ASB Disclosure Statement

For the six months ended 31 December 2019

asb.co.nz

ONE STEP AHEAD

Contents

General Disclosures

(To be read in conjunction with the Financial Statements)

31 December 2019

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 1955 on 16 August 1988. The registered office of the Bank is Level 2, ASB North Wharf, 12 Jellicoe Street, Auckland Central, Auckland 1010, New Zealand. The Bank was re-registered under the Companies Act 1993 on 30 June 1995.

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

Ultimate Parent Bank

The ultimate parent bank of the Bank is the Commonwealth Bank of Australia ("CBA"), its registered office being Ground Floor, Tower 1, 201 Sussex Street, Sydney, NSW, Australia.

Changes to Directors

There have been no changes to the Board of Directors (the "Board") since the balance date for the 30 June 2019 Disclosure Statement.

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
Standard & Poor's (Australia) Pty Limited ("S&P")	AA-	Stable
Fitch Australia Pty Limited ("Fitch Ratings")	AA-	Negative
Moody's Investors Service Pty Limited ("Moody's")	A1	Stable

- On 9 July 2019, S&P affirmed CBA's long-term issuer default rating at AA- and revised the outlook to stable from negative. As a consequence, ASB's outlook was aligned with CBA's and revised to stable from negative.
- On 7 May 2018, Fitch Ratings affirmed CBA's long-term issuer default rating at AA- and revised the outlook to negative from stable. As a consequence, ASB's outlook was aligned with CBA's and revised to negative from stable.
- The rating for Moody's has remained unchanged during the two years immediately preceding the signing date.

The table below provides a description of the steps in the rating scales used by the different rating agencies.

Long Term Credit Rating Definitions	Moody's[(a)]	S&P[(b)]	Fitch Ratings[(c)]
Highest quality/extremely strong capacity to pay interest and principal	Aaa	AAA	AAA
High quality/very strong	Aa	AA	AA
Upper medium grade/strong	A	A	A
Medium grade (lowest investment grade)/adequate	Baa	BBB	BBB
Predominantly speculative/less near term vulnerability to default	Ba	BB	BB
Speculative, low grade/greater vulnerability	B	B	B
Poor to default/identifiable vulnerability	Caa	CCC	CCC
Highest speculations	Ca	CC	CC
Lowest quality, no interest	C	C	C
In payment default, in arrears - questionable value	-	D	RD & D

(a) Moody's applies numeric modifiers 1, 2, and 3 to each generic rating category from Aa to Caa, indicating that the counterparty is (1) in the higher end of its letter rating category, (2) in the mid-range and (3) in the lower end.

(b) S&P applies plus (+) or minus (-) signs to ratings from 'AA' to 'CCC' to indicate relative standing within the major rating categories.

(c) Fitch Ratings applies plus (+) or minus (-) signs to ratings from 'AA' to 'B' to indicate relative standing within the major rating categories.

Pending Proceedings or Arbitration

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, 188 Quay Street, Auckland 1010, New Zealand.

General Disclosures

(To be read in conjunction with the Financial Statements)

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 or its subsidiary ASB Finance Limited, acting through its London Branch.

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 $3.350 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 9, 34 Shortland 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 2019, the Covered Bonds issued have been assigned a long term rating of 'AAA' by Fitch Ratings and 'Aaa' by Moody's. Further information about this guarantee arrangement is included in the Bank's disclosure statement for the year ended 30 June 2019, 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, other material obligations of the Bank are not guaranteed.

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

Since 30 June 2019, 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.

In August 2019, the Australian Prudential Regulation Authority ("APRA") confirmed revisions to prudential standard APS 222: *Associations with Related Entities*, effective from 1 January 2021. The changes will reduce the limit of CBA's exposure to the Bank to 25% of CBA's Level 1 Tier 1 Capital (currently 50% of CBA's Level 1 Total Capital), and CBA's aggregate exposure to all related Authorised Deposit-taking Institutions and overseas based equivalents will be limited to 75% of CBA's Level 1 Tier 1 Capital. CBA expects that sufficient capacity exists under the reduced limits to accommodate CBA's exposures to its related entities, including the additional capital requirement for New Zealand banks announced by the Reserve Bank of New Zealand ("RBNZ") on 5 December 2019.

