ASB Disclosure Statement

For the six months ended 31 December 2023

Contents

General Disclosures

(To be read in conjunction with the Financial Statements)

31 December 2023

This Disclosure Statement has been issued by ASB Bank Limited (the "Bank" or "ASB") in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the “Order”).

Corporate Information

The Bank is a company incorporated under the Companies Act 1993. The registered office of the Bank is Level 2, ASB North Wharf, 12 Jellicoe Street, Auckland 1010, New Zealand.

The "Banking Group" consists of the Bank and its controlled entities.

Ultimate Parent Bank

The ultimate parent bank of the Bank is Commonwealth Bank of Australia ("CBA"). CBA’s registered office and address of service is: Commonwealth Bank Place South, Level 1, 11 Harbour Street, Sydney, NSW 2000, Australia.

Changes to Directors

There were no changes to the Board of Directors of ASB (the “Board”) between 1 July 2023 and 31 December 2023.

Mr S R S Blair will retire from the Board on 29 February 2024.

Responsible Persons

The Chair of the Board, Dame Therese Walsh, and the Managing Director, Ms Vittoria Shortt, have been authorised in writing to sign this Disclosure Statement in accordance with section 82 of the Banking (Prudential Supervision) Act 1989, on behalf of the other directors, being Dr Rod Carr, Mr Ross Buckley, Mr David Cohen, Mr Simon Blair, Mr Colin MacDonald and Ms Victoria Crone.

Credit Ratings

As at the date of the signing of this Disclosure Statement, the following long term ratings were assigned to the Bank by these rating agencies:

Rating Agency	Current Long Term Credit Rating	Credit Rating Outlook
S&P Global Ratings Australia Pty Limited ("S&P")	AA-	Stable
Fitch Australia Pty Limited ("Fitch Ratings")	A+	Stable
Moody's Investors Service Pty Limited ("Moody's")	A1	Stable

These ratings have remained unchanged during the two years immediately preceding the signing date.

Pending Proceedings or Arbitration

Other than the information disclosed in note 12, the Banking Group is not a party to any pending legal proceedings or arbitration that may have a material adverse effect on the Bank or the Banking Group.

Auditor

PricewaterhouseCoopers New Zealand is the appointed auditor of the Bank. The auditor's address is PwC Tower, 15 Customs Street West, Auckland 1010, New Zealand.

Guarantee Arrangements

On 11 August 2011, the ASB Covered Bond Trust (the “Covered Bond Trust”) was established to acquire and hold certain residential mortgage loans (“Mortgage Loans”) originated by the Bank. ASB Covered Bond Trustee Limited (the "Covered Bond Guarantor"), solely in its capacity as trustee of the Covered Bond Trust, provides guarantees over certain debt securities ("Covered Bonds") issued by the Bank.

The Covered Bond Guarantor has guaranteed payments of interest and principal under the Covered Bonds pursuant to a guarantee which is secured over the Mortgage Loans, related security and other assets of the Covered Bond Trust. Covered Bonds (including accrued interest) of $3.1 billion were guaranteed as at the signing date of this Disclosure Statement. The amount of the guarantee is limited to the assets of the Covered Bond Trust. There are no material conditions applicable to the guarantee other than non-performance. There are no material legislative or regulatory restrictions in New Zealand which would have the effect of subordinating the claims under the guarantee of any creditors of the Bank on the assets of the Covered Bond Guarantor, to other claims on the Covered Bond Guarantor, in a winding up of the Covered Bond Guarantor.

The Covered Bond Guarantor's address for service is Level 16, SAP Tower, 151 Queen Street, Auckland 1010, New Zealand. The Covered Bond Guarantor is not a member of the Banking Group and has no credit ratings applicable to its long-term senior unsecured obligations payable in New Zealand dollars. As at 31 December 2023, the Covered Bonds issued have been assigned a long term rating of 'AAA' by Fitch Ratings and 'Aaa' by Moody's. Further information regarding the assets of the Covered Bond Trust pledged as security is provided in note 3 and additional information about this guarantee arrangement is included in the Bank’s disclosure statement for the year ended 30 June 2023, a copy of which is available at the internet address www.asb.co.nz. A printed copy will also be made available, free of charge, upon request.

As at the signing date of this Disclosure Statement, no other material obligations of the Bank are guaranteed.

General Disclosures

(To be read in conjunction with the Financial Statements)

Legally Enforceable Restrictions that May Materially Inhibit CBA's Legal Ability to Provide Material Financial Support to the Bank

Since 30 June 2023, there has been no material change in regulations, legislation, or other restrictions of a legally enforceable nature that may materially inhibit the legal ability of CBA to provide material financial support to the Bank.

Conditions of Registration

During the period between 30 June 2023 and 31 December 2023, the Reserve Bank of New Zealand ("RBNZ") amended the Bank's Conditions of Registration to:

- increase the Prudential Capital Buffer (PCB) ratio from 3.5% to 4.5% to incorporate the final component of the buffer for Domestically Systematically Important Banks (D-SIB) (effective 1 July 2023);
- incorporate changes relating to the North Island Weather Events Loan Guarantee Scheme where, for the purposes of loss given default (LGD) estimates for farm lending exposures covered by a Deed of Indemnity from the Crown, the Bank may choose to apply either the relevant minimum LGD in Table C3.2, or an LGD of 8.5% (effective 23 August 2023);
- incorporate recent RBNZ decisions relating to a new mutual capital instrument; amendments to the risk weights framework; and amendments to the BS8: *Connected Exposures Policy* (effective 1 October 2023); and
- amend condition 1B to permit ASB to return customers impacted by Cyclone Gabrielle from a "restructured" classification to "performing" without waiting six months to re-rate the loan as "non-defaulted" (effective 1 December 2023).

There have been no other changes to Conditions of Registration between 30 June 2023 and 31 December 2023.

Other Material Matters

There are no matters relating to the business or affairs of the Bank or the Banking Group which are not contained elsewhere in this Disclosure Statement which would, if disclosed, materially affect the decision of a person to subscribe for debt securities of which the Bank or any member of the Banking Group is the issuer.

Income Statement

$ millions		Banking Group	
		Unaudited	Unaudited
For the six months ended	Note	**31-Dec-23**	31-Dec-22
Interest income		**3,709**	2,610
Interest expense		**2,236**	1,062
Net interest income		**1,473**	1,548
Other income	2	**225**	278
Total operating income		**1,698**	1,826
Impairment losses on financial assets	7	**10**	49
Total operating income after impairment losses		**1,688**	1,777
Total operating expenses		**647**	609
Salaries and other staff expenses		**384**	373
Building occupancy and equipment expenses		**48**	46
Information technology expenses		**129**	120
Other expenses		**86**	70
Net profit before tax		**1,041**	1,168
Tax expense		**292**	328
Net profit after tax		**749**	840

Statement of Comprehensive Income

$ millions	Banking Group	
	Unaudited	Unaudited
For the six months ended	**31-Dec-23**	31-Dec-22
Net profit after tax	**749**	840
Other comprehensive income, net of tax		
Items that may be reclassified subsequently to the Income Statement:		
Net change in fair value through other comprehensive income reserve	**(16)**	(9)
Net change in cash flow hedge reserve	**(218)**	42
Total other comprehensive income, net of tax	**(234)**	33
Total comprehensive income	**515**	873

These statements are to be read in conjunction with the notes on pages 8 to 39, the Independent Review Report on pages 41 to 42 and the Independent Assurance Report on pages 43 to 44.

Statement of Changes in Equity

$ millions	Contributed Capital	Asset Revaluation Reserve	Cash Flow Hedge Reserve	FVOCI Reserve[1]	Retained Earnings	Total Shareholder's Equity
	Banking Group					
For the six months ended 31 December 2023						
Unaudited						
Balance at beginning of the period	**6,173**	**17**	**115**	**9**	**4,365**	**10,679**
Net profit after tax	**-**	**-**	**-**	**-**	**749**	**749**
Other comprehensive income	**-**	**-**	**(218)**	**(16)**	**-**	**(234)**
Total comprehensive income	**-**	**-**	**(218)**	**(16)**	**749**	**515**
Ordinary dividends paid	**-**	**-**	**-**	**-**	**(800)**	**(800)**
Balance as at 31 December 2023	**6,173**	**17**	**(103)**	**(7)**	**4,314**	**10,394**
For the six months ended 31 December 2022						
Unaudited						
Balance at beginning of the period	6,173	20	170	37	3,531	9,931
Net profit after tax	-	-	-	-	840	840
Other comprehensive income	-	-	42	(9)	-	33
Total comprehensive income	-	-	42	(9)	840	873
Share capital issued	1,000	-	-	-	-	1,000
Redemption of perpetual preference shares	(1,000)	-	-	-	-	(1,000)
Ordinary dividends paid	-	-	-	-	(400)	(400)
Perpetual preference dividends paid	-	-	-	-	(25)	(25)
Balance as at 31 December 2022	6,173	20	212	28	3,946	10,379

(1) FVOCI Reserve refers to Fair value through other comprehensive income reserve.

These statements are to be read in conjunction with the notes on pages 8 to 39, the Independent Review Report on pages 41 to 42 and the Independent Assurance Report on pages 43 to 44.

Balance Sheet

$ millions		Banking Group	
		Unaudited	Audited
As at	Note	**31-Dec-23**	30-Jun-23
Assets			
Cash and liquid assets		**6,541**	8,825
Due from financial institutions		**825**	382
Securities at fair value through other comprehensive income		**9,397**	7,009
Derivative assets		**742**	1,060
Advances to customers	4	**107,642**	108,447
Other assets		**474**	408
Property, plant and equipment		**309**	327
Intangible assets		**236**	239
Deferred tax assets		**280**	199
Total assets		**126,446**	126,896
Total interest earning and discount bearing assets		***124,538***	*124,811*
Liabilities			
Deposits and other borrowings	10	**91,733**	89,714
Due to financial institutions		**1,785**	1,695
Derivative liabilities		**1,131**	1,139
Current tax liabilities		**56**	235
Other liabilities		**1,298**	1,180
Provisions		**123**	133
Debt issues:			
At fair value through Income Statement	11	**866**	1,225
At amortised cost	11	**18,144**	19,961
Loan capital		**916**	935
Total liabilities		**116,052**	116,217
Shareholder's equity			
Contributed capital - ordinary shares		**6,173**	6,173
Reserves		**(93)**	141
Retained earnings		**4,314**	4,365
Ordinary shareholder's equity		**10,394**	10,679
Total shareholder's equity		**10,394**	10,679
Total liabilities and shareholder's equity		**126,446**	126,896
Total interest and discount bearing liabilities		***103,964***	*104,552*

These statements are to be read in conjunction with the notes on pages 8 to 39, the Independent Review Report on pages 41 to 42 and the Independent Assurance Report on pages 43 to 44.

Cash Flow Statement

$ millions		Banking Group	
		Unaudited	Unaudited
For the period ended	Note	31-Dec-23	31-Dec-22
Cash flows from operating activities			
Net profit before tax		1,041	1,168
Reconciliation of net profit before tax to net cash flows from operating activities			
Non-cash items included in net profit before tax:			
Depreciation of property, plant and equipment		40	41
Amortisation of intangible assets		42	34
Net change in allowance for expected credit loss and bad debts written off		15	59
Amortisation of loan establishment fees		47	54
Net change in fair value of financial instruments and hedged items		(126)	44
Other non-cash items		50	40
Net (increase)/decrease in operating assets:			
Net change in reverse repurchase agreements		(179)	(147)
Net change in due from financial institutions		(443)	(513)
Net change in securities at fair value through other comprehensive income		(2,131)	321
Net change in derivative assets		(489)	1,217
Net change in advances to customers		736	(1,960)
Net change in other assets		(69)	(90)
Net increase/(decrease) in operating liabilities:			
Net change in deposits and other borrowings		2,116	3,647
Net change in due to financial institutions		90	701
Net change in derivative liabilities		379	(491)
Net change in other liabilities and provisions		75	146
Net tax paid		(461)	(411)
Net cash flows from operating activities		733	3,860
Cash flows from investing activities			
Cash was applied to:			
Investment in subsidiaries or associates		-	(2)
Purchase of property, plant and equipment		(12)	(16)
Development and purchase of intangible assets		(44)	(58)
Total cash outflows applied to investing activities		(56)	(76)
Net cash flows from investing activities		(56)	(76)
Cash flows from financing activities			
Cash was provided from:			
Issue of debt securities (net of issue costs)	11	1,727	4,693
Total cash inflows provided from financing activities		1,727	4,693
Cash was applied to:			
Redemption of debt securities	11	(4,048)	(6,708)
Payment of the principal portion of lease liabilities		(19)	(19)
Ordinary dividends paid		(800)	(400)
Perpetual preference dividends paid		-	(25)
Total cash outflows applied to financing activities		(4,867)	(7,152)
Net cash flows from financing activities		(3,140)	(2,459)
Summary of movements in cash flows			
Net increase/(decrease) in cash and cash equivalents		(2,463)	1,325
Add: cash and cash equivalents at beginning of period		8,639	6,522
Cash and cash equivalents at end of period		6,176	7,847
Cash and cash equivalents comprise:			
Cash and liquid assets		6,541	8,084
Less: reverse repurchase agreements included in cash and liquid assets		(365)	(237)
Cash and cash equivalents at end of period		6,176	7,847
Additional operating cash flow information			
Interest received as cash		3,675	2,630
Interest paid as cash		(1,930)	(862)

These statements are to be read in conjunction with the notes on pages 8 to 39, the Independent Review Report on pages 41 to 42 and the Independent Assurance Report on pages 43 to 44.

