



TSB Bank Annual Report 2005





Highlights 2005

- 18th consecutive year of record profit, 2004-05 tax paid profit of \$27.97 million, up over 20% on the \$23.15 million recorded for the previous financial year.
- Record level of depositors' funds growth, with total funds passing the \$2 billion mark last October and now over \$2.13 billion, up 13% on the \$1.89 billion of the previous year.
- Total lending increased by \$176 million and is now almost \$1.5 billion, the vast majority of which is residential lending at \$1.35 billion.
- Record dividend of \$6.265 million, up from \$5.2 million, made to the Bank's sole shareholder, the TSB Community Trust.
- TSB Bank Direct continues to grow the Bank's New Zealand-wide customer base, with the planned opening of a Wellington Service Centre to complement the existing Auckland Home Loan Lounge and Christchurch franchise operation.
- TSB Bank not only retained its 15-branch Taranaki service network but also successfully converted all its banking systems to new Jade software using two IBM computers, one in the South Island and the other in the North Island.

Chairperson's and Managing Director's report



ELAINE GILL: CHAIR – BOARD OF DIRECTORS



KEVIN RIMMINGTON: MANAGING DIRECTOR/CEO

The Bank has just completed another highly successful financial year by recording its 18th successive year of record profit.

The Bank continues to exceed previous milestones with another record level of depositors' funds, which passed the \$2 billion milestone in October, 2004. The tremendous growth reflects the buoyant New Zealand economy and the current unprecedented economic growth in the Taranaki region.

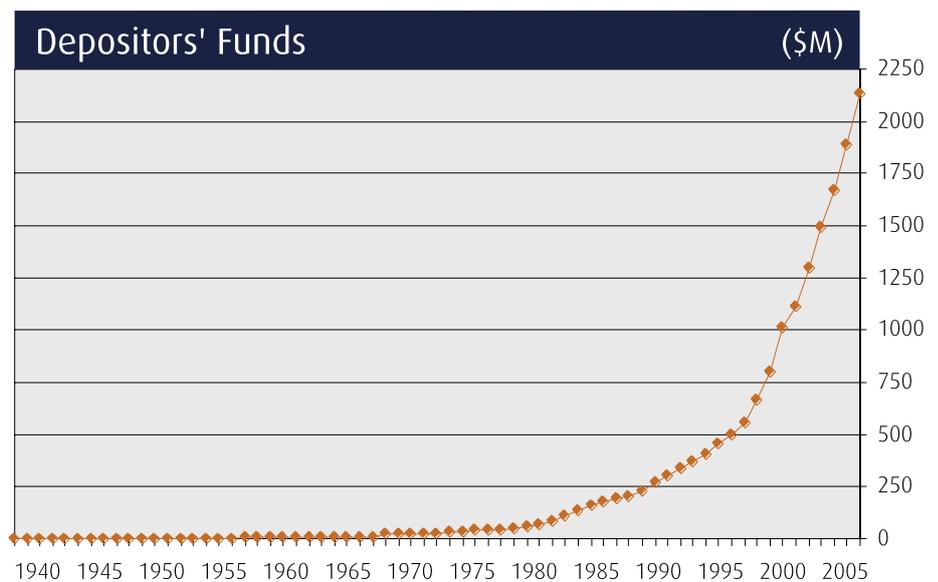
At the end of March total depositors' funds exceeded \$2.13 billion. The total lending portfolio was \$1.49 billion, the vast majority (\$1.35 billion), being residential lending.

Net operating surplus before tax was a very pleasing \$41.75 million, which was achieved despite a continued tightening of interest margins. That 20.8% pre-tax profit increase allowed for a record dividend payment of \$6.265 million to be made to our sole shareholder, the TSB Community Trust.

Total assets increased from \$2.06 billion to almost \$2.34 billion, while shareholder's funds, which have been accumulated from retained earnings, increased by 14.7% to \$168.9 million. The return on shareholder's funds for the year was 16.6%.

We are very proud of the fact that TSB Bank continues to be this country's only New Zealand owned bank that is non-taxpayer funded, and is growing at a substantial rate as evidenced by the graph on this page.

Although an unprecedented level of lending was provided in Taranaki, over



half the Bank's lending portfolio is with customers outside this region. This is a reflection of the tremendous support the Bank receives from customers throughout the country. Due to the continued growth of our New Zealand wide customer base it is intended to open a Wellington Service Centre to be located on Lambton Quay in the heart of the city.

As a prudent measure, and due to growth in the mortgage lending portfolio, a further \$0.75 million was

added to the Provision for Doubtful Debts, bringing this total to \$10.2 million.

We are very proud of the fact that TSB Bank continues to be this country's only New Zealand owned bank that is non-taxpayer funded, and is growing at a substantial rate

This year all the Bank's divisions - TSB Foreign Exchange, TSB Realty and TSB Holiday Shoppe, achieved record levels



of sales and profit. These divisions contributed well in excess of \$1 million to the net profit. This enabled the dividend to be set at the current level, which is available to the community by way of grants through the TSB Community Trust.

This year all the Bank's divisions, TSB Foreign Exchange, TSB Realty and TSB Holiday Shoppe, achieved record levels of sales and profit.

The Bank's return on average assets increased from 1.19% in 2003-04 to 1.27% for the year under review. The international banking benchmark for return on assets is 1.0%.

As outlined in last year's annual report, major resources were allocated during the year for the conversion of all banking systems to new Jade software using IBM host computers.

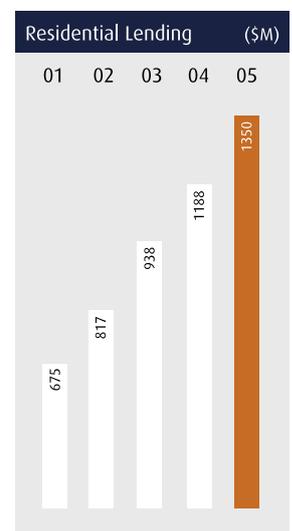
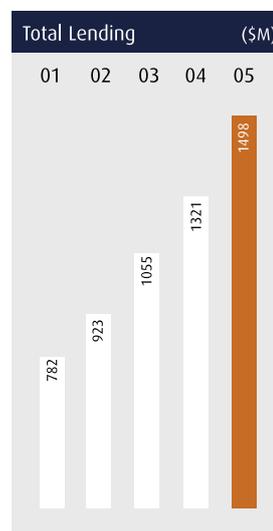
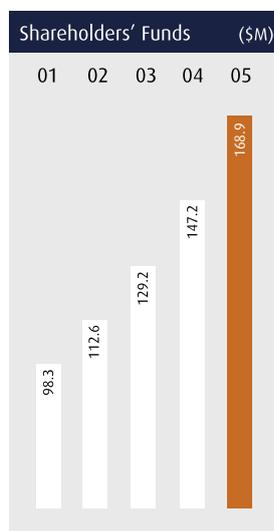
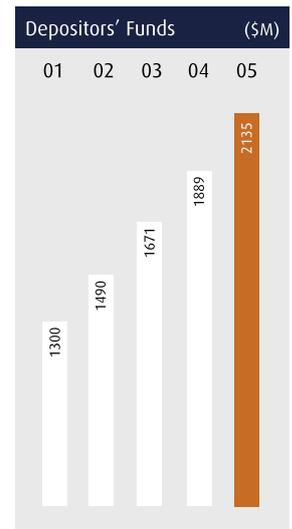
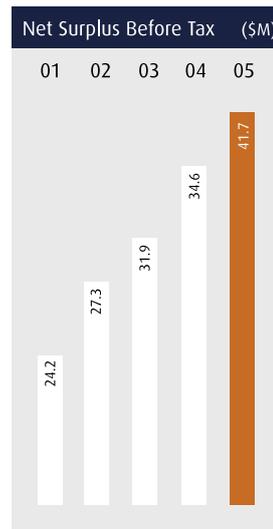
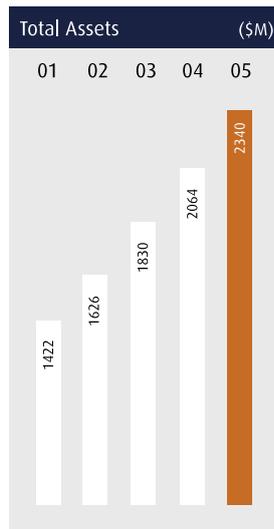
The conversion to the new Jade computer system on May 9th exceeded all our expectations and occurred without any customer service disruption. The hardware includes two IBM 440

computers, one in the South Island and another in the North Island, each of which incorporates eight processors. This project took 18 months to complete with 95% of the time used in testing.