APRA advised CBA in November 2015 that it will be required to reduce its non-equity exposure to the Bank and its subsidiaries to below a limit of 5% of CBA's Level 1 Tier 1 Capital over a five-year period commencing on 1 January 2016. For the purposes of this limit, exposures include all committed, non-intraday, non-equity exposures, including derivatives and off balance sheet exposures. APRA has imposed two conditions over the transition period. Firstly, that the percentage excess above the 5% limit as at 30 June 2015 is to reduce by at least one fifth by the end of each calendar year over the transition period. Secondly, that the absolute amount of routine New Zealand non-equity exposure is not to increase from the 30 June 2015 level until CBA is, and expects to remain, below the 5% limit. For the purposes of assessing this exposure, the 5% limit excludes equity investments and holdings of capital instruments in the Bank and its subsidiaries.

The Bank understands that CBA expects to be compliant with APRA's requirements by the end of the transition period.

APRA confirmed it will allow, on agreeable terms, the Australian parent banks to provide contingent funding support to their New Zealand banking subsidiaries in times of financial stress. At this time, only Covered Bonds meet the criteria for contingent funding arrangements.

Conditions of Registration

There have been no changes to Conditions of Registration between 30 June 2019 and 31 December 2019.

Other Material Matters

There are no other matters relating to the business or affairs of the Bank or the Banking Group which are not contained elsewhere in this Disclosure Statement that 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-19**	31-Dec-18
Interest income		**2,120**	2,186
Interest expense		**1,050**	1,119
Net interest income		**1,070**	1,067
Other income	2	**328**	326
Total operating income		**1,398**	1,393
Impairment losses on financial assets	7	**22**	45
Total operating income after impairment losses		**1,376**	1,348
Total operating expenses		**534**	473
Salaries and other staff expenses		**289**	262
Building occupancy and equipment expenses		**52**	51
Information technology expenses		**81**	72
Other expenses		**112**	88
Net profit before tax		**842**	875
Tax expense		**243**	245
Net profit after tax		**599**	630

Statement of Comprehensive Income

$ millions	Banking Group	
	Unaudited	Unaudited
For the six months ended	**31-Dec-19**	31-Dec-18
Net profit after tax	**599**	630
Other comprehensive (expense)/income, net of tax		
Items that will not be reclassified to the Income Statement:		
Net change in asset revaluation reserve	**(1)**	-
Items that may be reclassified subsequently to the Income Statement:		
Net change in fair value through other comprehensive income reserve	**(3)**	(1)
Net change in cash flow hedge reserve	**7**	(5)
Net change in foreign currency translation reserve	**-**	(1)
	4	(7)
Total other comprehensive income/(expense), net of tax	**3**	(7)
Total comprehensive income	**602**	623

These statements are to be read in conjunction with the notes on pages 8 to 36 and the Independent Review Report on pages 38 to 39.

Statement of Changes in Equity

$ millions	Note	Banking Group Contributed Capital	Asset Revaluation Reserve	Available-for-Sale Reserve	Cash Flow Hedge Reserve	Foreign Currency Translation Reserve	FVOCI Reserve[1]	Retained Earnings	Total Shareholders' Equity
For the six months ended 31 December 2019									
Unaudited									
Balance at beginning of the period		**3,673**	**30**	**-**	**(117)**	**-**	**6**	**4,199**	**7,791**
Net profit after tax		**-**	**-**	**-**	**-**	**-**	**-**	**599**	**599**
Other comprehensive (expense)/income		**-**	**(1)**	**-**	**7**	**-**	**(3)**	**-**	**3**
Total comprehensive (expense)/income		**-**	**(1)**	**-**	**7**	**-**	**(3)**	**599**	**602**
Share capital issued	13	**2,500**	**-**	**-**	**-**	**-**	**-**	**-**	**2,500**
Ordinary dividends paid	14	**-**	**-**	**-**	**-**	**-**	**-**	**(2,850)**	**(2,850)**
Perpetual preference dividends paid	14	**-**	**-**	**-**	**-**	**-**	**-**	**(18)**	**(18)**
Balance as at 31 December 2019		**6,173**	**29**	**-**	**(110)**	**-**	**3**	**1,930**	**8,025**
For the six months ended 31 December 2018									
Unaudited									
Balance at 30 June 2018		4,223	29	4	(94)	1	-	3,709	7,872
Effects of new accounting standards (NZ IFRS 9 and NZ IFRS 15)		-	-	(4)	-	-	4	(30)	(30)
Balance at beginning of the period		4,223	29	-	(94)	1	4	3,679	7,842
Net profit after tax		-	-	-	-	-	-	630	630
Other comprehensive expense		-	-	-	(5)	(1)	(1)	-	(7)
Total comprehensive (expense)/income		-	-	-	(5)	(1)	(1)	630	623
Ordinary dividends paid	14	-	-	-	-	-	-	(200)	(200)
Perpetual preference dividends paid	14	-	-	-	-	-	-	(27)	(27)
Balance as at 31 December 2018		4,223	29	-	(99)	-	3	4,082	8,238