Notes to the Financial Statements

For the six months ended 31 December 2023

1 Statement of Accounting Policies

The condensed interim financial statements of the Banking Group for the six months ended 31 December 2023 (the "financial statements") have been incorporated in this Disclosure Statement. These financial statements consolidate the financial statements of the Bank and its controlled entities. They have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") as appropriate for for-profit entities, NZ IAS 34 *Interim Financial Reporting* ("NZ IAS 34") and the Order. These financial statements do not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the Banking Group's financial statements for the year ended 30 June 2023. These financial statements comply with both IAS 34 *Interim Financial Reporting* and NZ IAS 34.

The consolidated financial statements are presented in New Zealand dollars, which is the Banking Group's functional and presentation currency. All amounts are presented in millions, unless otherwise stated.

All policies have been applied on a basis consistent with that used in the financial year ended 30 June 2023.

Critical Accounting Estimates and Judgements

Information regarding the critical accounting estimates, assumptions and judgements is provided in the financial statements for the year ended 30 June 2023. These estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances. Actual results could differ from these estimates.

Updated estimates and assumptions in relation to the allowance for expected credit loss are set out in note 5.

Climate Standards

In December 2022, the External Reporting Board ("XRB") published the Aotearoa New Zealand Climate Standards ("NZ CS"). These include a framework for considering climate related risks and opportunities as well as principles and general requirements to enable climate related disclosures. Effective 1 January 2023, part 7A of the Financial Markets Conduct Act 2013 made climate related disclosures mandatory for climate reporting entities. The Bank is a climate reporting entity and will issue its first mandatory climate statements for the financial year ending 30 June 2024.

Changes to Comparatives

Certain comparative information has been restated in note 18, to ensure consistency with presentation in the current period.

Notes to the Financial Statements

For the six months ended 31 December 2023

2 Other Income

Unaudited

$ millions **For the six months ended**	**Banking Group** **31-Dec-23**	 31-Dec-22
Lending fees	**15**	16
Commission and other fees	**153**	161
Funds management income	**69**	68
Fee and commission income	**237**	245
Fee and commission expense	**(40)**	(38)
Net fee and commission income	**197**	207
Trading income	**46**	51
Net fair value gain/(loss) from:		
Derivatives not qualifying for hedge accounting	**(14)**	15
Hedge ineffectiveness	**(5)**	-
Total net fair value gain/(loss)	**(19)**	15
Other operating income	**1**	5
Total other income	**225**	278

3 Financial Assets Pledged as Collateral for Liabilities

Unaudited

As at 31 December 2023, $6.7 billion was pledged as collateral under repurchase agreements.

The Bank has entered into credit support annexes in respect of certain credit exposures relating to derivative transactions. As at 31 December 2023, $572 million included in Due from financial institutions had been advanced as cash collateral to counterparties with whom the Banking Group has net derivative liability positions.

The Covered Bond Guarantor has guaranteed payments of interest and principal under the Covered Bonds pursuant to a guarantee which is secured over the Mortgage Loans, related security and other assets of the Covered Bond Trust. As at 31 December 2023, the Covered Bond Trust held Mortgage Loans with a carrying value of $4.6 billion and $91 million cash, which have been pledged in respect of the Covered Bonds.

4 Advances to Customers

$ millions **As at**	**Banking Group** **Unaudited** **31-Dec-23**	 Audited 30-Jun-23
Residential mortgages (refer to note 5(b))	**75,103**	75,652
Other retail (refer to note 5(c))	**3,004**	3,069
Corporate (refer to note 5(d))	**30,132**	30,324
Total gross carrying amount of advances to customers	**108,239**	109,045
Allowance for expected credit loss (refer to note 5(a))	**(597)**	(598)
Total advances to customers	**107,642**	108,447

5 Allowance for Expected Credit Loss

Unaudited

Information for the period ended 31 December 2023 is presented separately for the following categories of Advances to customers, as prescribed by the Order:

- Total Advances to customers, presented in section (a) including an explanation of movements in allowance for expected credit loss ("ECL"); and
- Total Advances to customers broken down into three categories as follows:
  - Residential mortgages, presented in section (b) and its explanation of movements in allowance for ECL;
  - Other retail, presented in section (c) and its explanation of movements in allowance for ECL; and
  - Corporate, presented in section (d) and its explanation of movements in allowance for ECL.

Section (e) details the basis of inputs and assumptions, including forward looking information, used in the calculation of allowances for ECL.

Section (f) provides a sensitivity analysis on the Banking Group's allowance for ECL.

Section (g) acknowledges the risks associated with natural hazards and climate change, and the potential for these risks to impact the Banking Group and its customers.

Information is not presented in respect of other financial assets or credit related contingent liabilities as the related allowances for ECL are not material to the Banking Group.

Movement in Allowance for ECL

The movement in allowance for ECL tables are presented on the following basis:

- Changes in collective allowances due to transfers between ECL Stages include the impact of both the initial transfer and subsequent remeasurement of the allowance for ECL. The remeasurement of transferred amounts occurs in the Stage to which the allowance for ECL has transferred and includes the impact of management adjustments;
- The effect of any Stage 3 discount unwind is included within Other changes in collective allowances and within New and increased individually assessed allowances. This discount unwind is presented in the Income Statement as a reduction in Interest income;
- Other changes in collective allowances also includes the impact of changes in future forecast economic assumptions, other changes in models or assumptions, changes in the expected life of existing lending and other changes in the credit quality of existing lending (excluding those related to significant increases in credit risk ("SICR")). This includes the impact of management adjustments; and
- The impact of additions, deletions and transfers between Stages on the allowance for ECL will be impacted by the credit quality of the underlying gross carrying amounts.

Movement in Gross Carrying Amount

The movement in gross carrying amount tables set out on the following pages summarise changes in gross carrying amounts to explain changes in the Banking Group's allowance for ECL for the six months ended 31 December 2023.

They are presented on the following basis:

- Additions include amounts drawn either from existing or new facilities during the period; and
- Deletions include amounts which have been repaid on facilities during the period.

5 Allowance for Expected Credit Loss (continued)

Unaudited

(a) Total Advances to Customers

The Banking Group's allowance for ECL decreased by $1 million during the period, reflecting:

- A net decrease of $19 million in collective allowances primarily reflecting changes to multiple macroeconomic scenarios and management adjustments given an improving outlook, partially offset by changes in portfolio quality; and
- A net increase of $18 million in individually assessed allowances primarily due to the impact of rising interest rates and inflation.

$ millions	Banking Group				
Movement in Allowance for Expected Credit Loss	**Collective Allowances**			**Individually Assessed Allowances**	
As at 31 December 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	170	236	117	75	598
Charged to/(credited against) the Income Statement					
Changes in allowances due to transfers between ECL Stages					
Transfers to Stage 1	13	(31)	-	-	(18)
Transfers to Stage 2	(22)	57	(44)	-	(9)
Transfers to Stage 3	(1)	(9)	73	-	63
Net transfers between collective allowances and individually assessed allowances	-	(2)	(4)	6	-
Changes in allowances due to transfers between ECL Stages	(10)	15	25	6	36
Changes in collective allowances due to additions and deletions	6	(9)	(16)	-	(19)
Changes in collective allowances due to amounts written off	-	(1)	(5)	-	(6)
Total changes in allowances due to movements in gross carrying amounts	(4)	5	4	6	11
Other changes in collective allowances	(30)	13	(7)	-	(24)
New and increased individually assessed allowances	-	-	-	38	38
Write-back of individually assessed allowances no longer required	-	-	-	(20)	(20)
Total charged to/(credited against) the Income Statement	(34)	18	(3)	24	5
Amounts written off from individually assessed allowances	-	-	-	(6)	(6)
Balance at end of period	136	254	114	93	597

$ millions	Banking Group				
Movement in Gross Carrying Amounts	**Collectively Assessed**			**Individually Assessed**	
As at 31 December 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	84,343	23,082	1,299	321	109,045
Changes due to transfers between ECL Stages					
Transfers to Stage 1	4,292	(4,284)	(8)	-	-
Transfers to Stage 2	(6,773)	7,294	(521)	-	-
Transfers to Stage 3	(238)	(446)	684	-	-
Net transfers to/(from) Stage 3 individually assessed	(15)	(53)	(20)	88	-
Total changes due to transfers between ECL Stages	(2,734)	2,511	135	88	-
Additions and deletions					
Additions	11,698	2,821	54	44	14,617
Deletions (excluding amounts written off)	(11,336)	(3,784)	(214)	(66)	(15,400)
Net additions/(deletions)	362	(963)	(160)	(22)	(783)
Amounts written off	(1)	(3)	(12)	(7)	(23)
Balance at end of period	81,970	24,627	1,262	380	108,239

5 Allowance for Expected Credit Loss (continued)

Unaudited

(b) Residential Mortgages

The Banking Group's Residential mortgages allowance for ECL decreased by $8 million during the period, with a net decrease of $14 million in collective allowances partly offset by a net increase of $6 million in individually assessed allowances.

With respect to the collective allowances in the table below, the majority of the movements reflect:

- A net decrease of $6 million primarily due to improving residential property prices and decrease in portfolio size partly offset by credit quality deterioration, presented within Other changes in collective allowances, Transfers between ECL Stages, and Additions and Deletions;
- Updates to multiple macroeconomic scenarios resulting in a decrease of $15 million, presented within Other changes in collective allowances; and
- An increase to management adjustments of $7 million for portfolio related risks not adequately covered by the ECL model, presented within Other changes in collective allowances.

$ millions	Banking Group				
Movement in Allowance for Expected Credit Loss	**Collective Allowances**			**Individually Assessed Allowances**	
As at 31 December 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	60	49	93	7	209
Charged to/(credited against) the Income Statement					
Changes in allowances due to transfers between ECL Stages					
Transfers to Stage 1	5	(9)	-	-	(4)
Transfers to Stage 2	(8)	19	(38)	-	(27)
Transfers to Stage 3	(1)	(3)	56	-	52
Net transfers between collective allowances and individually assessed allowances	-	(1)	(4)	5	-
Changes in allowances due to transfers between ECL Stages	(4)	6	14	5	21
Changes in collective allowances due to additions and deletions	3	(2)	(11)	-	(10)
Changes in collective allowances due to amounts written off	-	-	-	-	-
Total changes in allowances due to movements in gross carrying amounts	(1)	4	3	5	11
Other changes in collective allowances	(8)	(5)	(7)	-	(20)
New and increased individually assessed allowances	-	-	-	9	9
Write-back of individually assessed allowances no longer required	-	-	-	(6)	(6)
Total charged to/(credited against) the Income Statement	(9)	(1)	(4)	8	(6)
Amounts written off from individually assessed allowances	-	-	-	(2)	(2)
Balance at end of period	51	48	89	13	201

$ millions	Banking Group				
Movement in Gross Carrying Amounts	**Collectively Assessed**			**Individually Assessed**	
As at 31 December 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	70,007	4,390	1,191	64	75,652
Changes due to transfers between ECL Stages					
Transfers to Stage 1	1,372	(1,365)	(7)	-	-
Transfers to Stage 2	(1,725)	2,222	(497)	-	-
Transfers to Stage 3	(233)	(375)	608	-	-
Net transfers to/(from) Stage 3 individually assessed	(12)	(25)	(14)	51	-
Total changes due to transfers between ECL Stages	(598)	457	90	51	-
Additions and deletions					
Additions	7,490	178	22	6	7,696
Deletions (excluding amounts written off)	(7,641)	(406)	(172)	(22)	(8,241)
Net additions/(deletions)	(151)	(228)	(150)	(16)	(545)
Amounts written off	-	-	(1)	(3)	(4)
Balance at end of period	69,258	4,619	1,130	96	75,103

5 Allowance for Expected Credit Loss (continued)

Unaudited

(c) Other Retail

The Banking Group's Other retail allowance for ECL decreased by $6 million during the period, due to a net decrease of $6 million in collective allowances.

