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TSB Bank
General Short Form
Disclosure Statement

For the Period Ended
30 June 2006

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General Short Form Disclosure Statement

For the Three Months Ended 30 June 2006

This General Short Form Disclosure Statement contains information as required by the Registered Bank Disclosure Statement (Off-Quarter - New Zealand Incorporated Registered Banks) Order 2005.

1. Name and Registered Office of Registered Bank

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

2. Details of Incorporation

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

3. Ownership

The TSB Community Trust, an independent body, owns all the shares in the TSB Bank Limited, and is domiciled in New Zealand. The TSB Community Trust appoints the Board of Directors.

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, O.N.Z.M., LLB
(Chair – Board of Directors)
Company Director

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

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

D.L. (David) Lean, Q.S.O., 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, Q.S.O., 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 or, which could be reasonably likely to influence materially the exercise of the Director's duties. Independent Directors are E Gill, B C Richards, 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

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 Short Form Disclosure Statement, dated as from 30 March 2005.

9. Pending Proceedings or Arbitration

The New Zealand Commerce Commission 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. The Directors cannot reliably estimate any likely outflows arising at this time.

10. Credit Rating

TSB Bank Ltd has a credit rating 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 rating outlook was revised on the BBB- long term rating to positive from stable on July 25, 2005. The current rating is BBB-/positive/A3. 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.

11. Financial and Supplementary Disclosures

This General Short Form Disclosure Statement is inclusive of the Banks interim financial statements (unaudited) for the quarter ended 30 June 2006. All necessary additional financial and supplementary disclosures are included in the financial notes attached to the interim financial statements.

General Short Form Disclosure Statement

For the Three Months Ended 30 June 2006

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

a) The General Short Form Disclosure Statement contains all the information required by the Registered Bank Disclosure Statement (Off Quarter - New Zealand Incorporated Registered Banks) Order 2005:

b) The General Short Form Disclosure Statement is not false or misleading.

The Directors believe, after due enquiry, that over the quarter ended 30 June 2006:

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)

B. C. Richards
(Deputy Chair)

P.K. Broughton

D. L. Lean

M. M. McCarthy

K. W. Rimmington
(Managing Director/CEO)

C. Tuuta

D. E. Walter

24 August 2006

CONDITIONS OF REGISTRATION

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 that 1% of its total consolidated assets. For the purposes of this condition:

   (i) Insurance business means any business of the nature referred to in section 4 of the Insurance Companies (Ratings and Inspection) Act 1994 (including those to which the Act is disapplied by sections 4(1)(a) and (b) and 9 of that Act), or any business of the nature referred to in section 3(1) of the Life Insurance Act 1908;

   (ii) In measuring the size of the banking group's insurance business:

   (a) where insurance business is conducted by any entity whose business predominantly consists of insurance business, the size of that insurance business shall be:
   - the total consolidated assets of the group headed by that entity;
   - or if the entity is a subsidiary of another entity whose business predominantly consists of insurance business, the total consolidated assets of the group headed by the latter entity;

   (b) otherwise, the size of each insurance business conducted by an entity within the banking group shall equal the total liabilities relating to that insurance business, plus the equity retained by the entity to meet the solvency or financial soundness needs of the insurance business;

   (c) the amounts measured in relation to parts (a) and (b) shall be summed and compared to the total consolidated assets of the banking group. All amounts in parts (a) and (b) shall relate to on balance sheet items only, and shall be determined in accordance with generally accepted accounting practice, as defined in the Financial Reporting Act 1993;

   (d) where products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets shall be considered part of the insurance business.

4. That aggregate **credit exposures** (of a non-capital nature and net of 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 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 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.

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).

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE QUARTER ENDED 30 JUNE 2006

	Note	30 June 2006 $000	30 June 2005 $000
Interest Income Received	1	52,005	43,911
Interest Paid	2	33,141	27,052
Net Interest Income		**18,864**	**16,859**
Other Operating Income Received	3	2,941	2,863
Total Operating Income		**21,805**	**19,722**
Operating Expenses	4	8,685	7,985
Operating Surplus before Taxation		**13,120**	**11,737**
Taxation		4,330	3,873
Net Surplus Attributable to Shareholder		**8,790**	**7,864**

STATEMENT OF MOVEMENTS IN EQUITY
FOR THE QUARTER ENDED 30 JUNE 2006

	Note	30 June 2006 $000	30 June 2005 $000
Opening Shareholder's Equity		193,205	168,894
Net Surplus Attributable to Shareholder		8,790	7,864
Closing Shareholder's Equity		**201,995**	**176,758**
Represented by :			
Share Capital	13	10,000	10,000
Retained Surplus		191,995	166,758
		201,995	**176,758**

