ASB BANK

ONE STEP AHEAD

General Disclosure Statement

For the year ended
30 June 2004

Contents

Consolidated Performance in Brief

For the year ended 30 June	**2004**	2003	2002	2001	2000
STATEMENT OF FINANCIAL PERFORMANCE ($ MILLIONS)					
Interest Income	**2,098.7**	1,899.3	1,500.7	1,473.9	1,078.1
Interest Expense	**1,411.1**	1,282.4	992.3	1,016.5	693.6
Net Interest Earnings	**687.6**	616.9	508.4	457.4	384.5
Other Income	**249.2**	233.9	215.3	187.2	177.4
Total Operating Income	**936.8**	850.8	723.7	644.6	561.9
Debt Provisions Expense	**20.8**	24.8	18.0	13.5	11.4
Total Operating Income after Debt Provisions Expense	**916.0**	826.0	705.7	631.1	550.5
Total Operating Expenses	**446.4**	407.2	371.0	351.0	322.0
Net Surplus before Taxation	**469.6**	418.8	334.7	280.1	228.5
Taxation	**152.8**	140.8	110.0	96.7	78.4
Net Surplus after Taxation	**316.8**	278.0	224.7	183.4	150.1
STATEMENT OF FINANCIAL POSITION ($ MILLIONS)					
Total Assets	**33,047.7**	27,537.9	24,249.6	20,021.7	17,179.5
Advances	**28,788.8**	22,297.4	19,031.9	16,173.5	14,406.6
General Provision	**108.0**	88.8	71.3	59.3	51.0
Specific Provisions	**8.8**	9.5	6.8	6.8	7.5
Total Liabilities	**31,452.2**	26,228.0	23,216.8	19,202.0	16,332.6
Deposits (includes Amounts Due to Other Banks)	**30,832.0**	25,620.5	22,680.4	18,762.8	16,074.6
SHAREHOLDER'S EQUITY ($ MILLIONS)					
Shareholder's Equity at End of Year	**1,595.5**	1,309.9	1,032.8	819.7	846.9
Dividends: Ordinary	**25.0**	195.0	10.0	150.0	43.8
Perpetual Preference	**9.7**	5.6	-	-	-
Non-Cumulative Preference	**-**	-	-	3.1	3.1
PERFORMANCE					
Return on Ordinary Shareholder's Equity	**24.51%**	25.43%	24.26%	22.30%	19.73%
Return on Total Average Assets	**1.05%**	1.07%	1.02%	0.99%	0.94%
Net Interest Margin / Total Average Assets	**2.27%**	2.38%	2.30%	2.46%	2.41%
Total Operating Expenses / Total Operating Income	**47.65%**	47.86%	51.26%	54.45%	57.31%
Growth in Total Assets	**20.01%**	13.56%	21.12%	16.54%	16.79%
PRUDENTIAL					
Shareholder's Equity as a % of Total Assets	**4.83%**	4.76%	4.26%	4.09%	4.93%
Tier One Capital as a % of Total Risk Weighted Exposures	**8.22%**	8.12%	7.41%	7.25%	7.74%
Total Capital as a % of Total Risk Weighted Exposures	**10.18%**	10.26%	9.77%	10.07%	9.69%

ASB Bank Grows at Twice the Market Rate

ASB Bank grew its business at twice the average being achieved by other banks during the 12 months ended 30 June 2004, and in the process lifted audited after tax operating profit by 14% to $317 million.

The result includes the expensing of $9 million (post tax) of additional software development costs. Taking this into account, underlying after tax operating profit has increased by 17%.

By year end total assets had grown to $33 billion and our total lending stood at $28.8 billion, up 29% on 12 months previously.

A buoyant housing market, within which we lent record levels to people to buy homes, and a vibrant business economy, were at the heart of our excellent result.

However, through getting the balance right between developing outstanding customer service, providing leading edge IT based products and services, and competitive pricing, ASB Bank achieved more than our natural share of market growth.

During the year we increased our net lending by an exceptional $6.5 billion. Within this figure net housing loans during the 12 months increased by $4.5 billion, net business lending by more than $1 billion, and net rural lending by more than $550 million.

The focus we have placed on building our business banking presence over the past two years has seen us make impressive inroads into this sector. In November 2003 a separate Corporate Banking division was established to reflect our focus and growth in this area.

Business lending growth year on year was 26% while our business customer base grew 15%.

We also continued to build our share of the rural market, growing our business by 22%, and in the process maintained our position as the country's third largest lender to the important farming sector. Our customer base grew 20%, providing a solid base for ongoing penetration of this important sector of the economy.

The Bank continued to be a major manager of business and community savings and investment. Total bank deposits increased by 20% to $30.8 billion through the strong savings and investment support of our 1 million customer base.

It is a tribute to our staff that for the sixth successive year ASB Bank was rated "best overall major bank" in the annual University of Auckland survey of banks, and was rated "best business bank" for the fifth consecutive year.

Other awards to come ASB Bank's way during the year were:

- two from the Telephone Users Association of New Zealand (TUANZ) - to ASB Bank Fastnet Classic service for "best financial service" (for the third consecutive year) and to our Customer Service Centre for being the country's "best large" customer service centre. Our service centre answers more than 3.7 million telephone calls and emails a year.
- our "Ira" campaign being voted "people's choice" at the Axis Awards and making the "fab all time 5" in a survey of the last decade's top advertising campaigns, and BankDirect's "Roland" advertising winning the Consumer Services category of the 2004 Marketing Magazine awards.

Performance Overview

The Bank's employee "satisfaction" level, as measured by the international survey firm Gallup, was at a best practice 91st percentile. Gallup has advised us it is the highest for any financial institution they have measured world wide.

Total operating income for the Bank at $937 million was up 10%, with $688 million being achieved through net interest earnings. The net interest margin at 2.27% was down by 11 basis points and was at the lowest level ever recorded.

Income derived from transaction fees and services was 9% of total income at $84 million, while that from the provision of financial services, including card services and managed funds was $97 million.

Productivity improvements saw the expense to income ratio fall slightly to 47.65% (from 47.86%) with operating expenses increasing by 10% to $446 million.

The debt provisions expense was $21 million ($25 million), bringing the total provision to $117 million ($98 million), while taxation expense was $153 million ($141 million).

Return on ordinary shareholder's funds for the year was 24.51% (25.43%) and return on total average assets was 1.05% (1.07%). The risk weighted capital adequacy ratio was 10.18% against a Reserve Bank of New Zealand requirement of 8%.

At year end the Bank employed 3575 full time equivalent employees, up by 314 positions.

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

3 August 2004

Corporate Governance

The Board of ASB Bank Limited (the "Bank") has consistently placed great importance on the governance of the Bank. Performance and compliance are both important for good governance.

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

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

- The Audit Committee consists only of non-Executive Directors.
- The Managing Director does not participate in deliberations of the Executive Appointments and Remuneration Committee affecting his position.
- There is an established criteria for the appointment of new Directors and external consultants are engaged in the search for new independent Directors.
- Non-Executive Directors meet at least annually without management present. This is in addition to considering the Managing Director's performance and remuneration, which discussion is conducted in the absence of the Managing Director.
- In terms of Section 74 of the Reserve Bank of New Zealand Act 1989, the conditions of registration for the Bank include:
    - the Board must have at least two independent Directors;
    - the Chairperson must not be an employee of the Bank;
    - the Bank's Directors must at all times act in the best interests of the Bank when exercising powers or performing duties as a Director.
    - no appointment of any Director, Chief Executive Officer, or Executive who reports or is accountable directly to the Chief Executive Officer shall be made unless the Reserve Bank has been supplied with the person's Curriculum Vitae and the Reserve Bank has advised it has no objection to the appointment.
    - a substantial proportion of the Bank's business must be conducted in and from New Zealand.

  The Bank complies with these requirements.
- New Directors are invited to participate in an induction programme. They are also regularly updated on 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 accounting practices, policies and controls relative to the Bank's financial position. The Committee is also responsible for operational risk identification, management and measurement practices and procedures.

Members of the Audit Committee are Messrs J. M. R. Syme (Chairman), R. Boven, S. I. Grimshaw and J. P. Hartley.

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 auditor and the Bank's internal auditor independently of management.
- The Audit Committee is responsible for recommending the external auditor for appointment by the shareholder. The Audit Committee approves the terms of the contract with the external auditor and agrees the annual audit plan.
- The Audit Committee discusses and receives assurances from the external auditor on the quality of the Bank's systems, its accounting processes and its financial results. It also receives a report from the auditor on any significant matters raised by them with management.
- All material accounting matters requiring exercise of judgement by management are specifically reviewed by the Audit Committee and reported to the Board.

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

  Under the policy the auditor will not provide the following services:
  - bookkeeping or services relating to accounting records;
  - appraisal or valuation and fairness opinions;
  - advice on deal structuring and related documentation;
  - tax planning and strategic advice;
  - actuarial advisory services;
  - executive recruitment or extensive human resource functions;
  - acting as a broker-dealer, promoter or underwriter; or
  - legal services.
- The Bank's external auditor carries out audits across the Commonwealth Bank of Australia (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 materially in compliance with the framework of the USA's Sarbanes-Oxley Act.

RISK COMMITTEE

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

As from June 2004 all Directors are members of the Risk Committee.

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. This includes:

- reviewing the Bank's credit portfolios according to established parameters including concentration, duration and expected returns and losses;
- approving the overall structure of delegated credit approval authorities to management and individual credits in excess of such delegations; and
- considering and approving the provisioning amounts each half year.

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

EXECUTIVE APPOINTMENTS & REMUNERATION COMMITTEE

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

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

Incentive payments for the Executives are directly related to performance and depend on the extent to which operating and strategic 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.

Directors' Responsibility Statement

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

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

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

The Directors have pleasure in presenting the financial statements and general disclosures of ASB Bank Limited for the year ended 30 June 2004.

For, and on behalf of, the Board of Directors, which authorised the issue of the financial statements on 3 August 2004.

G.J. Judd Q.C. Chairman	G.H. Burrett Managing Director

3 August 2004

Historical Summary of Consolidated Financial Statements

$ millions *For the year ended 30 June*	**Audited** **2004**	Audited 2003	Audited 2002	Audited 2001	Audited 2000
STATEMENT OF FINANCIAL PERFORMANCE					
Interest Income	**2,098.7**	1,899.3	1,500.7	1,473.9	1,078.1
Interest Expense	**1,411.1**	1,282.4	992.3	1,016.5	693.6
Net Interest Earnings	**687.6**	616.9	508.4	457.4	384.5
Other Income	**249.2**	233.9	215.3	187.2	177.4
Total Operating Income	**936.8**	850.8	723.7	644.6	561.9
Debt Provisions Expense	**20.8**	24.8	18.0	13.5	11.4
Total Operating Income after Debt Provisions Expense	**916.0**	826.0	705.7	631.1	550.5
Total Operating Expenses	**446.4**	407.2	371.0	351.0	322.0
Net Surplus before Taxation	**469.6**	418.8	334.7	280.1	228.5
Taxation	**152.8**	140.8	110.0	96.7	78.4
Net Surplus after Taxation	**316.8**	278.0	224.7	183.4	150.1
Ordinary Dividends	**25.0**	195.0	10.0	150.0	43.8
Perpetual Preference Dividends	**9.7**	5.6	-	-	-
Non-Cumulative Preference Dividends	**-**	-	-	3.1	3.1
Surplus Retained	**282.1**	77.4	214.7	30.3	103.2
STATEMENT OF FINANCIAL POSITION					
Total Assets	**33,047.7**	27,537.9	24,249.6	20,021.7	17,179.5
Impaired Assets	**25.9**	31.8	35.2	31.2	16.2
Total Liabilities	**31,452.2**	26,228.0	23,216.8	19,202.0	16,332.6
Total Shareholder's Equity	**1,595.5**	1,309.9	1,032.8	819.7	846.9

Statement of Financial Performance

$ millions		Consolidated		Parent	
For the year ended 30 June	Note	**2004**	2003	**2004**	2003
Interest Income	2	**2,098.7**	1,899.3	**1,974.4**	1,730.4
Interest Expense	3	**1,411.1**	1,282.4	**1,409.5**	1,281.5
Net Interest Earnings		**687.6**	616.9	**564.9**	448.9
Other Income	5	**249.2**	233.9	**280.9**	303.9
Total Operating Income		**936.8**	850.8	**845.8**	752.8
Debt Provisions Expense	14	**20.8**	24.8	**22.3**	25.3
Total Operating Income after Debt Provisions Expense		**916.0**	826.0	**823.5**	727.5
Total Operating Expenses	6	**446.4**	407.2	**463.1**	424.4
Salaries and Other Staff Expenses		**228.2**	198.0	**224.2**	195.7
Building Occupancy and Equipment Expenses		**76.9**	80.0	**73.4**	74.4
Information Technology Expenses		**61.1**	43.5	**59.4**	42.4
Other Expenses		**80.2**	85.7	**106.1**	111.9
Net Surplus before Taxation		**469.6**	418.8	**360.4**	303.1
Taxation	8	**152.8**	140.8	**81.7**	65.3
Net Surplus after Taxation		**316.8**	278.0	**278.7**	237.8

These statements are to be read in conjunction with the notes on pages 12 to 43 and the Auditor's Report on page 48.