With respect to the collective allowances in the table below, the majority of the movements reflect:

- Updates to multiple macroeconomic scenarios resulting in a decrease of $6 million, presented within Other changes in collective allowances; and
- A net neutral impact of $0 million for decreases in portfolio size offset by write-offs and credit quality deterioration presented within Additions and Deletions, Other changes in collective allowances, and Transfers between ECL Stages.

$ millions	Banking Group				
Movement in Allowance for Expected Credit Loss	**Collective Allowances**			**Individually Assessed Allowances**	
As at 31 December 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	44	26	19	7	96
Charged to/(credited against) the Income Statement					
Changes in allowances due to transfers between ECL Stages					
Transfers to Stage 1	4	(10)	-	-	(6)
Transfers to Stage 2	(8)	19	(6)	-	5
Transfers to Stage 3	-	(5)	16	-	11
Net transfers between collective allowances and individually assessed allowances	-	-	-	-	-
Changes in allowances due to transfers between ECL Stages	(4)	4	10	-	10
Changes in collective allowances due to additions and deletions	2	(3)	(4)	-	(5)
Changes in collective allowances due to amounts written off	-	(1)	(5)	-	(6)
Total changes in allowances due to movements in gross carrying amounts	(2)	-	1	-	(1)
Other changes in collective allowances	(1)	(4)	-	-	(5)
New and increased individually assessed allowances	-	-	-	3	3
Write-back of individually assessed allowances no longer required	-	-	-	(1)	(1)
Total charged to/(credited against) the Income Statement	(3)	(4)	1	2	(4)
Amounts written off from individually assessed allowances	-	-	-	(2)	(2)
Balance at end of period	41	22	20	7	90

$ millions	Banking Group				
Movement in Gross Carrying Amounts	**Collectively Assessed**			**Individually Assessed**	
As at 31 December 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	2,763	243	51	12	3,069
Changes due to transfers between ECL Stages					
Transfers to Stage 1	138	(137)	(1)	-	-
Transfers to Stage 2	(152)	170	(18)	-	-
Transfers to Stage 3	(5)	(31)	36	-	-
Net transfers to/(from) Stage 3 individually assessed	(2)	(1)	(3)	6	-
Total changes due to transfers between ECL Stages	(21)	1	14	6	-
Additions and deletions					
Additions	1,478	51	11	-	1,540
Deletions (excluding amounts written off)	(1,512)	(55)	(17)	(4)	(1,588)
Net additions/(deletions)	(34)	(4)	(6)	(4)	(48)
Amounts written off	(1)	(3)	(11)	(2)	(17)
Balance at end of period	2,707	237	48	12	3,004

5 Allowance for Expected Credit Loss (continued)

Unaudited

(d) Corporate

The Banking Group's Corporate allowance for ECL increased $13 million during the period, with a net increase of $12 million in individually assessed allowances and a net increase of $1 million in collective allowances.

With respect to the collective allowances in the table below, the majority of the movements reflect:

- A net increase of $17 million due to changes in portfolio credit quality partly offset by a decrease in portfolio size, presented within Transfers between ECL Stages, Other changes in collective allowances and Additions and Deletions;
- A net decrease in management adjustments of $15 million for the sectors within the Corporate portfolio identified as having potentially worse or lagged prospects compared to the general economy, presented within Transfers between ECL Stages and Other changes in collective allowances. The remaining at risk sectors include agriculture, commercial property, construction, entertainment, leisure and tourism; and
- Updates to multiple macroeconomic scenarios resulting in a decrease of $1 million, presented within Other changes in collective allowances.

$ millions	Banking Group				
Movement in Allowance for Expected Credit Loss	**Collective Allowances**			**Individually Assessed Allowances**	
As at 31 December 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	**66**	**161**	**5**	**61**	**293**
Charged to/(credited against) the Income Statement					
Changes in allowances due to transfers between ECL Stages					
Transfers to Stage 1	**4**	**(12)**	**-**	**-**	**(8)**
Transfers to Stage 2	**(6)**	**19**	**-**	**-**	**13**
Transfers to Stage 3	**-**	**(1)**	**1**	**-**	**-**
Net transfers between collective allowances and individually assessed allowances	**-**	**(1)**	**-**	**1**	**-**
Changes in allowances due to transfers between ECL Stages	**(2)**	**5**	**1**	**1**	**5**
Changes in collective allowances due to additions and deletions	**1**	**(4)**	**(1)**	**-**	**(4)**
Changes in collective allowances due to amounts written off	**-**	**-**	**-**	**-**	**-**
Total changes in allowances due to movements in gross carrying amounts	**(1)**	**1**	**-**	**1**	**1**
Other changes in collective allowances	**(21)**	**22**	**-**	**-**	**1**
New and increased individually assessed allowances	**-**	**-**	**-**	**26**	**26**
Write-back of individually assessed allowances no longer required	**-**	**-**	**-**	**(13)**	**(13)**
Total charged to/(credited against) the Income Statement	**(22)**	**23**	**-**	**14**	**15**
Amounts written off from individually assessed allowances	**-**	**-**	**-**	**(2)**	**(2)**
Balance at end of period	**44**	**184**	**5**	**73**	**306**

$ millions	Banking Group				
Movement in Gross Carrying Amounts	**Collectively Assessed**			**Individually Assessed**	
As at 31 December 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	**11,573**	**18,449**	**57**	**245**	**30,324**
Changes due to transfers between ECL Stages					
Transfers to Stage 1	**2,782**	**(2,782)**	**-**	**-**	**-**
Transfers to Stage 2	**(4,896)**	**4,902**	**(6)**	**-**	**-**
Transfers to Stage 3	**-**	**(40)**	**40**	**-**	**-**
Net transfers to/(from) Stage 3 individually assessed	**(1)**	**(27)**	**(3)**	**31**	**-**
Total changes due to transfers between ECL Stages	**(2,115)**	**2,053**	**31**	**31**	**-**
Additions and deletions					
Additions	**2,730**	**2,592**	**21**	**38**	**5,381**
Deletions (excluding amounts written off)	**(2,183)**	**(3,323)**	**(25)**	**(40)**	**(5,571)**
Net additions/(deletions)	**547**	**(731)**	**(4)**	**(2)**	**(190)**
Amounts written off	**-**	**-**	**-**	**(2)**	**(2)**
Balance at end of period	**10,005**	**19,771**	**84**	**272**	**30,132**

5 Allowance for Expected Credit Loss (continued)

Unaudited

(e) Basis of Inputs and Assumptions used in the Calculation of Allowance for ECL

The methodology used to estimate expected credit losses is consistent with that applied at 30 June 2023.

The sections below detail the forward-looking information the Banking Group has utilised in determining its allowance for ECL and applicable sensitivity analyses.

Multiple Macroeconomic Scenarios

The Banking Group continues to use the following four alternative macroeconomic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL, which have been updated to reflect the revised expected impact of economic conditions:

- Central scenario: This scenario considers the Banking Group's base case assumptions used in business forecasting (including the credit risk factors outlined below);
- Upside and Downside scenarios: These scenarios are set relative to the Central scenario and reflect more favourable or adverse macroeconomic conditions, which would lead to lower or higher expected credit losses (including a strengthening or deterioration of the credit risk factors outlined below); and
- Severe downside scenario: This scenario has been included to account for a potentially severe impact of less likely extremely adverse macroeconomic conditions which would lead to the highest expected credit losses of any of the four scenarios (including a significant deterioration of the credit risk factors outlined below).

The probability weights assigned to each scenario are based on management's estimate of their relative likelihood. The same four scenarios and probability weights apply across all portfolios.

The Banking Group's assessment of SICR also incorporates the impact of multiple probability weighted future forecast economic scenarios on exposures' internal risk grades using the same four scenarios as described above.

The table below summarises the weightings the Banking Group has applied to each scenario in determining the allowance for ECL:

	Banking Group	
As at	**31-Dec-23**	30-Jun-23
Upside	**2.5%**	2.5%
Central	**55%**	55%
Downside	**35%**	35%
Severe downside	**7.5%**	7.5%

During the period ended 31 December 2023, macroeconomic scenarios were revised for the current economic conditions including consideration of higher interest rates, inflation and the improving residential property market. The current scenario weightings remain appropriate given the level of uncertainty in the economic environment.

Macroeconomic Credit Risk Factors

The central case scenario includes credit risk factors which are point in time estimates of forward-looking conditions for each portfolio, for example:

- Retail portfolios: Official cash rate ("OCR"), unemployment rate and house price index; and
- Corporate portfolios: Unemployment rate, business investment index, stock exchange index and exchange rate.

The Banking Group also estimates these same credit risk factors in other macroeconomic scenarios, and probability weights those scenarios to calculate the Banking Group's estimated ECL.

Central credit risk factors have been refreshed during the period to reflect the ongoing changes in economic outlook. Other scenarios reflect a distribution of losses relative to this central case and have also been updated. These scenarios represent forecasts used for the purpose of estimating ECL and are created based on judgement to derive relative loss distributions for the scenarios. A summary of the material assumptions for each scenario is as follows:

- Central (55%): The outlook for the next twelve months reflects a combination of unemployment increasing to 5.1%, house price growth of 7.2% reflecting an improvement in the residential property market following a period of rising interest rates and inflation, growth in business investment of 1.7% and the OCR remaining flat at 5.5%. This scenario represents one where monetary policy controls bring inflation under control relatively quickly, with moderate economic impacts. Economic stabilisation is expected in the following 24 months with the December 2026 position including unemployment of 4.9%, OCR of 3.0%, annual house price growth of 8.0% and annual business investment of 2.5%.
- Upside (2.5%): The outlook for the next twelve months reflects a more positive outlook, with unemployment at 3%, house prices growing at 7.2%, business investment growth of 10% and the OCR reducing to 4.25%. This positive outlook continues in the following 24 months.

5 Allowance for Expected Credit Loss (continued)

Unaudited

(e) Basis of Inputs and Assumptions used in the Calculation of Allowance for ECL (continued)

- Downside (35%): The outlook for the next twelve months reflects an economic shock with unemployment rising to 8%, house price reductions of 15%, business investment contraction of 10% and the OCR increasing to 7.5%. Economic recovery commences in the following 24 months with the December 2026 position including unemployment of 7%, OCR of 7.5%, annual house price growth of 0% and annual business investment of 3%.
- Severe downside (7.5%): Reflects the most significant economic shock, which continues over the longer term. In the next twelve months unemployment rises to a peak of 12%, house prices fall by 25% and business investment contracts by 30%, offset by an OCR of 0.25%. This negative trend continues through the following 24 months with the December 2026 position including unemployment of 10%, OCR of 0.25%, annual house price growth of 0% and annual business investment of 0%.

(f) Sensitivity Analysis

The following table details the increase/(decrease) in the Banking Group's allowance for ECL, assuming a 100% weighting on each scenario and holding all other assumptions constant:

$ millions	Banking Group	
As at	**31-Dec-23**	30-Jun-23
Upside	**(278)**	(287)
Central	**(246)**	(214)
Downside	**93**	124
Severe downside	**1,466**	1,088

Sensitivity to SICR Assessment

If an additional 1% of Stage 1 financial assets were assessed as having a SICR at 31 December 2023, with the scenario weightings applied at 31 December 2023 held constant, the Banking Group's allowance for ECL would increase by $9 million as a result of recognising a loss allowance equal to Stage 2 lifetime ECL (rather than at an amount equal to one year of ECL). Conversely, if 1% of Stage 2 financial assets were assessed as no longer having a SICR, the Banking Group's allowance for ECL would decrease by $2 million.

(g) Natural hazards and climate change risk

The Banking Group acknowledges the risks resulting from natural hazards and climate change, and the potential for these risks to impact on our customers' ability to service or repay their loans, our customers' ability to obtain insurance, and the value of collateral the Banking Group holds to secure loans. In determining the allowance for ECL, standard credit processes that assess customer and collateral quality are used which reflect, among other things, the impacts known to the Bank of past climatic events. While future portfolio risk drivers are important to measure, monitor and mitigate where possible, a severe deterioration in house or asset prices and increase in unemployment scenario is already considered in the current forward-looking information the Banking Group has utilised in determining its allowance for ECL and applicable sensitivity analyses. The Banking Group has concluded that no further adjustments for climate risk are required to the allowance for ECL as at 31 December 2023, while noting that the future impact of such risk remains uncertain.

