracts						
Trading	1,077.8	41.7	(3.7)	1,077.8	41.7	(3.7)
Other than Trading	7,446.5	204.8	34.9	6,846.5	201.8	34.9
Total Foreign Exchange Rate Related Contracts	8,524.3	246.5	31.2	7,924.3	243.5	31.2
Interest Rate Related Contracts						
Trading	4,280.4	4.2	(0.6)	4,280.4	4.2	(0.6)
Other than Trading	8,970.5	70.9	(63.0)	8,813.3	69.7	(63.5)
Total Interest Rate Related Contracts	13,250.9	75.1	(63.6)	13,093.7	73.9	(64.1)

Foreign Exchange Rate Related Contracts, other than Trading, have been transacted by the Banking Group to hedge Foreign Currency funding. Losses on contracts are offset by gains on the underlying Foreign Currency funding.

Interest Rate Related Contracts, other than Trading, hedge interest rate risk associated with the Banking Group's Statement of Financial Position. The unrecognised gains on these contracts at 30 June 2002 was \$3.0m for both consolidated and parent (30 June 2001 \$8.6m consolidated and \$9.1m parent) calculated as the fair value loss of \$54.8m consolidated and \$4.5m parent (30 June 2001 \$45.8m consolidated and \$45.3m parent) less the net payable recognised in the Statement of Financial Position of \$57.8m consolidated and \$57.5m parent (30 June 2001 \$54.4m for both consolidated and parent).

NOTES TO THE FINANCIAL STATEMENTS

46. RISK MANAGEMENT POLICIES

Introduction

The Bank is committed to the management of risk to achieve sustainability – of service, employment and surpluses – and so takes on controlled amounts of risk when considered appropriate.

The primary risks are those of credit, market (currency, interest rate, equity), liquidity and operational risk.

The Bank's risk management strategy is set by the Board of Directors via the Risk Committee. Implementation of the risk management strategy is the responsibility of the Managing Director. Day-to-day management is the function of the Executive Management Committee, a committee of senior managers responsible for the principal divisions of the Bank and chaired by the Managing Director. The Executive Management Committee is assisted by a number of specific committees, including the Asset and Liability Management Committee ("ALCO") focusing on liquidity and interest rate risks, the Executive Credit Committee focusing on credit risk and a number of other tactical committees.

In addition to high level involvement in the management of risk, the Bank has also put in place the management structure and information systems to manage individual risks, has separated monitoring tasks where feasible, and subjects all material systems to regular internal audit. Periodic reviews of all risk management systems are undertaken by internal audit and, in respect of market and liquidity risk, by the Bank's ultimate parent bank, the Commonwealth Bank of Australia.

Credit Risk

Credit risk is the potential risk of loss arising from the failure of a debtor or trading counterparty to honour fully any financial or contractual obligation.

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 a comprehensive, clearly defined credit policy for the approval and management of all credit risk, including risk to other bank and related counterparties. Intra-day and term credit risk management is not differentiated.

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 ability to meet their obligations to the Bank. Except for major corporate/bank counterparties of strong investment standing (and a non-material amount in very short term exposures to other customer sectors), the Bank requires security cover within loan to security valuation margins set down in the Bank's policy.

Industry and product concentrations are managed within established guidelines and limits. Maximum aggregated exposure limits also apply for any debtor or trading counterparty. 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. Non-compliance with credit policy is reported to the Board of Directors through the Risk Committee.

Currency Risk

Currency risk results from the mismatch of recognised and unrecognised foreign currency assets and liabilities. These 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 Department. 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 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.

Interest Rate Risk

Interest rate risks arise from holding assets and liabilities, including off balance sheet instruments, which may mature or reprice in different periods.

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 ALCO which meets monthly. On a day-to-day basis, interest rate risk is monitored and managed within the Treasury Department.

For market sensitive risk, daily reports of positions and potential loss amounts are produced based on past interest rate volatility to ensure the maximum loss from an adverse movement in interest rates is known to agreed statistical confidence levels.

Risk associated with non market sensitive assets and liabilities, while also monitored daily, is primarily managed by way of weekly reviews by Treasury and monthly reviews by ALCO. Gap analysis and gap limits provide the day-to-day management tool while regular simulation of Bank activity, analysis of market value and stress tests provide the key management information and limits.

NOTES TO THE FINANCIAL STATEMENTS

46. RISK MANAGEMENT POLICIES (Continued)

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.

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, market value remains 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 to ALCO and the Board of Directors, along with associated limits.

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 Risk Committee is in place. Under this policy, trading in equities is not permitted.

Liquidity Risk

Management of liquidity risk is designed to ensure that the Bank has the ability to generate or obtain sufficient cash or its equivalent in a timely manner and at a reasonable price to meet its financial commitments on a daily basis.

The Bank monitors this risk primarily by forecasting future daily cash requirements. The Bank manages this risk by holding a pool of readily tradable investment assets and deposits on call or maturing within seven days with high credit quality counterparties to provide for any unexpected patterns in cash movements and by seeking a diverse and stable funding base.