Annual cost savings amount to 55% of the software, hardware maintenance and licence costs. More important, however, is the savings in time needed to run programmes, many of which are 75% to 90% faster than previous. Benefits will accrue to customers as a result. The Board and Management congratulate all staff involved in this considerable achievement.

Cost ratios continue to improve each year, with the costs-to-operating income ratio reducing from 44.4% to 44.1%, while the costs-to-average assets ratio was held at 1.53%.

A new differentiation strategy has been developed over the past 12 months, one that will eventually overlay the Bank's entire business strategy. The objective is to develop a business-wide campaign that will provide a shared vision and a shared purpose of work. Now, for the first time since the Bank moved into the national marketplace, both the Taranaki





and nationwide markets will share the same vision, the same values and the same brand promise - "expect more". This branding campaign, which we were privileged to have the inspirational Sir Edmund Hillary launch in March, builds on the Bank's record of outstanding customer service.

Both the Taranaki and nationwide markets will share the same vision, the same values and the same brand promise - "expect more".

We are committed to such key performance indicators as continuing to grow our customer base, increasing

depositors' funds and extending our lending portfolio to ensure the Bank remains a sound financial entity and one which customers identify as "their bank" and of which they can be proud.

In order to better meet the needs of our Central Taranaki customers a major refurbishment of our Stratford Branch was undertaken. Due to the Stratford Shakespeare connection, the branch has been refurbished in a Shakespearean theme (see pages 4 and 6).

With the retirement of long-standing Director John Armstrong, the Board has recommended the Directorate reduce to eight. And, in accordance with the Company's Constitution, Directors

balloted for retirement by rotation are Mrs Elaine Gill and Mr Kemp Broughton. Both are available for reappointment.

The Board once again intends to recommend the reappointment of the auditing firm Deloitte.

Finally, the point of difference that sets TSB Bank apart from its competitors, is a high level of customer service. This service, which is frequently recognised by independent surveys, is a tribute to the staff for their dedication and professionalism for which the Board and Management sincerely thank them. They can indeed, be proud of their achievement.



E. Gill
Chair - Board of Directors
26 May 2005



K.W. Rimmington
Managing Director/CEO
26 May 2005

Financial Statements



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Directors Report for the year ended 31 March 2005

The Directors are pleased to present the Financial Statements of TSB Bank Limited for the year ended 31 March 2005.

Principal Activity

The Bank continues to offer a full range of Retail Banking Services to its customers along with support areas of operation in Real Estate, Travel and Foreign Exchange.

Results and Distributions	(\$000)
Net Surplus after Taxation	27,969
Dividends	
Interim Dividend Paid	1,750
Final Dividend	4,515
	6,265
Retained Surplus for the Year	21,704

Directors' and Officers' Liability Insurance

The Bank has effected insurance for Directors and Officers in respect of liability and costs that may arise from their positions in accordance with Section 162 of the Companies Act 1993. The insurance does not cover liabilities arising from criminal actions.

Items Excluded By Shareholder Agreement

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

- Remuneration received by the most highly paid employees during the accounting period.

Auditor

It is proposed that our Auditor, Deloitte, continue in accordance with Section 196 of the Companies Act 1993.

Directors' Fees

Fees paid to Directors of the Bank for the year totalled \$171,073

Directors' Interests

Directors maintain personal banking relationships with the Bank and these are undertaken fulfilling normal Bank criteria. 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 the requirements of the Companies Act 1993 in terms of registers and notices for Directors' conflict of interest.

For and on behalf of the Board of Directors



E. Gill

Chair – Board of Directors
26 May 2005



K.W. Rimmington

Managing Director/CEO
26 May 2005

Historical Summary for the year ended 31 March 2005

	2005	2004	2003	2002	2001
All in \$000's					
Financial performance					
Interest Income Received	156,201	127,809	118,619	104,672	99,337
Interest Expense Paid	90,535	70,391	65,090	59,462	56,840
Net Interest Income	65,666	57,418	53,529	45,210	42,497
Other Income	10,610	9,551	8,235	7,162	7,065
Net Operating Income	76,276	66,969	61,764	52,372	49,562
Impaired Asset Expense	-	-	(180)	(10)	210
Operating Expenses	34,518	32,411	30,047	25,075	25,113
Operating Surplus before Taxation	41,758	34,558	31,897	27,307	24,239
Taxation	13,789	11,411	10,488	8,857	7,599
Net Surplus Attributable to Shareholder	27,969	23,147	21,409	18,450	16,640
Dividend	6,265	5,200	4,785	4,100	3,450
Retained Surplus for the Year	21,704	17,947	16,624	14,350	13,190
Financial position					
Total Assets	2,339,654	2,063,657	1,829,508	1,625,990	1,422,281
Total Impaired Assets	-	-	42	276	511
Depositors' Funds	2,134,810	1,888,979	1,670,820	1,489,790	1,299,983
Total Liabilities	2,170,760	1,916,467	1,700,265	1,513,371	1,324,012
Shareholder's funds					
Retained Surplus for the Year	21,704	17,947	16,624	14,350	13,190
Total Shareholder's Funds	168,894	147,190	129,243	112,619	98,269
Performance					
Return on Shareholder's Funds	16.56%	15.73%	16.56%	16.38%	16.93%
Return on Total Average Assets	1.27%	1.19%	1.24%	1.21%	1.26%
Growth in Total Assets	13.37%	12.80%	12.52%	14.33%	17.30%
Growth in Depositors' Funds	13.01%	13.06%	12.15%	14.60%	16.95%
Residential Lending	1,349,876	1,188,356	938,349	816,587	674,856
Total Lending	1,497,849	1,320,862	1,055,238	922,532	782,063
Growth in Total Lending	13.40%	25.17%	14.38%	17.96%	15.54%
Operating Surplus after tax					
- as a % of Total Assets	1.20%	1.12%	1.17%	1.13%	1.17%
- as a % of Average Shareholder's Funds	17.70%	16.75%	17.70%	17.50%	18.15%
- per employee	100.25	86.69	80.18	76.24	71.11
Expenses to Net Operating Income	44.06%	44.40%	45.50%	45.20%	48.20%
Prudential					
Shareholder's Funds as a % of Total Assets	7.22%	7.13%	7.06%	6.93%	6.91%
Capital Adequacy Tier 1	14.93%	14.09%	14.20%	15.03%	15.29%
Capital Adequacy Total	14.93%	14.09%	14.20%	15.03%	15.29%

The amounts set out in the Historical Summary have been prepared from audited Financial Statements of the Bank. The Bank has no extraordinary items or minority interests.