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For the six months ended 31 December 2023

6 Credit Quality Information for Advances to Customers

Unaudited

$ millions	Banking Group			
As at 31 December 2023	**Residential Mortgages**	**Other Retail**	**Corporate**	**Total**
Past due assets not individually impaired				
1 to 7 days	1,130	61	124	1,315
8 to 29 days	965	50	72	1,087
1 to 29 days	2,095	111	196	2,402
30 to 59 days	309	29	21	359
60 to 89 days	115	15	4	134
90 days and over	244	29	10	283
Total past due assets not individually impaired	2,763	184	231	3,178
Other asset quality information				
Other assets under administration	12	1	1	14
Undrawn lending commitments to customers with individually impaired assets	-	1	6	7

7 Impairment Losses on Financial Assets

Unaudited

$ millions	Banking Group			
For the six months ended 31 December 2023	**Residential Mortgages**	**Other Retail**	**Corporate**	**Total**
Impairment losses charged to/(credited against) the Income Statement for collective allowances	(17)	(7)	1	(23)
Impairment losses charged to/(credited against) the Income Statement for individually assessed allowances	7	1	13	21
Bad debts written off directly to the Income Statement	2	15	-	17
Recovery of amounts previously written off	-	(5)	-	(5)
Total impairment losses/(recoveries) recognised in the Income Statement	(8)	4	14	10

Impairment losses on other financial assets for the period ended 31 December 2023 are not material to the Banking Group.

8 Concentrations of Credit Exposures

Unaudited

The following table presents the maximum exposure to credit risk of financial assets and other credit exposures, before taking account of any collateral held or other credit enhancements unless such credit enhancements meet the offsetting criteria in NZ IAS 32 *Financial Instruments: Presentation* ("NZ IAS 32").

For financial assets recognised on the Balance Sheet, the maximum exposure to credit risk equals their carrying values. Other credit exposures include irrevocable lending commitments, guarantees, standby letters of credit and other off balance sheet credit commitments. The maximum exposure to credit risk for guarantees and standby letters of credit is the maximum amount that the Banking Group would have to pay if the facilities were called upon. For irrevocable lending commitments and other credit commitments, the maximum exposure to credit risk is the full amount of the committed facilities.

Other financial assets have been excluded from the analysis, on the basis that any credit exposure is insignificant.

Concentrations of credit arise when a number of customers are engaged in similar business activities or activities within the same geographic region, or when they have similar risk characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Australian and New Zealand Standard Industrial Classification ("ANZSIC") codes have been used as the basis for categorising customer industry sectors. The significant categories shown are in line with the level one New Zealand Standard Industry Output Categories ("NZSIOC"), except that Agriculture is shown separately as required by the Order.

$ millions	Banking Group			
As at 31 December 2023	**Financial Assets at Amortised Cost**	**Financial Assets at Fair Value**	**Other Credit Exposures**	**Total Credit Exposures**
Concentration by industry				
Agriculture	10,538	1	910	11,449
Forestry and Fishing, Agriculture Support Services	376	1	94	471
Manufacturing	1,099	16	404	1,519
Electricity, Gas, Water and Waste Services	493	81	137	711
Construction	849	-	427	1,276
Wholesale Trade	1,213	14	676	1,903
Retail Trade and Accommodation	2,113	2	572	2,687
Transport, Postal and Warehousing	726	-	292	1,018
Financial and Insurance Services	8,118	5,206	745	14,069
Rental, Hiring and Real Estate Services	35,201	4	1,571	36,776
Professional, Scientific, Technical, Administrative and Support Services	930	2	443	1,375
Public Administration and Safety	41	4,810	36	4,887
Education and Training	230	-	90	320
Health Care and Social Assistance	1,534	-	430	1,964
Arts, Recreation and Other Services	436	2	131	569
Households	51,079	-	9,313	60,392
All Other	32	-	28	60
Total credit exposures by industry	115,008	10,139	16,299	141,446
Concentration by geographic region				
Auckland	52,238	1,865	8,821	62,924
Rest of New Zealand	61,264	4,951	7,248	73,463
Overseas	1,506	3,323	230	5,059
Total credit exposures by geographic region	115,008	10,139	16,299	141,446

Notes to the Financial Statements

For the six months ended 31 December 2023

9 Concentration of Credit Exposures to Individual Counterparties

Unaudited

The basis of calculation of the Banking Group's aggregate concentration of credit exposure to individual counterparties is the actual credit exposure. Credit exposures to the central government or central bank of any country with a long term credit rating of A- or A3 or above, or its equivalent, and any supranational or quasi-sovereign agency with a long term credit rating of A- or A3 or above, or its equivalent, and connected persons are excluded.

The peak end-of-day aggregate concentration of credit exposure to individual counterparties has been calculated by determining the maximum end-of-day aggregate amount of credit exposure over the six-month period and then dividing that amount by the Banking Group's Common Equity Tier 1 ("CET1") capital as at 31 December 2023.

	Banking Group	
Number of exposures that equals or exceeds 10% of CET1 capital	**Exposure as at 31-Dec-23**	**Peak end-of-day exposure over six months to 31-Dec-23**
Exposures to banks		
With a long-term credit rating of A- or A3 or above, or its equivalent		
10% to less than 15% of CET1 capital	**-**	**2**
With a long-term credit rating of at least BBB- or Baa3, or its equivalent, and at most BBB+ or Baa1, or its equivalent	**-**	**-**
Exposures to non-banks		
With a long-term credit rating of A- or A3 or above, or its equivalent	**-**	**-**
With a long-term credit rating of at least BBB- or Baa3, or its equivalent, and at most BBB+ or Baa1, or its equivalent	**-**	**-**

10 Deposits and Other Borrowings

$ millions	Banking Group	
	Unaudited	Audited
As at	**31-Dec-23**	30-Jun-23
Certificates of deposit	**2,271**	3,698
Term deposits	**40,521**	36,947
On demand and short term deposits	**33,264**	33,286
Deposits not bearing interest	**10,397**	10,490
Repurchase agreements	**5,280**	5,293
Total deposits and other borrowings	**91,733**	89,714

11 Debt Issues

$ millions	Banking Group	
	Unaudited	Audited
As at	**31-Dec-23**	30-Jun-23
Debt issues at fair value through Income Statement	**866**	1,225
Debt issues at amortised cost	**18,144**	19,961
Total debt issues	**19,010**	21,186
Movement in debt issues		
Balance at beginning of period	**21,186**	22,607
Issuances during the period	**1,727**	8,844
Repayments during the period	**(4,048)**	(10,895)
Fair value hedge adjustment movements	**585**	(367)
Foreign exchange and other movements	**(440)**	997
Balance at the end of period	**19,010**	21,186

12 Credit and Capital Commitments, and Contingent Liabilities

$ millions	Banking Group Notional Amount	
	Unaudited	Audited
As at	**31-Dec-23**	30-Jun-23
Credit and capital commitments		
Lending commitments approved but not yet advanced [1]	**15,335**	15,050
Capital expenditure commitments	**2**	-
Total credit and capital commitments	**15,337**	15,050
Credit related contingent liabilities		
Financial guarantees	**289**	326
Letters of credit	**135**	162
Other credit facilities	**540**	494
Total credit related contingent liabilities	**964**	982

(1) These amounts include irrevocable lending commitments.

The notional amount represents the maximum potential amount that could be lost if a counterparty fails to meet its financial obligations.

Other contingent liabilities

Proceedings were served on ASB on 29 September 2021 by plaintiffs seeking to bring a representative (class action) proceeding against ASB in the High Court of New Zealand. These proceedings relate to ASB's compliance with parts of the Credit Contracts and Consumer Finance Act 2003 (CCCFA) which requires variation disclosure to be issued when customers and ASB make agreed changes to loan agreements captured under the CCCFA.

On 11 and 12 July 2023, the New Zealand Court of Appeal heard ASB's appeal from an earlier High Court decision permitting the plaintiffs to pursue their claims as an opt-out representative proceeding. The Court has since indicated that the appeal will need to be re-heard on 23 and 24 April 2024.

The plaintiffs' proposed class definition covers customers who had a home or personal loan with ASB between 6 June 2015 and 18 June 2019 covered by the CCCFA and who were not provided with compliant variation disclosure. Given this definition and the fact that issues raised in the claim have not been determined by the Courts before, the size of the proposed class is unknown. However, the proposed class and the allegations made in the proceedings would potentially cover hundreds of thousands of loans. ASB is appealing the lower court's decision and does not consider that this is an appropriate case to proceed as an opt-out representative proceeding.

In their claim, the plaintiffs argue that ASB is not entitled to retain any interest or fees paid by any class member for the period during which it is alleged that ASB did not provide, and has not provided, compliant variation disclosure under the CCCFA. ASB denies that the relief sought by the plaintiffs is available to them and is vigorously defending the proceedings.

It is not possible to determine the ultimate impact of this claim, if any, on the Banking Group.

The Banking Group is exposed to this claim and other contingent liabilities in respect of actual and potential claims and proceedings. The Banking Group has identified a number of matters where it is undertaking reviews relating to products and services provided to customers which may require remediation and, in some cases, engagement with regulators.

These matters include instances where the potential liability of the Banking Group, if any, cannot be accurately assessed until such claims, proceedings or matters are further progressed or because the application of the law is uncertain. An assessment of the Banking Group's likely loss in respect of these matters has been made on a case-by-case basis and provision made in the financial statements where required by NZ GAAP. Information relating to any contingent liability or provision is not disclosed where it can be expected to prejudice seriously the interests of the Banking Group.

13 Related Party Transactions and Balances

The Bank is wholly owned by ASB Holdings Limited, a company incorporated in New Zealand. The ultimate parent bank is CBA. The Commonwealth Bank Group refers to CBA and the various companies and other entities owned or controlled by CBA.

Certain superannuation schemes and managed investment schemes are managed by ASB Group Investments Limited, a wholly owned subsidiary of the Bank. Related party balances between these schemes, and the Banking Group are disclosed below.

On 11 February 2022, ASB Group Investments Limited sold its management rights of ASB Superannuation Master Trust to Smartshares Limited. On this date ASB Group Investments Limited retired as the Manager of ASB Superannuation Master Trust and Smartshares Limited was appointed as the Manager. ASB Group Investments Limited continued to provide investment management, fund accounting and administration, investment administration and registry and member services until transition of these services to Smartshares Limited was completed on 28 August 2023. From this date, ASB Superannuation Master Trust ceased to be a related party of the Banking Group, and was renamed to Superlife Superannuation Master Trust.

During the period the Banking Group has entered into, or had in place, various financial transactions with members of the Commonwealth Bank Group and other related parties. The Bank provides administrative functions to some related companies and entities for which no compensation has been received. In all other cases, arrangements with related parties were conducted on an arm's length basis and on normal commercial terms, and within the Bank's approved policies. Loans to and borrowings from related parties are unsecured.

The following balances represent amounts due from and to related parties classified within Cash and liquid assets, Due to financial institutions, Due from financial institutions, Advances to customers, Deposits and other borrowings, Debt issues, Other assets, Other liabilities, Derivative assets and Derivative liabilities:

$ millions	**Banking Group**	
	Unaudited	Audited
As at	**31-Dec-23**	30-Jun-23
Commonwealth Bank Group	**1,174**	833
Superannuation schemes and managed investment schemes managed by ASB Group Investments Limited	**17**	17
Trade Window Holdings Limited	**1**	1
Total amounts due from related parties	**1,192**	851
Commonwealth Bank Group	**2,313**	1,974
ASB Holdings Limited	**8**	7
Superannuation schemes and managed investment schemes managed by ASB Group Investments Limited	**808**	1,460
Trade Window Holdings Limited	**1**	3
Total amounts due to related parties	**3,130**	3,444

For the six months ended 31 December 2023, significant related party transactions included interest expense paid to the Commonwealth Bank Group of $332 million (31 December 2022 $203 million), interest expense paid to schemes managed by ASB Group Investments Limited of $33 million (31 December 2022 $27 million) and management and administration fees received from schemes managed by ASB Group Investments Limited of $63 million (31 December 2022 $63 million).

On 20 December 2023, the Bank paid a dividend of $800 million on ordinary shares to ASB Holdings Limited (31 December 2022 $400 million).

14 Fair Value of Financial Instruments

The Banking Group's financial assets and financial liabilities are measured on an on-going basis either at fair value or amortised cost.

The fair value of a financial instrument is the price that would be received to sell a financial asset, or paid to transfer a financial liability, in an orderly transaction between market participants at the measurement date.

There are three levels in the hierarchy of fair value measurements which are based on the observability of inputs used to measure fair values:

- Level 1 – fair values are based on quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities that the Banking Group can access;
- Level 2 – fair values are based on quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; or
- Level 3 – fair values are estimated using significant inputs that are unobservable for the financial asset or financial liability.

The Banking Group determines the valuation of financial instruments classified in level 1 and level 2 as follows:

Derivative assets and Derivative liabilities
The fair values are obtained from quoted prices, market yields and discounted cash flow models or option pricing models as appropriate.

Securities at fair value through other comprehensive income and Debt issues at fair value through Income Statement
The fair value is based on quoted market prices, where available, or calculated using discounted cash flow models based on current market rates.