Statement of Movements in Equity

$ millions		Consolidated		Parent	
For the year ended 30 June	Note	**2004**	2003	**2004**	2003
Total Shareholder's Equity at Beginning of Year		**1,309.9**	1,032.8	**1,212.9**	975.7
Net Surplus after Taxation		**316.8**	278.0	**278.7**	237.8
Revaluations / (Devaluations)	25	**3.8**	(0.6)	**3.5**	-
Movements in Other Reserves	26	**(0.3)**	0.3	**-**	-
Total Recognised Revenues and Expenses		**320.3**	277.7	**282.2**	237.8
Add:					
Issue of Preference Share Capital	24	**-**	200.0	**-**	200.0
Less:					
Ordinary Dividends		**25.0**	195.0	**25.0**	195.0
Perpetual Preference Dividends		**9.7**	5.6	**9.7**	5.6
Total Dividends	9 & 27	**34.7**	200.6	**34.7**	200.6
Total Shareholder's Equity at End of Year		**1,595.5**	1,309.9	**1,460.4**	1,212.9

These statements are to be read in conjunction with the notes on pages 12 to 43 and the Auditor's Report on page 48.

Statement of Financial Position

$ millions		Consolidated		Parent	
As at 30 June	Note	**2004**	2003	**2004**	2003
ASSETS					
Cash and Liquid Assets	10	**74.6**	87.7	**74.5**	87.6
Due from Other Banks	11	**1,355.3**	1,571.1	**989.9**	588.1
Investment Securities	12	**440.1**	496.1	-	-
Other Securities	12	**2,128.5**	2,820.0	**1,730.9**	2,420.0
Advances	13	**28,788.8**	22,297.4	**27,722.0**	21,034.0
		32,787.3	27,272.3	**30,517.3**	24,129.7
Less: General Provision for Bad and Doubtful Debts	14	**108.0**	88.8	**106.1**	85.5
		32,679.3	27,183.5	**30,411.2**	24,044.2
Due from Associates and Subsidiaries	15	**-**	-	**1,575.2**	1,829.2
Investments in Associates and Subsidiaries	16	**0.1**	0.1	**809.5**	1,423.2
Property, Plant and Equipment	17	**154.0**	196.7	**144.4**	119.4
Other Assets	18	**199.9**	150.0	**146.7**	94.9
Deferred Taxation Benefit	19	**14.4**	7.6	**13.6**	8.1
Total Assets		**33,047.7**	27,537.9	**33,100.6**	27,519.0
Total Interest Earning and Discount Bearing Assets		***32,712.8***	*27,184.9*	***32,010.6***	*25,861.4*
Financed by:					
LIABILITIES					
Deposits and Other Borrowings					
Deposits	20	**26,394.6**	21,125.4	**26,394.6**	21,125.4
Due to Other Banks	21	**4,437.4**	4,495.1	**4,431.5**	4,486.8
Other Liabilities					
Due to Associates and Subsidiaries		**0.2**	-	**221.1**	133.3
Other Current Liabilities	22	**368.9**	356.5	**341.9**	309.6
		31,201.1	25,977.0	**31,389.1**	26,055.1
Subordinated Debt	23	**251.1**	251.0	**251.1**	251.0
Total Liabilities		**31,452.2**	26,228.0	**31,640.2**	26,306.1
SHAREHOLDER'S EQUITY					
Contributed Capital - Ordinary Shareholder	24	**323.1**	323.1	**323.1**	323.1
Asset Revaluation Reserves	25	**16.6**	4.1	**14.2**	10.9
Other Reserves	26	**-**	0.3	**-**	-
Accumulated Surplus	27	**1,055.8**	782.4	**923.1**	678.9
Ordinary Shareholder's Equity		**1,395.5**	1,109.9	**1,260.4**	1,012.9
Contributed Capital - Perpetual Preference Shareholder	24	**200.0**	200.0	**200.0**	200.0
Total Shareholder's Equity		**1,595.5**	1,309.9	**1,460.4**	1,212.9
Total Liabilities and Shareholder's Equity		**33,047.7**	27,537.9	**33,100.6**	27,519.0
Total Interest and Discount Bearing Liabilities		***29,806.6***	*24,817.4*	***29,816.1***	*24,833.9*

These statements are to be read in conjunction with the notes on pages 12 to 43 and the Auditor's Report on page 48.

Statement of Cash Flows

$ millions		Consolidated		Parent	
For the year ended 30 June	Note	**2004**	2003	**2004**	2003
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Interest Received		**2,075.2**	1,871.5	**1,952.8**	1,700.4
Other Income Received		**229.3**	226.6	**269.7**	310.2
		2,304.5	2,098.1	**2,222.5**	2,010.6
Cash was applied to:					
Interest Paid		**1,410.6**	1,262.3	**1,393.2**	1,219.9
Operating Expenses		**398.7**	354.6	**431.2**	371.1
Net Taxation Paid / (Received)		**91.8**	4.9	**19.1**	(44.2)
Payments to Related Parties for Tax Related Items		**74.3**	111.3	**63.4**	102.3
		1,975.4	1,733.1	**1,906.9**	1,649.1
Net Cash Flows from Operating Activities	28	**329.1**	365.0	**315.6**	361.5
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Sale of Property, Plant and Equipment		**71.0**	-	**1.5**	-
Due from Associates and Subsidiaries		**-**	-	**352.7**	1.9
Securities		**754.8**	(931.6)	**696.3**	(935.6)
Due from Other Banks (Term)		**194.1**	944.0	**(405.8)**	922.1
Sale of Investment in Associates and Subsidiaries		**-**	4.7	**600.0**	4.7
		1,019.9	17.1	**1,244.7**	(6.9)
Cash was applied to:					
Net Increase in:					
Advances		**6,507.5**	3,315.4	**6,704.1**	3,338.8
Purchase of Listed Company Shares		**27.3**	-	**27.3**	-
Purchase of Property, Plant and Equipment		**55.3**	30.6	**55.0**	30.8
		6,590.1	3,346.0	**6,786.4**	3,369.6
Net Cash Flows from Investing Activities		**(5,570.2)**	(3,328.9)	**(5,541.7)**	(3,376.5)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Net Increase in:					
Deposits		**5,298.9**	2,886.6	**5,298.9**	2,912.4
Preference Share Capital		**-**	200.0	**-**	200.0
		5,298.9	3,086.6	**5,298.9**	3,112.4
Cash was applied to:					
Dividends Paid		**34.7**	199.3	**34.7**	199.3
Due to Other Banks (Term)		**53.0**	(113.5)	**50.5**	(117.4)
		87.7	85.8	**85.2**	81.9
Net Cash Flows from Financing Activities		**5,211.2**	3,000.8	**5,213.7**	3,030.5
SUMMARY OF MOVEMENTS IN CASH FLOWS					
Net (Decrease) / Increase in Cash and Cash Equivalents		**(29.9)**	36.9	**(12.4)**	15.5
Add: Cash and Cash Equivalents at Beginning of Year		**113.6**	76.7	**80.6**	65.1
Cash and Cash Equivalents at End of Year	29	**83.7**	113.6	**68.2**	80.6

These statements are to be read in conjunction with the notes on pages 12 to 43 and the Auditor's Report on page 48.

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 is 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 less Specific Provisions.

(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 from / to Other Banks

Due from / to 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 consist 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.

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 Associates and Subsidiaries

Investments in Associates and Subsidiaries 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	10-100 years
Furniture and Fittings	5-25 years
Computer Equipment, Software and Office Equipment	3-10 years
Other Property, Plant and Equipment	2-25 years

(l) Deposits

Deposits cover all forms of funding from customers including transactional and savings accounts, term deposits, certificates of deposit and issued paper, and credit balances on cards. Certificates of deposit and issued paper 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 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 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.

(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 33, 38, 39 and 46.

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 from / to Associates and Subsidiaries

For Advances and Amounts Due from / to 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 this calculation 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 from / to Other Banks, Advances, Deposits and amounts Due from / to 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 consists 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 comparative amounts for the Interest Rate Repricing schedules (refer to Note 38) have been restated to move specific assets to the time band that best reflects the contractual repricing date of the asset.

Net Interest Margin on Interest Rate Swaps is now reported in Interest Expense. Comparatives have been restated in Note 3.

Credit Exposures to Connected Persons and Non-Bank Connected Persons are now calculated on an actual credit exposure basis. Comparatives have been restated in Note 45.

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

$ millions	Consolidated 2004	Consolidated 2003	Parent 2004	Parent 2003

2. INTEREST INCOME

Advances	**1,908.5**	1,710.2	**1,768.3**	1,518.9
Investment Securities	**48.9**	51.4	**-**	-
Other Securities	**140.6**	136.8	**119.6**	134.9
Associates and Subsidiaries	**-**	-	**85.8**	75.7
Other	**0.7**	0.9	**0.7**	0.9
Total Interest Income	**2,098.7**	1,899.3	**1,974.4**	1,730.4
New Zealand Government and Local Authority Securities Income (included in above figures)	***2.3***	*21.0*	***2.3***	*21.0*

Interest Income on Advances includes interest earned on Impaired Assets of $2.3m for consolidated (30 June 2003 $3.1m) and $2.1m for parent (30 June 2003 $3.0m).

Within Investment Securities (refer to Note 12), deposits have been set-off against Interest Bearing Debentures and Floating Rate Notes.

Investment Securities				
Interest Bearing Debentures (Inclusive of Imputation Credits)	**28.9**	39.9	**-**	-
Floating Rate Notes	**29.8**	20.9	**-**	-
Less: Interest on Related Deposits	**41.1**	40.6	**-**	-
	17.6	20.2	**-**	-
Other Investment Securities Income	**31.3**	31.2	**-**	-
Total Investment Securities Income	**48.9**	51.4	**-**	-
Interest Rates				
Interest Bearing Debentures (Inclusive of Imputation Credits)	**8.88%**	8.88%	**-**	-
Floating Rate Notes	**7.43%**	7.43%	**-**	-
Related Deposits	**6.73%**	6.72%	**-**	-

Within Due from Associates and Subsidiaries (refer to Note 15), deposits have been set-off against redeemable preference shares.