The Statement of Accounting Policies (pages 9 to 11) and the Notes to the Interim Financial Statements (pages 12 to 18) form an integral part of these Interim Financial Statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2006

	Note	30 June 2006 $000	30 June 2005 $000
Assets			
Cash and Liquid Assets	5	14,238	9,455
Investments Securities	6	923,211	824,070
Loans and Advances	7	1,728,674	1,533,123
Receivables	10	9,805	10,181
Future Income Tax Benefit		5,396	4,852
Property, Plant and Equipment	9	12,927	13,400
Total Assets		**2,694,251**	**2,395,081**
Liabilities			
Deposits	12	2,445,993	2,181,589
Payables	11	46,263	36,734
Total Liabilities		**2,492,256**	**2,218,323**
Shareholder's Equity			
Share Capital	13	10,000	10,000
Retained Surplus		191,995	166,758
Total Shareholder's Equity		**201,995**	**176,758**
Total Liabilities and Shareholder's Equity		**2,694,251**	**2,395,081**
Total Interest Earning and Discount Bearing Assets		**2,675,881**	**2,374,517**
Total Interest and Discount Bearing Liabilities		**2,329,069**	**2,064,757**

The Statement of Accounting Policies (pages 9 to 11) and the Notes to the Interim Financial Statements (pages 12 to 18) form an integral part of these Interim Financial Statements.

STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 JUNE 2006

	Note	30 June 2006 $000	30 June 2005 $000
Cash Flows from Operating Activities			
Cash provided from (applied to):			
Interest Income Received		48,870	40,786
Other Income Received		7,026	5,894
Interest Paid		(16,672)	(14,471)
Operating Expenditure		(20,237)	(18,268)
Taxation Paid		-	-
Net Cash Flow from Operating Activities	14	**18,987**	**13,941**
Cash Flows from Investing Activities			
Cash provided from (applied to):			
Property, Plant and Equipment Sold		-	-
Net Increase in Investment Securities		(73,177)	(24,518)
Net Increase in Loans and Advances		(42,401)	(35,524)
Property, Plant and Equipment Purchased		(227)	(113)
Net Cash Flow from Investing Activities		**(115,805)**	**(60,155)**
Cash Flows from Financing Activities			
Cash provided from (applied to):			
Net Increase in Deposits		85,336	45,904
Dividends Paid		(4,975)	(4,515)
Net Cash Flow from Financing Activities		**80,361**	**41,389**
Net Increase/(Decrease) in Cash and Cash Equivalents		**(16,457)**	**(4,825)**
Add Cash and Cash Equivalents at Beginning of Period		30,695	14,280
Cash and Cash Equivalents at End of Period		**14,238**	**9,455**

The Statement of Accounting Policies (pages 9 to 11) and the Notes to the Interim Financial Statements (pages 12 to 18) form an integral part of these Interim Financial Statements.

STATEMENT OF ACCOUNTING POLICIES
FOR THE QUARTER ENDED 30 JUNE 2006

The TSB Bank Limited is a company registered under the Companies Act 1993. These interim financial statements have been prepared in accordance with FRS-24 Interim Financial Statements, and the requirements of the Companies Act 1993, the Financial Reporting Act 1993, and the Registered Bank Disclosure Statement (Off Quarter - New Zealand Incorporated Registered Banks) Order 2005. These interim financial statements should be read in conjunction with the Annual Report for the year ended 31 March 2006.

Basis for Preparation
The Interim 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 interim 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. Interest Expense.
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 sold. They are accounted for on a settlement basis.

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.

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 consists 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.

STATEMENT OF ACCOUNTING POLICIES
FOR THE QUARTER ENDED 30 JUNE 2006

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

Comparative Figures
Comparative information has been reclassified, where necessary, to achieve consistency and disclosure with the current year.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2006

	30 June 2006 $000	30 June 2005 $000
1. INTEREST INCOME RECEIVED		
Government and Local Authority Securities	8,291	6,840
Loans and Advances	35,042	29,879
Cash and Liquid Assets	293	257
Other Securities and Financial Instruments	8,379	6,935
	52,005	**43,911**
2. INTEREST PAID		
Retail Deposits	**33,141**	**27,052**
3. OTHER OPERATING INCOME RECEIVED		
Lending and Credit Facility Related Income	861	829
Commission and Other Trading Income *	2,010	1,965
Other Income	70	69
	2,941	**2,863**