The Banking Group considers transfers between levels, if any, to have occurred at the end of the reporting period for which the financial statements are prepared. There were no transfers between levels for recurring fair value measurements for the period ended 31 December 2023.

(a) Fair Value Hierarchy of Financial Instruments Measured at Fair Value

The following tables present an analysis by level in the fair value hierarchy of the financial instruments that are recognised and measured at fair value on a recurring basis.

Unaudited $ millions **As at 31 December 2023**	**Level 1**	**Banking Group** **Level 2**	**Level 3**	**Total**
Financial assets				
Securities at fair value through other comprehensive income	**6,568**	**2,829**	**-**	**9,397**
Derivative assets	**-**	**742**	**-**	**742**
Total financial assets measured at fair value	**6,568**	**3,571**	**-**	**10,139**
Financial liabilities				
Derivative liabilities	**1**	**1,130**	**-**	**1,131**
Debt issues at fair value through Income Statement	**-**	**866**	**-**	**866**
Total financial liabilities measured at fair value	**1**	**1,996**	**-**	**1,997**

Audited $ millions **As at 30 June 2023**	**Level 1**	**Banking Group** **Level 2**	**Level 3**	**Total**
Financial assets				
Securities at fair value through other comprehensive income	5,396	1,613	-	7,009
Derivative assets	-	1,060	-	1,060
Total financial assets measured at fair value	5,396	2,673	-	8,069
Financial liabilities				
Derivative liabilities	-	1,139	-	1,139
Debt issues at fair value through Income Statement	-	1,225	-	1,225
Total financial liabilities measured at fair value	-	2,364	-	2,364

Notes to the Financial Statements

For the six months ended 31 December 2023

14 Fair Value of Financial Instruments (continued)

(b) Fair Value of Financial Instruments Not Measured at Fair Value

The following table compares the carrying values of financial instruments not measured at fair value with their estimated fair values.

$ millions	Banking Group			
	Unaudited		Audited	
	31-Dec-23		30-Jun-23	
As at	**Fair Value**	**Carrying Value**	Fair Value	Carrying Value
Financial assets				
Cash and liquid assets	**6,541**	**6,541**	8,825	8,825
Due from financial institutions	**825**	**825**	382	382
Advances to customers	**106,557**	**107,642**	107,121	108,447
Other financial assets	**398**	**398**	339	339
Total	**114,321**	**115,406**	116,667	117,993
Financial liabilities				
Deposits and other borrowings	**91,721**	**91,733**	89,691	89,714
Due to financial institutions	**1,798**	**1,785**	1,697	1,695
Other financial liabilities[1]	**1,127**	**1,127**	999	999
Debt issues at amortised cost	**18,054**	**18,144**	19,858	19,961
Loan capital	**925**	**916**	947	935
Total	**113,625**	**113,705**	113,192	113,304

(1) Other financial liabilities exclude the lease liability of $171 million as at 31 December 2023 (30 June 2023 $181 million) as no fair value disclosure is required in respect of lease liabilities.

15 Capital Adequacy

Unaudited

The Banking Group is subject to regulation by the RBNZ. The RBNZ has set regulatory capital requirements for New Zealand registered banks, which define what qualifies as capital and provides methods of measuring the risks incurred by the Banking Group.

The Banking Group must comply with RBNZ minimum capital adequacy ratios under the Bank's Conditions of Registration. These Conditions of Registration require capital adequacy ratios for the Banking Group to be calculated in accordance with the RBNZ's capital requirements detailed in their Banking Prudential Requirements ("BPRs"). The Banking Group has been accredited by the RBNZ to adopt the internal ratings based ("IRB") approach for calculating regulatory capital.

The prudential capital buffer increased from 3.5% to 4.5% on 1 July 2023 and will increase progressively to 9% by 1 July 2028. The RBNZ has confirmed IRB banks will now be required to dual report IRB and standardised risk-weighted assets ("RWA") from 31 March 2024.

During the reporting period, the Banking Group has complied with all the RBNZ minimum capital ratios to which it is subject.

15 Capital Adequacy (continued)

Unaudited

$ millions As at 31 December 2023	Banking Group
Capital under Basel III IRB approach	
Tier 1 capital	
CET1 capital	
Issued and fully paid-up ordinary share capital	**6,173**
Retained earnings	**4,314**
Accumulated other comprehensive income and other disclosed reserves	**(110)**
Deductions from CET1 capital:	
Goodwill and other intangible assets	**(236)**
Deferred tax assets	**(280)**
Cash flow hedge reserve	**103**
Total CET1 capital	**9,964**
Additional Tier 1 capital	**-**
Total Tier 1 capital	**9,964**
Tier 2 capital	
Loan capital	**945**
Asset revaluation reserve	**17**
Eligible impairment allowance in excess of expected loss	**10**
Total Tier 2 capital	**972**
Total capital	**10,936**

As at 31 December 2023	Banking Group		Bank	
	31-Dec-23	31-Dec-22	**31-Dec-23**	31-Dec-22
Capital ratios				
CET1 capital ratio	**14.1%**	14.1%	**14.1%**	14.0%
Tier 1 capital ratio	**14.1%**	14.1%	**14.1%**	14.0%
Total capital ratio	**15.5%**	15.5%	**15.4%**	15.5%
Prudential capital buffer ratio	**7.5%**	7.5%	**7.4%**	7.5%
Minimum ratio requirement				
CET1 capital ratio	**4.5%**	4.5%	**4.5%**	4.5%
Tier 1 capital ratio	**6.0%**	6.0%	**6.0%**	6.0%
Total capital ratio	**8.0%**	8.0%	**8.0%**	8.0%
Prudential capital buffer ratio	**4.5%**	3.5%	**4.5%**	3.5%

$ millions As at 31 December 2023	Banking Group Total Exposure[(1)]	RWA[(2)]	Total Capital Requirement
Capital requirements			
Total credit risk	**142,916**	**59,557**	**4,765**
Operational risk	**N/A**	**7,970**	**638**
Market risk	**N/A**	**3,146**	**252**
Total		**70,673**	**5,655**

As at 31 December 2023, the Banking Group held $5,281 million of capital in excess of its regulatory capital requirements.

(1) Total exposure is after credit risk mitigation.

(2) RWA is risk-weighted exposure or implied risk-weighted exposure.

15 Capital Adequacy (continued)

Unaudited

Capital Structure

Ordinary Shares

The total number of ordinary shares issued by the Bank as at 31 December 2023 was 6,148,121,300. All ordinary shares have equal voting rights and share equally in dividends and any profit on winding up. Dividends are declared, subject in all cases, to the applicable directors' resolutions being passed. Ordinary shares qualify as CET1 capital under the RBNZ's BPRs.

Loan Capital

On 17 June 2022, the Bank issued subordinated and unsecured debt securities ("USD Subordinated Notes") under its USD10 billion USMTN Programme. The USD Subordinated Notes are denominated in USD with a face value of 600 million. The USD Subordinated Notes meet the criteria for Tier 2 capital designation under the RBNZ's BPRs and are classified as financial liabilities under NZ IAS 32.

Maturity and Redemption

The USD Subordinated Notes will mature on 17 June 2032, but subject to certain conditions, the Bank has the right to redeem all or some of the USD Subordinated Notes on the date falling five years after their issue date (call option date). At any time, subject to certain conditions, the Bank may redeem the USD Subordinated Notes for tax or regulatory reasons.

Interest

The USD Subordinated Notes bear an interest rate of 5.284% per annum fixed for five years. The interest rate will be reset for a further five year period if the USD Subordinated Notes are not redeemed in full on or before their call option date. Payment of interest is semi-annual in arrears and is subject to the Bank being solvent at the time the payment is due and remaining solvent immediately after such payment is made.

Reserves

Accumulated other comprehensive income and other disclosed reserves in CET1 capital include the fair value through other comprehensive income reserve deduction of $7 million. The fair value through other comprehensive income reserve includes the cumulative net change in the fair value of securities until the investment is derecognised or impaired. When fair value hedge accounting is applied, only fair value changes relating to movements in credit spreads are included in the reserve.

The Asset revaluation reserve of $17 million included in Tier 2 capital relates to revaluation gains on land and buildings carried at valuation.

15 Capital Adequacy (continued)

Unaudited

Credit risk exposures subject to the IRB approach by exposure class

As at 31 December 2023	Banking Group					
PD Grade	Weighted Average PD	Exposure Amount $ millions	Exposure Weighted Loss Given Default	Exposure Weighted Risk Weight	Risk Weighted Assets[1] $ millions	Minimum Capital Requirement $ millions
Exposures secured by residential mortgages						
Less than and including 0.50%	0.34%	29,944	16%	10%	3,734	299
Over 0.50% up to and including 0.85%	0.66%	13,302	19%	20%	3,183	255
Over 0.85% up to and including 3.26%	1.46%	36,767	21%	37%	16,502	1,320
Over 3.26% up to and including 7.76%	5.94%	706	23%	91%	767	61
Over 7.76% up to and including 99.99%	-	-	-	-	-	-
Default PD grade	100.00%	1,220	22%	181%	2,651	212
Total exposures secured by residential mortgages	2.42%	81,939	19%	27%	26,837	2,147
Other retail exposures						
Less than and including 0.50%	0.33%	967	84%	47%	544	45
Over 0.50% up to and including 0.85%	0.65%	299	84%	70%	251	20
Over 0.85% up to and including 3.26%	1.28%	671	84%	92%	743	59
Over 3.26% up to and including 7.76%	3.29%	177	84%	119%	253	20
Over 7.76% up to and including 99.99%	-	-	-	-	-	-
Default PD grade	100.00%	18	84%	531%	116	9
Total other retail exposures	1.76%	2,132	84%	74%	1,907	153
Corporate exposures - small and medium enterprises						
Less than and including 0.20%	0.15%	692	33%	22%	181	14
Over 0.20% up to and including 0.50%	0.33%	3,164	25%	27%	1,018	81
Over 0.50% up to and including 1.00%	0.70%	10,287	26%	41%	5,064	405
Over 1.00% up to and including 2.30%	1.45%	6,948	25%	51%	4,234	339
Over 2.30% up to and including 99.99%	7.59%	2,068	29%	94%	2,327	186
Default PD grade	100.00%	310	34%	240%	890	71
Total corporate exposures - small and medium enterprises	2.77%	23,469	26%	49%	13,714	1,096
Other corporate exposures						
Less than and including 0.20%	0.11%	1,636	56%	39%	761	61
Over 0.20% up to and including 0.50%	0.32%	2,541	37%	43%	1,314	106
Over 0.50% up to and including 1.00%	0.67%	1,998	39%	62%	1,487	119
Over 1.00% up to and including 2.30%	1.33%	714	34%	70%	602	48
Over 2.30% up to and including 99.99%	3.72%	107	49%	150%	192	15
Default PD grade	100.00%	51	40%	25%	15	1
Total other corporate exposures	1.25%	7,047	42%	52%	4,371	350
Total credit risk exposures subject to the IRB approach		114,587			46,829	3,746

(1) Risk-weighted assets include a scalar of 1.2 in accordance with BPR130: *Credit Risk RWAs Overview.*

15 Capital Adequacy (continued)

Unaudited

Included in the previous tables are the following off balance sheet exposures:

$ millions	Banking Group			
	Undrawn Commitments and Other Off Balance Sheet Contingent Liabilities		Counterparty Credit Risk on Derivatives and Securities Financing Transactions	
As at 31 December 2023	**Value**	**EAD**	**Value**	**EAD**
Exposures secured by residential mortgages	7,751	7,925	-	-
Other retail exposures	1,858	1,176	-	-
Corporate exposures - small and medium enterprises	3,112	2,414	1,693	25
Other corporate exposures	2,096	1,769	3,708	76
	14,817	13,284	5,401	101

$ millions	Banking Group					
LVR Range						
As at 31 December 2023	**Does not exceed 60%**	**Exceeds 60% and not 70%**	**Exceeds 70% and not 80%**	**Exceeds 80% and not 90%**	**Exceeds 90%**	**Total**
Residential mortgages by loan-to-valuation ratio ("LVR")						
On balance sheet exposures	37,234	15,216	17,738	4,288	1,029	75,505
Off balance sheet exposures	6,148	918	857	53	125	8,101
Total value of exposures	43,382	16,134	18,595	4,341	1,154	83,606
Expressed as a percentage of total exposures	51.9%	19.3%	22.2%	5.2%	1.4%	100.0%

LVR is calculated as the total exposure amount divided by the valuation of the security at the date of loan origination. Off balance sheet exposures include commitments to lend. On balance sheet and off balance sheet exposures for which no LVR information is available are included in the exceeds 90% range.