Associates and Subsidiaries				
Redeemable Preference Shares Dividend Income	**-**	-	**39.3**	41.1
Less: Interest on Related Deposits	**-**	-	**41.1**	40.6
	-	-	**(1.8)**	0.5
Other Income from Associates and Subsidiaries	**-**	-	**87.6**	75.2
Total Associates and Subsidiaries Income	**-**	-	**85.8**	75.7
Interest Rates				
Redeemable Preference Shares Dividend Income	**-**	-	**5.41%**	5.41%
Related Deposits	**-**	-	**6.80%**	6.82%

3. INTEREST EXPENSE

Certificates of Deposit and Issued Paper	**134.4**	117.3	**134.4**	115.3
Retail Term Deposits	**420.2**	409.7	**420.2**	409.7
Other Deposits Bearing Interest	**839.4**	737.6	**836.5**	738.0
Associates and Subsidiaries	**-**	-	**1.3**	0.7
Subordinated Debt	**17.1**	17.8	**17.1**	17.8
Total Interest Expense	**1,411.1**	1,282.4	**1,409.5**	1,281.5

	Consolidated		Parent	
$ millions	**2004**	2003	**2004**	2003

4. DISCONTINUED ACTIVITIES

On 1 July 2003, the Bank sold 100% of the share capital in ASB Investments Limited to ASB Group (Life) Limited. Subsequent to the sale, the name was changed to ASB Group Investments Limited.

The Bank previously provided administration services in connection with the following activities of ASB Investments Limited:

The Banking Group was the manager for the ASB Unit Trusts. Total Unitholders' Funds under Management by the Banking Group as at 30 June 2004 were Nil (30 June 2003 $1,006.1m).

The Banking Group was the Trustee for the ASB Easyplan Retirement Savings Scheme. Total Members' Funds under Management by the Banking Group as at 30 June 2004 were Nil (30 June 2003 $294.4m).

The Banking Group was also the Trustee for the ASB Superannuation Master Trust Scheme. Total Members' Funds under Management by the Banking Group as at 30 June 2004 were Nil (30 June 2003 $72.8m).

The products of ASB Group Investments Limited continue to be marketed through the Bank's branch network.

5. OTHER INCOME

Lending and Credit Facility Related Fees	**53.7**	53.1	**53.9**	54.0
Other Fees	**136.1**	126.0	**128.8**	105.6
Net Foreign Exchange Earnings and Commissions	**29.0**	28.7	**28.1**	28.2
Trading Gains	**17.7**	18.7	**17.4**	18.1
Rent	**3.8**	6.9	**0.8**	0.8
Other Income from Associates and Subsidiaries	**-**	-	**-**	13.7
Net Capital Gain	**3.2**	0.1	**0.4**	0.9
Dividends Received	**1.2**	-	**47.0**	82.0
Other	**4.5**	0.4	**4.5**	0.6
Total Other Income	**249.2**	233.9	**280.9**	303.9

6. OPERATING EXPENSES DISCLOSURES

Depreciation - Buildings	**8.0**	9.3	**6.7**	6.7
Depreciation - Furniture and Fittings	**4.9**	5.0	**4.5**	4.3
Depreciation - Computer Equipment, Software and Office Equipment	**20.8**	18.5	**20.7**	18.3
Depreciation - Other Property, Plant and Equipment	**-**	-	**-**	-
Total Depreciation	**33.7**	32.8	**31.9**	29.3
Operating Lease Rentals	**34.1**	33.5	**32.9**	32.2
Directors' Fees and Allowances	**0.3**	0.3	**0.3**	0.3
Net Losses on Sale of Property, Plant and Equipment	**0.4**	0.8	**0.4**	0.8

7. AUDITOR'S REMUNERATION

Auditing Services	**0.4**	-	**0.4**	-
Other Services	**-**	0.1	**-**	0.1

Ernst & Young is the appointed auditor of the Banking Group. In previous years the Banking Group's audit fee was paid by the Bank's ultimate parent bank, Commonwealth Bank of Australia.

$ millions	Consolidated 2004	Consolidated 2003	Parent 2004	Parent 2003
8. TAXATION				
Net Surplus before Taxation	**469.6**	418.8	**360.4**	303.1
Permanent Differences:				
Net Capital Loss / (Gain)	**1.6**	-	**0.2**	(0.6)
Change in General Provision for Doubtful Debts	**19.1**	19.6	**20.6**	20.2
Exempt Dividend Income	**-**	-	**(134.8)**	(125.0)
Other	**(27.3)**	(11.7)	**1.2**	0.1
	463.0	426.7	**247.6**	197.8
The current tax rate @ 33c gives the Statement of Financial Performance Income Tax Expense	**152.8**	140.8	**81.7**	65.3
Income Tax Expense is comprised of:				
Current Taxation	**159.6**	141.3	**87.2**	65.0
Deferred Taxation	**(6.8)**	(0.5)	**(5.5)**	0.3
	152.8	140.8	**81.7**	65.3
9. DIVIDENDS				
Ordinary Dividends	**25.0**	195.0	**25.0**	195.0
Perpetual Preference Dividends	**9.7**	5.6	**9.7**	5.6
Total Dividends	**34.7**	200.6	**34.7**	200.6
10. CASH AND LIQUID ASSETS				
Cash and Cash at Bank	**30.6**	49.8	**30.5**	49.7
Cash in Transit	**44.0**	37.6	**44.0**	37.6
Call Deposits with Central Banks	**-**	0.3	**-**	0.3
Total Cash and Liquid Assets	**74.6**	87.7	**74.5**	87.6
11. DUE FROM OTHER BANKS				
Call Deposits	**20.2**	41.8	**4.8**	8.9
Term Deposits	**1,335.1**	1,529.3	**985.1**	579.2
Total Due from Other Banks	**1,355.3**	1,571.1	**989.9**	588.1

$ millions	Consolidated 2004	Consolidated 2003	Parent 2004	Parent 2003
12. SECURITIES				
Investment Securities				
Interest Bearing Debentures	**324.2**	324.2	**-**	-
Less: Related Deposit	**306.0**	284.3	**-**	-
Net Amount	**18.2**	39.9	**-**	-
Floating Rate Notes	**400.0**	400.0	**-**	-
Less: Related Deposit	**323.7**	304.3	**-**	-
Net Amount	**76.3**	95.7	**-**	-
Other Investment Securities	**345.6**	360.5	**-**	-
Total Investment Securities	**440.1**	496.1	**-**	-
Other Securities				
Local Authority Securities	**7.3**	3.9	**7.3**	3.9
New Zealand Government Securities	**23.6**	151.4	**23.6**	151.4
Treasury Bills	**570.0**	521.2	**570.0**	521.2
Other Securities	**1,527.6**	2,143.5	**1,130.0**	1,743.5
Total Other Securities	**2,128.5**	2,820.0	**1,730.9**	2,420.0

Both the Interest Bearing Debentures and the Related Deposit mature in 2005. On maturity, the value of the Related Deposit with capitalised interest will amount to $324.2m. The Banking Group has entered into agreements such that, on maturity, the debentures will be used to extinguish the liability under the Related Deposit.

The Banking Group has also entered into agreements for the forward sale on or prior to December 2007 of its interest in the subsidiary that owns the Floating Rate Note investment. Under the terms of the agreement, amounts outstanding on the deposit will be deducted from the sale proceeds.

13. ADVANCES

$ millions	Consolidated 2004	Consolidated 2003	Parent 2004	Parent 2003
Loans and Other Receivables	**28,797.6**	22,306.9	**27,730.8**	21,043.2
Less: Specific Provisions for Bad and Doubtful Debts	**8.8**	9.5	**8.8**	9.2
Total Advances	**28,788.8**	22,297.4	**27,722.0**	21,034.0

$ millions	Consolidated 2004	Consolidated 2003	Parent 2004	Parent 2003
14. DEBT PROVISIONS				
General Provision for Bad and Doubtful Debts				
Balance at Beginning of Year	**88.8**	71.3	**85.5**	65.3
Charged to Statement of Financial Performance	**22.3**	23.4	**23.7**	23.9
Less: Opening Balance in Subsidiary Sold during the Year	**-**	2.1	**-**	-
Bad Debts Recovered	**4.5**	4.0	**4.5**	4.0
	115.6	96.6	**113.7**	93.2
Less: Bad Debts Written Off	**7.6**	7.8	**7.6**	7.7
Balance at End of Year	**108.0**	88.8	**106.1**	85.5
Specific Provisions for Bad and Doubtful Debts				
Balance at Beginning of Year	**9.5**	6.8	**9.2**	6.1
Charged to Statement of Financial Performance				
New Provisions	**0.3**	2.6	**0.3**	1.9
Less: Amounts Recovered	**1.8**	1.2	**1.7**	0.5
Less: Advances Written Off	**0.7**	0.5	**0.5**	0.5
Less: Other Movements	**-**	0.4	**-**	-
Add: Increase in Bulk Provisions	**1.5**	2.2	**1.5**	2.2
Balance at End of Year	**8.8**	9.5	**8.8**	9.2
Total Debt Provisions	**116.8**	98.3	**114.9**	94.7
Debt Provisions Expense charged to the Statement of Financial Performance				
General Provision	**22.3**	23.4	**23.7**	23.9
Specific Provisions	**(1.5)**	1.4	**(1.4)**	1.4
Total Debt Provisions Expense charged to the Statement of Financial Performance	**20.8**	24.8	**22.3**	25.3

As at 30 June 2004 the Specific Provisions were comprised of:

(a) Bulk provisions of $8.5m (30 June 2003 $7.0m) for both consolidated and parent; and

(b) Provisions relating to non-accrual loans of $0.3m (30 June 2003 $2.5m) for consolidated and $0.3m (30 June 2003 $2.2m) for parent.

15. DUE FROM ASSOCIATES AND SUBSIDIARIES

Redeemable Preference Shares	Consolidated 2004	Consolidated 2003	Parent 2004	Parent 2003
Redeemable Preference Shares maturing in 2005	**-**	-	**324.2**	324.2
Less: Related Deposit	**-**	-	**300.8**	279.5
Net Amount	**-**	-	**23.4**	44.7
Redeemable Preference Shares maturing in 2007	**-**	-	**400.0**	400.0
Less: Related Deposit	**-**	-	**319.1**	300.0
Net Amount	**-**	-	**80.9**	100.0
Other Amounts Due from Associates and Subsidiaries	**-**	-	**1,470.9**	1,684.5
Total Amounts Due from Associates and Subsidiaries	**-**	-	**1,575.2**	1,829.2

The Bank has invested in redeemable preference shares and has also received deposits from various subsidiaries. On maturity the value of the Related Deposits and capitalised interest will equate to the value of the total Redeemable Preference Shares. There are offset agreements between the parties.

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 December
Subsidiaries			
ASB Finance Limited	100	Finance	30 June
ASB Management Services Limited	100	Management and Payment Services	30 June
ASB Nominees Limited	100	Nominee Company	30 June
ASB Properties Limited	100	Property and Investment	30 June
ASB Securities Limited	100	Sharebroking	30 June
ASB 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 (in liquidation)	100	Finance	30 June
IDDI (No.2) Limited (in liquidation)	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	Finance	30 November
McCaig Investments Limited	100	Finance	30 June
Netbills Limited	100	Bill Processing	30 June
Riley International Limited	100	Finance	30 June
Riley Investments Limited	100	Finance	30 June
SR Edinburgh Limited	25	Finance	31 December
St Giles Investments Limited	100	Finance	30 June
Stockbridge Holdings Limited	100	Finance	30 June
Waterloo & Victoria Limited	75	Finance	30 June
Whitcomb Company	99	Finance	31 December

All subsidiaries were incorporated in New Zealand except for LB Alpha Finance Cayman Limited, SR Edinburgh Limited and Waterloo & Victoria Limited, which were incorporated in the Cayman Islands.

Shares owned in both LB Alpha Finance Cayman Limited and SR Edinburgh Limited carry 75% of the voting rights. LB Alpha Finance Cayman Limited and SR Edinburgh Limited are consolidated as subsidiaries as the Banking Group has the ability to obtain a significant level of ownership benefits from its investment in these companies.

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

IDDI (No.1) Limited and IDDI (No.2) Limited were not consolidated into the Banking Group's financial statements as they were placed in liquidation on 25 May 2004. This did not result in any change to the net assets of the Banking Group.

The Companies Office has given exemptions for LB Alpha Finance Cayman Limited, SR Edinburgh Limited and Whitcomb Company to maintain balance dates different to that of the Bank.

