

ASB Covered Bond Trust Financial Statements

For the year ended 30 June 2024

Contents

| | |
|---|-----------|
| Statement of Comprehensive Income | 2 |
| Statement of Changes in Trust Funds | 2 |
| Balance Sheet | 3 |
| Cash Flow Statement | 4 |
| Notes to the Financial Statements | |
| 1 Statement of Accounting Policies | 5 |
| 2 Auditor's Remuneration | 7 |
| 3 Trust Capital | 7 |
| 4 Related Party Transactions and Balances | 8 |
| 5 Fair Value of Financial Instruments | 10 |
| 6 Risk Management Policies | 11 |
| 7 Maturity Analysis for Undiscounted Contractual Cash Flows | 12 |
| 8 Capital Commitments and Contingent Liabilities | 12 |
| 9 Events after the Reporting Period | 12 |
| Independent Auditor's Report | 13 |

Statement of Comprehensive Income

| \$ thousands | | | | |
|-----------------------------------|------|----------------|---------|--|
| For the year ended 30 June | Note | 2024 | 2023 | |
| Interest income | 4 | 297,678 | 254,096 | |
| Interest expense | 4 | 296,468 | 252,716 | |
| Net interest income | | 1,210 | 1,380 | |
| Total operating income | | 1,210 | 1,380 | |
| Total operating expenses | | 1,190 | 1,360 | |
| Other expenses | 4 | 1,190 | 1,360 | |
| Net profit before tax | | 20 | 20 | |
| Tax expense | | - | - | |
| Net profit after tax | | 20 | 20 | |
| Total comprehensive income | | 20 | 20 | |

Statement of Changes in Trust Funds

| \$ thousands | Note | Trust Capital | Retained Earnings | Total Trust Funds |
|---|------|---------------|-------------------|-------------------|
| For the year ended 30 June 2024 | | | | |
| Balance at beginning of year | | 2 | - | 2 |
| Net profit after tax and total comprehensive income | | - | 20 | 20 |
| Distribution to the Beneficiary | 4 | - | (20) | (20) |
| Balance as at 30 June 2024 | | 2 | - | 2 |
| For the year ended 30 June 2023 | | | | |
| Balance at beginning of year | | 2 | - | 2 |
| Net profit after tax and total comprehensive income | | - | 20 | 20 |
| Distribution to the Beneficiary | 4 | - | (20) | (20) |
| Balance as at 30 June 2023 | | 2 | - | 2 |

These statements are to be read in conjunction with the notes on pages 5 to 12.

Balance Sheet

\$ thousands
As at 30 June

| | Note | 2024 | 2023 |
|---------------------------------|------|------------------|------------------|
| Assets | | | |
| Cash and cash equivalents | 4 | 7,683 | 7,981 |
| Other assets | 4 | 21,966 | 27,681 |
| Advances to related parties | 4 | 4,197,682 | 5,238,228 |
| Total assets | | 4,227,331 | 5,273,890 |
| Liabilities | | | |
| Other liabilities | 4 | 29,647 | 35,660 |
| Borrowings from related parties | 4 | 4,197,682 | 5,238,228 |
| Total liabilities | | 4,227,329 | 5,273,888 |
| Net assets | | 2 | 2 |
| Trust funds | | | |
| Trust capital | 3 | 2 | 2 |
| Retained earnings | | - | - |
| Total trust funds | | 2 | 2 |

The Board of Directors of the Manager authorised these financial statements for issue on 26 September 2024



Director



Director

These statements are to be read in conjunction with the notes on pages 5 to 12.

Cash Flow Statement

\$ thousands

For the year ended 30 June

Note

2024

2023

Cash flows from operating activities

Net profit before tax

20

20

Reconciliation of net profit before tax to net cash flows from operating activities

Net (increase)/decrease in operating assets:

Net change in other assets

5,715

(15,454)

Net increase/(decrease) in operating liabilities:

Net change in other liabilities

(6,013)

15,484

Net cash flows from operating activities

(278)

50

Cash flows from investing activities

Cash was provided from:

Net decrease in advances to related parties

1,040,546

1,033,171

Total cash inflows provided from investing activities

1,040,546

1,033,171

Net cash flows from investing activities

1,040,546

1,033,171

Cash flows from financing activities

Cash was applied to:

Repayment of borrowings from related parties

(1,040,546)

(1,033,171)

Distribution to the Beneficiary

(20)

(20)

Total cash outflows applied to financing activities

(1,040,566)

(1,033,191)

Net cash flows from financing activities

(1,040,566)

(1,033,191)

Summary of movements in cash flows

Net increase/(decrease) in cash and cash equivalents

(298)

30

Add: cash and cash equivalents at beginning of year

7,981

7,951

Cash and cash equivalents at end of year

7,683

7,981

Additional operating cash flow information

Interest received as cash

303,095

238,642

Interest paid as cash

(302,164)

(237,237)

Other

Non-cash investing and financing activities

Increase in advances to related parties

6

-

(998,990)

Drawdown of borrowings from related parties

6

767,750

998,990

Repayments of borrowings from related parties

6

(767,750)

-

These statements are to be read in conjunction with the notes on pages 5 to 12.

Notes to the Financial Statements

For the year ended 30 June 2024

1 Statement of Accounting Policies

General Accounting Policies

The reporting entity, ASB Covered Bond Trust (the "Trust"), was established in New Zealand on 11 August 2011 under the terms of the Trust Establishment Deed. The Trustee of the Trust and Covered Bond Guarantor is ASB Covered Bond Trustee Limited (the "Guarantor")/(the "Trustee"). The sole beneficiary of the Trust is ASB Securitisation Charitable Trust (the "Beneficiary"). The manager of the Trust is Securitisation Management Services Limited (the "Manager"), a wholly owned subsidiary of ASB Bank Limited ("ASB"). The registered office of the Manager is Level 2, ASB North Wharf, 12 Jellicoe Street, Auckland 1010, New Zealand.

The Trust is a special purpose, bankruptcy remote entity, established by ASB. The activities of the Trust include the acquisition, management and sale of mortgage loans, the borrowing of monies to fund the acquisition of the assets and the hedging of associated risks.

The Guarantor provides guarantees over covered bonds issued by ASB (the "Issuer"). Covered Bonds previously issued through ASB Finance Limited ("AFL"), are now issued by ASB following amalgamation of AFL into ASB on 15 June 2023. The 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 Trust. The amount of the guarantee is limited to the assets of the Trust. There are no material conditions applicable to the guarantee other than non-performance.

These financial statements are for the year ended 30 June 2024 and have been prepared in accordance with the requirements of the Trust Establishment Deed, New Zealand Generally Accepted Accounting Practice ("NZ GAAP"), New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS"), other applicable Financial Reporting Standards and authoritative notices, as appropriate for for-profit entities. The financial statements comply with NZ IFRS and International Financial Reporting Standards Accounting Standards.

New Standards (effective 1 July 2023)

Amendments to NZ IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements*

NZ IAS 1 has been amended to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IFRS Practice Statement 2 has also been amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 July 2023, that had a material effect on the financial statements.

New Standards (not yet effective)

The following new standard relevant to the Company has been issued. The Company does not intend to apply this standard until its effective date.

NZ IFRS 18 *Presentation and Disclosure in Financial Statements*

NZ IFRS 18 will replace NZ IAS 1 *Presentation of Financial Statements*. NZ IFRS 18 introduces three sets of new requirements to improve reporting of financial performance and give investors a better basis for analysing and comparing performance as follows:

- Five defined categories for income and expenses – operating, investing, financing, income taxes and discontinued operations – to improve the structure of the income statement, and a requirement to provide new defined subtotals, including a subtotal for operating profit.
- Requirements to disclose explanations of Company-specific measures of performance that are related to the income statement.
- Enhanced guidance on how to organise information and whether to provide it in the primary financial statements or in the notes (and avoid providing information that is too summarised or too detailed).

This standard is effective for the Trust's reporting period beginning on 1 July 2027. The full impact of NZ IFRS 18 is yet to be assessed.

There are no other standards, amendments to standards or interpretations issued but not yet effective that could have a material effect on the Trust.

Basis of Preparation

The measurement base adopted is that of historical cost except where otherwise stated.

Presentation Currency and Rounding

The functional and presentation currency is New Zealand dollars. The amounts contained in these financial statements are presented in thousands, unless otherwise stated.