Specifically, the Bank sets targets for funding from its customers, both personal and business, through the branch network and its Treasury Department. The Bank limits funding from each source of short term liquid instruments. The Bank maintains a portfolio of liquid assets equivalent to 14-20% of total deposits.

Operational Risk

A formal reporting structure and policy approved by the Board of Directors for the management of operational risk is in place. Under this policy, processes and practices for the identification, monitoring, measurement and day-to-day management of operational risks have been established.

Accordingly, heads of all business units and specialist support functions have clearly defined roles and responsibilities to ensure that the operational risks inherent in all business activities have been identified, measured and recorded.

A formal programme is in place for reporting back to the Risk Committee and Board of Directors on the measurement and management of operational risk within the Banking Group.

Internal Audit

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

Internal Audit provides an independent assurance and consulting service designed to assist the Banking Group in achieving its objectives by bringing a systematic and disciplined approach to improving the effectiveness of risk management systems, the framework of controls, and governance processes. Operational, compliance, financial and systems audits of all areas of the Banking Group's operations are undertaken based on an assessment of risk.

The 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.

ADDITIONAL DISCLOSURES

30 June 2002

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 ("CBA"), its registered office being Level 5, 48 Martin Place, Sydney, NSW, Australia.

CBA is required by the Australian Prudential Regulation Authority ("APRA") to meet minimum Total Capital Adequacy requirements of 8.0% of Risk Weighted Assets, in compliance with the Basle framework. As at 30 June 2002, CBA exceeded APRA minimum requirements with Tier One Capital being 6.76% of Risk Weighted Assets and Total Capital being 9.16% of Risk Weighted Assets.

GUARANTEE ARRANGEMENTS

The Commonwealth Bank of Australia does not guarantee repayment of any obligations of the Bank or its subsidiaries.

DEALINGS WITH DIRECTORS

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 31 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' conflict of interest.

Communications addressed to the Directors should be sent to:

Level 28
ASB BANK Centre
135 Albert Street
Auckland
New Zealand

CONDITIONS OF REGISTRATION – ASB BANK LIMITED

The registration of ASB Bank Limited 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.
2. That the business of the Banking Group consists of, or substantially consists of, the borrowing and lending of money, or the provision of other financial services, or both.
3. That aggregate credit exposures (net of specific provisions and gross of set-off) of the Banking Group to all connected persons do not exceed 75% of the Banking Group's Tier One Capital and that, within this limit, aggregate credit exposures (net of specific provisions and gross of set-off) to non-bank connected persons do not exceed 15% of the Banking Group's Tier One Capital.
4. 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 other than ASB Group (Holdings) Limited, or any other entity capable of controlling or significantly influencing the registered bank.
5. That the chairperson of the Bank's Board of Directors is not an employee of the registered bank.
6. That the Bank's constitution does not permit the Bank's Directors to act in the interests of any holding company of the registered bank, where to do so would conflict with the interests of the Bank in New Zealand, to the detriment of creditors.
7. That a substantial proportion of the Bank's business is conducted in and from New Zealand.

ADDITIONAL DISCLOSURES

CREDIT RATING

As at 30 June 2002, the rating of AA- was assigned to the Bank's long term New Zealand dollar debt. The rating was given by Standard & Poor's (Australia) Pty Limited.

On 4 October 2000, following Commonwealth Bank of Australia assuming 100% ownership, the Bank's rating was upgraded from A+ to AA-.

Rating Scale	Explanation
AAA	Rated entities have an extremely strong capacity to pay interest and repay principal in a timely manner.
AA	Rated entities have a very strong capacity to pay interest and repay principal in a timely manner.
A	Rated entities have 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	Rated entities have an 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, B, CCC, CC and C	Rated entities are regarded as having predominantly speculative characteristics with respect to the capacity to repay interest and principal. BB indicates the least degree of speculation and C the highest.
D	Rated entities are in default. The rating 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.

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			
	2002 Peak Exposure for the three months ended 30 June	Exposure as at 30 June	2001 Peak Exposure for the three months ended 30 June	Exposure as at 30 June
\$ millions				
Aggregate Interest Rate Exposure (as % of Balance Date Equity)	27.5 2.7%	26.4 2.6%	23.3 2.9%	19.4 2.4%
Aggregate Foreign Currency Exposure (as % of Balance Date Equity)	3.4 0.3%	3.4 0.3%	2.4 0.3%	2.4 0.3%
Aggregate Equity Exposure (as % 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 2002:

- 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; and
- 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 1998; and
- the disclosure statement is not false or misleading.

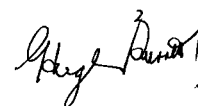
The disclosure statement is signed by or on behalf of all the Directors.