Acquisitions and Disposals

On 1 July 2003, ASB Investments Limited was sold to ASB Group (Life) Limited.

Stockbridge Holdings Limited was incorporated on 14 July 2003 and SR Edinburgh Limited was acquired on 30 July 2003 resulting in an increase of $400.0m to the net assets of the Banking Group.

The investment in Silver Fern Investments Limited was sold on 19 September 2003 resulting in a decrease of $600.0m to the net assets of the Banking Group.

$ millions		Consolidated 2004	Consolidated 2003	Parent 2004	Parent 2003

17. PROPERTY, PLANT AND EQUIPMENT

$ millions		Consolidated 2004	Consolidated 2003	Parent 2004	Parent 2003
Land	Freehold	**12.7**	16.8	**11.7**	9.1
Buildings	Freehold	**31.2**	90.2	**21.9**	21.5
	Leasehold	**79.1**	71.8	**70.5**	63.1
	Less: Accumulated Depreciation	**58.4**	52.2	**48.0**	42.3
		51.9	109.8	**44.4**	42.3
Furniture and Fittings		**75.7**	71.3	**67.4**	60.9
	Less: Accumulated Depreciation	**50.5**	47.6	**43.1**	39.1
		25.2	23.7	**24.3**	21.8
Computer Equipment, Software and Office Equipment		**213.8**	181.1	**212.9**	180.2
	Less: Accumulated Depreciation	**149.7**	134.7	**149.0**	134.0
		64.1	46.4	**63.9**	46.2
Other Property, Plant and Equipment		**0.3**	0.2	**0.3**	0.2
	Less: Accumulated Depreciation	**0.2**	0.2	**0.2**	0.2
		0.1	-	**0.1**	-
Total Property, Plant and Equipment		**154.0**	196.7	**144.4**	119.4

The total of the latest Government valuations of the consolidated Freehold Land and Buildings amounted to $20.3m (30 June 2003 $95.6m). The cost of additions subsequent to those valuations amounted to $1.2m (30 June 2003 $0.8m).

18. OTHER ASSETS

$ millions	Consolidated 2004	Consolidated 2003	Parent 2004	Parent 2003
Interest Receivable Accrued	**78.0**	75.9	**69.7**	57.7
Listed Company Shares	**27.3**	-	**27.3**	-
Other Current Assets	**94.6**	74.1	**49.7**	37.2
Total Other Assets	**199.9**	150.0	**146.7**	94.9

Listed Company Shares are shown net of offsetting equity derivatives. The value of these equity derivatives is shown in Note 46.

19. DEFERRED TAXATION BENEFIT

$ millions	Consolidated 2004	Consolidated 2003	Parent 2004	Parent 2003
Balance at Beginning of Year	**7.6**	7.1	**8.1**	8.4
Net Movements in Timing Differences During the Year	**6.8**	0.5	**5.5**	(0.3)
Balance at End of Year	**14.4**	7.6	**13.6**	8.1
The Deferred Taxation Benefit relates to:				
Specific Provisions for Bad and Doubtful Debts	**1.1**	1.8	**1.1**	1.7
Depreciation	**4.5**	-	**3.7**	2.7
Other	**8.8**	5.8	**8.8**	3.7
Total Deferred Taxation Benefit	**14.4**	7.6	**13.6**	8.1

20. DEPOSITS

$ millions	Consolidated 2004	Consolidated 2003	Parent 2004	Parent 2003
Certificates of Deposit and Issued Paper	**7,643.8**	4,328.2	**7,643.8**	4,328.2
Retail Term Deposits	**8,623.3**	7,695.4	**8,623.3**	7,695.4
Other Deposits Bearing Interest	**8,851.0**	8,047.7	**8,851.0**	8,047.7
Deposits Not Bearing Interest	**1,276.5**	1,054.1	**1,276.5**	1,054.1
Total Deposits	**26,394.6**	21,125.4	**26,394.6**	21,125.4

	Consolidated		Parent	
$ millions	**2004**	2003	**2004**	2003

21. DUE TO OTHER BANKS

Call Deposits	**11.1**	15.9	**11.1**	15.9
Term Deposits	**4,426.3**	4,479.2	**4,420.4**	4,470.9
Total Due to Other Banks	**4,437.4**	4,495.1	**4,431.5**	4,486.8

22. OTHER CURRENT LIABILITIES

Interest Payable Accrued	**200.0**	176.6	**200.2**	176.6
Employee Entitlements	**33.6**	29.2	**33.6**	29.2
Provision for Income Tax Expense	**19.8**	35.8	**6.6**	2.0
Trade Accounts Payable and Other Liabilities	**115.5**	114.9	**101.5**	101.8
Total Other Current Liabilities	**368.9**	356.5	**341.9**	309.6

23. SUBORDINATED DEBT

The Subordinated Debt is subordinate to all other general liabilities of the Bank. All Subordinated Debt is denominated in New Zealand dollars.

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

Face Value	Terms	Callable	Maturity
$100.0m	Coupon rate of 8.3% until 15 December 2004, after which the rate will be reset against the three month Bank Bill benchmark rate.	15 December 2004	15 December 2009
$100.0m	Coupon rate which is reset against the three month Bank Bill benchmark rate.	30 August 2005	30 August 2010
$50.0m	Coupon rate which is reset against the three month Bank Bill benchmark rate.	28 June 2006	28 June 2011

24. CONTRIBUTED CAPITAL

323,121,300 Ordinary Shares	**323.1**	323.1	**323.1**	323.1
200,000,000 Perpetual Preference Shares	**200.0**	200.0	**200.0**	200.0
Total Contributed Capital	**523.1**	523.1	**523.1**	523.1

Ordinary Shares

All Ordinary Shares have equal voting rights and share equally in dividends and any surplus on winding up, after the obligations to holders of ASB Perpetual Preference Shares are satisfied.

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

Perpetual Preference Shares

The Bank issued 200,000,000 Perpetual Preference Shares to its immediate parent, ASB Group (Holdings) Limited on 10 December 2002 as part of a transaction with ASB Capital Limited. ASB Capital Limited is a subsidiary of CBA Funding (NZ) Limited which is ultimately owned by Commonwealth Bank of Australia.

Under the transaction, ASB Capital Limited advanced proceeds received from a public issue of the company's Perpetual Preference Shares to ASB Group (Holdings) Limited. ASB Group (Holdings) Limited in turn invested the proceeds in Perpetual Preference Shares issued by the Bank.

ASB Group (Holdings) Limited, New Zealand Guardian Trust Company Limited (the "Trustee") and ASB Capital Limited are party to a Trust Deed whereby ASB Group (Holdings) Limited provides covenants to the Trustee for the benefit of holders of the ASB Capital Limited Perpetual Preference Shares and grants security over the ASB Bank Perpetual Preference Shares in favour of the Trustee.

The Perpetual Preference Shares are non-redeemable and carry limited voting rights.

The dividend payable is based on the one year swap rate, plus a margin of 1.30%. The Gross Dividend paid on the Perpetual Preference Shares on 17 November 2003 was 7.40% per annum. Rates are reset annually on 15 November or the proceeding business day. The rate was reset on 17 November 2003 to 7.12% per annum. The next dividend reset date is 15 November 2004.

Dividends are payable quarterly in arrears and are non-cumulative.

In the event of the liquidation of the Bank the payment of the issue price and cumulative dividends on the Perpetual Preference Shares ranks:

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

	Consolidated		Parent	
$ millions	**2004**	2003	**2004**	2003
25. ASSET REVALUATION RESERVES				
Total Asset Revaluation Reserves at Beginning of Year	**4.1**	4.7	**10.9**	10.9
Revaluations / (Devaluations)	**3.8**	(0.6)	**3.5**	-
Transferred from / (to) Accumulated Surplus	**8.7**	-	**(0.2)**	-
Total Asset Revaluation Reserves at End of Year	**16.6**	4.1	**14.2**	10.9
26. OTHER RESERVES				
Other Reserves at Beginning of Year	**0.3**	-	**-**	-
Movement during the Year	**(0.3)**	0.3	**-**	-
Other Reserves at End of Year	**-**	0.3	**-**	-
27. ACCUMULATED SURPLUS				
Total Accumulated Surplus at Beginning of Year	**782.4**	705.0	**678.9**	641.7
Net Surplus after Taxation	**316.8**	278.0	**278.7**	237.8
Less:				
Ordinary Dividends	**25.0**	195.0	**25.0**	195.0
Perpetual Preference Dividends	**9.7**	5.6	**9.7**	5.6
Transfer to / (from) Asset Revaluation Reserves	**8.7**	-	**(0.2)**	-
Total Accumulated Surplus at End of Year	**1,055.8**	782.4	**923.1**	678.9
28. RECONCILIATION OF NET SURPLUS AFTER TAXATION TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Net Surplus after Taxation	**316.8**	278.0	**278.7**	237.8
Add: Movements in Balance Sheet Items				
Interest Receivable Accrued - Increase	**(14.0)**	(14.8)	**(21.6)**	(30.1)
Interest Payable Accrued - Increase	**0.5**	20.1	**16.3**	61.7
Other Income Accrued - (Increase) / Decrease	**(16.8)**	(7.4)	**(10.8)**	6.9
Operating Expenses Accrued - Increase / (Decrease)	**9.2**	15.1	**(4.8)**	19.2
Taxation Balances - (Decrease) / Increase	**(22.8)**	11.5	**(0.8)**	7.2
	(43.9)	24.5	**(21.7)**	64.9
Add: Non-Cash Items				
Bad and Doubtful Debts	**25.3**	28.8	**26.7**	29.3
Depreciation	**33.7**	32.8	**31.9**	29.3
Capital Loss / (Gain) on Sale of Shares in Associates and Subsidiaries	**-**	0.1	**-**	(0.6)
Net (Gain) / Loss on Sale of Property, Plant and Equipment	**(2.8)**	0.8	**-**	0.8
	56.2	62.5	**58.6**	58.8
Net Cash Flows from Operating Activities	**329.1**	365.0	**315.6**	361.5

$ millions	Consolidated 2004	Consolidated 2003	Parent 2004	Parent 2003

29. RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF FINANCIAL POSITION

$ millions	Consolidated 2004	Consolidated 2003	Parent 2004	Parent 2003
Cash and Liquid Assets	**74.6**	87.7	**74.5**	87.6
Call Deposits Due from Other Banks	**20.2**	41.8	**4.8**	8.9
Call Deposits Due to Other Banks	**(11.1)**	(15.9)	**(11.1)**	(15.9)
Total Cash and Cash Equivalents at End of Year	**83.7**	113.6	**68.2**	80.6

30. IMPUTATION & POLICYHOLDER CREDIT ACCOUNTS

Imputation Credit Account

$ millions	Consolidated 2004	Consolidated 2003	Parent 2004	Parent 2003
Balance at Beginning of Year	**(3.1)**	16.5	**-**	-
Income Tax Paid / (Received)	**28.9**	(40.6)	**-**	-
Imputation Credits Attached to Dividends Received	**28.1**	15.2	**-**	-
Less: Imputation Credits Attached to Dividends Paid	**36.2**	96.9	**-**	-
Add: Imputation Credits Transferred from Policyholder Credit Account	**-**	102.7	**-**	-
Balance at End of Year	**17.7**	(3.1)	**-**	-

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

$ millions	Consolidated 2004	Consolidated 2003	Parent 2004	Parent 2003
Balance at Beginning of Year	**-**	102.7	**-**	-
Less: Transfer to Imputation Credit Account During the Year	**-**	102.7	**-**	-
Balance at End of Year	**-**	-	**-**	-

In the consolidated tax group, one of the fellow subsidiary companies (Sovereign Group Limited) was a life insurance company which gave rise to a tax group Policyholder Credit Account. Sovereign Group Limited ceased to be a life insurance company on 27 June 2003 and the tax group no longer has a Policyholder Credit Account.