(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 36 and the Independent Review Report on pages 38 to 39.

Balance Sheet

$ millions		Banking Group		
		Unaudited	Unaudited	Audited
As at	Note	**31-Dec-19**	31-Dec-18	30-Jun-19
Assets				
Cash and liquid assets		**1,880**	3,535	2,542
Due from financial institutions		**666**	624	518
Securities at fair value through other comprehensive income		**6,596**	5,607	5,690
Derivative assets		**940**	1,209	1,151
Advances to customers	4	**89,323**	85,167	87,695
Other assets		**332**	322	294
Property, plant and equipment		**457**	192	197
Intangible assets		**184**	190	203
Deferred tax assets		**169**	156	177
Total assets		**100,547**	97,002	98,467
Total interest earning and discount bearing assets		***98,479***	*94,913*	*96,668*
Liabilities				
Deposits and other borrowings	10	**68,726**	65,677	66,225
Due to financial institutions		**814**	820	1,312
Derivative liabilities		**507**	535	404
Current tax liabilities		**32**	60	141
Other liabilities		**820**	552	631
Debt issues:				
At fair value through Income Statement	11	**584**	214	585
At amortised cost	11	**20,632**	20,100	20,971
Loan capital		**407**	806	407
Total liabilities		**92,522**	88,764	90,676
Shareholders' equity				
Contributed capital - ordinary shares	13	**5,173**	2,673	2,673
Reserves		**(78)**	(67)	(81)
Retained earnings		**1,930**	4,082	4,199
Ordinary shareholder's equity		**7,025**	6,688	6,791
Contributed capital - perpetual preference shares	13	**1,000**	1,550	1,000
Total shareholders' equity		**8,025**	8,238	7,791
Total liabilities and shareholders' equity		**100,547**	97,002	98,467
Total interest and discount bearing liabilities		***84,285***	*82,188*	*83,598*

These statements are to be read in conjunction with the notes on pages 8 to 36 and the Independent Review Report on pages 38 to 39.

Cash Flow Statement

$ millions		Banking Group	
		Unaudited	Unaudited
For the period ended	Note	**31-Dec-19**	31-Dec-18
Cash flows from operating activities			
Net profit before tax		**842**	875
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		**38**	16
Amortisation of intangible assets		**27**	25
Net change in allowance for expected credit loss and bad debts written off		**29**	55
Amortisation of loan establishment fees		**38**	40
Net change in fair value of financial instruments and hedged items		**4**	(22)
Other non-cash items		**3**	-
Items classified as investing activities included in net profit before tax:			
Loss on sale from disposal of subsidiaries	19	**28**	-
Net (increase)/decrease in operating assets:			
Net change in reverse repurchase agreements		**841**	(677)
Net change in due from financial institutions		**(158)**	115
Net change in securities at fair value through other comprehensive income		**(963)**	877
Net change in derivative assets		**149**	512
Net change in advances to customers		**(1,700)**	(2,403)
Net change in other assets		**(39)**	(29)
Net increase/(decrease) in operating liabilities:			
Net change in deposits and other borrowings		**2,511**	2,169
Net change in due to financial institutions		**(499)**	(451)
Net change in derivative liabilities		**40**	(163)
Net change in other liabilities		**(79)**	(58)
Net tax paid		**(345)**	(319)
Net cash flows from operating activities		**767**	562
Cash flows from investing activities			
Cash was provided from:			
Proceeds from disposal of subsidiaries	19	**21**	-
Total cash inflows provided from investing activities		**21**	-
Cash was applied to:			
Purchase of property, plant and equipment		**(19)**	(24)
Purchase of intangible assets		**(48)**	(30)
Total cash outflows applied to investing activities		**(67)**	(54)
Net cash flows from investing activities		**(46)**	(54)
Cash flows from financing activities			
Cash was provided from:			
Issue of debt securities (net of issue costs)	11	**2,190**	4,265
Total cash inflows provided from financing activities		**2,190**	4,265
Cash was applied to:			
Redemption of debt securities	11	**(2,346)**	(4,254)
Payment of lease liabilities		**(18)**	-
Ordinary dividends paid	14	**(350)**	(200)
Perpetual preference dividends paid	14	**(18)**	(27)
Total cash outflows applied to financing activities		**(2,732)**	(4,481)
Net cash flows from financing activities		**(542)**	(216)
Summary of movements in cash flows			
Net increase in cash and cash equivalents		**179**	292
Add: cash and cash equivalents at beginning of period		**996**	1,048
Cash and cash equivalents at end of period		**1,175**	1,340
Cash and cash equivalents comprise:			
Cash and liquid assets		**1,880**	3,535
Less: reverse repurchase agreements included in cash and liquid assets		**(705)**	(2,195)
Cash and cash equivalents at end of period		**1,175**	1,340
Additional operating cash flow information			
Interest received as cash		**2,186**	2,209
Interest paid as cash		**(1,084)**	(1,144)

