

SUPPLEMENT DATED 9 AUGUST 2023

## ASB Bank Limited

Incorporated in New Zealand with limited liability

**U.S.\$70,000,000,000\***

## Euro Medium Term Note Programme

*\*Combined programme limit for the Euro Medium Term Note Programme of ASB Bank Limited and Commonwealth Bank of Australia. This Supplement relates to Notes to be issued under such programme by ASB Bank Limited only.*

This supplement (the “**Supplement**”) comprises a supplement for ASB Bank Limited (“**ASB Bank**” or the “**Issuer**”) to the Programme Circular dated 30 June 2023 (the “**Programme Circular**”). The Programme Circular is a base prospectus for the purposes of the UK Prospectus Regulation prepared in connection with the Issuer’s Euro Medium Term Note Programme (the “**Programme**”). This Supplement constitutes a supplement to the Programme Circular for the purposes of Article 23 of the UK Prospectus Regulation. When used in this Supplement, “**UK Prospectus Regulation**” means Regulation (EU) 2017/1129 as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018.

Terms defined in the Programme Circular have the same meaning when used in this Supplement. This Supplement is supplemental to, and should be read in conjunction with, the Programme Circular and any other supplements to the Programme Circular issued by the Issuer. A copy of this Supplement will be published on the website of the Issuer at <https://www.asb.co.nz/legal/emtn-programme.html>.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer the information contained in this Supplement is in accordance with the facts and this Supplement makes no omission likely to affect the import of such information.

The purpose of this Supplement is to (i) incorporate by reference the ASB Financial Statements (as defined below) into the Programme Circular; (ii) confirm that there has been no significant change in the financial performance or financial position of ASB Bank and its subsidiaries (the “**ASB Group**”) taken as a whole since the date of its audited consolidated financial statements prepared to 30 June 2023 and there has been no material adverse change in the prospects of the ASB Group taken as a whole since the date of its audited consolidated financial statements prepared to 30 June 2023; (iii) update the Programme Circular to reflect certain recent developments in relation to certain High Court proceedings that ASB Bank is involved in; and (iv) update the Programme Circular to reflect the reconciliation of the Statutory Profit to Cash Profit (each as defined below) of the ASB Group and certain performance measures calculated on a Cash Profit basis.

If documents which are incorporated by reference themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Supplement for the purposes of the UK Prospectus Regulation except where such information or other documents are specifically incorporated by reference.

To the extent that there is any inconsistency between (a) any statement in this Supplement or in any statement incorporated by reference into the Programme Circular by this Supplement and (b) any other statement in or incorporated by reference in the Programme Circular, the statements in (a) above will prevail.

Save as disclosed in this Supplement and in any supplement to the Programme Circular previously issued, there has been no other significant new factor, material mistake or material inaccuracy relating to information included in the Programme Circular since the publication of the Programme Circular.

## Update to the Programme Circular

### Annual Disclosure Statement

On 9 August 2023, ASB Bank published its disclosure statement for the year ended 30 June 2023 (the “**2023 Disclosure Statement**”) (available at <https://www.asb.co.nz/legal/disclosure-statements.html>) containing its audited consolidated financial statements for the year ended 30 June 2023 (including the notes thereto) on pages 10 to 94 (inclusive), the independent auditor’s report on pages 102 to 107 (inclusive) and the independent assurance report on pages 108 to 109 (together, the “**ASB Financial Statements**”).

Accordingly, the ASB Financial Statements set out in the 2023 Disclosure Statement shall be incorporated in, and form part of, the Programme Circular. The non-incorporated parts of the 2023 Disclosure Statement are either (i) not considered by the Issuer to be relevant for prospective investors in the Notes to be issued under the Programme or (ii) covered elsewhere in the Programme Circular.

Save as disclosed in the Programme Circular in the risk factor entitled “*ASB Bank may incur losses associated with its counterparty exposures and counterparty lending*” in the section entitled “*Risk Factors – Factors that may affect ASB Bank’s ability to fulfil its obligations under Notes issued under the Programme*” on pages 21 – 22 of the Programme Circular and the section entitled “*ASB Bank Limited – Recent Developments*” on pages 149 – 150 of the Programme Circular, there has been no significant change in the financial performance or financial position of the ASB Group, taken as a whole, since 30 June 2023, the last day of the financial period in respect of which the most recent audited financial statements have been published, nor has there been any material adverse change in the prospects of the ASB Group, taken as a whole, since 30 June 2023, the last day of the financial period in respect of which the most recent audited financial statements have been published.

### Recent Developments

The section entitled “*ASB Bank Limited – Recent Developments – High Court Proceedings*” starting on page 149 of the Programme Circular shall be deleted and replaced with the following:

#### *“High Court Proceedings*

Save as disclosed below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the twelve months immediately preceding the date of this Programme Circular which may have, or have had in the recent past, a significant effect on the financial position or profitability of the ASB Group.

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

On 11 July 2023 and 12 July 2023, the Court of Appeal heard ASB Bank’s appeal from an earlier High Court decision permitting the plaintiffs to pursue their claims as an opt-out representative proceeding. The outcome of that appeal is not yet known.