Statement of Financial Performance for the year ended 31 March 2005

All in \$000's	Note	2005	2004
Interest Income Received	1	156,201	127,809
Interest Paid	2	90,535	70,391
Net Interest Income		65,666	57,418
Other Operating Income Received	3	10,610	9,551
Net Operating Income		76,276	66,969
Operating Expenses	4	34,518	32,411
Operating Surplus Before Taxation		41,758	34,558
Taxation	7	13,789	11,411
Net Surplus Attributable to Shareholder		27,969	23,147

Statement of Movements in Equity for the year ended 31 March 2005

All in \$000's	Note	2005	2004
Opening Shareholder's Equity		147,190	129,243
Net Surplus Attributable to Shareholder		27,969	23,147
Distributions to Shareholder	15		
Interim Dividend		(1,750)	(1,660)
Final Dividend		(4,515)	(3,540)
Closing Shareholder's Equity		168,894	147,190
Represented by :			
Share Capital	14	10,000	10,000
Retained Surplus		158,894	137,190
		168,894	147,190

Statement of Financial Position as at 31 March 2005

	Note	2005	2004
All in \$000's			
Assets			
Cash and Liquid Assets	5	14,280	16,781
Investment Securities	6	799,552	700,576
Loans and Advances	8	1,497,849	1,320,862
Receivables	11	9,212	6,204
Future Income Tax Benefit	7	4,852	4,211
Property, Plant and Equipment	10	13,909	15,023
Total Assets		2,339,654	2,063,657
Liabilities			
Deposits	13	2,134,810	1,888,979
Provision for Dividend	15	4,515	3,540
Payables	12	31,435	23,948
Total Liabilities		2,170,760	1,916,467
Shareholder's Equity			
Share Capital	14	10,000	10,000
Retained Surplus		158,894	137,190
Total Shareholder's Equity		168,894	147,190
Total Liabilities and Shareholder's Equity		2,339,654	2,063,657
Total Interest Earning and Discount Bearing Assets		2,317,169	2,045,033
Total Interest and Discount Bearing Liabilities		2,010,063	1,770,021



E. Gill
Chair – Board of Directors
26 May 2005



K.W. Rimmington
Managing Director/CEO
26 May 2005

The Statement of Accounting Policies (pages 14 to 15) and the Notes to the Financial Statements (pages 16 to 25) form and integral part of these Financial Statements.

Statement of Cashflows for the year ended 31 March 2005

	Note	2005	2004
All in \$000's			
Cash Flows from Operating Activities			
Cash was provided from (applied to):			
Interest Income Received		155,446	127,858
Other Income Received		10,144	8,964
Interest Paid		(87,440)	(69,622)
Operating Expenditure		(25,751)	(30,415)
Taxation Paid		(15,329)	(12,265)
Net Cash Flow from Operating Activities	16	37,070	24,520
Cash Flows from Investing Activities			
Cash was provided from (applied to):			
Net Decrease in Investments		-	39,092
Property, Plant and Equipment Sold		70	944
Net Increase in Investment Securities		(98,976)	-
Net Increase in Loans and Advances		(177,737)	(268,124)
Property, Plant and Equipment Purchased		(2,138)	(2,094)
Net Cash Flow from Investing Activities		(278,781)	(230,182)
Cash Flows from Financing Activities			
Cash was provided from (applied to):			
Net Increase in Deposits		244,500	217,843
Dividends Paid		(5,290)	(5,175)
Net Cash Flow from Financing Activities		239,210	212,668
Net Increase/(Decrease) in Cash and Cash Equivalents		(2,501)	7,006
Add Cash and Cash Equivalents at beginning of the Year		16,781	9,775
Cash and Cash Equivalents at Year End		14,280	16,781

The Statement of Accounting Policies (pages 14 to 15) and the Notes to the Financial Statements (pages 16 to 25) form and integral part of these Financial Statements.

Statement of Accounting Policies for the year ended 31 March 2005

The TSB Bank Limited is a company registered under the Companies Act 1993. The Financial Statements are those of TSB Bank Limited. The financial statements have been prepared in accordance with 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 2005.

Basis for Preparation

The Financial Statements have been prepared on the historical cost basis. The reporting currency is New Zealand dollars.

Specific Accounting Policies

The specific accounting policies used in the preparation of the financial statements are as follows:

A. Income Recognition.

Interest Income is recognised on an accrual basis. All material fee income and commission is recognised in the Statement of Financial Performance when the service is provided to the customer. Interest on non-accrual assets where no loss of principal is expected is recognised as income when received. Where some loss of principal is expected on the non-accrual asset the cash inflow is applied as a reduction of the carrying value of the asset as appropriate.

B. Expense Recognition.

All material expenses are recognised in the Statement of Financial Performance on an accrual basis, including interest expense.

C. Investment Securities.

Investment Securities are shown at cost, adjusted by any discount or premium arising on purchase, which is amortised over the term of the investment on a straight-line basis. Securities are generally not traded and are redeemed on maturity at their face value. Gains or losses due to changes in market values are only recognised in the Statement of Financial Performance if an Investment Security is realised.

D. Provisions

(i) General Provision for Doubtful Debts

The general provision for Doubtful Debts has been established to account for doubtful debts that have not been specifically identified. The level of the provision is reviewed on a quarterly basis and is adjusted accounting for portfolio growth based on current and historical trends. Movements are recognised in the Statement of Financial Performance in the period in which they occur.

(ii) Specific Provisions

Specific Provisions are made and recognised against individually identified impaired assets where full recovery of the amount owed is deemed improbable.

(iii) Employee Entitlements

The provision for employee entitlements relates to employee benefits such as accrued wages, bonuses, accrued holiday pay, and long service leave. The provision is affected by a number of estimates including the expected employment period of employees and the timing of employees utilising the benefits.

(iv) Dividends

Dividends are recognised in the financial year in which they are authorised and approved by the Board of Directors.

E. Property, Plant and Equipment.

All items of Property, Plant and Equipment are shown at the lower of cost less accumulated depreciation or, net current market value where the assets are considered to be impaired.

(i) Impairment

All items of Property, Plant and Equipment are assessed for impairment at each reporting date. Where the carrying amount is assessed to be greater than its recoverable amount, the item is written down. The writedown is recognised in the Statement of Financial Performance.

(ii) Depreciation

All items of Property, Plant and Equipment, other than land, are depreciated on a straight line basis, at rates which will write off their cost or impaired amount less estimated residual value, over their expected useful lives.

The useful lives of the major classes of fixed assets are estimated to be as follows:

Buildings	40 to 100 Years
Fixtures and Fittings	5 to 10 Years
Computer Equipment	3 to 5 Years

(iii) Disposal

On disposal or permanent withdrawal of an item of Property, Plant and Equipment the difference between the disposal proceeds (if any) and the carrying amount is recognised in the Statement of Financial Performance.

Statement of Accounting Policies for the year ended 31 March 2005

F. Financial Instruments.

All financial instruments are recorded at cost in the financial statements, adjusted by any discount or premium arising on purchase. In determining a fair value for these instruments quoted market prices are used where available. If not available, present value or other market accepted valuation techniques are used.

Cash and Liquid Assets. As these assets are short term in nature their estimated fair value is equivalent to their carrying amount.

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

Loans and Advances. The estimated fair value of variable interest rate Loans and Advances is deemed to equate to their carrying amount adjusted for the fair value of any non-accrual loans. The fair value for fixed interest rate advances is estimated using discounted cash flows based on the interest rate repricing of these Loans and Advances. Discounted rates applied are based on current market interest rates for advances with similar credit and maturity profiles.