These statements are to be read in conjunction with the notes on pages 8 to 36 and the Independent Review Report on pages 38 to 39.

Notes to the Financial Statements

For the six months ended 31 December 2019

1 Statement of Accounting Policies

The condensed interim financial statements of the Banking Group for the six months ended 31 December 2019 (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* and the Order. These financial statements do not include all the information and disclosures required in annual financial statements and should therefore be read in conjunction with the Banking Group's financial statements for the year ended 30 June 2019. These financial statements comply with both IAS 34 *Interim Financial Reporting* and NZ IAS 34.

The functional and presentation currency of the Bank is New Zealand dollars. All amounts contained in this Disclosure Statement 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 2019, except as set out below:

NZ IFRS 16 *Leases*

NZ IFRS 16, which replaced NZ IAS 17 *Leases*, was adopted on 1 July 2019. NZ IFRS 16 requires lessees to recognise a right of use asset and a lease liability for future payments arising from lease contracts, unless the underlying asset is of low value or the lease has a term of 12 months or less. Lessees recognise an interest expense on the lease liability and a straight-line depreciation charge on the right of use asset rather than a lease expense. This changes the timing of expense recognition with a higher expense recognised in the earlier stages of a lease as the interest expense is determined based on the lease liability (which will reduce over the lease term).

The Banking Group has elected to apply the modified retrospective approach whereby the right of use asset on adoption is equal to the net present value of the liability for future payments, being $288 million.

There was no impact to Retained earnings, and comparatives have not been restated.

The Banking Group applied the following practical expedients on adoption of NZ IFRS 16:

- Reliance on previous assessments of whether a lease contract is onerous; and
- Accounting for leases with a remaining lease term of less than 12 months as short-term leases.

The following table reconciles the operating lease commitments disclosed at 30 June 2019 to the liability recognised on adoption:

$ millions	Banking Group
Non-cancellable operating lease commitments as at 30 June 2019	**329**
GST excluded under NZ IFRS 16	**(43)**
Effect of reassessing the lease term for extension options	**31**
Low value and short term leases	**(4)**
Total undiscounted lease payments	**313**
Effect of discounting (at a weighted average incremental borrowing rate of 3.12%)	**(38)**
Associated discounted make-good obligations	**13**
Liability as at 1 July 2019	**288**

The new accounting policy for leases, effective 1 July 2019 is set out below.

A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time. The Banking Group's leased assets mainly comprise of premises. Where the Banking Group is a lessee, it recognises a right of use asset representing its right to use the leased asset, and a lease liability for future lease payments.

Lease liability

The lease liability is initially measured at the net present value of lease payments, which include fixed payments less any lease incentives receivable and variable lease payments that are based on an index or a rate.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined the incremental borrowing rate is used, being the rate that the Banking Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The lease liability is included within Other liabilities and each lease payment is allocated between the liability and interest expense. The interest expense is charged to the Income Statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use asset

The right of use asset is initially measured at cost comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct cost; and
- An estimate of make-good costs.