The plaintiffs’ proposed class definition covers all customers who had a home or personal loan with ASB Bank 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 Bank 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 Bank is not entitled to retain any interest or fees paid by any class member for the period during which it is alleged that ASB Bank did not provide, and has not provided, compliant variation disclosure under the CCCFA. ASB Bank 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 the claim, if any, on the ASB Group. ASB Bank has provided for current legal costs expected to be incurred in the defence of this claim.

See “*Risk Factors – Factors that may affect ASB Bank’s ability to fulfil its obligations under Notes issued under the Programme – ASB Bank is subject to extensive regulation, which could have an adverse impact on ASB Bank’s results of operations, financial condition and reputation*”.”

### **Reconciliation of Statutory Profit to Cash Profit and certain performance measures calculated on a Cash Profit basis**

The section entitled “Reconciliation of Statutory Profit to Cash Profit and certain performance measures calculated on a Cash Profit basis” on pages 151 – 152 of the Programme Circular shall be deleted and replaced with the following:

“The following table includes the reconciliation of the ASB Group’s Statutory Profit to Cash Profit and certain performance measures calculated on a Cash Profit basis for the years ended 30 June 2023 and 2022. This information should not be considered in isolation from, or as a substitute for, financial information presented in the audited consolidated financial statements of ASB Bank for the year ended 30 June 2023 (including the notes thereto and the independent auditor’s report thereon) (together, the “**ASB Financial Statements**”) and should be read in conjunction with the ASB Financial Statements.

| <b>For the year ended 30 June</b>  | <b>2023</b>            | <b>2022<sup>1</sup></b> |
|--|------------------------|-------------------------|
| <b>Reconciliation of statutory profit to cash profit<sup>2</sup></b>                     | <b>(NZ\$ millions)</b> |                         |
| <b>Net profit after tax (“Statutory Profit”)</b>   | 1,559                  | 1,471                   |
| Reconciling items  |                        |                         |
| Hedging and International Financial Reporting Standards (“IFRS”) volatility <sup>3</sup> | 45                     | (49)                    |
| Notional inter-group charges <sup>4</sup>  | (46)                   | (13)                    |
| Reporting structure differences <sup>5</sup>   | (13)                   | (12)                    |
| Tax on reconciling items and prior period adjustments <sup>6</sup>                       | 5                      | 21                      |
| <b>Cash net profit after tax (“Cash Profit”)</b>   | <b>1,550</b>           | <b>1,418</b>            |

| <b>For the year ended 30 June</b> | <b>2023</b> | <b>2022<sup>1</sup></b> |
|-----------------------------------|-------------|-------------------------|
|-----------------------------------|-------------|-------------------------|

### **Performance<sup>7</sup>**

<sup>1</sup> Certain comparatives have been reclassified to ensure consistency with the presentation in the current period year.

<sup>2</sup> Cash Profit reflects the ASB 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. These items are calculated consistently year on year and do not discriminate between positive and negative adjustments.

<sup>3</sup> Hedging and IFRS volatility includes unrealised fair value gains or 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 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 ASB Bank and its controlled entities listed in note 24 to the ASB Financial Statements (the Banking Group) over the life of the hedge.

<sup>4</sup> Notional inter-group charges represents the recognition of a notional cost of capital from Commonwealth Bank of Australia (“CBA”) and other allocated costs which are not included in Statutory Profit.

<sup>5</sup> The results of certain business units are excluded from Cash Profit for management reporting purposes, but included in Statutory Profit.

<sup>6</sup> Tax on reconciling items and prior period adjustments is the tax relating to the reconciling items set out under “Reconciling items” above, which are reflected on a pre-tax basis.

<sup>7</sup> These performance metrics are calculated on a Cash Profit basis.

|  |       |        |
|--|-------|--------|
| Return on average total equity <sup>8</sup>                                      | 15.0% | 14.8%  |
| Return on average total assets <sup>9</sup>                                      | 1.2%  | 1.2%   |
| Net interest margin <sup>10</sup>  | 2.44% | 2.22%  |
| Total operating expenses as a percentage of total operating income <sup>11</sup> | 36.3% | 35.7%” |

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<sup>8</sup> Return on average total equity is calculated as Cash Profit divided by the average total equity (being, in relation to each financial year ended 30 June (each a “**Financial Year**”), the average of total shareholders’ equity as at the last day of the Financial Year and the last day of the previous Financial Year).

<sup>9</sup> Return on average total assets is calculated as Cash Profit divided by the average total assets (being, in relation to each Financial Year, the average of total assets as at the last day of the Financial Year and last day of the previous Financial Year, in each case excluding assets allocated to other CBA business units for management reporting purposes).

<sup>10</sup> Net interest margin is calculated as net interest earnings on a Cash Profit basis divided by the average total interest earning and discount bearing assets (being, in relation to each Financial Year, the average daily balance of total interest earning and discount bearing assets during that Financial Year, excluding assets allocated to other CBA business units for management reporting purposes).

<sup>11</sup> Total operating expenses as a percentage of total operating income is calculated as total operating expenses, divided by total operating income (both on a Cash Profit basis).