Deposits. All Deposits are effectively on call and as such carrying value is deemed to be an appropriate fair value.

Interest Rate Contracts. The fair values for interest rate contracts are obtained from discounted cash flow models or option pricing models as appropriate. Interest rate related contracts hedge interest rate risk associated with the Bank's Statement of Financial Position.

G. Taxation.

The income tax expense recognised for the year is based on the operating surplus before taxation adjusted for permanent differences between accounting and taxable income. Deferred tax, which is calculated on the comprehensive basis using the liability method, arises from amounts of income or expense recognised for tax purposes in years different from those in which they are dealt with in the financial statements. A debit balance in the deferred taxation account is only carried forward to the extent that there is virtual certainty of its recovery. Income tax benefits arising from income tax losses are recognised only to the extent of accumulated net credits from timing differences in the deferred taxation account unless there is virtual certainty of their realisation.

H. Asset Quality

(i) Non accrual assets consist of:

- credit exposures where it is unlikely that all amounts owing will be collected.
- credit exposures where the original terms have been changed to grant a counterparty a concession that would not otherwise be available, due to the counterparty's difficulty in complying with the original conditions, and on which interest is charged at a rate less than the Bank's average cost of borrowed funds.

(ii) Restructured assets consist of credit exposures, the original terms of which have been changed to grant a counterparty a concession that would not otherwise be available, due to the counterparty's difficulty in complying with the original conditions and on which, interest continues to accrue at a rate greater than the Bank's average cost of borrowed funds as at the date of the restructuring and a loss is not otherwise expected to be incurred.

(iii) Assets acquired consist of assets acquired (primarily real estate) through the enforcement of security held in relation to credit exposures.

(iv) Past due consists of credit exposures that are contractually past due and are neither non-accrual nor restructured.

Impaired assets consist of those assets in (i) (ii) and (iii) above.

I. Credit Policy.

All credit activities are subject to Credit Policies and Procedures. Credit Applications must be authorised by the appropriate Bank Officer. The loan criteria for new mortgage lending includes demonstration of the borrower's ability to service the debt, loan to asset ratios and other criteria. Current policy precludes involvement in Finance leasing and the acceptance of Bills of Exchange as security.

Changes in Accounting Policies

Accounting policies have been applied on a consistent basis with those of the previous year.

Notes to the Financial Statements for the year ended 31 March 2005

	2005	2004
All in \$000's		
1. Interest Income Received		
Government and Local Authority Securities	23,091	19,028
Loans and Advances	107,352	87,426
Cash and Liquid Assets	747	583
Other Securities and Financial Instruments	25,011	20,772
	156,201	127,809
2. Interest Paid		
Retail Deposits	90,535	70,391
3. Other Operating Income Received		
Lending and Credit Facility Related Income	2,887	2,254
Commission and Other Trading Income*	7,518	6,746
Other Income	205	551
	10,610	9,551
* Incorporates TSB Realty, TSB Holiday Shoppe and TSB Foreign Exchange income		
4. Operating Expenses		
Audit Services	74	80
Auditor - Other Services	15	-
Bad Debts Written Off	159	165
Depreciation:		
Buildings	291	163
Computer Equipment	1,684	1,745
Fixtures and Fittings	707	694
Writedown of Property	500	488
Directors' Fees	171	160
Personnel Expenses	13,029	11,244
General Provision for Doubtful Debts	750	2,500
Specific Provision for Doubtful Debts	-	-
Other	17,138	15,172
	34,518	32,411
5. Cash and Liquid Assets		
Cash and Cash Equivalents	4,415	2,636
Reserve Bank Balances	865	14,145
Balance due from Registered Banks	9,000	-
	14,280	16,781
6. Investment Securities		
	Market Value 31 March 2005	
New Zealand Government Securities	15,249	15,237
Treasury Bills	9,877	9,882
Local Authority Securities	263,033	262,804
Fixed Bank Deposits	5,000	5,000
Bank Registered Certificates of Deposit	395,746	395,746
Other Investments	110,003	110,883
	798,908	799,552
		700,576

Notes to the Financial Statements for the year ended 31 March 2005

	2005	2004
All in \$000's		
7. Taxation		
Operating Surplus before Taxation	41,758	34,558
Taxation @ 33 cents	13,780	11,404
Tax Effect of Permanent Differences	9	7
Taxation as per Statement of Financial Performance	13,789	11,411
Tax Effect of Timing Adjustments	715	1,209
Current Year Taxation Payable	14,504	12,620
Less Taxation Paid	(14,960)	(12,177)
Taxation to Pay (Refund)	(456)	443
Future Income Tax Benefit		
Balance at Beginning of Period	4,211	3,002
Net Movement in Timing Differences	641	1,209
Balance at End of Year	4,852	4,211
The major timing differences relate to depreciation, provisions and the recognition of investment income.		
8. Loans and Advances		
Residential Mortgages	1,349,876	1,188,356
Community	6,510	6,009
Commercial	61,103	52,795
Farming	68,911	62,552
Other	21,649	20,600
	1,508,049	1,330,312
Less General Provision for Doubtful Debts	(10,200)	(9,450)
Less Specific Provision for Bad and Doubtful Debts	-	-
Total Loans and Advances	1,497,849	1,320,862
General Provision for Doubtful Debts		
Balance at Beginning of Year	9,450	6,950
Charge to Statement of Financial Performance	750	2,500
Balance at End of Year	10,200	9,450
Specific Provision for Doubtful Debts		
Balance at Beginning of Year	-	20
Charge to Statement of Financial Performance	-	-
Add New Provisions	70	35
Less Recoveries	(70)	(55)
Balance at End of Year	-	-

Notes to the Financial Statements for the year ended 31 March 2005

All in \$000's

9. Asset Quality

The classifications used and the Bank's policy for providing for doubtful debts are set out in the Accounting Policies. The balances shown have been determined without regard to security available for such assets. The recognition of past due assets does not necessarily indicate that such assets are doubtful. The Bank does not have any assets acquired through the enforcement of security. Interest continues to be accrued on all loans. No interest has been foregone in either period.

	2005	2004
Impaired Assets (Pre-provisions)		
Balance at Beginning of Year	-	42
Additions	265	164
Deletions	(265)	(206)
Balance at End of Year	-	-
Past Due Assets		
Balance at Beginning of Year	1,541	3,071
Additions	5,003	4,249
Deletions	(4,630)	(5,779)
Balance at End of Year	1,914	1,541

10. Property, Plant and Equipment

Land At Cost*	1,379	1,379
Buildings At Cost	8,686	8,448
Accumulated Depreciation	(1,671)	(1,380)
Net Book Value*	7,015	7,068
Computer Equipment	14,001	10,844
Accumulated Depreciation	(10,220)	(8,727)
Net Book Value	3,781	2,117
Fixtures & Fittings	7,581	7,238
Accumulated Depreciation	(5,848)	(5,261)
Net Book Value	1,733	1,977
Work in Progress	1	2,482
Total Property, Plant and Equipment	13,909	15,023

* The latest valuation of Land & Buildings was carried out in September 2004 by Quotable Value New Zealand. This amounted to \$12.4 million.