Notes to the Financial Statements

For the year ended 30 June 2024

1 Statement of Accounting Policies (continued)

Material Accounting Policies

The following material accounting policies have been applied on a consistent basis.

- **Revenue Recognition**

INTEREST INCOME

The effective interest method is used to measure interest income recognised in the Statement of Comprehensive Income.

Certain fees are charged by ASB to the Trust in exchange for maintaining records, settlement and credit management of the mortgages on behalf of the Trust. Where these costs relate directly to the specific transactions they are deferred and amortised to interest income using the effective interest method.

- **Expense Recognition**

Interest expense is recognised using the effective interest method.

- **Income Tax**

Under tax rules, ASB is treated as carrying out the activities of the Trust. Consequently it is ASB, and not the Trust, that accounts for and reports tax arising from these activities. The Trust therefore has no income tax expense or tax payable.

- **Financial Instruments**

RECOGNITION AND DERECOGNITION

The Trust recognises financial assets on the date it becomes a party to the contractual agreement and recognises financial liabilities when an obligation arises.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired. Derecognition also occurs when the rights to receive cash flows from financial assets have been transferred together with substantially all of their risks and rewards. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

Financial assets are measured initially at their fair value plus transaction costs.

The classification of financial asset debt instruments depends on the Trust's business model within which financial assets are managed and the contractual cashflow characteristics (whether the cash flows represent 'solely payments of principal and interest' ("SPPI")).

The Trust assesses the business model at a portfolio level. Information that is considered in determining the business model includes:

- Policies and objectives for the relevant portfolio;
- How the performance and risks of the portfolio are managed, evaluated and reported to management; and
- The frequency, volume and timing of sales in prior periods, sales expectation for future periods, and the reasons for such sales.

In assessing whether contractual cashflows are SPPI, the Trust considers the contractual terms of the instrument. This includes assessing the contract for any terms that could change the timing of contractual cashflows such that they would not be consistent with a basic lending arrangement. In making the assessment, the Trust also considers the following primary terms and assesses if the contractual cashflows of the instruments meet the SPPI test:

- Performance linked features;
- Non-recourse arrangements;
- Prepayment and extension terms;
- Contingent and leverage features; and
- Features that modify elements of the time value of money.

FINANCIAL ASSETS AT AMORTISED COST

Financial assets with contractual cash flows that comprise SPPI, and which are held in a business model whose objective is to collect their contractual cash flows are subsequently measured at amortised cost. Amounts are reported net of allowances for expected credit loss ("ECL") to reflect the estimated recoverable amounts. Interest income from these financial assets is recognised in the Statement of Comprehensive Income using the effective interest rate method.

Financial assets in this category include:

- *Cash and cash equivalents*
Cash and cash equivalents include cash on hand, bank current accounts and short-term investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.
- *Other assets*
Other assets is comprised of interest receivable.
- *Advances to related parties*
The Trust has acquired residential mortgage loans (the "Mortgage Loans") originated by ASB. The Mortgage Loans have not been derecognised in the financial statements of ASB because it retains exposure to substantially all of the risks and rewards of the Mortgage Loans. Accordingly, the Mortgage Loans are recognised as Advances to related parties at amortised cost.

Notes to the Financial Statements

For the year ended 30 June 2024

1 Statement of Accounting Policies (continued)

Material Accounting Policies (continued)

• Financial Instruments (continued)

FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT

Financial assets with contractual cash flows that do not represent SPPI, or which are held under a different business model (e.g. one for which the objective is held for trading) are subsequently measured at Financial Assets at Fair Value Through Income Statement ("FVTIS"), with gains and losses arising from remeasurement recognised in the Statement of Comprehensive Income. Financial assets can also be designated at FVTIS if doing so eliminates or significantly reduces an accounting mismatch.

IMPAIRMENT OF FINANCIAL ASSETS

The Trust assesses credit impairment of all financial assets measured at amortised cost, loan commitments and financial guarantee contracts (if any).