*Incorporates TSB Realty, TSB Holiday Shoppe and TSB Foreign Exchange income

4. OPERATING EXPENSES		
Audit Services	27	20
Bad Debts Written Off	(14)	19
Depreciation:		
Buildings	61	47
Computer Equipment	417	393
Fixtures and Fittings	203	182
Directors' Fees	48	44
Personnel Expenses	3,254	2,815
General Provision for Doubtful Debts	250	250
Specific Provision for Doubtful Debts	-	-
Other	4,439	4,215
	8,685	**7,985**
5. CASH AND LIQUID ASSETS		
Cash and Cash Equivalents	2,584	3,037
Reserve Bank Balances	11,654	418
Balance due from Registered Banks	-	6,000
	14,238	**9,455**
6. INVESTMENTS SECURITIES		
New Zealand Government Securities	10,046	15,196
Treasury Bills	19,651	9,714
Local Authority Securities	301,008	293,919
Bank Registered Certificates of Deposit	499,402	416,165
Other Investments*	93,104	89,076
	923,211	**824,070**

*Other Investments' relate to investments in commercial paper with A1 short term or AA long term rating or better.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2006

	30 June 2006 $000	30 June 2005 $000
7. LOANS AND ADVANCES		
Residential Mortgages	1,557,906	1,387,405
Community	6,950	6,455
Commercial	80,731	61,261
Farming	72,799	67,953
Other	22,238	20,499
	1,740,624	1,543,573
Less General Provision for Doubtful Debts	(11,950)	(10,450)
Less Specific Provision for Doubtful Debts	-	-
Total Loans and Advances	**1,728,674**	**1,533,123**
General Provision for Doubtful Debts		
Balance at Beginning of Year	11,700	10,200
Charge to Statement of Financial Performance	250	250
Balance at End of Period	**11,950**	**10,450**
Specific Provision for Doubtful Debts		
Balance at Beginning of Year	-	-
Additions	-	-
Deletions	-	-
Balance at End of Period	**-**	**-**

8. 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 or under administration. Interest continues to be accrued on all loans. No interest has been foregone in either period.

Impaired Assets (Pre-provisions)		
Balance at Beginning of Year	-	-
Additions	-	-
Deletions	-	-
Balance at End of Period	**-**	**-**
Past Due Assets		
Balance at Beginning of Year	1,273	1,914
Additions	652	1,127
Deletions	(767)	(854)
Balance at End of Period	**1,158**	**2,187**

9. PROPERTY, PLANT AND EQUIPMENT		
Land At Cost *	**1,371**	**1,379**
Buildings At Cost	9,908	8,686
Accumulated Depreciation	(2,032)	(1,718)
Net Book Value *	**7,876**	**6,968**
Computer Equipment	14,620	14,019
Accumulated Depreciation	(12,813)	(10,614)
Net Book Value	**1,807**	**3,405**
Furniture & Fittings	8,285	7,603
Accumulated Depreciation	(6,488)	(6,029)
Net Book Value	**1,797**	**1,574**
Work in Progress	**76**	**74**
Total Property, Plant and Equipment	**12,927**	**13,400**

* Land and Buildings were valued in September 2004, except Stratford Branch (Sept 05), by Quotable Value New Zealand. The total value was $12.1 million.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2006

	30 June 2006 $000	30 June 2005 $000
10. RECEIVABLES		
Accrued Interest Receivable	7,632	6,616
Other Income Receivable	285	226
Accounts Receivable	496	2,883
Taxation Refund	392	456
Prepayments	1,000	-
	9,805	**10,181**
11. PAYABLES		
Accrued Interest Payable	31,049	23,487
Provision for Employee Entitlements	3,364	2,841
Taxation Payable	4,330	3,873
Accounts Payable and Other Liabilities	7,520	6,533
	46,263	**36,734**
12. DEPOSITS		
Term Investments	1,049,908	927,429
Other Deposits Bearing Interest	1,279,161	1,137,328
Deposits Not Bearing Interest	116,924	116,832
	2,445,993	**2,181,589**
13. SHARE CAPITAL		
Issued and Paid Up Capital:		
20,000,000 Ordinary Shares	**10,000**	**10,000**
14. NET CASH FLOW FROM OPERATING ACTIVITIES		
Reconciliation of Statement of Financial Performance surplus with Net Cash Flow from Operating Activities.		
Operating Surplus After Taxation	8,790	7,864
Add Non Cash Items: - Depreciation	681	622
- Doubtful Debts Provision	250	250
Add/(Deduct) Movements in Working Capital:		
Increase (Decrease) in Sundry Creditors	(12,483)	(11,155)
Increase (Decrease) in Interest Payable	16,469	12,581
Increase (Decrease) in Taxation Payable	4,330	3,873
(Increase) Decrease in Deferred Tax Asset	-	-
(Increase) Decrease in Sundry Debtors	4,085	3,031
(Increase) Decrease in Interest Receivable	(3,135)	(3,125)
Net Cash Flow from Operating Activities	**18,987**	**13,941**
15. COMMITMENTS AND CONTINGENCIES		
Lending Commitments	108,373	98,304
Capital Commitments	-	700
Approved Banking Facilities Unutilised	181,422	161,242
	289,795	**260,246**