11. Receivables

Accrued Interest Receivable	3,491	2,737
Accounts Receivable	5,265	3,467
Taxation Refund	456	-
	9,212	6,204

12. Payables

Accrued Interest Payable	11,016	7,812
Provision for Employee Entitlements	4,115	2,835
Taxation Payable	-	443
Accounts Payable and Other Liabilities	16,304	12,858
	31,435	23,948

Notes to the Financial Statements for the year ended 31 March 2005

All in \$'000's	2005	2004
13. Deposits		
Retail Deposits		
Term Deposits	883,458	723,101
Other Deposits Bearing Interest	1,126,605	1,046,920
Deposits Not Bearing Interest	124,747	118,958
	2,134,810	1,888,979

14. Share Capital

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

15. Dividend

	2005		2004	
	\$ Per share		\$ Per share	
Interim	1,750	0.087	1,660	0.083
Final	4,515	0.225	3,540	0.177
	6,265	0.312	5,200	0.260

16. Net Cash Flow from Operating Activities

Reconciliation of Statement of Financial Performance surplus with Net Cash Flow from Operating Activities.

	2005	2004
Operating Surplus After Taxation	27,969	23,147
Add Non-Cash Items:		
- Depreciation	2,682	2,602
- Writedown of Property	500	-
- Doubtful Debts Provision	750	2,480
Add/(Deduct) Movements in Working Capital:		
Increase (Decrease) in Sundry Creditors	4,835	(3,086)
Increase (Decrease) in Interest Payable	3,095	769
Increase (Decrease) in Provision for Tax	(899)	355
(Increase) Decrease in Deferred Tax Asset	(641)	(1,209)
(Increase) Decrease in Sundry Debtors	(466)	(587)
(Increase) Decrease in Interest Receivable	(755)	49
Net Cash Flow from Operating Activities	37,070	24,520

Notes to the Financial Statements for the year ended 31 March 2005

17. Interest Rate Repricing Schedule

The interest rate repricing schedule of on-balance sheet monetary assets and monetary liabilities has been prepared on the basis of contractual maturity or next repricing date, whichever is earlier. Interest Rate derivatives such as Interest Rate Swaps, and Interest Rate Options are used to convert fixed rate exposure into floating. This is disclosed in Note 20.

	Weighted Average Interest Rate (%)	0-6 Months (\$000)	6-12 Months (\$000)	1-2 Years (\$000)	2-5 Years (\$000)	Over 5 Years (\$000)	Total (\$000)
As at 31 March 2005							
Monetary Assets							
Cash and Liquid Assets	6.50	5,280	-	-	-	-	5,280
Due from Other Banks	6.75	9,000	-	-	-	-	9,000
Investment Securities	6.90	750,918	26,285	15,335	7,015	-	799,552
Loans and Advances	7.79	760,913	236,696	401,338	105,488	3,614	1,508,049
Other Monetary Assets		9,212	-	-	-	-	9,212
Total Monetary Assets		1,535,323	262,981	416,673	112,503	3,614	2,331,093
Monetary Liabilities							
Deposits	4.89	1,956,330	109,861	36,320	32,299	-	2,134,810
Provision for Dividend		4,515	-	-	-	-	4,515
Other Current Liabilities		31,435	-	-	-	-	31,435
Total Monetary Liabilities		1,992,280	109,861	36,320	32,299	-	2,170,760
Interest Rate Sensitivity Gap		(456,958)	153,120	380,353	80,204	3,614	160,333

As at 31 March 2004

Monetary Assets							
Cash and Liquid Assets	5.25	16,781	-	-	-	-	16,781
Investment Securities	5.61	663,849	-	2,027	34,700	-	700,576
Loans and Advances	7.27	694,610	227,911	270,709	137,082	-	1,330,312
Other Monetary Assets		6,204	-	-	-	-	6,204
Total Monetary Assets		1,381,444	227,911	272,736	171,782	0	2,053,873
Monetary Liabilities							
Deposits	3.96	1,663,823	138,324	50,937	35,812	83	1,888,979
Provision for Dividend		3,540	-	-	-	-	3,540
Other Current Liabilities		23,505	-	-	-	-	23,505
Total Monetary Liabilities		1,690,868	138,324	50,937	35,812	83	1,916,024
Interest Rate Sensitivity Gap		(309,424)	89,587	221,799	135,970	(83)	137,849

Notes to the Financial Statements for the year ended 31 March 2005

All in \$000's

18. Capital Adequacy

(i) Risk adjusted capital adequacy ratios

Capital adequacy ratios are calculated as the percentage of qualifying capital to total risk-weighted exposures. The Reserve Bank of New Zealand currently requires registered banks to maintain tier one capital at a minimum of 4% of total risk-weighted exposures and total capital at a minimum of 8% of total risk-weighted exposures. In addition, total tier two capital may not exceed total tier one capital and lower tier two capital may not exceed 50% of total tier one capital.

Total capital adequacy ratios for the Bank at balance date are:

	2005	2004
Tier one	14.93%	14.09%
Total	14.93%	14.09%
(ii) Qualifying capital		
Tier One Capital		
Issued and Fully Paid-up Share Capital	10,000	10,000
Retained Surplus	137,190	119,243
Current Years Audited Retained Surplus	21,704	17,947
Total Tier One Capital	168,894	147,190
Tier Two Capital	-	-
Total Qualifying Capital	168,894	147,190

(iii) Total Risk-Weighted Exposures

On Balance Sheet Exposure	Principal Amount		Risk-Weight	Risk-Weighted Exposures	
	2005	2004		2005	2004
On Balance Sheet Exposures					
Cash and Short-Term Claims on Government	20,202	26,388	0%	-	-
Long-Term Claims on Government	10,197	15,404	10%	1,020	1,540
Claims on Banks and Local Authorities	679,565	526,822	20%	135,913	105,364
Loans Secured By Residential Mortgage	1,349,876	1,188,356	50%	674,938	594,178
Other Assets	279,814	306,687	100%	279,814	306,687
Total On Balance Sheet Exposures	2,339,654	2,063,657		1,091,685	1,007,769

Off Balance Sheet Exposure	Principal Amount		Credit Conver. Factor	Credit Equivalent Amount		Risk-Weight	Risk-Weighted Amount	
	2005	2004		2005	2004		2005	2004
Commitments to lend < year	90,991	87,218	0%	-	-	100%	-	-
Commitments to lend > year	157,779	145,216	50%	78,890	72,608	50%	39,445	36,304
Market Related Contracts*	324,582	59,462	N/A	1,928	1,189	20%	386	238
Total Off Balance Sheet Exposure	573,352	291,896		80,818	73,797		39,831	36,542
Total Risk-Weighted Exposures	2,913,006	2,355,553					1,131,516	1,044,311

* The credit equivalent amounts for market related contracts are calculated using the current exposure method.

Notes to the Financial Statements for the year ended 31 March 2005

All in \$000's

19. Fair Value of Financial Instruments

	2005		2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and Liquid Assets	14,280	14,280	16,781	16,781
Investments	799,552	798,908	700,576	700,946
Loans and Advances *	1,497,849	1,493,633	1,320,862	1,326,087
Deposits	2,134,810	2,134,810	1,888,979	1,888,979

* The estimated fair value of Loans and Advances has been calculated as per the Statement of Accounting Policies.

20. Market Related Contracts (Derivatives)

	Notional Amount	Credit Equivalent Amount	Fair Value
As at 31 March 2005			
Interest Rate Contracts			
Swaps	17,582	319	217
Options	307,000	1,609	359
Total Interest Rate Contracts	324,582	1,928	576

The unrecognised gains on these Interest Rate Contracts is (\$0.559)m, calculated as the fair value of (\$0.576)m less the net receivable recognised in the Statement of Financial Position of \$0.017m.

As at 31 March 2004

Interest Rate Contracts			
Swaps	19,462	389	210
Options	40,000	800	-
Total Interest Rate Contracts	59,462	1,189	210

The unrecognised loss on these Interest Rate Contracts is (\$0.193)m, calculated as the fair value of (\$0.210)m less the net payable recognised in the Statement of Financial Position of \$0.017m.