ECLs are probability-weighted credit losses estimated by evaluating a range of possible outcomes and taking into account the time value of money, past events, current conditions and forecasts of future economic conditions. The ECL models multiply the exposure at balance date by the following credit risk factors to calculate ECL:

- Probability of default: The estimate of the probability that a debtor defaults;
- Exposure at default: The estimate of the receivable that may be outstanding in the event of a default; and
- Loss given default: The estimate of the proportion that is not expected to be recovered following default.

ASB is considered an investment grade counterparty with low credit risk. As a result, the advances to ASB are Stage 1 "performing" financial assets under NZ IFRS, for which the ECL is determined as one year of expected credit losses. The ECL has been assessed as not material.

FINANCIAL LIABILITIES AT AMORTISED COST

Liabilities in this category are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost and interest expense is recognised in the Statement of Comprehensive Income using the effective interest rate method.

Financial liabilities in this category include:

- *Other Liabilities*
Other liabilities include interest payable and other related party payables.
- *Borrowings from Related Parties*
The Trust has taken demand and fixed term deposits from ASB.

OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset where there is currently a legally enforceable right to set-off and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. The Trust does not offset its financial assets and liabilities on the Balance Sheet.

• Distributions

The Trust distributes net income to the Beneficiary in cash as determined in accordance with the Trust Establishment Deed.

2 Auditor's Remuneration

PricewaterhouseCoopers New Zealand is the appointed auditor of the New Zealand subsidiaries of the ultimate parent of ASB – the Commonwealth Bank of Australia ("CBA") (together the "Group"). The incremental fee for the statutory audit of the Trust's financial statements for the year ended 30 June 2024 is \$17,000 (30 June 2023 \$15,000) and is paid by ASB on behalf of the Trust. During the year ended year ended 30 June 2024 ASB, for services related to the Trust, paid fees of \$46,000 (agreed-upon procedures over the Trust's asset monitor and register and Trust's loan pool testing) to PricewaterhouseCoopers New Zealand (30 June 2023 \$67,000 (agreed-upon procedures over Trust's asset monitor and register and Trust's loan pool testing and Trust's programme comfort letter)).

3 Trust Capital

\$ thousands

As at 30 June

2024

2023

Trust capital

Total value

2

2

There were no changes to trust capital during the year ended 30 June 2024 (30 June 2023 nil).

Notes to the Financial Statements

For the year ended 30 June 2024

4 Related Party Transactions and Balances

During the year the Trust entered into transactions with ASB and other related parties, including ASB Securitisation Charitable Trust which is the sole beneficiary of the Trust.

The Manager has delegated certain account administration responsibilities to ASB. Refer below for details of fees paid to the Manager and ASB.

The Trust purchases eligible assets and borrows funds from ASB under floating rate fixed term loan facilities that bear interest and have maturity dates between one and seven years as at 30 June 2024 (between one and eight years as at 30 June 2023).

The Trust has also entered into a total return swap with ASB to hedge interest rate risk on certain assets and liabilities. The terms of the total return swap are such that ASB retains exposure to substantially all of the risks and rewards of the Mortgage Loans. Under the terms of the total return swap, all mortgage interest flows received by the Trust are paid away to ASB in exchange for floating rate payments from ASB. The Trust receives interest at a rate equivalent to the floating leg of the swap (BKBM plus a margin). Consequently, the Trust treats the Mortgage Loans acquired and the total return swap as an imputed loan (hybrid instrument), shown as Advances to related parties on the Balance Sheet.

Covered bonds are guaranteed by the Guarantor as trustee of the Trust (refer to note 1 for further information). To ensure sufficient funds are available to meet the guarantee if invoked, the Trust has entered into contingent cross currency swaps with ASB. The cross currency swaps would be activated simultaneously with the guarantee by the Guarantor to mitigate currency and interest rate risk between the underlying Mortgage Loan receivables and the foreign currency denominated covered bonds subject to that guarantee.

The cross currency swaps are contingent on the Issuer defaulting on payments, becoming insolvent or failing to perform obligations with respect to the covered bonds. They are not reported on the Balance Sheet as their fair value at balance date is nil.

In April 2020, ASB's short term rating from Fitch Australia Pty Limited was downgraded from F1+ to F1. As a result the Trust is required to build up a cash reserve (the "Reserve Fund") under the Trust Establishment Deed such that it is able to cover the Trust's interest payments and expenses for three months.