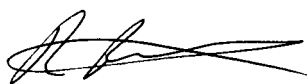
G.J. Judd



J.M.R. Syme



G.H. Burrett



R. Boven



L.G. Cupper



G.L. Mackrell



J.A. Hood



P.A. Edwards

30 July 2002

Auditor's Report to the Shareholder of ASB Bank Limited ("the Bank")

We have audited the financial statements and the financial information in the supplementary information on pages 18 to 50 and 52. The financial statements provide information about the past financial performance and cash flows of the Bank and the Bank and its subsidiaries ("Banking Group") for the year ended 30 June 2002 and their financial position as at that date. The supplementary information contains that information required by clauses 12(3) and 12(4) of the Registered Bank Disclosure Statement (Full and Half-Year – New Zealand Incorporated Registered Banks) Order 1998 (the "Order"). This information is stated in accordance with the accounting policies set out on pages 22 to 24.

Directors' Responsibilities

The directors are responsible for the preparation of:

- financial statements in accordance with clause 12(1) of the Order which give a true and fair view of the financial position of the Bank and Banking Group as at 30 June 2002 and of their financial performance and cash flows for the year ended on that date;
- supplementary information in accordance with clause 12(3) 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 Bank and Banking Group's circumstances, 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 financial 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 financial information.

We provide some information technology assurance services to the Bank.

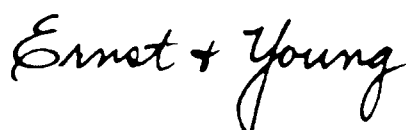
Unqualified Opinion

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

In our opinion:

- proper accounting records have been kept by the Bank and Banking Group as far as appears from our examination of those records; and
- the financial statements on pages 18 to 50:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of the financial position of the Bank and Banking Group as at 30 June 2002 and their financial performance and cash flows for the year ended on that date; and
- the supplementary financial information included within the financial statements has been prepared in accordance with:
 - the guidelines issued pursuant to section 78(3) of the Reserve Bank of New Zealand Act 1989 or any Conditions of Registration; and
 - the books and records of the Bank and Banking Group; and
- the supplementary financial information 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 financial information on page 52 disclosed in accordance with clause 12(4) of the Order complies with Schedules 7 and 8 of the Order.

Our audit was completed on 30 July 2002 and our unqualified opinion is expressed as at that date.



Ernst and Young Chartered Accountants
Auckland, New Zealand

Directors

CHAIRMAN

G.J. (Gary) Judd Q.C., LL.B (Hons), F.Inst.D.
BARRISTER
Auckland, New Zealand

DEPUTY CHAIRMAN

J.M.R. (Jim) Syme B.Com., F.A.C.A., C.M.A.
COMPANY DIRECTOR
Auckland, New Zealand

MANAGING DIRECTOR

G.H. (Hugh) Burrett
BANK EXECUTIVE
Auckland, New Zealand

R. (Rick) Boven B.A. (Hons), M.A., M.B.A.
MANAGEMENT CONSULTANT
Auckland, New Zealand

L.G. (Les) Cupper B.Econ. (Hons), M.Econ., Dip.Ed.
BANK EXECUTIVE
Sydney, Australia

P.A. (Patrick) Edwards F.C.C.A., M.C.T., F.F.T.P.
BANK EXECUTIVE
Sydney, Australia

J.A. (John) Hood B.E. (Hons), PhD (Auckland), M.Phil (Oxf)
VICE-CHANCELLOR
Auckland, New Zealand

G.L. (Garry) Mackrell B.Sc., B.Econ. (Hons), M.Com.
BANK EXECUTIVE
Sydney, Australia

EXECUTIVE MANAGEMENT

G.H. (Hugh) Burrett
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

B.J. (Barbara) Chapman
HEAD OF RETAIL BANKING AND MARKETING

J.W. (John) Duncan
GROUP GENERAL MANAGER, FINANCIAL AND RISK MANAGEMENT

P.S. (Peter) Hall
HEAD OF INSTITUTIONAL BANKING,
TREASURY AND ASB SECURITIES

J.S.N. (James) Mitchell
HEAD OF RELATIONSHIP BANKING AND FINANCIAL SERVICES

C.G. (Clayton) Wakefield
GROUP GENERAL MANAGER,
TECHNOLOGY, OPERATIONS AND PROPERTY

L.A. (Linley) Wood
HEAD OF OFFICE OF THE CEO

Advisors

AUDITORS

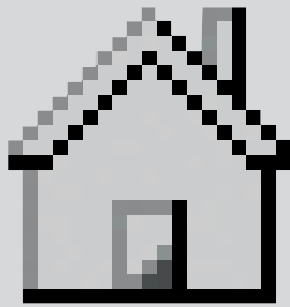
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ULTIMATE SHAREHOLDER

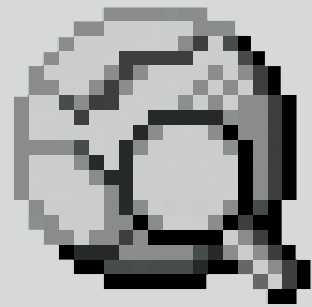
Commonwealth Bank of Australia
48 Martin Place
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REGISTERED OFFICE

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