21. Foreign Currency Balances

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

22. Credit Exposures to Connected parties

The Bank has no connected parties to which credit exposures exist.

23. Securitisation, Funds Management, and Other Fiduciary Activities

The Bank has no involvement with any Securitisation, Funds Management or other Fiduciary activities.

24. Reporting By Segment

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

25. Commitments and Contingencies

	2005	2004
Lending Commitments	94,220	88,622
Approved Banking Facilities Unutilised	154,552	203,274
	248,772	291,896

Total Commitments are also split by maturity in Note 18.

Refer to Note 9 of the General Disclosure Statement which outlines pending proceedings against TSB Bank Limited.

Notes to the Financial Statements for the year ended 31 March 2005

All in \$000's

26. Imputation Credit Account

	2005	2004
Balance at Beginning of Year	69,570	59,854
Add Income Tax Paid	15,384	12,265
Less Credits Associated With Income Tax Refund	(55)	-
Less Allocation to Dividends Paid	(2,607)	(2,549)
Balance at End of Year	82,292	69,570

27. Concentration of Credit Exposures to Individual Counterparties

The following disclosures show the number of individual counterparties (not being members of groups of closely related counterparties) or groups of closely related counterparties (excluding OECD governments and connected persons), where the period end and peak end-of-day credit exposures equalled or exceeded 10% of the Bank's equity as at balance date. The peak aggregate end of day exposures relate to the most recent quarter. Credit exposures disclosed are based on actual exposures. Also shown below as at balance date, is the amount and percentage of aggregate credit exposures that is of an investment grade credit rating.

Percentage of Total Equity	Year Ended 31 March 2005			Year Ended 31 March 2004		
	Number of Counterparties			Number of Counterparties		
	Non Bank	Bank	Total	Non Bank	Bank	Total
As at balance date						
10% - 20%	6	1	7	8	-	8
21% - 30%	1	1	2	1	-	1
31% - 40%	1	1	2	-	3	3
41% - 50%	-	1	1	-	3	3
51% - 60%	-	1	1	-	-	-
61% - 70%	-	1	1	-	-	-
Peak Exposure						
10% - 20%	6	-	6	9	2	11
21% - 30%	2	1	3	1	-	1
31% - 40%	1	-	1	-	2	2
41% - 50%	-	3	3	-	3	3
51% - 60%	-	1	1	-	1	1
61% - 70%	-	1	1	-	-	-

	As at 31 March 2005		As at 31 March 2004	
	\$000's	%	\$000's	%
Investment Grade Credit Rating	590,000	78%	498,000	75%
Other	76,000	22%	40,000	25%

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

An Investment grade credit rating means a credit rating of BBB- or Baa3, or above, or its equivalent.

Other, refers to investments in non-rated Local Authorities.

Notes to the Financial Statements for the year ended 31 March 2005

All in \$000's

28. Market Risk Exposures

Aggregate Market Risk Exposure consists of three categories of exposure: Aggregate Interest Rate Exposure, Aggregate Foreign Currency Exposure, and Aggregate Equity Exposure. The Bank has no material exposures in either Foreign Currency or Equities. Calculation of the Aggregate Interest Rate Exposure, as at balance date and peak exposure during the quarter, was made in accordance with clause 1 (1) (a) of the Seventh Schedule and clauses 2 to 7 of the Eighth Schedule of the Registered Bank Disclosure Statement (Full and Half Year - New Zealand Incorporated Registered Banks) Order 2005.

Aggregate Interest Rate Exposure

	Year Ending 31 March 2005		Year Ending 31 March 2004	
	(\$000)	% of Equity	(\$000)	% of Equity
Balance Date	3,573	2.12%	2,150	1.46%
Peak Exposure	4,006	2.37%	2,150	1.46%

29. Concentrations Of Credit Exposures

	2005	2004
Within Taranaki	735,934	629,547
Rest of New Zealand	1,571,667	1,401,341
Total Exposures by Geographic Region	2,307,601	2,030,888
Agriculture	68,911	62,552
Utilities	52,000	94,000
Communications	6,000	17,000
Government and Public Authorities	286,294	187,636
Finance	418,258	376,940
Housing	1,366,284	1,202,354
Personal	22,241	21,602
Community	6,510	6,009
Commercial	81,103	62,795
Total Exposures by Industry	2,307,601	2,030,888

Cash and Liquid Assets, Future Income Tax Benefit, Property, Plant & Equipment and Other Assets have been excluded from the above analysis on the basis that the credit exposure is insignificant or nil.

30. Concentrations Of Funding

Retail Deposits		
	2005	2004
Within Taranaki	1,283,707	1,148,645
Rest of New Zealand	851,103	740,334
Total Funding by Geographic Region	2,134,810	1,888,979
Government and Public Authorities	15,143	5,476
Households	2,058,086	1,833,356
Community	23,923	21,963
Commercial	37,658	28,184
Total Funding by Industry	2,134,810	1,888,979

31. Subsequent Events

In accordance with FRS-5 Events After Balance Date there has been no material subsequent events that would impact on the financial statements.

Notes to the Financial Statements for the year ended 31 March 2005

32. Risk Management Policies

(i) Credit Risk

Lending: The bank is predominantly a residential lender. Residential and non-residential loans are generally secured by way of 1st mortgage over Land and Buildings.

Borrowers must satisfy a number of conditions when applying for credit including an ability to service the debt whilst satisfying loan to asset ratios. Discretionary lending limits exist at different levels within the Bank.

Regular reviews of loans by both management and Internal Audit ensure that the Bank is well positioned to assess the financial position of borrowers.

Non Lending Assets: Investment in non-lending assets is controlled by limiting the area of investment and through the establishment of formal limits permitted with each counterparty. The current policy permits investing with the New Zealand Government, Registered Banks, Local Authorities, State Owned Enterprises and issuers of paper with a short term debt rating of A1 or better and excludes trading in Derivatives, Futures and Foreign Exchange options.

Credit risk exposures are monitored on a daily basis and form an integral part of the management reporting system.

(ii) Foreign Currency Risk

The Bank operates a Retail Foreign Currency outlet. Bank policy is to maintain minimal levels of holdings and therefore foreign currency exposure is immaterial.

(iii) Interest Rate Risk

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

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

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

(iv) Equity Risk

The Bank's current policy does not permit trading in equities.

(v) Liquidity Risk

Liquidity risk is managing risk to ensure the Bank is able in the short term to meet its obligations. The Bank's liquidity management policy requires that sufficient liquidity be maintained to meet demand as required. A ratio of liquid assets to total liabilities is applied to determine the minimum amount of liquid assets to be held. Liquid assets are maintained in the form of Cash, Registered Bank Bills, Local Authority and Treasury Bills.

Credit lines are in place with other Registered Banks to assist in meeting liquidity requirements.

Liquidity risk is monitored on a daily basis and forms an integral part of the management reporting system.

(vi) Internal Audit

The Bank's Audit and Compliance Manager reports ultimately to the Chair of the Audit and Compliance Committee. The scope of internal audit ensures that aspects of the Bank's operational functions are reviewed on a cyclical basis.

The Audit and Compliance Committee's primary function is to liaise with the External Auditors. The Audit and Compliance Committee comprises three directors who are B C Richards (independent director), P K Broughton, and M M McCarthy (independent director). A meeting with the External Auditors takes place at least annually.

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

General Disclosure Statement for the year ended 31 March 2005

This General Disclosure Statement contains information as required by the Registered Bank Disclosure Statement (Full and Half Year - New Zealand Incorporated Registered Banks) Order 2005 ('the Order').