The Cash and cash equivalents held with ASB disclosed below and in the Cash Flow Statement includes \$8 million relating to the Reserve Fund as at 30 June 2024, all of which requires approval for the Trust to use until ASB's short term credit rating from Fitch Australia Pty Limited returns above F1 in accordance with the terms of the Trust Establishment Deed (30 June 2023 \$8 million relating to the Reserve Fund, all of which requires approval for the Trust to use).

During the year ended 30 June 2024, the Trust's demand loan facility increased \$768 million to repay the intercompany loan from ASB relating to the covered bond which matured on 18 October 2023 (30 June 2023, the Trust borrowed \$999 million from ASB on its demand loan facility and used it to purchase additional mortgage loans). These transactions were not settled in cash. During the year ended 30 June 2024, the Trust has also repaid borrowings under the demand loan facility of \$1,041 million which were settled in cash (30 June 2023 \$1,033 million).

The Trustee and Manager (under the direction of its directors) provide Key Management Personnel services to the Trust. Fees paid to the Trustee and the Manager are disclosed in the table below. The Directors of the Manager are paid by ASB and there is no recharge to the Manager or Trust. The Directors of the Manager hold roles within ASB and other subsidiaries of ASB and it is not possible to make a reasonable apportionment of their compensation in respect of ASB and subsidiaries. Accordingly, no compensation is disclosed in respect of their roles within the Trust. Their total compensation is included in the aggregate of key management personnel compensation disclosed in the ASB Bank Disclosure Statement and Annual Report.

\$ thousands

For the year ended 30 June

2024

2023

Related Party Transactions

Interest income

Interest income from ASB

297,678

254,096

Interest expense

Interest expense charged by ASB

296,468

252,716

Other expenses

Administration fees charged by ASB

120

120

Management fees charged by Manager

950

1,120

Trustee fees charged by the Trustee

120

120

1,190

1,360

Distribution to the Beneficiary

Total Distribution to the Beneficiary

20

20



Notes to the Financial Statements

For the year ended 30 June 2024

4 Related Party Transactions and Balances (continued)

| \$ thousands | | |
|--|------------------|------------------|
| As at 30 June | 2024 | 2023 |
| Related Party Balances | | |
| Cash and cash equivalents | | |
| Held with ASB | 7,683 | 7,981 |
| Other assets | | |
| Interest receivable from ASB | 21,966 | 27,681 |
| Advances to related parties | | |
| Advances to ASB | 4,197,682 | 5,238,228 |
| Total related party assets | 4,227,331 | 5,273,890 |
| Other liabilities | | |
| Interest payable to ASB | 21,922 | 27,618 |
| Accrued distributions payable to the Beneficiary | 20 | 20 |
| Administration fees payable to ASB | 10 | 10 |
| Management fees payable to the Manager | 73 | 92 |
| Deferred consideration payable to ASB | 7,622 | 7,920 |
| | 29,647 | 35,660 |
| Borrowings from related parties | | |
| Borrowings from ASB | 4,197,682 | 5,238,228 |
| Total related party liabilities | 4,227,329 | 5,273,888 |

As at 30 June 2024, related party other assets and other liabilities were due for settlement within 12 months of balance date (30 June 2023 within 12 months of balance date).

As at 30 June 2024, related party borrowings of \$2,062 million was due for settlement within 12 months of balance date if demand was made by ASB, but was not expected to be settled within 12 months (30 June 2023 \$2,273 million). As at 30 June 2024 and 30 June 2023, the remaining related party borrowings and advances were due for settlement over 12 months from balance date.

Notes to the Financial Statements

For the year ended 30 June 2024

5 Fair Value of Financial Instruments

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 Trust 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 Trust 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 years ended 30 June 2024 and 30 June 2023.

Financial Instruments Not Measured at Fair Value

Cash and Cash Equivalents

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

Cash and cash equivalents have been classified as level 1 in the fair value hierarchy as at 30 June 2024 and 30 June 2023.

Advances to Related Parties

The Trust has entered into a total return swap with ASB. As discussed in note 4, the Trust treats the Mortgage Loans acquired and the total return swap as an imputed loan. The total return swap is repriced on a monthly basis which converts the fixed and floating interest received from the underlying Mortgage Loans to BKBM plus margin. As the loan balance and the total return swap are not accounted for separately, this implies that the carrying value approximates the fair value.