$ millions **As at 31 December 2023**	**Banking Group**
Reconciliation of mortgage-related amounts	
Residential mortgages in Advances to customers (refer to note 4)[(1)]	75,103
Add/(less):	
Off balance sheet exposures	8,101
Exposure at default adjustments	761
Unamortised loan establishment fees and expenses	(359)
Residential mortgages in LVR disclosure	83,606
Add/(less):	
Corporate lending secured by residential mortgages (subject to the standardised approach)	(1,654)
Residential mortgages (subject to the standardised approach)	(13)
Residential mortgages subject to the IRB approach	81,939

(1) Residential mortgages include loans secured over residential property for owner-occupier and residential property investment.

15 Capital Adequacy (continued)

Unaudited

As at 31 December 2023 On Balance Sheet Exposures Subject to the Slotting Approach	Banking Group Total Exposure after Credit Risk Mitigation $ millions	Risk Weight	Risk Weighted Assets[1] $ millions	Minimum Pillar 1 Capital Requirement $ millions
Specialised lending				
Strong	591	70%	497	40
Good	2,746	90%	2,965	238
Satisfactory	808	115%	1,115	89
Weak	50	250%	151	12
Default	1	0%	-	-
	4,196		4,728	379

As at 31 December 2023 Off Balance Sheet Exposures Subject to the Slotting Approach	Banking Group EAD $ millions	Average Risk Weight	Risk Weighted Assets[1] $ millions	Minimum Pillar 1 Capital Requirement $ millions
Undrawn commitments and other off balance sheet exposures	258	91%	281	22

As at 31 December 2023 On Balance Sheet Exposures Subject to the Standardised Approach	Banking Group Total Exposure after Credit Risk Mitigation $ millions	Average Risk Weight	Risk Weighted Exposure $ millions	Minimum Pillar 1 Capital Requirement $ millions
Cash and gold bullion	106	-	-	-
Sovereigns and central banks	11,848	-	-	-
Multilateral development banks and other internal organisations	2,657	1%	35	3
Public sector entities	923	20%	184	15
Banks	2,192	43%	947	76
Corporate	1,418	99%	1,406	112
Residential mortgages	1,477	38%	565	45
Past due assets	25	119%	30	2
Other assets	1,604	89%	1,423	114
Total balance sheet exposures	22,250		4,590	367

As at 31 December 2023 Off Balance Sheet Exposures and Counterparty Credit Risk for Counterparties Subject to the Standardised Approach	Total Exposure or Principal Amount $ millions	Average Credit Conversion Factor	Banking Group Credit Equivalent Amount $ millions	Average Risk Weight	Risk Weighted Exposure $ millions	Minimum Pillar 1 Capital Requirement $ millions
Total off balance sheet exposures subject to the standardised approach	1,354	49%	660	66%	433	35
Counterparty credit risk for counterparties subject to the standardised approach						
Foreign exchange contracts	24,425	N/A	804	29%	232	19
Interest rate contracts	187,695	N/A	135	8%	10	1
Other	2	N/A	19	20%	4	-
Total off balance sheet exposures and counterparty credit risk for counterparties subject to the standardised approach	213,476		1,618		679	55

(1) Risk-weighted assets include a scalar of 1.2 in accordance with BPR130: *Credit Risk RWAs Overview*.

15 Capital Adequacy (continued)

Unaudited

As at 31 December 2023			Banking Group	
Equity Exposures Subject to the Standardised Approach	**Total Exposure $ millions**	**Risk Weight**	**Risk Weighted Exposure $ millions**	**Minimum Pillar 1 Capital Requirement $ millions**
All other equity holdings not deducted from capital	7	400%	27	2

$ millions		Banking Group	
As at 31 December 2023	**Total Exposure after Credit Risk Mitigation**	**Total Risk Weighted Exposure**	**Total Capital Requirement**
Total credit risk			
Exposures subject to the IRB approach	114,587	46,829	3,746
Specialised lending subject to the slotting approach	4,454	5,009	401
Exposures subject to the standardised approach	23,875	5,296	424
Credit valuation adjustment	-	261	21
Total credit risk (excluding standardised floor impact)	142,916	57,395	4,592
Standardised floor impact [1]	-	2,162	173
Total credit risk (including standardised floor impact)	142,916	59,557	4,765

(1) Standardised floor relates to exposures subject to the IRB approach and specialised lending subject to the slotting approach.

Exposures Subject to the IRB Approach	
Secured by residential mortgages	Home lending fully or partially secured by residential property.
Other retail exposures	Personal credit cards.
Corporate exposures	Corporate exposures - clients where turnover exceeds $50 million; small and medium enterprises ("SME") - clients where turnover is less than $50 million and group exposure exceeds $1 million.

Exposures Subject to the Slotting Approach	
Specialised lending	Income-producing real estate.

Exposures Subject to the Standardised Approach	
Sovereign and central banks	Exposures to the Crown; RBNZ; any other sovereign or its central bank.
Multilateral development banks and other international organisations	Specified multilateral development banks.
Public sector entities	Exposures to local authorities.
Banks	Exposures to banks.
Secured by residential mortgages	A small non-scored home loan portfolio and SME where group exposure is less than $1 million that is secured by residential property.
Other assets	SME where group exposure is less than $1 million and not secured by residential property, personal lending, and all other assets not falling within any other asset class.

15 Capital Adequacy (continued)

Unaudited

Credit Risk Mitigation

The Banking Group assesses the integrity and ability of debtors or counterparties to meet their contracted financial obligations for repayment. Collateral security in the form of real property or a security interest in personal property is generally taken for business credit except for major government, bank and corporate counterparties of strong financial standing. Housing loans and some small business loans are secured against residential real estate, while credit cards, personal loans and overdrafts are generally unsecured.

Information of the credit risk exposures subject to the standardised approach covered by eligible financial collateral (i.e. cash, debt securities or equity securities) is disclosed in the table below. Across all portfolios, no exposures are covered by credit derivatives. Information on the total value of exposures covered by financial guarantees is not disclosed, as the effect of these guarantees on the underlying credit risk exposures is not considered to be material.

$ millions	Banking Group	
31 December 2023	For portfolios subject to the standardised approach: total value of exposures covered by eligible financial collateral (after haircutting)	For all portfolios: total value of exposures covered by guarantees or credit derivatives
Total exposures		
Sovereign	**2,911**	**-**
Bank	**604**	**-**
Corporate (including specialised lending)	**67**	**-**
Residential mortgage	**2**	**-**
Other	**1**	**-**

Operational Risk

The Banking Group has elected to utilise the standardised approach set out in BPR150: *Standardised Operational Risk* to calculate capital requirements for operational risk.

The implied risk-weighted exposure for operational risk as at 31 December 2023 was $7,970 million.

The total operational risk capital requirement as at 31 December 2023 was $638 million.

15 Capital Adequacy (continued)

Unaudited

Market Risk Capital Charges

The Banking Group's aggregate market risk exposure is derived in accordance with BPR140: *Market Risk*. The peak end-of-day notional-capital charge is derived by taking the highest market risk exposure over the six months ended 31 December 2023.

$ millions	Banking Group			
Exposures as at 31 December 2023	**Interest Rate Risk**	**Foreign Currency Risk**	**Equity Risk**	**Total**
Implied risk-weighted exposure	**3,130**	**16**	**-**	**3,146**
Aggregate capital charge	**251**	**1**	**-**	**252**

$ millions	Banking Group			
Peak end-of-day exposures for the six months ended 31 December 2023	**Interest Rate Risk**	**Foreign Currency Risk**	**Equity Risk**	**Total**
Implied risk-weighted exposure	**3,998**	**42**	**-**	**4,040**
Aggregate capital charge	**320**	**3**	**-**	**323**

Capital for Other Material Risks

The Banking Group has an internal capital adequacy assessment process ("ICAAP") which complies with the requirements set out in the RBNZ document BPR100: *Capital Adequacy, Part D* in accordance with the Bank's Conditions of Registration. These guidelines require the Board to be responsible for ensuring that the Banking Group has adequate overall capital in relation to its risk profile.

The Banking Group's ICAAP is approved by the Board. Underlying component parts of the Banking Group's ICAAP are reviewed on a regular basis by senior management, the Board Risk and Compliance Committee ("BRCC") and the Board. Significant revisions to ICAAP component parts are also Board approved.

The Banking Group's ICAAP includes an assessment of capital required to cover material risks not already captured in the measurement of regulatory capital. Other material risks considered by the Banking Group include strategic risk, liquidity risk, reputational risk, funding risk, concentration risk, information technology and cyber risk. As at 31 December 2023, internal capital allocations of $326 million (31 December 2022 $349 million) had been made for other material risks.

Capital Adequacy of Ultimate Parent Bank and Ultimate Parent Banking Group

The ultimate parent bank of the Banking Group is CBA. The ultimate parent banking group is the Commonwealth Bank Group.

The ultimate parent banking group is predominantly accredited to use the Advanced Internal-Ratings Based ("AIRB") approach for credit risk and the Standardised Measurement Approach for operational risk. The ultimate parent banking group is also required to assess its traded market risk and Interest Rate Risk in the Banking Book requirements under Pillar 1 of the Basel capital framework.

Prior to 1 January 2023, Australian Prudential Regulation Authority ("APRA") prudential standards required the ultimate parent banking group to have a minimum CET1 ratio of 4.5% plus an additional CET1 capital conservation buffer (CCB) of 3.5%, inclusive of a Domestic Systemically Important Bank ("D-SIB") requirement of 1.0% and a countercyclical capital buffer ("CCyB") of 0% bringing the CET1 requirement to 8.0% as required under APRA's application of Basel III requirements.

From 1 January 2023, APRA implemented its revisions to the capital framework. APRA's prudential standards now require the ultimate parent banking group to have a minimum CET1 ratio of 4.5% plus an additional CET1 capital conservation buffer of 5.75%, inclusive of a D-SIB requirement of 1.0% and a CCyB of 1.0%(1), which brings the CET1 requirement to at least 10.25% as required under APRA's application of Basel III requirements.

The ultimate parent banking group is required to disclose capital adequacy information quarterly. This information is made available via Pillar 3 documents on the ultimate parent banking group's corporate website (https://www.commbank.com.au/about-us/investors/regulatory-disclosure).

As at 31 December 2023, the minimum capital requirements were met (31 December 2022 minimum capital requirements were met).

	Ultimate Parent Bank		Ultimate Parent Banking Group	
As at	**31-Dec-23(2)**	**31-Dec-22(3)**	**31-Dec-23(2)**	**31-Dec-22(3)**
CET1 capital ratio	**12.5%**	11.7%	**12.3%**	11.4%
Tier 1 capital ratio	**15.1%**	13.7%	**14.7%**	13.3%
Total capital ratio	**21.5%**	18.6%	**20.5%**	17.8%

(1) The baseline CCyB is set at 1% on 1 January 2023. The CCyB, which may be varied by APRA in the range of 0-350 basis points, can be released in times of systemic stress and post-stress recovery.

(2) Prepared in accordance with APRA's revised capital framework effective from 1 January 2023.

(3) Prepared in accordance with APRA's capital framework effective up until 31 December 2022.

16 Insurance Business, Marketing and Distribution of Insurance Products

Unaudited

The Banking Group does not conduct any insurance business. However, certain general, travel and life insurance products are marketed and distributed by the Bank for the following entities: IAG New Zealand Limited, AIG Insurance New Zealand Limited and AIA New Zealand Limited. None of these are affiliated insurance entities.

17 Changes in the Composition of the Banking Group during the Reporting Period

Unaudited

There were no changes in the composition of the Banking Group for the six months ended 31 December 2023.

18 Financial Reporting by Operating Segments

Unaudited

The Banking Group is organised into the following major business segments for segment reporting purposes: Personal Banking, Business Banking and Corporate Banking. These segments are consistent with internal reporting provided to the Banking Group's chief operating decision maker (being the executive management team).

Personal Banking: The Personal Banking segment provides banking, investment and insurance services to personal customers.

Business Banking: The Business Banking segment provides services to commercial, rural and small business customers.

Corporate Banking: The Corporate Banking segment provides services to corporate customers, transactional banking services and retail broking services. It also comprises the Bank's financial markets activities, including financial instruments trading and sales of financial instruments to customers bank wide.

Other: Other primarily includes:

- Business units that do not meet the definition of operating segments under NZ IFRS 8 *Operating Segments,* including the Bank's Treasury function and other functions that supply support and services to the segments; and
- Elimination entries on consolidation of the results, assets and liabilities of the Banking Group's controlled entities in the preparation of the consolidated financial statements of the Banking Group.

Operating income in each segment includes transfer pricing adjustments to reflect inter-segment funding arrangements. Inter-segment transactions are eliminated for the purposes of reporting the consolidated Banking Group's results and are included in the Other segment.