31. RELATED PARTY TRANSACTIONS AND BALANCES

During the year ended 30 June 2004, 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 an arms length basis and on normal commercial terms, 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 2004 does not add any useful information, with the exception of:

Commonwealth Bank of Australia provides guarantees over various lending offered by the Bank to the value of $30.0m (30 June 2003 $465.0m). During the year payments of $0.2m (30 June 2003 $0.7m) were made to Commonwealth Bank of Australia with respect to these guarantees.

Unrealised gains / (losses) on hedges held with the Commonwealth Bank Group were $13.4m (30 June 2003 ($30.2m)), the Commonwealth Bank of Australia New Zealand Life Insurance Group ($0.3m) (30 June 2003 ($2.2m)) and the Trusts managed or administered by the Commonwealth Bank of Australia New Zealand Life Insurance Group $0.5m (30 June 2003 $0.7m).

Payments of $74.3m (30 June 2003 $111.3m) were made between the Bank and Related Parties, relating to the utilisation of tax related items.

A payment of $9.1m (30 June 2003 $6.6m) was made to the Commonwealth Bank of Australia New Zealand Life Insurance Group for the origination of mortgages.

A payment of $3.8m (30 June 2003 $4.8m) was made to Commonwealth Bank Group for leasing of equipment.

A payment of $1.0m (30 June 2003 $1.6m) was made to Commonwealth Bank Group for arrangement fees.

31. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Receipts of $5.9m (30 June 2003 $0.8m) were received from the Commonwealth Bank of Australia New Zealand Life Insurance Group, for administrative functions provided by the Bank.

Receipts of $11.4m (30 June 2003 $11.2m) were received from the Commonwealth Bank of Australia New Zealand Life Insurance Group, for insurance commission and profit share.

Receipts of $18.3m (30 June 2003 Nil) were received from the Commonwealth Bank of Australia New Zealand Life Insurance Group, for distribution of fund management services.

Commonwealth Bank of Australia New Zealand Life Insurance Group manages and administers a number of Superannuation, Unit and Other Trusts. These trusts hold some of their funds with the Bank. Total deposits held with the Bank as at 30 June 2004 were $548.2m (30 June 2003 $557.9m). These deposits are held on normal commercial terms and conditions.

Dealings with Directors and Parties Related to Directors: Payments of $0.7m (30 June 2003 $0.4m) were made to Research Solutions Limited for services rendered.

In addition, the Bank provides administrative functions to some subsidiaries and related companies for which no payments have been made.

	2004		2003	
$ millions	**Assets**	**Liabilities**	Assets	Liabilities
Related Party Balances				
Commonwealth Bank Group (100% Ultimate Shareholder)	**46.3**	**4,561.1**	6.8	4,666.7
Commonwealth Bank of Australia New Zealand Life Insurance Group (Subsidiaries of Commonwealth Bank Group)	**27.0**	**253.5**	8.5	270.0
ASB Holdings Limited (100% Ultimate New Zealand Shareholder)	**-**	**9.4**	-	8.9
ASB Group (Holdings) Limited (100% Immediate New Zealand Shareholder)	**-**	**26.0**	-	175.6
ASB Group Limited (Subsidiary of Commonwealth Bank Group)	**-**	**18.8**	0.9	15.1
ASB Bank Provident Savings Fund (Staff Superannuation Scheme)	**-**	**0.1**	-	0.1
Body Corporate 135 Albert Street (Management of ASB BANK Centre)	**-**	**-**	0.2	0.4

Commonwealth Bank of Australia New Zealand Life Insurance Group includes Colonial Group and ASB Group (Life) Limited Group of Companies. Body Corporate ceased to be a related party of the Bank from 5 December 2003.

Off Balance Sheet Items

As at 30 June 2004 the Bank had in place interest rate swaps with the Commonwealth Bank Group with a face value of $2,360.1m (30 June 2003 $2,750.4m), currency swaps with a face value of $1,161.2m (30 June 2003 $838.5m), forward exchange contracts with a face value of $420.8 (30 June 2003 $619.9m) and forward rate agreements with a face value of $1,000.0m (30 June 2003 Nil).

The Bank had forward exchange contracts with Trusts managed or administered by the Commonwealth Bank of Australia New Zealand Life Insurance Group with a face value of $259.6m (30 June 2003 $229.6m). The Bank had foreign exchange contracts with the ASB Group (Life) Limited Group of Companies with a face value of $87.4m (30 June 2003 $75.2m).

32. LOANS TO / DEPOSITS FROM DIRECTORS

Loans to Directors

As at 30 June 2004 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 $5.4m (30 June 2003 $4.7m).

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 were between 5.99% and 18.75%. Terms of repayment range between variable, fixed rates up to four years, and interest only loans, all of which have been in accordance with the Bank's lending policies.

Directors: G.H. Burrett, P.S. Hall, G.J. Judd, 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 Banking Group to Directors as at 30 June 2004 was $1.4m (30 June 2003 $1.4m). The amount payable consists of savings, cheque, term investments and cash management balances, all lodgements being made and conducted on an arm's length basis in the normal course of business and on commercial terms and conditions.

Interest rates are from 0% to 5.1%, terms of repayment ranging between on call and six months.

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

33. CONTINGENT LIABILITIES, CREDIT AND CAPITAL COMMITMENTS

$ millions	2004 Notional Amount	2004 Credit Equivalent	2003 Notional Amount	2003 Credit Equivalent
(a) Credit and Capital Commitments		**Consolidated**		
Lending Commitments Approved but Not Yet Advanced	**5,233.8**	**625.4**	4,355.1	662.7
Capital Expenditure Commitments	**7.5**	**7.5**	24.5	24.5
Total Credit and Capital Commitments	**5,241.3**	**632.9**	4,379.6	687.2
Credit and Capital Commitments		**Parent**		
Lending Commitments Approved but Not Yet Advanced	**5,263.8**	**625.4**	4,769.2	656.8
Capital Expenditure Commitments	**7.5**	**7.5**	24.5	24.5
Total Credit and Capital Commitments	**5,271.3**	**632.9**	4,793.7	681.3
(b) Contingent Liabilities		**Consolidated**		
Guarantees	**30.4**	**30.4**	0.4	0.4
Standby Letters of Credit	**61.5**	**61.5**	66.8	66.8
Other Credit Facilities	**31.6**	**10.6**	27.3	8.8
Other Contingent Liabilities	**69.7**	**34.8**	2.9	1.5
Total Contingent Liabilities	**193.2**	**137.3**	97.4	77.5
Contingent Liabilities		**Parent**		
Guarantees	**34.4**	**32.4**	4.4	2.4
Standby Letters of Credit	**61.5**	**61.5**	66.8	66.8
Other Credit Facilities	**31.6**	**10.6**	27.3	8.8
Other Contingent Liabilities	**23.4**	**11.7**	2.9	1.5
Total Contingent Liabilities	**150.9**	**116.2**	101.4	79.5

(c) The Bank guarantees cross currency swaps transacted by Waterloo & Victoria Limited. The value of this guarantee is recognised as the risk weighted exposure of the cross currency swaps which as at 30 June 2004 was $4.0m (30 June 2003 $4.0m).

ASB Bank Limited is being audited by the Inland Revenue Department as part of normal Inland Revenue Department procedures, with a particular focus on structured finance transactions. No tax assessments have been issued.

Included in Other Contingent Liabilities as at 30 June 2004 was an underwrite agreement of $20.0m for an initial public offering.

34. LEASING AND OTHER COMMITMENTS

$ millions	Consolidated 2004	Consolidated 2003	Parent 2004	Parent 2003
Leasing Commitments				
The following non-cancellable operating lease commitments existed at the end of the year:				
Within One Year of Balance Date	**31.4**	30.4	**28.2**	29.2
Between One and Two Years	**23.2**	24.4	**20.3**	22.2
Between Two and Five Years	**53.9**	46.4	**45.9**	41.5
Over Five Years	**48.6**	45.5	**38.6**	38.6
Total Leasing Commitments	**157.1**	146.7	**133.0**	131.5
Other Commitments				
Other Commitments	**2.9**	3.5	**2.9**	3.5
Total Other Commitments	**2.9**	3.5	**2.9**	3.5

35. MATERIAL FOREIGN CURRENCY BALANCES

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

	Consolidated			
	Exchange Rate	Assets NZ $m	Liabilities NZ $m	Net Open Position NZ $m
As at 30 June 2004				
US Dollar	**0.6278**	**658.5**	**3,500.1**	**(1.2)**
Australian Dollar	**0.9114**	**359.2**	**608.6**	**0.6**
Sterling	**0.3472**	**1.9**	**78.7**	**-**
Japanese Yen	**68.1684**	**15.2**	**1,049.2**	**(0.1)**
EURO	**0.5194**	**281.2**	**954.4**	**0.6**
Swiss Franc	**0.7940**	**0.1**	**752.0**	**-**
As at 30 June 2003				
US Dollar	0.5831	529.7	880.7	0.1
Australian Dollar	0.8735	378.5	1,188.0	(3.8)
Sterling	0.3527	622.6	66.4	-
Japanese Yen	69.8859	17.9	1,615.6	(0.6)
EURO	0.5101	277.3	18.3	(0.4)
Swiss Franc	0.7889	0.3	177.9	0.2

	Parent			
	Exchange Rate	Assets NZ $m	Liabilities NZ $m	Net Open Position NZ $m
As at 30 June 2004				
US Dollar	**0.6278**	**181.9**	**3,493.7**	**(1.2)**
Australian Dollar	**0.9114**	**13.6**	**608.6**	**0.6**
Sterling	**0.3472**	**1.9**	**78.7**	**-**
Japanese Yen	**68.1684**	**15.2**	**1,049.2**	**(0.1)**
EURO	**0.5194**	**4.2**	**954.4**	**0.6**
Swiss Franc	**0.7940**	**0.1**	**752.0**	**-**
As at 30 June 2003				
US Dollar	0.5831	38.9	864.8	0.1
Australian Dollar	0.8735	17.9	1,185.9	(3.8)
Sterling	0.3527	2.5	45.0	-
Japanese Yen	69.8859	17.9	1,615.6	(0.6)
EURO	0.5101	2.3	18.3	(0.4)
Swiss Franc	0.7889	0.3	177.9	0.2

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.

$ millions	2004 Carrying Amount	2004 Fair Value	2003 Carrying Amount	2003 Fair Value
36. FAIR VALUE OF FINANCIAL INSTRUMENTS				
Consolidated				
Balance Sheet Items				
Cash and Liquid Assets	**74.6**	**74.6**	87.7	87.7
Due from Other Banks	**1,355.3**	**1,355.3**	1,571.1	1,571.1
Investment Securities	**440.1**	**451.2**	496.1	525.9
Other Securities	**2,128.5**	**2,128.5**	2,820.0	2,820.0
Advances	**28,788.8**	**28,654.8**	22,297.4	22,417.4
Other Assets	**199.9**	**199.9**	150.0	150.0
Deposits	**26,394.6**	**26,391.2**	21,125.4	21,143.2
Due to Other Banks	**4,437.4**	**4,437.4**	4,495.1	4,495.1
Due to Associates and Subsidiaries	**0.2**	**0.2**	-	-
Other Current Liabilities	**368.9**	**368.9**	356.5	356.5
Subordinated Debt	**251.1**	**251.8**	251.0	255.0
Parent				
Balance Sheet Items				
Cash and Liquid Assets	**74.5**	**74.5**	87.6	87.6
Due from Other Banks	**989.9**	**989.9**	588.1	588.1
Other Securities	**1,730.9**	**1,730.9**	2,420.0	2,420.0
Advances	**27,722.0**	**27,589.6**	21,034.0	21,150.2
Due from Associates and Subsidiaries	**1,575.2**	**1,586.2**	1,829.2	1,858.9
Other Assets	**146.7**	**146.7**	94.9	94.9
Deposits	**26,394.6**	**26,391.2**	21,125.4	21,143.2
Due to Other Banks	**4,431.5**	**4,431.5**	4,486.8	4,486.8
Due to Associates and Subsidiaries	**221.1**	**221.1**	133.3	133.3
Other Current Liabilities	**341.9**	**341.9**	309.6	309.6
Subordinated Debt	**251.1**	**251.8**	251.0	255.0

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 46 for details of Fair Values of Derivative Financial Instruments.