1. Name and Registered Office of Registered Bank

TSB Bank Limited is a registered bank (elsewhere in this statement referred to as 'the Bank').
Registered Office: Level 5, TSB Centre, 120 Devon Street East, New Plymouth.

2. Details of Incorporation

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

3. Ownership

The TSB Bank Community Trust, an independent body, owns all the shares in the Bank.

4. Guarantee Arrangements

No material obligations of the Bank are guaranteed.

5. Directorate

All Directors of the Bank reside in New Zealand

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

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

J.G. (John) Armstrong, J.P.
Company Director

P.K. (Kemp) Broughton, BE, FIPENZ, J.P.
Company Director

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

M.M. (Maeve) McCarthy, LLB
Solicitor

K.W. (Kevin) Rimmington, J.P.
TSB Bank Managing Director/CEO

C. (Colleen) Tuuta
Company Director

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

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

The Address to which any communication to the Directors may be sent is:-

TSB Bank Limited
PO Box 240
New Plymouth

6. Auditor

Deloitte.
80 London Street
Hamilton

General Disclosure Statement for the year ended 31 March 2005

7. Policy on Directors' Conflicts of Interest

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

8. Conditions of Registration

A copy of the 'Conditions of Registration' is included in this General Disclosure Statement, dated as from 30 March 2005.

9. Pending Proceedings or Arbitration

The New Zealand Commerce Commission has indicated that it has filed criminal proceedings against TSB Bank Limited, along with five other major banks, two card services companies, and one financial services company under the Fair Trading Act 1986 in relation to disclosure of international currency conversion fees charged on foreign currency credit card and debit card transactions. As at the date of signing, proceedings have been commenced by the Commerce Commission against TSB Bank Limited. The Directors cannot reliably estimate any likely outflows arising at this time.

10. Directors Fees

Directors Fees received by the Directors for the year ended 31 March 2005.

E Gill (Chair)	43,113
B C Richards (Deputy Chair)	28,455
P Butterworth (retired May 2004)	2,780
J G Armstrong	16,843
P K Broughton	16,843
D L Lean	16,843
M M McCarthy	16,843
C Tuuta (appointed June 2004)	12,510
D E Walter	16,843
	<hr/>
	\$171,073

11. Directorships

The following directors are also directors of the following companies outside TSB Bank Limited.

B C Richards - Hotel School NZ Limited, Staples Rodway Taranaki Limited, SR Taranaki Trustees Limited, Staples Rodway Taranaki Nominees Limited, SRTN Trustees Limited

J G Armstrong - John Armstrong Limited, Taranaki Investment Management Limited, Bell Block Properties Limited, Links Coastal Development Limited

D L Lean - David Lean & Associates Limited, Rahoitu Dairy Limited

M M McCarthy - J M Northshore Limited, J M Northshore (2005) Limited

K W Rimmington - Interchange and Settlement Limited

C Tuuta - Albatross Enterprises Limited

D E Walter - Westgate Transport Limited

12. Financial and Supplementary Disclosures

This General Disclosure Statement is inclusive of the Bank's audited financial statements for the year ended 31 March 2005. All necessary additional financial and supplementary disclosures are included in the notes attached to the financial statements.

General Disclosure Statement for the year ended 31 March 2005

13. Credit Rating

TSB Bank Ltd was assigned a credit rating in April 2002 applicable to its long term senior unsecured obligations payable in New Zealand, in New Zealand dollars. The credit rating was given by Standard & Poor's (Australia) Pty Limited. The current rating is BBB-/Stable/A3. No changes have been made to this rating and the rating is not subject to any qualifications.

Rating scale for long term senior unsecured obligations.

- AAA Extremely strong capacity to pay interest and repay principal in a timely manner.
- AA Very strong capacity to pay interest and repay principal in a timely manner.
- A Strong capacity to pay interest and repay principal in a timely manner but may be more susceptible to adverse effects of changes in circumstances and economic conditions than higher rated entities.
- BBB Adequate capacity to pay interest and repay principal in a timely manner but are more likely to be weakened by adverse changes in circumstances and economic conditions than higher rated entities.
- BB A degree of speculation exists with respect to the ability of an entity with this credit rating to pay interest and repay principal in a timely manner. Adverse business, financial or economic conditions could impair the borrower's capacity or willingness to meet debt service commitments in a timely manner.
- B Entities rated B are more vulnerable to adverse business, financial or economic conditions than entities in higher rated categories. Adverse business, financial or economic conditions will likely impair the borrower's capacity or willingness to meet debt service commitments in a timely manner.
- CCC Entities rated CCC are currently vulnerable to default and are dependent on favourable business, financial or economic conditions to meet debt service commitments in a timely manner. In the event of adverse business, financial or economic conditions the entity is likely to default.
- CC Entities rated CC are currently vulnerable to non-payment of interest and principal.
- C Entities rated C have filed a bankruptcy petition or taken similar action, but payment of obligations are being continued.
- D D rated entities are in default. This is assigned when interest or principal payments are not made on the date due or when an insolvency petition or a request to appoint a receiver is filed.

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

14. Directors' Statement

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

- a) The General Disclosure Statement contains all the information required by the Registered Bank Disclosure Statement (Full and Half Year - New Zealand Incorporated Registered Banks) Order 2005:
- b) The General Disclosure Statement is not false or misleading.

The Directors believe, after due enquiry, that over the financial year to 31 March 2005:

- a) The Bank complies with the conditions of registration:
- b) There are no credit exposures to connected persons:
- c) The Bank has systems in place to monitor and control adequately the Bank's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk and other business risks, and that these systems are being properly applied:

E. Gill
(Chair - Board of Directors)
26 May 2005

B. C. Richards
(Deputy Chair)
26 May 2005

M. M. McCarthy
26 May 2005

J. G. Armstrong
26 May 2005

P.K. Broughton
26 May 2005

K. W. Rimmington
(Managing Director/CEO)
26 May 2005

C. Tuuta
26 May 2005

D. L. Lean
26 May 2005

D. E. Waller
26 May 2005

Conditions of Registration for the year ended 31 March 2005

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

1. That the bank group complies with the following requirements:
 - Capital of the banking group is not less than 8 percent of risk weighted exposures.
 - Tier one capital of the banking group is not less than 4 percent of risk weighted exposures.
 - Capital of the banking group is not less than NZ \$15 million.

For the purposes of this condition of registration, capital, tier one capital and risk weighted exposures shall be calculated in accordance with the Reserve Bank of New Zealand document entitled "Capital Adequacy Framework" (BS2) dated March 2005.
2. That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities, where the term material is based on generally accepted accounting practice, as defined in the Financial Reporting Act 1993.
3. That the banking group's insurance business is not greater than 1% of its total consolidated assets. For the purposes of this condition:
 - (i) Insurance business means any business of the nature referred to in section 4 of the Insurance Companies (Ratings and Inspection) Act 1994 (including those to which the Act is disappplied by sections 4(1)(a) and (b) and 9 of that Act), or any business of the nature referred to in section 3(1) of the Life Insurance Act 1908;
 - (ii) In measuring the size of the banking group's insurance business:
 - (a) where insurance business is conducted by any entity whose business predominantly consists of insurance business, the size of that insurance business shall be:
 - the total consolidated assets of the group headed by that entity;
 - or if the entity is a subsidiary of another entity whose business predominantly consists of insurance business, the total consolidated assets of the group headed by the latter entity;
 - (b) otherwise, the size of each insurance business conducted by an entity within the banking group shall equal the total liabilities relating to that insurance business, plus the equity retained by the entity to meet the solvency or financial soundness needs of the insurance business;
 - (c) the amounts measured in relation to parts (a) and (b) shall be summed and compared to the total consolidated assets of the banking group. All amounts in parts (a) and (b) shall relate to on balance sheet items only, and shall be determined in accordance with generally accepted accounting practice, as defined in the Financial Reporting Act 1993;
 - (d) where products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets shall be considered part of the insurance business.
4. That aggregate credit exposures (of a non-capital nature and net of specific provisions) of the banking group to all connected persons do not exceed the rating-contingent limit outlined in the following matrix:

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

Within the rating-contingent limit, credit exposures (of a non-capital nature and net of specific provisions) to non-bank connected persons shall not exceed 15 percent of the banking group's tier 1 capital.