Refer to page two of the General Short Form Disclosure Statement which outlines pending proceedings against TSB Bank Limited.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2006

16. 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:

	30 June 2006	30 June 2005
Tier one	15.61%	14.84%
Total	16.32%	15.53%

(ii) Qualifying capital

Tier One Capital	**$000**	**$000**
Issued and fully paid up share capital	10,000	10,000
Retained Surplus	183,205	158,894
Total Tier One Capital	**193,205**	**168,894**
Tier Two Capital		
Unaudited Current Years Retained Surplus	8,790	7,864
Total Tier Two Capital	**8,790**	**7,864**
Total Qualifying Capital	**201,995**	**176,758**

(iii) Total Risk Weighted Exposures

	Principal Amount		Risk Weight	Risk Weighted Exposures	
	Jun-06 $000	Jun-05 $000		Jun-06 $000	Jun-05 $000
On Balance Sheet Exposures					
Cash and Short-Term Claims on Government	43,935	18,198	0%	-	-
Long-Term Claims on Government	14,882	10,167	10%	1,488	1,017
Claims on Banks and Local Authorities	841,923	723,099	20%	168,385	144,620
Loans Secured By Residential Mortgage	1,549,524	1,387,405	50%	774,762	693,703
Other Assets	243,987	256,212	100%	243,987	256,212
Total On Balance Sheet Exposures	**2,694,251**	**2,395,081**		**1,188,622**	**1,095,552**

	Principal Amount		Credit Convert Factor	Credit Equivalent Amount		Risk Weight	Risk Weighted Amount	
	Jun-06 $000	Jun-05 $000		Jun-06 $000	Jun-05 $000		Jun-06 $000	Jun-05 $000
Off Balance Sheet Exposure								
Commitments to lend < year	96,465	92,693	0%	-	-	100%	-	-
Commitments to lend > year	193,330	166,853	50%	96,665	83,427	50%	48,333	41,713
Market Related Contracts *	969,608	421,900	NA	2,782	1,621	20%	556	324
Total Off Balance Sheet Exposure	**1,259,403**	**682,146**		**99,447**	**85,748**		**48,889**	**42,387**
Total Risk Weighted Exposures	**3,953,654**	**3,077,227**					**1,237,511**	**1,137,938**

* The credit equivalent amount for market related contracts were calculated using the current exposure method.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED 30 JUNE 2006

17. CONCENTRATIONS OF CREDIT EXPOSURES TO INDIVIDUAL COUNTERPARTIES

The following disclosures show the number of individual counterparties (not being members of groups of closely related counterparties) or groups of closely related counterparties (excluding 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 rating.

Percentage of Total Equity	Quarter Ended 30 June 2006			Quarter Ended 30 June 2005		
	Number of Counterparties			Number of Counterparties		
	Non Bank	Bank	Total	Non Bank	Bank	Total
As at balance date						
10% - 20%	4	1	5	4	1	5
21% - 30%	2	-	2	1	-	1
31% - 40%	-	2	2	2	2	4
41% - 50%	-	1	1	-	3	3
51% - 60%	-	2	2	-	-	-
61% - 70%	-	-	-	-	-	-
Peak Exposure						
10% - 20%	4	1	5	7	1	8
21% -30%	2	-	2	1	-	1
31% - 40%	-	1	1	2	1	3
41% - 50%	-	2	2	-	2	2
51% - 60%	-	2	2	-	1	1
61% - 70%	-	-	-	-	-	-
71% - 80%	-	-	-	-	1	1
81% - 90%	-	-	-	-	-	-

	As at 30 June 2006		As at 30 June 2005	
	$000	%	$000	%
Banks				
Investment grade credit Rating	533,000	100%	427,000	100%
Total Banks Exposures	533,000	100%	427,000	100%
Non-Banks				
Investment grade credit Rating	204,000	56%	204,400	54%
Unrated Local Authorities	159,500	43%	169,000	45%
Other	3,000	1%	3,000	1%
Total Non-Banks Exposures	366,500	100%	376,400	100%

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.