37. FINANCIAL REPORTING BY SEGMENTS

The Bank operates predominantly in the banking industry within New Zealand. Notes 40 and 41 show the geographical distribution of credit exposures and funding within New Zealand.

$ millions	Weighted Average Interest Rate %	0 - 6 Months	6 - 12 Months	1 - 2 Years	2 - 5 Years	Over 5 Years	Total
				Consolidated			
38. INTEREST RATE REPRICING SCHEDULE							
As at 30 June 2004							
Monetary Assets							
Cash and Liquid Assets	**-**	**74.6**	**-**	**-**	**-**	**-**	**74.6**
Due from Other Banks	**6.4**	**1,355.3**	**-**	**-**	**-**	**-**	**1,355.3**
Investment Securities *	**5.1**	**345.6**	**18.2**	**-**	**76.3**	**-**	**440.1**
Other Securities	**5.7**	**2,011.7**	**65.7**	**1.2**	**26.2**	**23.7**	**2,128.5**
Advances	**7.1**	**14,850.2**	**4,494.1**	**6,284.1**	**3,151.1**	**9.3**	**28,788.8**
Other Monetary Assets	**-**	**199.9**	**-**	**-**	**-**	**-**	**199.9**
Total Monetary Assets		**18,837.3**	**4,578.0**	**6,285.3**	**3,253.6**	**33.0**	**32,987.2**
Monetary Liabilities							
Deposits	**3.9**	**24,598.2**	**1,246.6**	**377.4**	**156.5**	**15.9**	**26,394.6**
Due to Other Banks	**5.7**	**4,437.3**	**0.1**	**-**	**-**	**-**	**4,437.4**
Due to Associates and Subsidiaries	**-**	**0.2**	**-**	**-**	**-**	**-**	**0.2**
Other Current Liabilities	**-**	**368.9**	**-**	**-**	**-**	**-**	**368.9**
Subordinated Debt	**7.2**	**251.1**	**-**	**-**	**-**	**-**	**251.1**
Total Monetary Liabilities		**29,655.7**	**1,246.7**	**377.4**	**156.5**	**15.9**	**31,452.2**
Off Balance Sheet Items		**8,323.7**	**(1,762.5)**	**(5,088.3)**	**(1,436.6)**	**(36.3)**	-
As at 30 June 2003							
Monetary Assets							
Cash and Liquid Assets	-	87.7	-	-	-	-	87.7
Due from Other Banks	7.2	1,571.1	-	-	-	-	1,571.1
Investment Securities *	4.0	360.7	-	39.8	95.6	-	496.1
Other Securities	5.4	2,515.7	266.0	2.1	13.2	23.0	2,820.0
Advances	7.3	12,186.2	4,429.9	3,725.5	1,939.8	16.0	22,297.4
Other Monetary Assets	-	150.0	-	-	-	-	150.0
Total Monetary Assets		16,871.4	4,695.9	3,767.4	2,048.6	39.0	27,422.3
Monetary Liabilities							
Deposits	4.0	19,821.2	796.3	327.8	174.3	5.8	21,125.4
Due to Other Banks	5.0	4,495.0	0.1	-	-	-	4,495.1
Other Current Liabilities	-	356.5	-	-	-	-	356.5
Subordinated Debt	6.7	151.0	-	100.0	-	-	251.0
Total Monetary Liabilities		24,823.7	796.4	427.8	174.3	5.8	26,228.0
Off Balance Sheet Items		7,161.7	(4,127.6)	(2,619.3)	(368.7)	(46.1)	-

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

38. INTEREST RATE REPRICING SCHEDULE (continued)

$ millions	Weighted Average Interest Rate %	0 - 6 Months	6 - 12 Months	1 - 2 Years	2 - 5 Years	Over 5 Years	Total
As at 30 June 2004							
Monetary Assets							
Cash and Liquid Assets	**-**	**74.5**	**-**	**-**	**-**	**-**	**74.5**
Due from Other Banks	**5.1**	**989.9**	**-**	**-**	**-**	**-**	**989.9**
Other Securities	**5.8**	**1,614.1**	**65.7**	**1.2**	**26.2**	**23.7**	**1,730.9**
Advances	**7.2**	**14,003.0**	**4,374.4**	**6,213.0**	**3,122.4**	**9.3**	**27,722.1**
Due from Associates and Subsidiaries	**4.0**	**1,470.9**	**-**	**23.4**	**80.9**	**-**	**1,575.2**
Other Monetary Assets	**-**	**146.7**	**-**	**-**	**-**	**-**	**146.7**
Total Monetary Assets		**18,299.1**	**4,440.1**	**6,237.6**	**3,229.5**	**33.0**	**32,239.3**
Monetary Liabilities							
Deposits	**3.9**	**24,598.2**	**1,246.6**	**377.4**	**156.5**	**15.9**	**26,394.6**
Due to Other Banks	**5.7**	**4,431.4**	**0.1**	**-**	**-**	**-**	**4,431.5**
Due to Associates and Subsidiaries	**0.2**	**221.1**	**-**	**-**	**-**	**-**	**221.1**
Other Current Liabilities	**-**	**341.9**	**-**	**-**	**-**	**-**	**341.9**
Subordinated Debt	**7.2**	**251.1**	**-**	**-**	**-**	**-**	**251.1**
Total Monetary Liabilities		**29,843.7**	**1,246.7**	**377.4**	**156.5**	**15.9**	**31,640.2**
Off Balance Sheet Items		**8,327.8**	**(1,807.6)**	**(5,080.3)**	**(1,403.6)**	**(36.3)**	**-**
As at 30 June 2003							
Monetary Assets							
Cash and Liquid Assets	-	87.6	-	-	-	-	87.6
Due from Other Banks	5.2	588.1	-	-	-	-	588.1
Other Securities	5.4	2,115.8	266.0	2.1	13.1	23.0	2,420.0
Advances	7.3	11,366.6	4,150.7	3,601.5	1,899.2	16.0	21,034.0
Due from Associates and Subsidiaries	6.3	1,684.5	-	44.7	100.0	-	1,829.2
Other Monetary Assets	-	94.9	-	-	-	-	94.9
Total Monetary Assets		15,937.5	4,416.7	3,648.3	2,012.3	39.0	26,053.8
Monetary Liabilities							
Deposits	4.0	19,821.2	796.3	327.8	174.3	5.8	21,125.4
Due to Other Banks	5.0	4,486.7	0.1	-	-	-	4,486.8
Due to Associates and Subsidiaries	0.8	133.3	-	-	-	-	133.3
Other Current Liabilities	-	309.6	-	-	-	-	309.6
Subordinated Debt	6.7	151.0	-	100.0	-	-	251.0
Total Monetary Liabilities		24,901.8	796.4	427.8	174.3	5.8	26,306.1
Off Balance Sheet Items		6,723.6	(3,874.3)	(2,505.2)	(298.0)	(46.1)	-

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

39. CAPITAL ADEQUACY

$ millions	Consolidated 2004	Consolidated 2003	Parent 2004	Parent 2003
Capital				
Tier One Capital				
Issued and Fully Paid-up Ordinary Share Capital	**323.1**	323.1	**323.1**	323.1
Perpetual Fully Paid-up Non-Cumulative Preference Shares	**200.0**	200.0	**200.0**	200.0
Revenue and Similar Reserves at Beginning of Year	**782.4**	705.0	**678.9**	641.7
Current Year's Accumulated Surplus	**273.4**	77.4	**244.2**	37.2
Total Tier One Capital	**1,578.9**	1,305.5	**1,446.2**	1,202.0
Tier Two Capital (Upper)				
General Provision for Bad and Doubtful Debts	**108.0**	88.8	**106.1**	85.5
Other Reserves	**-**	0.3	**-**	-
Asset Revaluation Reserves	**16.6**	4.1	**14.2**	10.9
Total Tier Two Capital (Upper)	**124.6**	93.2	**120.3**	96.4
Tier Two Capital (Lower)				
Term Subordinated Debt	**251.1**	251.0	**251.1**	251.0
Total Tier Two Capital (Lower)	**251.1**	251.0	**251.1**	251.0
Total Capital	**1,954.6**	1,649.7	**1,817.6**	1,549.4
Deduction for Investments in Subsidiaries Not Wholly Owned or Funded	**-**	-	**3.5**	3.5
Total Capital	**1,954.6**	1,649.7	**1,814.1**	1,545.9
Risk Weighted Exposures				
Total Balance Sheet Exposures	**18,546.6**	15,475.6	**20,017.6**	16,999.7
Total Off Balance Sheet Exposures	**651.0**	604.9	**611.6**	576.6
Total Risk Weighted Exposures	**19,197.6**	16,080.5	**20,629.2**	17,576.3
Tier One Capital expressed as a percentage of Total Risk Weighted Exposures	**8.22%**	8.12%	**7.01%**	6.84%
Total Capital expressed as a percentage of Total Risk Weighted Exposures	**10.18%**	10.26%	**8.79%**	8.80%

39. CAPITAL ADEQUACY (continued)

Risk Weighted Exposures

As at 30 June 2004

	Consolidated		
	Principal Amount $ millions	Risk Weight %	Risk Weighted Exposure $ millions
Balance Sheet Exposures			
Cash and Short Term Claims on Government	1,059.1	-	-
Long Term Claims on Government	1,340.2	10	134.0
Claims on Banks	2,234.0	20	446.8
Claims on Public Sector Entities	70.7	20	14.1
Claims Secured by Residential Mortgages	20,937.6	50	10,468.8
Other	7,482.9	100	7,482.9
Non-risk Weighted Assets	31.2	-	-
Total Balance Sheet Exposures *(excludes General Provision for Bad and Doubtful Debts)*	33,155.7		18,546.6

Off Balance Sheet Exposures	Principal Amount $ millions	Credit Conversion Factor %	Credit Equivalent Amount $ millions	Average Counterparty Risk Weight %	Risk Weighted Exposure $ millions
Direct Credit Substitutes	91.9	100	91.9	100	91.9
Commitments with Certain Drawdown	7.5	100	7.5	100	7.5
Underwriting and Sub-underwriting Facilities	66.3	50	33.2	100	33.2
Transaction Related Contingent Items	17.5	50	8.8	100	8.8
Short Term, Self-liquidating Trade Related Contingencies	17.5	20	3.5	100	3.5
Other Commitments to Provide Financial Services Which Have an Original Maturity of One Year or More	1,250.8	50	625.4	67	418.3
Other Commitments with an Original Maturity of Less Than One Year or Which can be Unconditionally Cancelled At Any Time	3,983.0	-	-	-	-
Market Related Contracts (current exposure)					
Foreign Exchange Contracts	10,328.0	2.5	259.1	22	58.2
Interest Rate Contracts	28,612.1	0.4	110.5	27	29.6
Other	27.3	-	-	-	-
Total Off Balance Sheet Exposures					651.0
Total Risk Weighted Exposures					19,197.6

39. CAPITAL ADEQUACY (continued)

Risk Weighted Exposures

As at 30 June 2003

	Consolidated		
	Principal Amount $ millions	Risk Weight %	Risk Weighted Exposure $ millions
Balance Sheet Exposures			
Cash and Short Term Claims on Government	930.6	-	-
Long Term Claims on Government	538.9	10	53.9
Claims on Banks	3,096.2	20	619.2
Claims on Public Sector Entities	84.0	20	16.8
Claims Secured by Residential Mortgages	16,324.6	50	8,162.3
Other	6,623.4	100	6,623.4
Non-risk Weighted Assets	29.0	-	-
Total Balance Sheet Exposures *(excludes General Provision for Bad and Doubtful Debts)*	27,626.7		15,475.6