For the purposes of this condition of registration, compliance with the rating-contingent connected exposure limit is determined in accordance with Reserve Bank of New Zealand document entitled "Connected Exposure Policy" (BS8) dated March 2005.

Conditions of Registration for the year ended 31 March 2005

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

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

To the Shareholder of TSB Bank Limited

We have audited the financial statements and supplementary disclosure information on pages 11 to 30 included in the General Disclosure Statement which have been prepared to comply with the Registered Bank Disclosure Statement (Full and Half Year – New Zealand Incorporated Registered Banks) Order 2005 (the Order). The financial statements provide information about the past financial performance and cash flows of TSB Bank Limited and its financial position as at 31 March 2005.

In addition, the financial statements contain the supplementary disclosure information as required by Clauses 12(3) and 12(4) of the Order. This information is stated in accordance with the accounting policies set out on pages 14 to 15.

Board of Directors' Responsibilities

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of the Bank as at 31 March 2005 and the financial performance and cash flows for the year ended on that date. They are also responsible for the preparation and presentation of supplementary disclosure information which:

- (a) gives a true and fair view, in accordance with Clause 12(3) of the Order, of the matters to which it relates; and
- (b) complies with Schedules 7 and 8 of the Order in accordance with Clause 12(4) of the Order.

Auditors' Responsibilities

It is our responsibility to express an independent opinion on the financial statements and supplementary disclosure information presented by the Board of Directors as required by Clauses 12(1), 12(3) and 12(4) of the Order 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 disclosure information. It also includes assessing:

- the significant estimates and judgements made by the Board of Directors in the preparation of the financial statements and supplementary disclosure information, and
- whether the accounting policies used and described on pages 14 to 15 are appropriate to the circumstances of the Bank, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. 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 obtain reasonable assurance that the financial statements and supplementary disclosure information required by the Order 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 the supplementary information disclosure required by the Order.

Principles and employees of our firm may deal with the Bank on normal terms within the ordinary course of trading activities of the Bank. Other than in our capacity as auditors and advisors we have no relationships with or interests in TSB Bank Limited.

Unqualified Opinion

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

In our opinion:

- (a) proper accounting records have been kept by TSB Bank Limited as far as appears from our examination of those records; and
- (b) the financial statements on pages 11 to 30 to:
 - (i) complies with generally accepted accounting practice in New Zealand;
 - (ii) gives a true and fair view of the financial position of TSB Bank Limited as at 31 March 2005 and the financial performance and cash flows for the year ended on that date: and
- (c) the supplementary disclosure information as required by Clause 12(3) of the Order:
 - (i) has been prepared in accordance with the Registered Bank Disclosure Statement (Full and Half Year – New Zealand Incorporated Registered Banks) Order 2005 and the Conditions of Registration of the Bank pursuant to section 74 of the Reserve Bank of New Zealand Act 1989 and is in accordance with the books and records of the Bank; and
 - (ii) gives a true and fair view of the matters to which it relates.
- (d) the supplementary disclosure information as required by Clause 12(4) of the Order:
 - (i) has been prepared in accordance with the Registered Bank Disclosure Statement (Full and Half Year – New Zealand Incorporated Registered Banks) Order 2005 and the Conditions of Registration of the Bank pursuant to section 74 of the Reserve Bank of New Zealand Act 1989 and is in accordance with the books and records of the Bank; and
 - (ii) complies with Schedules 7 and 8 of the Order.

Our audit was completed on 26 May 2005 and our unqualified opinion is expressed as at that date.



Deloitte
Chartered Accountants
HAMILTON NEW ZEALAND

Matters Relating to the Electronic Presentation of the Audited Financial Report

This audit report relates to the financial statements and supplementary disclosure information (financial report) of TSB Bank Limited for the year ended 31 March 2005 included on the TSB Bank website. The Bank's Board of Directors are responsible for the maintenance and integrity of the TSB Bank website. We have not been engaged to report on the integrity of the Banks website. We accept no responsibility for any changes that may have occurred to the financial report since it was initially presented on the website.

The audit report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial report and related audit report dated 26 May 2005 to confirm the information included in the audited financial report presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial reports may differ from legislation in other jurisdictions.

Directory for the year ended 31 March 2005

Directors

E. (Elaine) Gill, ONZM, LLB, Chair
B.C. (Bruce) Richards, B Com, CA, CMA, Deputy Chair
J.G. (John) Armstrong, J.P
P.K. (Kemp) Broughton, BE, FIPENZ, J.P
D.L. (David) Lean, QSO, J.P
M.M. (Maeve) McCarthy, LLB
K.W. (Kevin) Rimmington, J.P, Managing Director/CEO
C. (Colleen) Tuuta
D. E. (David) Walter, QSO, J.P

Management

K..W. (Kevin) Rimmington, J.P., Managing Director/CEO
K.J. (Kevin) Murphy, C.A., Deputy Chief Executive
R. (Rod) Grant, National Business Manager
R. (Rod) Main, Taranaki Business Manager
C (Charles) Duke, Manager Information Services
R.G. (Roddy) Bennett, B. Sci. Manager Finance
L.D. (Linda) Burczynski, Dipl. Mgmt, Manager Human Resources
P.D. (Phil) Gerrard, AAIBS, Manager Lending Services
C.D.(Carolyn) Wratislav, Manager Training
J. (John) Ainsworth, Manager Audit and Compliance

National

H.D. (Heather) King, Manager, Bank Direct
S.J. (Stephanie) Sibbick, Manager, Loan Direct
L.N. (Lindsay) McElroy, Auckland Home Loan Lounge
G.D. (Graeme) Reid, Christchurch Home Loan Franchise

Taranaki

L.S. (Len) Walker, Manager, City
B.I. (Brian) Hulse, Manager, Fitzroy
V.J. (Viv) Hall, Manager, Waitara
F.J. (Fay) Bint, Manager, Inglewood
N.L. (Neal) Spragg, Manager, Stratford
C.E. (Coleen) Peri, Manager, Westtown
L.A. (Lisa) Hardegger, Manager, Moturoa
C.M. (Campbell) Third, Manager, Hawera
K.S. (Karen) Tennet, Manager, Eltham
K.H. (Kim) Dines, Manager, Opunake
P.S. (Paul) Wood, Manager, Centre
R.A. (Rachel) Nickel, Manager, Frankleigh Park
S. R. (Steven) Dickson, Manager, Vogeltown
V.J. (Valmai) McEldowney, Manager, Bell Block
A.R. (Anne) Ruwhiu, Manager, Merrilands

Divisions

F.R. (Fleur) Edwards, Manager, TSB Foreign Exchange
D.E. (Daryl) Finderup, Manager, TSB Holiday Shoppe
R.W. (Ron) Beccard, Manager, TSB Realty

Registered Office

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

Principal Solicitors to the Company

Auld Brewer Mazengarb & McEwen

Auditor

Deloitte.