Advances to related parties have been classified as level 2 in the fair value hierarchy as at 30 June 2024 and 30 June 2023.

Borrowings from Related Parties

The Trust has a demand loan from ASB to allow the Trust to acquire further Mortgage Loans or other qualifying assets. It is a floating rate loan which reprices on a monthly basis therefore the carrying value approximates the fair value.

The Trust has floating rate intercompany loans from ASB which are essentially ASB on-lending the proceeds from the underlying covered bonds issued to the Trust with the addition of a margin. Floating rate term loans reprice on a monthly basis, therefore the carrying value approximates the fair value.

Borrowings from related parties have been classified as level 2 in the fair value hierarchy as at 30 June 2024 and 30 June 2023.

Other Assets and Other Liabilities

Carrying amounts are reasonable estimates of their fair values.

Other assets and Other liabilities have been classified as level 2 in the fair value hierarchy as at 30 June 2024 and 30 June 2023.

Notes to the Financial Statements

For the year ended 30 June 2024

6 Risk Management Policies

The Trust is exposed to risk through its financial assets and financial liabilities, and is committed to the management of risk.

The risk management strategy of ASB and its subsidiaries, including the Trust, is set by ASB's Board of Directors through the Board Risk and Compliance Committee ("BRCC"). All non-executive directors of ASB are members of the BRCC. Formal executive committees are in place governing all risk types (credit, market, liquidity/funding, operational and compliance, strategic, and reputational risk). The Chief Risk Officer of ASB is responsible for implementation of risk management strategy, and all executives have responsibility for the day-to-day management of risk across ASB and its subsidiaries.

ASB has management structures and information systems to manage individual risks. Risk initiation and monitoring tasks are separated where feasible, and all material information systems are subjected to regular internal audits.

Key components of the risk management policies for the Trust relate to credit risk, liquidity risk and market risk, as set out below.

Credit Risk

Credit risk is the potential risk of loss arising from the failure of a debtor or counterparty to meet their contractual obligations.

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Trust to incur a financial loss. The Trust's credit exposures are concentrated primarily to one counterparty, ASB.

ASB is considered to be an investment grade counterparty with low credit risk. As at 30 June 2024, ASB had long-term credit ratings of AA- from Standard and Poor's (Australia) Pty Limited, Aa3 from Moody's Investors Service Pty Limited and A+ from Fitch Australia Pty Limited (30 June 2023 AA-, A1 and A+ respectively). The maximum credit risk of financial instruments is considered to be the carrying amount.

Credit risk associated with the underlying Mortgage Loans is borne by ASB. ASB has procedures in place to ensure certain qualifying characteristics of the assets in the pool are met.

As at 30 June 2024, there were no eligible Mortgage Loans where ASB was mortgagee in possession (30 June 2023 nil). There were no Mortgage Loans in arrears greater than 90 days past due (30 June 2023 nil). As at 30 June 2024, there were no Mortgage Loans which were not accruing interest (30 June 2023 nil).

Asset Quality

The Trust's financial assets at amortised cost are considered to be of sound quality. None of these financial assets were past due or impaired as at 30 June 2024 (30 June 2023 nil).

There were no impairment losses for year ended 30 June 2024 (30 June 2023 nil).

Concentrations of Credit Exposures and Effect of Collateral

Advances to related parties and Other assets due from related parties are balances with ASB, and are therefore not collateralised. The maximum exposure to credit risk on these balances is represented by the carrying values included in note 4.

Liquidity Risk

Liquidity risk is the risk that the Trust will not be able to meet its obligations as they fall due. In accordance with the Trust's policy, the Manager monitors the Trust's liquidity position on a daily basis.

Liquidity management is designed to ensure that the Trust has the ability to generate sufficient cash in a timely manner to meet its financial commitments. To achieve this objective, the Trust has entered into a total return swap and contingent cross currency swaps.

Market Risk

Market risk is the risk that movements in the level or volatility of market rates and prices will affect the Trust's income or the value of its holdings of financial instruments. The Trust is subject to interest rate risk and currency risk.