Off Balance Sheet Exposures	Principal Amount $ millions	Credit Conversion Factor %	Credit Equivalent Amount $ millions	Average Counterparty Risk Weight %	Risk Weighted Exposure $ millions
Direct Credit Substitutes	67.2	100	67.2	100	67.2
Commitments with Certain Drawdown	24.5	100	24.5	100	24.5
Underwriting and Sub-underwriting Facilities	-	50	-	100	-
Transaction Related Contingent Items	13.9	50	7.0	100	7.0
Short Term, Self-liquidating Trade Related Contingencies	16.3	20	3.3	100	3.3
Other Commitments to Provide Financial Services Which Have an Original Maturity of One Year or More	1,325.4	50	662.7	64	425.9
Other Commitments with an Original Maturity of Less Than One Year or Which can be Unconditionally Cancelled At Any Time	3,029.7	-	-	-	-
Market Related Contracts (current exposure)					
Foreign Exchange Contracts	7,083.4	2.5	179.7	24	43.9
Interest Rate Contracts	23,716.1	0.6	136.2	24	33.1
Total Off Balance Sheet Exposures					604.9
Total Risk Weighted Exposures					16,080.5

39. CAPITAL ADEQUACY (continued)

Risk Weighted Exposures

As at 30 June 2004

	Parent		
	Principal Amount $ millions	Risk Weight %	Risk Weighted Exposure $ millions
Balance Sheet Exposures			
Cash and Short Term Claims on Government	659.0	-	-
Long Term Claims on Government	841.3	10	84.1
Claims on Banks	1,529.8	20	306.0
Claims on Public Sector Entities	70.7	20	14.1
Claims Secured by Residential Mortgages	20,934.3	50	10,467.2
Other	9,146.2	100	9,146.2
Non-risk Weighted Assets	25.4	-	-
Total Balance Sheet Exposures *(excludes General Provision for Bad and Doubtful Debts)*	33,206.7		20,017.6

Off Balance Sheet Exposures	Principal Amount $ millions	Credit Conversion Factor %	Credit Equivalent Amount $ millions	Average Counterparty Risk Weight %	Risk Weighted Exposure $ millions
Direct Credit Substitutes	91.9	100	91.9	100	91.9
Commitments with Certain Drawdown	7.5	100	7.5	100	7.5
Underwriting and Sub-underwriting Facilities	20.0	50	10.0	100	10.0
Transaction Related Contingent Items	21.5	50	10.8	100	10.8
Short Term, Self-liquidating Trade Related Contingencies	17.5	20	3.5	100	3.5
Other Commitments to Provide Financial Services Which Have an Original Maturity of One Year or More	1,250.8	50	625.4	67	418.3
Other Commitments with an Original Maturity of Less Than One Year or Which can be Unconditionally Cancelled At Any Time	4,013.0	-	-	-	-
Market Related Contracts (current exposure)					
Foreign Exchange Contracts	8,826.6	2.1	184.0	22	39.9
Interest Rate Contracts	28,663.7	0.4	109.4	27	29.7
Other	27.3	-	-	-	-
Total Off Balance Sheet Exposures					611.6
Total Risk Weighted Exposures					20,629.2

39. CAPITAL ADEQUACY (continued)

Risk Weighted Exposures

As at 30 June 2003

	Parent		
	Principal Amount $ millions	Risk Weight %	Risk Weighted Exposure $ millions
Balance Sheet Exposures			
Cash and Short Term Claims on Government	930.5	-	-
Long Term Claims on Government	38.9	10	3.9
Claims on Banks	1,717.0	20	343.4
Claims on Public Sector Entities	84.0	20	16.8
Claims Secured by Residential Mortgages	16,334.7	50	8,167.4
Other	8,468.2	100	8,468.2
Non-risk Weighted Assets	31.2	-	-
Total Balance Sheet Exposures *(excludes General Provision for Bad and Doubtful Debts)*	27,604.5		16,999.7

Off Balance Sheet Exposures	Principal Amount $ millions	Credit Conversion Factor %	Credit Equivalent Amount $ millions	Average Counterparty Risk Weight %	Risk Weighted Exposure $ millions
Direct Credit Substitutes	67.2	100	67.2	100	67.2
Commitments with Certain Drawdown	24.5	100	24.5	100	24.5
Underwriting and Sub-underwriting Facilities	-	50	-	100	-
Transaction Related Contingent Items	17.9	50	9.0	100	9.0
Short Term, Self-liquidating Trade Related Contingencies	16.3	20	3.3	100	3.3
Other Commitments to Provide Financial Services Which Have an Original Maturity of One Year or More	1,313.7	50	656.8	64	423.0
Other Commitments with an Original Maturity of Less Than One Year or Which can be Unconditionally Cancelled At Any Time	3,455.5	-	-	-	-
Market Related Contracts (current exposure)					
Foreign Exchange Contracts	5,366.6	1.7	93.9	23	21.4
Interest Rate Contracts	23,224.6	0.5	112.7	25	28.2
Total Off Balance Sheet Exposures					576.6
Total Risk Weighted Exposures					17,576.3

$ millions	Consolidated 2004	Consolidated 2003	Parent 2004	Parent 2003

40. CONCENTRATIONS OF CREDIT EXPOSURES

	Concentration by Industry			
Agricultural, Forestry and Fishing	**3,008.7**	2,495.2	**3,008.7**	2,495.2
Government and Public Authorities	**932.8**	1,019.2	**783.9**	869.2
Financial, Investments and Insurance	**7,103.8**	6,298.9	**7,217.4**	6,428.6
Utilities	**67.4**	234.0	**67.4**	234.0
Transport and Storage	**175.9**	201.6	**175.9**	201.6
Housing	**19,540.4**	15,186.2	**18,873.6**	13,922.9
Personal	**370.1**	329.1	**370.1**	329.1
Other Commercial and Industrial	**1,513.6**	1,420.4	**1,513.6**	1,380.6
Total Credit Exposures by Industry	**32,712.7**	27,184.6	**32,010.6**	25,861.2

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. Off Balance Sheet Credit Equivalent Exposures as at 30 June 2004 of $1,139.9m consolidated and $1,042.5m parent (30 June 2003 $1,080.6m consolidated and $967.4m parent) were also excluded.

	Concentration by Geographic Region			
Auckland	**17,513.0**	13,879.8	**18,322.1**	14,517.7
Rest of New Zealand	**11,275.4**	8,417.2	**10,967.3**	7,790.3
Overseas	**0.3**	0.4	**0.3**	0.4
Uncategorised	**3,924.0**	4,887.2	**2,720.9**	3,552.8
Total Credit Exposures by Geographic Region	**32,712.7**	27,184.6	**32,010.6**	25,861.2

As at balance date uncategorised exposures included Due from Other Banks, Investment Securities and Other Securities. The nature of these assets makes them inappropriate to categorise geographically. Unrecognised credit equivalent exposures are excluded as per the industry segmentation above.

41. CONCENTRATIONS OF FUNDING

	Concentration by Industry			
Agricultural, Forestry and Fishing	**251.7**	178.8	**251.7**	178.8
Government and Public Authorities	**466.4**	436.0	**466.4**	436.0
Financial, Investments and Insurance	**15,771.9**	11,619.9	**15,766.0**	11,611.7
Utilities	**42.2**	48.3	**42.2**	48.3
Transport and Storage	**60.2**	69.1	**60.2**	69.1
Personal	**12,252.6**	12,122.9	**12,252.6**	12,122.9
Other Commercial and Industrial	**2,238.1**	1,396.5	**2,238.1**	1,396.4
Total Funding by Industry	**31,083.1**	25,871.5	**31,077.2**	25,863.2

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

	Concentration by Geographic Region			
Auckland	**11,946.7**	10,993.7	**11,946.7**	10,993.8
Rest of New Zealand	**4,894.3**	4,105.0	**4,894.3**	4,105.0
Overseas	**1,921.6**	1,698.5	**1,921.6**	1,698.5
Uncategorised	**12,320.5**	9,074.3	**12,314.6**	9,065.9
Total Funding by Geographic Region	**31,083.1**	25,871.5	**31,077.2**	25,863.2

As at balance date uncategorised funding included Certificates of Deposit and Issued Paper, Subordinated Debt and Due to Other Banks. The nature of these liabilities makes them inappropriate to categorise geographically.

42. ASSET QUALITY

$ millions	Consolidated Non-Accrual	Consolidated Restructured	Consolidated Total	Parent Non-Accrual	Parent Restructured	Parent Total
Impaired Assets (Pre-provisions)						
As at 30 June 2004						
Balance at Beginning of Year	**31.8**	**-**	**31.8**	**30.4**	**-**	**30.4**
Deletions	**(5.2)**	**-**	**(5.2)**	**(4.0)**	**-**	**(4.0)**
Less: Amounts Written Off	**0.7**	**-**	**0.7**	**0.5**	**-**	**0.5**
Balance at End of Year	**25.9**	**-**	**25.9**	**25.9**	**-**	**25.9**
As at 30 June 2003						
Balance at Beginning of Year	35.2	-	35.2	33.5	-	33.5
Deletions	(2.9)	-	(2.9)	(2.6)	-	(2.6)
Less: Amounts Written Off	0.5	-	0.5	0.5	-	0.5
Balance at End of Year	31.8	-	31.8	30.4	-	30.4

Interest forgone is the amount of income that would have been recorded if interest accruals on specific loans had not been set to Nil. It has been estimated based on market rates. The 30 June 2004 figure is estimated at $0.1m (30 June 2003 $1.1m) for consolidated and $0.1m (30 June 2003 $1.1m) for parent.

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

$ millions	Consolidated 2004	Consolidated 2003	Parent 2004	Parent 2003
Past Due Assets (Pre-provisions)				
Balance at Beginning of Year	**27.0**	26.7	**20.9**	24.3
Additions	**6.3**	8.1	**6.7**	4.3
Less: Amounts Written Off	**7.6**	7.8	**7.6**	7.7
Balance at End of Year	**25.7**	27.0	**20.0**	20.9

43. MANAGED FUNDS AND OTHER FIDUCIARY ACTIVITIES

The Bank provides limited custodial services relating to holding interest bearing instruments on behalf of clients.

The Bank no longer provides any funds management or trustee services. These services were previously provided by ASB Investments Limited, formerly a 100% owned subsidiary of the Bank, which was sold to ASB Group (Life) Limited on 1 July 2003. Subsequent to the sale, the name was changed to ASB Group Investments Limited.

The products of ASB Group Investments Limited continue to be marketed through the Bank's branch network. Funds Under Management distributed by the Bank total $1,624.9m as at 30 June 2004 (30 June 2003 $1,373.3m). The Bank also provides banking services for trusts managed or administered by ASB Group Investments Limited.

44. CONCENTRATION OF CREDIT EXPOSURES TO INDIVIDUAL COUNTERPARTIES

Peak Credit Exposures for the Three Months ended 30 June

Percentage of Shareholder's Equity	Number of Non-Banks		Number of Banks	
	2004	2003	**2004**	2003
10 - 19	**2**	3	**3**	1
20 - 29	**1**	2	**3**	2
30 - 39	**-**	-	**2**	7
40 - 49	**-**	-	**-**	-
50 - 59	**-**	-	**1**	1
60 - 69	**-**	-	**-**	-
70 - 79	**-**	-	**-**	-
80 - 89	**-**	-	**-**	-
90 - 100	**-**	-	**-**	-

Balance Date Credit Exposures

Percentage of Shareholder's Equity	Number of Non-Banks		Number of Banks	
	2004	2003	**2004**	2003
10 - 19	**2**	3	**3**	1
20 - 29	**1**	2	**3**	2
30 - 39	**-**	-	**2**	7
40 - 49	**-**	-	**-**	-
50 - 59	**-**	-	**1**	1
60 - 69	**-**	-	**-**	-
70 - 79	**-**	-	**-**	-
80 - 89	**-**	-	**-**	-
90 - 100	**-**	-	**-**	-

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

A portion of the Balance Date Credit Exposure itemised as 50-59% of Shareholder's Equity as at 30 June 2003 had been guaranteed by the Bank's ultimate parent, Commonwealth Bank of Australia. This exposure is itemised as a 50-59% Peak Credit Exposure as at 30 June 2003. As at 30 June 2004, the amount of this guarantee was Nil (30 June 2003 $435.0m). The tables above have been compiled using gross exposures and do not include any guarantee arrangements.