18. 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 (Off Quarter - New Zealand Incorporated Registered Banks) 2005. Percentages are calculated using the Bank's equity as at balance date.

Aggregate Interest Rate Exposure

	30 June 2006		30 June 2005	
	$000's	% of Equity	$000's	% of Equity
Balance Date	5,067	2.49%	3,775	2.14%
Peak Exposure	5,067	2.49%	3,775	2.14%

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED 30 JUNE 2006

19. FOREIGN CURRENCY BALANCES

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

20. RELATED PARTIES AND CREDIT EXPOSURES TO CONNECTED PARTIES

The Bank is wholly owned by the TSB Community Trust. During the period the Trust operated normal bank account facilities which were on normal customer terms and conditions. As at 30 June 2006, the Trust had $5.35m invested with the Bank at market rates. The Bank has no credit exposures to connected persons.

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

The Bank has no involvement with any Securitisation, Funds Management or other Fiduciary activities. The Bank does not conduct any insurance business, however general and life insurance products are marketed through the Bank's branch network.

22. REPORTING BY SEGMENT

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

23. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Bank's first annual report under New Zealand equivalents to International Financial Reporting Standards (NZIFRS) will be for the year ended 31 March 2008. However, it is a requirement that the General Short Form Disclosure Statement for the quarter ended 30 June 2007, include interim financial statements under NZ IFRS. The Bank has had a comprehensive NZ IFRS business impact report completed which has detailed key issues that will arise from the adoption of NZ IFRS. A timetable is in place to address these issues. Estimated likely key differences in the Accounting Policies and their effects on the reported Financial Position and Financial Performance are:

- The impact of the new rules for recognising loan impairment based on objective evidence that a loss event has occurred is being evaluated against the Bank's current methodology for calculating the provision for doubtful debts.
- Some securities previously classified as investment securities on the Balance Sheet may be reclassified into trading securities for liquidity purposes. Trading securities are required to be held at fair value where as investment securities, classified as Held to Maturity, are recorded at amortised cost. Further evaluation will be carried out.
- Under NZ IFRS it is likely a greater volume of revenue and costs associated with acquiring a loan will be deferred and amortised over the period of the loan.
- Recognition of "Off Balance Sheet" items. Market related contracts will be recognised on the Balance Sheet at fair value with changes reflected in the Income Statement.
- There will be some changes in accounting policies for taxation and employee benefits, but the effect is anticipated to be minimal.

The actual impact of adopting NZ IFRS may vary from the information presented and the differences may be material. The Bank continues to evaluate the areas impacted by the adoption of NZ IFRS.

24. RISK MANAGEMENT POLICIES

(i) Credit Risk

Credit risk is the potential risk for loss arising from failure of a debtor or counterparty to meet their contractual obligations. Credit risk principally arises within the Bank from its core business of providing lending facilities. The Bank is predominantly a residential lender. Residential and non-residential loans are generally secured by way of 1st mortgage over Land and Buildings. Borrowers must satisfy a number of conditions when applying for credit including an ability to service the debt whilst satisfying loan to asset ratios. Discretionary lending limits exist at different levels within the Bank.

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

The Bank relies primarily on the integrity of the debtor or counterparty and their ability to meet their obligations to the Bank.

(ii) Foreign Currency Risk

Foreign Exchange risk is the risk to earning and value caused by a change in foreign exchange rates. The Bank operates 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 banks net interest income. Interest Rate related contracts hedge interest rate risk associated with the Bank's Statement of Financial Position.

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

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

(iv) Equity Risk

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

(v) Liquidity Risk

Liquidity risk is managing risk to ensure the Bank is able in the short term to meet its financial obligations as they fall due. 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, all of which are readily tradeable to provide for any unexpected patterns in cash movements. Credit lines are in place with other Registered Banks to assist in meeting liquidity requirements. Liquidity risk is monitored on a daily basis by forecasting future daily cash requirements 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 and meets at least annually with the committee. The scope of internal audit ensures that aspects of the Bank's operational, compliance, financial and systems operations functions are reviewed based on assessment of risk on an ongoing 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.

DIRECTORY

FOR THE QUARTER ENDED 30 JUNE 2006

Directors

E. (Elaine) Gill, ONZM, LLB, Chair
B.C. (Bruce) Richards, B Com, CA, CMA, Deputy Chair
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

Management

K.W. (Kevin) Rimmington, J.P, Managing Director/CEO
K.J. (Kevin) Murphy, CA, 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, Manager, Auckland Home Loan Lounge
H.L. (Lynne) Russell, Manager, Wellington Service Centre
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
P.J. (Paul) Drake, Manager, Westown
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
A.D. (Anjuma) Achary, 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.