Interest rate risk

Where changes in the interest rate applicable to the deposits taken are not offset by changes in the interest rate applicable to the advance to ASB, the Trust has entered into total return swap to remove remaining interest rate risk.

Currency risk

The Trust is currently not exposed to any currency risk as the imputed loan and the related party borrowings payable to ASB are denominated in New Zealand dollars. However, in the event that ASB is unable to meet its obligations under the covered bonds and a Notice to Pay is triggered the Trust would be required to pay the investors in the currency the covered bonds were issued. The possibility of this occurring is deemed remote given ASB's strong credit rating. However if this was to occur any currency risk is managed through the contingent cross currency swap agreement the Trust has in place. Refer to note 4.

The Trust's exposure to liquidity risk, interest rate risk and currency risk has been materially mitigated through the total return swap and contingent cross currency swaps in place. On this basis a sensitivity analysis is not required.

Notes to the Financial Statements

For the year ended 30 June 2024

7 Maturity Analysis for Undiscounted Contractual Cash Flows

The following tables present the Trust's cash flows by remaining contractual maturities for financial liabilities as at 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 Trust and its counterparties.

| \$ thousands As at 30 June 2024 | On Demand | Within 6 Months | Between 6-12 Months | Between 1-2 Years | Between 2-5 Years | Over 5 Years | Total | Carrying Value |
|------------------------------------|--------------|-----------------------|---------------------------|-------------------------|-------------------------|--------------------|-----------|-------------------|
| Financial liabilities | | | | | | | | |
| Other liabilities | - | 29,647 | - | - | - | - | 29,647 | 29,647 |
| Borrowings from related parties | - | 2,155,029 | 69,469 | 985,552 | 238,763 | 1,409,291 | 4,858,104 | 4,197,682 |
| Total financial liabilities | - | 2,184,676 | 69,469 | 985,552 | 238,763 | 1,409,291 | 4,887,751 | 4,227,329 |

| \$ thousands As at 30 June 2023 | On Demand | Within 6 Months | Between 6-12 Months | Between 1-2 Years | Between 2-5 Years | Over 5 Years | Total | Carrying Value |
|------------------------------------|--------------|-----------------------|---------------------------|-------------------------|-------------------------|--------------------|-----------|-------------------|
| Financial liabilities | | | | | | | | |
| Other liabilities | - | 35,660 | - | - | - | - | 35,660 | 35,660 |
| Borrowings from related parties | - | 2,394,029 | 97,569 | 989,653 | 1,144,933 | 1,489,064 | 6,115,248 | 5,238,228 |
| Total financial liabilities | - | 2,429,689 | 97,569 | 989,653 | 1,144,933 | 1,489,064 | 6,150,908 | 5,273,888 |

8 Capital Commitments and Contingent Liabilities

The Trust had no capital commitments or contingent liabilities as at 30 June 2024 (30 June 2023 nil).

9 Events after the Reporting Period

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



Independent auditor's report

To the Trustee of ASB Covered Bond Trust (the Trust)

Our opinion

In our opinion, the accompanying financial statements of the Trust present fairly, in all material respects, the financial position of the Trust as at 30 June 2024, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards Accounting Standards (IFRS Accounting Standards).

What we have audited

The Trust's financial statements comprise:

- the balance sheet as at 30 June 2024;
- the statement of comprehensive income for the year then ended;
- the statement of changes in trust funds for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Trust in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We are the auditor of Securitisation Management Services Limited, the Manager. We have provided the following services to the Manager: agreed upon procedures on the Trust's asset monitor and register and the audit of the financial statements of another trust managed by the Manager. We have also provided the following service related to the Trust: agreed upon procedures on the Trust's loan pool testing. These services have not impaired our independence as auditor of the Trust. We have no other relationships with, or interests in, the Trust.

Responsibilities of the Manager for the financial statements

The Manager is responsible for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS Accounting Standards, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the



going concern basis of accounting unless the Manager either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-8/>

This description forms part of our auditor's report.

Who we report to

This report is made solely to ASB Covered Bond Trustee Limited (the Trustee). Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's 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 Trustee for our audit work, for this report or for the opinions we have formed.

The engagement leader on the audit resulting in this independent auditor's report is Mathew McQueen.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
26 September 2024

Auckland