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

		Consolidated			
		Peak Exposure for the Three Months ended 30 June		Balance Date Exposure	
		$ millions	Percentage of Tier One Capital	$ millions	Percentage of Tier One Capital
2004	**All Connected Persons***	**507.1**	**32.1%**	**428.2**	**27.1%**
	Non-Bank Connected Persons	**106.0**	**6.7%**	**50.3**	**3.2%**
2003	All Connected Persons*	540.8	41.4%	431.3	33.0%
	Non-Bank Connected Persons	102.6	7.9%	79.7	6.1%

* Credit Exposures to Connected Persons include exposures to the Bank's ultimate parent bank, Commonwealth Bank of Australia. As at 30 June 2004, this amount was $377.9m (30 June 2003 $351.6m).

The basis for calculation is actual credit exposures. Exposures are shown net of specific provisions and gross of set-offs. Percentages are calculated using the Banking Group's Tier One Capital as at balance date.

The Banking Group has a contingent exposure to its ultimate parent, Commonwealth Bank of Australia, arising from risk lay-off arrangements in respect of credit exposures to counterparties. As at 30 June 2004, this amounted to $30.0m (30 June 2003 $465.0m).

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

$ millions	Consolidated Notional Amount	Consolidated Credit Equivalent	Consolidated Fair Value	Parent Notional Amount	Parent Credit Equivalent	Parent Fair Value
46. DERIVATIVE FINANCIAL INSTRUMENTS						
As at 30 June 2004						
Foreign Exchange Rate Related Contracts						
Trading	**1,726.6**	**38.0**	**(17.3)**	**1,326.6**	**18.0**	**(12.8)**
Other than Trading	**8,673.3**	**221.1**	**20.8**	**7,571.9**	**166.0**	**20.8**
Total Foreign Exchange Rate Related Contracts	**10,399.9**	**259.1**	**3.5**	**8,898.5**	**184.0**	**8.0**
Interest Rate Related Contracts						
Trading	**12,052.4**	**18.9**	**(0.8)**	**12,052.4**	**18.9**	**(0.8)**
Other than Trading	**16,559.7**	**91.6**	**2.5**	**16,611.3**	**90.5**	**0.9**
Total Interest Rate Related Contracts	**28,612.1**	**110.5**	**1.7**	**28,663.7**	**109.4**	**0.1**
Equity Related Contracts						
Trading	**-**	**-**	**-**	**-**	**-**	**-**
Other than Trading	**54.7**	**1.6**	**(2.7)**	**54.7**	**1.6**	**(2.7)**
Total Equity Related Contracts	**54.7**	**1.6**	**(2.7)**	**54.7**	**1.6**	**(2.7)**
As at 30 June 2003						
Foreign Exchange Rate Related Contracts						
Trading	1,534.5	19.9	(7.9)	1,534.5	19.9	(7.9)
Other than Trading	5,548.9	159.8	(124.7)	3,832.1	74.0	(124.7)
Total Foreign Exchange Rate Related Contracts	7,083.4	179.7	(132.6)	5,366.6	93.9	(132.6)
Interest Rate Related Contracts						
Trading	10,089.7	24.4	0.6	10,089.7	24.4	0.6
Other than Trading	13,626.4	111.8	(96.7)	13,134.9	88.3	(97.9)
Total Interest Rate Related Contracts	23,716.1	136.2	(96.1)	23,224.6	112.7	(97.3)

Foreign exchange rate related contracts other than trading have been transacted by the Bank 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 Bank's Statement of Financial Position. The unrecognised gain on these contracts as at 30 June 2004 was $81.2m for consolidated, $79.5m for parent (30 June 2003 $35.0m loss for consolidated, $36.4m loss for parent) calculated as the fair value gain of $2.5m for consolidated and $0.9m for parent (30 June 2003 $96.7m loss for consolidated, $97.9m loss for parent) less the net payable recognised in the Statement of Financial Position of $78.7m for consolidated and $78.6m for parent (30 June 2003 $61.7m consolidated, $61.5m parent).

Equity related contracts other than trading have been transacted by the Bank to hedge the equity risk associated with shares held in listed companies. Losses on contracts are offset by gains on the underlying shares.

47. RISK MANAGEMENT POLICIES

INTRODUCTION

The Bank is committed to the management of risk to achieve sustainability of service, employment and surpluses, and therefore takes on controlled amounts of risk when considered appropriate. The risk management framework identifies, assesses, manages and reports risk and risk adjusted returns on a consistent and reliable basis.

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

The Bank's risk management strategy is set by the Board of Directors via the Board Risk Committee and Board Audit 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 risk initiation and 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 risk, by the Bank's ultimate parent bank, the Commonwealth Bank of Australia.

The following sections describe the risk management framework components.

CREDIT RISK

Credit risk is the potential risk for loss arising from failure of a debtor or counterparty to meet their contractual obligations. Credit risk principally arises within the Bank from its core business in providing lending facilities. Credit risk also arises from the Bank assuming contingent liabilities, taking equity participations, participating in financial market transactions and assuming underwriting commitments. The Bank is selective in targeting credit risk exposures and avoids exposures to any high risk area.

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

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

Allowance for expected credit loss in the banking business commences when an exposure first arises. The expected loss is re-assessed on a regular basis and provisioning is adjusted accordingly.

MARKET RISK

Market risk is the potential for change in the value of on and off balance sheet positions caused by a change in the value, volatility or relationship between market rates and prices.

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

Market risk includes liquidity, funding, interest rate and foreign exchange risk.

47. RISK MANAGEMENT POLICIES (continued)

LIQUIDITY RISK

Management of liquidity risk is designed to ensure that the Bank has the ability to meet financial obligations as they fall due.

The objectives of the Bank's funding and liquidity policies are to:

- ensure all financial obligations are met when due;
- provide adequate protection, even under crisis scenarios, at lowest cost; and
- achieve sustainable, lowest-cost funding within the limitations of funding diversification requirements.

The Bank monitors 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.

Limits are set to ensure that holdings of liquid assets do not fall below prudent levels.

FUNDING RISK

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

INTEREST RATE RISK

Interest rate risk is the potential for a change in interest rates to have an adverse effect on the net interest earnings, in the current reporting period and in future years. Interest rate risk arises from the structure and characteristics of the Bank's assets, liabilities and equity, and in the mismatch in repricing dates of its assets and liabilities.

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 Bank’s 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 the Treasury Department 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.

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 by management to ALCO and the Board Risk Committee, along with associated limits.

FOREIGN EXCHANGE RISK

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

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

The Bank monitors and manages this risk through its Treasury 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.

47. RISK MANAGEMENT POLICIES (continued)

EQUITY RISK

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

OPERATIONAL AND STRATEGIC BUSINESS RISK

The Bank's operational and strategic business risk management framework supports the achievement of the Bank's financial and business goals.

Operational risk is defined as the risk of economic gain or loss resulting from:

- inadequate or failed internal processes and methodologies;
- people;
- systems; or from
- external events.

Strategic Business Risk is defined as the risk of economic gain or loss resulting from changes in the business environment caused by the following factors:

- economic;
- competitive;
- social trends; or
- regulatory.

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 Board Audit Committee and Board of Directors on the measurement and management of operational risk within the Banking Group.

DERIVATIVES

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

BUSINESS CONTINUITY MANAGEMENT

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

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

INTERNAL AUDIT

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

Internal Audit provides an independent assurance and consulting service designed to assist the Bank 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 Bank's operations are reviewed based on an assessment of risk.

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

30 June 2004

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 and minimum Tier One Capital requirements of 4.0% of Risk Weighted Assets, in compliance with the Basle framework. As at 30 June 2004, CBA exceeded APRA minimum requirements with Tier One Capital being 7.43% of Risk Weighted Assets and Total Capital being 10.25% of Risk Weighted Assets.

GUARANTEE ARRANGEMENTS

The Commonwealth Bank of Australia does not guarantee repayment of any obligations of ASB Bank Limited 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 32 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 Banking Group does not conduct any non-financial activities that in aggregate are material relative to its total activities, where the term material is based on generally accepted accounting practice, as defined in the Financial Reporting Act 1993.
3. That the Banking Group's insurance business is not greater than 1% of its total consolidated assets.
4. That aggregate credit exposures (of a non-capital nature and net of specific provisions) of the Banking Group to all connected persons does not exceed the rating-contingent limit outlined in the following matrix:

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

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

5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.
6. That the Board of the registered bank contains at least two independent Directors. In this context an independent Director is a Director who is not an employee of the registered bank, and who is not a director, trustee or employee of any holding company of the registered bank other than ASB Group (Holdings) Limited, or any other entity capable of controlling or significantly influencing the registered bank.
7. That the chairperson of the Bank's Board of Directors is not an employee of the registered bank.
8. That the Bank's constitution does not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the Bank.
9. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, shall be made in respect of the Bank unless:
   - the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
   - the Reserve Bank has advised that it has no objection to that appointment.
10. That a substantial proportion of the Bank's business is conducted in and from New Zealand.

CREDIT RATING

The current long term credit ratings of ASB Bank Limited as at balance date were:

Rating Agency	Current Long Term Rating
Moody's Investors Service, Inc	Aa3
Standard & Poor's (Australia) Pty Limited	AA-

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

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

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

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			
	2004		2003	
$ millions	**Peak Exposure for Three Months ended 30 June**	**Exposure as at 30 June**	Peak Exposure for Three Months ended 30 June	Exposure as at 30 June
Aggregate Interest Rate Exposure	**42.0**	**39.8**	34.1	34.1
(as % of Balance Date Equity)	**2.6%**	**2.5%**	2.6%	2.6%
Aggregate Foreign Currency Exposure	**1.5**	**1.0**	1.1	0.4
(as % of Balance Date Equity)	**0.1%**	**0.1%**	0.1%	0.0%
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 2004:

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

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

- the disclosure statement contains all the information required by the Registered Bank Disclosure Statement (Full and Half-Year - New Zealand Incorporated Registered Banks) Order 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

S.I. Grimshaw

J.P. Hartley

G.L. Mackrell

3 August 2004

AUDITOR'S REPORT TO THE SHAREHOLDER OF ASB BANK LIMITED

We have audited the financial statements and the financial information in the supplementary information on pages 8 to 43 and 46. The financial statements provide information about the past financial performance and cash flows of ASB Bank Limited (the “Bank”) and its subsidiaries (the “Banking Group”) for the year ended 30 June 2004 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 12 to 15.

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 2004 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 other audit related services to the Bank. We have no other interest in the Bank or Banking Group.

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 8 to 43:
  - 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 2004 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 46 is disclosed in accordance with clause 12(4) of the Order complies with Schedules 7 and 8 of the Order.

Our audit was completed on 3 August 2004 and our unqualified opinion is expressed as at that date.

Ernst & Young

Auckland

Directory

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., Ph.D. (Auckland)
MANAGEMENT CONSULTANT
Auckland, New Zealand

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

S.I. (Stuart) Grimshaw B.C.A., M.B.A., P.M.D.
BANK EXECUTIVE
Sydney, Australia

J.P. (Jon) Hartley B.A. (Hons), F.C.A., A.C.A., F.A.I.C.D.
COMPANY DIRECTOR
Wellington, 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

J.S. (John) Barclay
Head of Group Human Resources

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 and Operations

L.A. (Linley) Wood
Head of Office of the CEO

AUDITOR

Ernst & Young
Chartered Accountants
41 Shortland Street
Auckland
New Zealand

ULTIMATE SHAREHOLDER
(Ordinary Shares)

Commonwealth Bank of Australia
48 Martin Place
Sydney, NSW
Australia

REGISTERED OFFICE

Level 28
ASB BANK Centre
135 Albert Street
Auckland
New Zealand

ASB BANK

ONE STEP AHEAD

www.asbbank.co.nz