The Banking Group operates predominantly in the banking industry within New Zealand. The Banking Group has very limited exposure to risks associated with operating in different economic environments or political conditions in other countries. On this basis no geographical segment information is provided.

During the period, the Banking Group changed its presentation of segment profit or loss from a "Statutory profit" to a "Cash profit" basis. This change was made to align with internal reporting provided to the Banking Group's chief operating decision maker and as business segment performance is assessed on a Cash profit basis. Cash profit reflects the Banking Group's underlying operating results and excludes items that introduce volatility and/or one-off distortions which are not considered representative of ongoing financial performance.

Notes to the Financial Statements

For the six months ended 31 December 2023

18 Financial Reporting by Operating Segments (continued)

Unaudited

	Banking Group				
$ millions	Personal Banking	Business Banking	Corporate Banking	Other	Total
Income Statement					
For the six months ended 31 December 2023					
Net interest income	726	543	146	(12)	1,403
Lending fees	2	9	4	-	15
Commission and other fees	117	25	11	-	153
Funds management income	65	4	-	-	69
Fee and commission income	184	38	15	-	237
Fee and commission expense	(40)	-	-	-	(40)
Net fee and commission income	144	38	15	-	197
Other operating income/(loss) [(1)]	28	18	(4)	(2)	40
Total operating income/(loss)	898	599	157	(14)	1,640
Impairment recoveries/(losses) on financial assets	4	(19)	5	-	(10)
Operating expenses	(412)	(184)	(47)	(5)	(648)
Cash net profit/(loss) before tax	490	396	115	(19)	982
Tax (expense)/benefit	(137)	(111)	(32)	5	(275)
Cash net profit/(loss) after tax ("Cash profit")	353	285	83	(14)	707
Reconciliation of Cash profit to Statutory profit					
Cash profit					707
Reconciling items:					
Hedging and IFRS volatility [(2)]					(18)
Notional inter-group charges [(3)]					69
Reporting structure differences [(4)]					8
Tax on reconciling items					(17)
Net profit after tax ("Statutory profit")					749
Balance Sheet					
As at 31 December 2023					
Total assets	60,923	41,858	8,658	15,007	126,446
Total liabilities	53,238	19,248	9,516	34,050	116,052

(1) Includes trading income, net fair value gains/(losses) and other operating income.

(2) Includes unrealised fair value gains/(losses) on economic hedges that do not qualify for hedge accounting and unrealised fair value gains or losses on the ineffective portion of hedges that do qualify for hedge accounting under NZ IFRS. These fair value gains or losses are excluded from Cash profit since the asymmetric recognition of the gains or losses does not affect the performance of the Banking Group over the life of the hedge.

(3) Represents the recognition of a notional cost of capital from the ultimate parent and other allocated costs which are not included in Statutory profit.

(4) Certain business units results are excluded from Cash profit for internal reporting but included in Statutory profit.

18 Financial Reporting by Operating Segments (continued)

Unaudited

$ millions	Banking Group Personal Banking	Business Banking	Corporate Banking	Other	Total
Income Statement [1]					
For the six months ended 31 December 2022					
Net interest income	789	576	127	21	1,513
Lending fees	3	9	4	-	16
Commission and other fees	124	25	12	-	161
Funds management income	64	4	-	-	68
Fee and commission income	191	38	16	-	245
Fee and commission expense	(38)	-	-	-	(38)
Net fee and commission income	153	38	16	-	207
Other operating income [2]	29	23	3	1	56
Total operating income	971	637	146	22	1,776
Impairment losses on financial assets	(38)	(9)	(2)	-	(49)
Operating expenses	(387)	(180)	(42)	(2)	(611)
Cash net profit before tax	546	448	102	20	1,116
Tax expense	(153)	(126)	(28)	(6)	(313)
Cash net profit after tax ("Cash profit")	393	322	74	14	803
Reconciliation of Cash profit to Statutory profit					
Cash profit					803
Reconciling items:					
Hedging and IFRS volatility [3]					9
Notional inter-group charges [4]					36
Reporting structure differences [5]					7
Tax on reconciling items					(15)
Net profit after tax ("Statutory profit")					840
Balance Sheet [1]					
As at 30 June 2023					
Total assets	61,204	42,422	8,134	15,136	126,896
Total liabilities	50,744	18,452	9,524	37,497	116,217

(1) Certain comparative information has been restated to ensure consistency with presentation in the current period.

(2) Includes trading income, net fair value gains/(losses) and other operating income.

(3) Includes unrealised fair value gains/(losses) on economic hedges that do not qualify for hedge accounting and unrealised fair value gains or losses on the ineffective portion of hedges that do qualify for hedge accounting under NZ IFRS. These fair value gains or losses are excluded from Cash profit since the asymmetric recognition of the gains or losses does not affect the performance of the Banking Group over the life of the hedge.

(4) Represents the recognition of a notional cost of capital from the ultimate parent and other allocated costs which are not included in Statutory profit.

(5) Certain business units results are excluded from Cash profit for internal reporting but included in Statutory profit.

19 Interest Rate Repricing Schedule

Unaudited

The following table represents a breakdown of the Banking Group's assets and liabilities by their contractual repricing. The carrying amounts of derivative financial instruments, which are principally used to reduce the Banking Group's exposure to interest rate movements, are included under the heading "Non-interest Bearing". The Banking Group does not manage its interest rate risk on the basis of the information below.

$ millions	Banking Group						
As at 31 December 2023	Up to 3 Months	Over 3 Months and up to 6 Months	Over 6 Months and up to 1 Year	Over 1 Year and up to 2 Years	Over 2 Years	Non-interest Bearing	Total
Assets							
Cash and liquid assets	6,421	-	-	-	-	120	6,541
Due from financial institutions	825	-	-	-	-	-	825
Securities at fair value through other comprehensive income	1,415	737	468	697	6,080	-	9,397
Derivative assets	-	-	-	-	-	742	742
Advances to customers	45,344	13,873	21,612	19,411	7,655	(253)	107,642
Other financial assets	-	-	-	-	-	398	398
Total financial assets	54,005	14,610	22,080	20,108	13,735	1,007	125,545
Non-financial assets							901
Total assets							126,446
Liabilities							
Deposits and other borrowings	53,252	13,411	11,289	1,565	1,819	10,397	91,733
Due to financial institutions	1,744	-	-	-	-	41	1,785
Derivative liabilities	-	-	-	-	-	1,131	1,131
Other financial liabilities	-	-	-	-	-	1,298	1,298
Debt issues:							
At fair value through Income Statement	866	-	-	-	-	-	866
At amortised cost	1,270	828	2,343	1,307	13,328	(932)	18,144
Loan capital	-	-	-	-	942	(26)	916
Total financial liabilities	57,132	14,239	13,632	2,872	16,089	11,909	115,873
Non-financial liabilities							179
Total liabilities							116,052
Net derivative notionals	8,006	(3,057)	(9,124)	(7,012)	11,187		
Interest rate sensitivity gap	4,879	(2,686)	(676)	10,224	8,833		

20 Regulatory Liquidity Ratios

Unaudited

a) Liquidity and Funding Risk Management Framework and Regulatory Liquidity Ratios

The Bank is subject to the conditions of the RBNZ's liquidity policy as set out in the RBNZ documents *Liquidity Policy* (BS13) and *Liquidity Policy Annex: Liquid Assets* (BS13A).

The Bank calculates liquidity ratios in accordance with BS13. The ratios are calculated daily and are a key component of the Bank's liquidity management framework.

The RBNZ requires banks to hold minimum amounts of liquid assets to help ensure that they are effectively managing their liquidity risks. The mismatch ratio is a measure of a bank's liquid assets, adjusted for expected cash inflows and outflows during a one-week or one-month period of stress. The Banking Group must maintain its one-week and one-month mismatch ratios above zero on a daily basis, with the mismatch ratio representing surplus liquidity as a portion of total funding of the Bank.

The RBNZ requires banks to obtain a minimum amount of funding from stable sources called core funding. The minimum core funding ratio required to be held is 75%.

The average of these ratios for the quarters ended 31 December 2023 and 30 September 2023 are reflected in the table below.

	Banking Group	
Average for the three months ended	**31-Dec-23**	30-Sep-23
One-month mismatch ratio	**9.0%**	8.7%
One-week mismatch ratio	**8.9%**	8.8%
Core funding ratio	**92.1%**	91.7%

b) RBNZ Liquidity Facilities

The RBNZ has several facilities that support monetary policy and manage liquidity in the New Zealand banking system. These facilities allowed banks to borrow funding from the RBNZ by pledging high quality liquid assets as collateral. The Bank has an internal residential mortgage-backed securities ("RMBS") facility, which has issued securities that can be used as collateral for borrowing from the RBNZ. As at 31 December 2023, the Bank had internally securitised $16.4 billion of RMBS through the Medallion NZ Series Trust 2009-1R (30 June 2023 $18.0 billion), of which $14.9 billion of Class A floating rate notes have been assigned a credit rating of AAA by Fitch Ratings and are eligible for acceptance by the RBNZ (30 June 2023 $16.5 billion). While not intended to be used for day-to-day liquidity management, the RMBS form part of the Bank's total qualifying liquid assets. The RBNZ has imposed a tiered cap limiting the amount of RMBS that can be deemed as qualifying liquid assets available for repurchase agreements with the RBNZ, with a maximum limit of 5% of total assets, based upon the Bank's asset encumbrance ratio.

From 26 May 2020, the RBNZ made available a Term Lending Facility ("TLF") for a fixed term of three years at the rate of the OCR, with access to the funds linked to banks' lending under the Business Finance Guarantee Scheme ("BFGS"). The TLF was available until 28 July 2021 in line with the BFGS and the maximum term was extended to five years. The Banking Group has drawn down $152 million under this facility as at 31 December 2023 (30 June 2023 $190 million).

From 7 December 2020, the RBNZ made available the Funding for Lending Programme ("FLP"). The FLP provides funding to banks at the prevailing OCR for a term of three years, secured by high quality collateral. The size of funding available under the FLP included an initial allocation of 4% of each banks' eligible loans (as defined by the RBNZ). A conditional additional allocation of up to 2% of eligible loans was also made available, subject to growth in eligible loans, for a total size of up to 6% of eligible loans. The facility was available until 6 June 2022 for the initial allocation and up to 6 December 2022 for the conditional additional allocation. As at 31 December 2023, the Banking Group had utilised $4.8 billion of this facility (30 June 2023 $4.8 billion).

As at 31 December 2023, $6.4 billion of the RMBS had been used as collateral for repurchase agreements with the RBNZ (30 June 2023 $6.4 billion).

21 Qualifying Liquid Assets

Unaudited

The table below provides details of the qualifying liquid assets held by the Banking Group for the purpose of managing liquidity risk.

When the Bank enters into a repurchase agreement with the RBNZ, the qualifying liquid assets sold under the agreement are subject to a reduction in value ("haircut") in accordance with the RBNZ's Operating Rules and Guidelines. This haircut can range from 1% to 20%, depending on the qualifying asset, and reduces the value of the qualifying liquid assets available for liquidity purposes. The table below does not adjust the qualifying liquid assets for this haircut.

$ millions	Banking Group					
As at 31 December 2023	**Cash and Liquid Assets**	**Securities at Fair Value through Other Comprehensive Income**	**Advances to Customers**	**Other Assets**	**Deposits and Other Borrowings**	**Total**
Cash	**139**	**-**	**-**	**-**	**-**	**139**
Call deposits with the central bank	**6,037**	**-**	**-**	**-**	**-**	**6,037**
Local authority securities[1]	**-**	**876**	**-**	**4**	**(5)**	**875**
New Zealand Government securities[2]	**312**	**3,022**	**-**	**15**	**(323)**	**3,026**
Corporate bonds	**-**	**249**	**-**	**2**	**-**	**251**
Treasury bills	**53**	**742**	**-**	**-**	**-**	**795**
Bank bills	**-**	**843**	**-**	**-**	**-**	**843**
Kauri bonds	**-**	**2,634**	**-**	**23**	**-**	**2,657**
Bank bonds	**-**	**1,031**	**-**	**10**	**-**	**1,041**
Residential mortgage-backed securities[3]	**-**	**-**	**6,322**	**-**	**-**	**6,322**
Total qualifying liquid assets	**6,541**	**9,397**	**6,322**	**54**	**(328)**	**21,986**

(1) As at 31 December 2023, $5 million of Local Authority Securities held by the Banking Group were pledged under repurchase agreements and do not qualify for the purpose of managing liquidity risk.

(2) As at 31 December 2023, $323 million of New Zealand Government Securities held by the Banking Group were pledged under repurchase agreements and do not qualify for the purpose of managing liquidity risk.

(3) As at 31 December 2023, $6,322 million of Residential Mortgage-Backed Securities held by the Banking Group were eligible for repurchase transactions with the RBNZ.

Notes to the Financial Statements

For the six months ended 31 December 2023

22 Maturity Analysis for Undiscounted Contractual Cash Flows

Unaudited

The following tables present the Banking Group's cash flows by remaining contractual maturities for financial liabilities as at the reporting date. The amounts disclosed in the tables are the contractual undiscounted cash flows and include principal and future interest cash flows, and therefore may not agree to the carrying values on the Balance Sheet.

Actual cash flows may differ significantly from the contractual cash flows presented below as a result of changes in market conditions and future actions of the Banking Group and its counterparties, such as early repayments or refinancing of term loans.

Deposits and other borrowings include customer savings and transaction account deposits, which are at call. History demonstrates that such accounts provide a stable source of long term funding for the Banking Group. The Banking Group does not manage its liquidity risk on the basis of the information below.

$ millions	Banking Group							
As at 31 December 2023	**On Demand**	**Within 6 Months**	**Between 6-12 Months**	**Between 1-2 Years**	**Between 2-5 Years**	**Over 5 Years**	**Total**	**Carrying Value**
Non-derivative financial liabilities								
Deposits and other borrowings	43,661	29,761	12,602	5,473	1,899	58	93,454	91,733
Due to financial institutions	548	462	27	54	827	-	1,918	1,785
Other financial liabilities	54	684	137	274	138	25	1,312	1,298
Debt issues:								
At fair value through Income Statement	-	867	-	-	-	-	867	866
At amortised cost	-	1,813	2,655	1,698	10,425	3,909	20,500	18,144
Loan capital	-	23	25	50	1,021	-	1,119	916
Total non-derivative financial liabilities	44,263	33,610	15,446	7,549	14,310	3,992	119,170	114,742
Derivative financial liabilities								
Inflows from derivatives	-	1,012	798	1,687	5,367	3,814	12,678	
Outflows from derivatives	-	(2,005)	(1,236)	(2,277)	(6,151)	(3,974)	(15,643)	
	-	(993)	(438)	(590)	(784)	(160)	(2,965)	
Off balance sheet items								
Lending commitments	12,408	2,927	-	-	-	-	15,335	
Financial guarantees	289	-	-	-	-	-	289	
Other credit related contingent liabilities	675	-	-	-	-	-	675	
Total off balance sheet items	13,372	2,927	-	-	-	-	16,299	

23 Concentrations of Funding

Unaudited

The following tables present the Banking Group's concentrations of funding, which are reported by industry and geographic region. ANZSIC codes have been used as the basis for categorising industry sectors. The significant categories shown are in line with the NZSIOC.

$ millions **As at**	**Banking Group** **31-Dec-23**
Total funding comprises:	
Deposits and other borrowings	**91,733**
Due to financial institutions	**1,785**
Debt issues:	
At fair value through Income Statement	**866**
At amortised cost	**18,144**
Loan capital	**916**
Total funding	**113,444**
Concentration by industry	
Agricultural, Forestry and Fishing	**1,441**
Manufacturing	**1,684**
Construction	**1,650**
Wholesale Trade	**1,127**
Retail Trade and Accommodation	**1,682**
Transport, Postal and Warehousing	**537**
Information Media and Telecommunications	**655**
Financial and Insurance Services	**34,227**
Rental, Hiring and Real Estate Services	**4,860**
Professional, Scientific, Technical, Administrative and Support Services	**6,220**
Public Administration and Safety	**795**
Education and Training	**2,087**
Health Care and Social Assistance	**1,619**
Arts, Recreation and Other Services	**2,111**
Households	**52,325**
All Other	**424**
Total funding by industry	**113,444**
Concentration by geographic region	
New Zealand	**85,986**
Overseas	**27,458**
Total funding by geographic region	**113,444**

24 Events after the Reporting Period

Unaudited

There were no events subsequent to the reporting period which would materially affect the financial statements.

Directors' Statement

After due enquiry by the Directors, each Director believes that over the six months ended 31 December 2023:

- The Bank has complied in all material respects with each Condition of Registration that applied during the period.
- Credit exposures to connected persons were not contrary to the interests of the Banking Group; and
- The Bank had systems in place to monitor and control adequately the material risks of the Banking Group including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks and that those systems were being properly applied.

After due enquiry by the Directors, each Director believes that as at the date on which the Disclosure Statement is signed:

- The Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended); and
- The Disclosure Statement is not false or misleading.

The Disclosure Statement is signed by Dame Therese Walsh and Ms Vittoria Shortt as Directors and as responsible persons on behalf of all the other Directors.

Dame Therese Walsh
Chair

Vittoria Shortt
Managing Director

14 February 2024

Independent auditor's review report

To the shareholder of ASB Bank Limited

Report on the condensed interim financial statements and the supplementary information (excluding the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 11)

Our conclusion

We have reviewed the condensed interim financial statements (the "Financial Statements") for the six month period ended 31 December 2023 of ASB Bank Limited (the "Bank") and the entities it controlled at 31 December 2023 or from time to time during the period (together, the "Banking Group") as required by clause 25 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order") and the supplementary information disclosed in accordance with Schedules 5, 7, 13, 16 and 18 of the Order (the "Supplementary Information", excluding the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 11 of the Order contained in the half year disclosure statement (the "Disclosure Statement").

The Financial Statements comprise the balance sheet as at 31 December 2023, the related income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six month period then ended and selected explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying:

- Financial Statements have not been prepared, in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34) and International Accounting Standard 34 *Interim Financial Reporting* (IAS 34); and
- Supplementary Information that is required to be disclosed in accordance with Schedules 5, 7, 13, 16 and 18 of the Order:
  - does not present fairly, in all material respects, the matters to which it relates; or
  - is not disclosed, in all material respects, in accordance with those schedules.

Basis for conclusion

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410 (Revised)"). Our responsibilities are further described in the *Auditor's responsibilities for the review of the Financial Statements and Supplementary Information* section of our report.

We are independent of the Banking Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. In addition to our role as auditor, our firm carries out other services for the Banking Group. These services include audit and assurance services in respect to funds managed by the Banking Group. We also provide other assurance and audit-related services, including: assurance over compliance with regulations, capital adequacy, regulatory liquidity requirements, operational emissions and sustainability metrics and internal controls of a custodial services system and audit related agreed upon procedure engagements. We have also completed a gap-analysis engagement over operational emissions and sustainability metrics assessing the pre-conditions for assurance. In addition, certain partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of trading activities of the Banking Group. The provision of these other services and relationships have not impaired our independence.

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Responsibilities of the Directors for the Disclosure Statement
The Directors are responsible, on behalf of the Bank, for the preparation and fair presentation of the Financial Statements in accordance with clause 25 of the Order, NZ IAS 34 and IAS 34 and for such internal control as the Directors determine is necessary to enable the preparation of the Financial Statements and the Supplementary Information that are free from material misstatement, whether due to fraud or error.

In addition, the Directors are responsible on behalf of the Bank for the preparation and fair presentation of the Disclosure Statement which includes:

- all of the information prescribed in Schedule 3 of the Order; and
- the information prescribed in Schedules 5, 7, 11, 13, 16 and 18 of the Order.

Auditor's responsibilities for the review of the Financial Statements and Supplementary Information
Our responsibility is to express a conclusion on the Financial Statements and Supplementary Information based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the:

- Financial Statements, taken as a whole, have not been prepared, in all material respects, in accordance with NZ IAS 34 and IAS 34; and
- Supplementary Information that is required to be disclosed in accordance with Schedules 5, 7, 13, 16 and 18 of the Order:
  - does not present fairly, in all material respects, the matters to which it relates; or
  - is not disclosed, in all material respects, in accordance with those schedules; or
  - if applicable, has not been prepared, in all material respects, in accordance with any conditions of registration relating to disclosure requirements imposed under section 74(4)(c) of the Banking (Prudential Supervision) Act 1989.

A review in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing and consequently do not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on the Financial Statements and Supplementary Information.

Who we report to
This report is made solely to the Bank's shareholder. Our review work has been undertaken so that we might state those matters which we are required to state to them in our review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's shareholder for our review procedures, for this report, or for the conclusions we have formed.

The engagement partner on the review resulting in this independent auditor's review report is Lisa Crooke.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
14 February 2024

Auckland

PwC

Independent Assurance Report

To the shareholder of ASB Bank Limited

Limited assurance report on compliance with the information required on capital adequacy and regulatory liquidity requirements

Our conclusion

We have undertaken a limited assurance engagement on ASB Bank Limited (the "Bank")'s compliance, in all material respects, with clause 22 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order") which requires information prescribed in Schedule 11 of the Order relating to capital adequacy and regulatory liquidity requirements to be disclosed in its half year Disclosure Statement for the six month period ended 31 December 2023 (the "Disclosure Statement"). The Disclosure Statement will accompany our report, for the purpose of reporting to the shareholder of ASB Bank Limited.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Bank's information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 22 of the Order and disclosed in notes 15 and 20(a), is not, in all material respects, disclosed in accordance with Schedule 11 of the Order.

Basis for conclusion

We have conducted our engagement in accordance with Standard on Assurance Engagements 3100 (Revised) *Compliance Engagements* ("SAE 3100 (Revised)") issued by the New Zealand Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Directors' responsibilities

The Directors are responsible on behalf of the Bank for compliance with the Order, including clause 22 of the Order which requires information relating to capital adequacy and regulatory liquidity requirements prescribed in Schedule 11 of the Order to be included in the Disclosure Statement, for the identification of risks that may threaten compliance with that clause, controls that would mitigate those risks and monitoring ongoing compliance.

Our independence and quality management

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires our firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent of the Bank and the entities it controlled at 31 December 2023 or from time to time during the period (together, the "Banking Group"). In addition to our role as auditor, our firm carries out other services for the Banking Group. These services include audit and assurance services in respect to funds managed by the Banking Group. We also provide other assurance and audit-related services, including: assurance over compliance with regulations, capital adequacy, operational emissions and sustainability metrics and internal controls of a custodial services system and audit related agreed upon procedure engagements. We have also completed a gap-analysis engagement over operational emissions and sustainability metrics assessing the pre-conditions for assurance. In addition, certain partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of trading activities of the Banking Group. The provision of these other services and these relationships have not impaired our independence.

Assurance practitioner's responsibilities

Our responsibility is to express a limited assurance conclusion on whether the Bank's information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with

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clause 22 of the Order is not, in all material respects, disclosed in accordance with Schedule 11 of the Order. SAE 3100 (Revised) requires that we plan and perform our procedures to obtain limited assurance about whether anything has come to our attention that causes us to believe that the Bank's information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 22 of the Order, is not, in all material respects, disclosed in accordance with Schedule 11 of the Order.

In a limited assurance engagement, the assurance practitioner performs procedures, primarily consisting of discussion and enquiries of management and others within the entity, as appropriate, and observation and walk-throughs, and evaluates the evidence obtained. The procedures selected depend on our judgement, including identifying areas where the risk of material non-compliance with clause 22 of the Order in respect of the information relating to capital adequacy and regulatory liquidity requirements is likely to arise.

Given the circumstances of the engagement we:

- obtained an understanding of the process, models, data and internal controls implemented over the preparation of the information relating to capital adequacy and regulatory liquidity requirements;
- obtained an understanding of the Bank's compliance framework and internal control environment to ensure the information relating to capital adequacy and regulatory liquidity requirements is in compliance with the Reserve Bank of New Zealand's (the "RBNZ") prudential requirements for banks;
- obtained an understanding and assessed the impact of any matters of non-compliance with the RBNZ's prudential requirements for banks that relate to capital adequacy and regulatory liquidity requirements and inspected relevant correspondence with the RBNZ;
- performed analytical and other procedures on the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 11 of the Order, and considered its consistency with the condensed interim financial statements; and
- agreed the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 11 of the Order to information extracted from the Bank's models, accounting records or other supporting documentation, which included publicly available information as prescribed by clause 18 of Schedule 11 of the Order.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion on compliance with the compliance requirements.

Inherent limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure, it is possible that fraud, error or non-compliance with the compliance requirements may occur and not be detected. A limited assurance engagement on the Bank's information relating to capital adequacy and regulatory liquidity requirements prescribed in Schedule 11 of the Order to be included in the Disclosure Statement in compliance with clause 22 of the Order does not provide assurance on whether compliance will continue in the future.

Use of report

This report has been prepared for use by the Bank's shareholder for the purpose of establishing that these compliance requirements have been met. Our report should not be used for any other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for any reliance on this report to anyone other than the Bank and the Bank's shareholder, or for any purpose other than that for which it was prepared.

The engagement partner on the engagement resulting in this independent assurance report is Lisa Crooke.

PricewaterhouseCoopers

Chartered Accountants
14 February 2024

Auckland, New Zealand

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