The right of use asset is included within Property, plant and equipment and is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

1 Statement of Accounting Policies (continued)

Determining the lease term

Extension options are included in a number of leases, and provide operational flexibility. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. An extension option is only included in the lease term if it is assessed as reasonably certain to be exercised. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and is within the control of the Banking Group.

Excluded leases

A scope exemption has been applied to leases of intangible assets, short term leases with a lease term of 12 months or less, and low value leases. These continue to be expensed on a straight-line basis.

Interest Rate Benchmark Reform

In November 2019, the New Zealand Accounting Standards Board issued *Interest Rate Benchmark Reform - Amendments to NZ IFRS 9, NZ IAS 39 and NZ IFRS 7*, which amends certain specific hedge accounting requirements to provide temporary relief from the uncertainty caused by the interest rate benchmark reform. The Banking Group is required to adopt the amendments from 1 July 2020, with earlier application permitted.

These amendments require an entity to assume no impact to existing hedge accounting relationships in the period leading up to the reform. The Banking Group has elected to early adopt these amendments from 1 July 2019.

Changes to Comparatives

Comparative information has been restated or reclassified to ensure consistency with presentation in the current period. Significant changes are footnoted throughout the financial statements. All restatements and reclassifications have no impact on the previously reported Balance Sheet or Net profit after tax.

2 Other Income
Unaudited

$ millions **For the six months ended**	**Banking Group** **31-Dec-19**	 31-Dec-18 (1)
Net fair value gain/(loss) from:		
Derivatives not qualifying for hedge accounting	**2**	(2)
Hedge ineffectiveness	**-**	12
Total net fair value gain	**2**	10
Trading income	**50**	47
Other operating income		
Revenue from contracts with customers	**275**	267
Other	**1**	2
Total other operating income	**276**	269
Total other income	**328**	326

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

The portion of Other income relating to revenue from contracts with customers is disaggregated across the following categories, consistent with the segment descriptions detailed in note 20:

$ millions **For the six months ended 31 December 2019**	**Retail Banking**	**Business Banking**	**Corporate Banking**	**Banking Group** **Private Banking, Wealth and Insurance**	**Other**	**Total**
Revenue from contracts with customers						
Lending fees	**8**	**11**	**15**	**-**	**-**	**34**
Commission and other fees	**125**	**32**	**7**	**40**	**(39)**	**165**
Funds management income	**58**	**4**	**-**	**76**	**(62)**	**76**
Total revenue from contracts with customers	**191**	**47**	**22**	**116**	**(101)**	**275**

$ millions **For the six months ended 31 December 2018**	**Retail Banking**	**Business Banking**	**Corporate Banking**	**Banking Group** **Private Banking, Wealth and Insurance**	**Other**	**Total**
Revenue from contracts with customers						
Lending fees	9	10	13	-	-	32
Commission and other fees (1)	124	34	6	39	(36)	167
Funds management income	50	3	-	68	(53)	68
Total revenue from contracts with customers	183	47	19	107	(89)	267

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

3 Financial Assets Pledged as Collateral for Liabilities
Unaudited

As at 31 December 2019, $397 million of securities were 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 2019, $305 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.

As noted in the General Disclosures, 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 2019, the Covered Bond Trust held Mortgage Loans with a carrying value of $4.5 billion and $109 million cash, which have been pledged in respect of the Covered Bonds.

Notes to the Financial Statements

For the six months ended 31 December 2019

4 Advances to Customers

$ millions	Banking Group		
	Unaudited	Unaudited	Audited
As at	**31-Dec-19**	31-Dec-18	30-Jun-19
Residential mortgages (refer to note 5(a))	**58,870**	55,339	57,194
Other retail (refer to note 5(b))	**5,226**	5,204	5,275
Corporate (refer to note 5(c))	**25,603**	25,005	25,636
Total gross carrying amount of advances to customers	**89,699**	85,548	88,105
Allowance for expected credit loss (refer to note 5(d))	**(376)**	(381)	(410)
Total advances to customers	**89,323**	85,167	87,695

5 Allowance for Expected Credit Loss

Unaudited

Information is presented separately for the following categories of Advances to customers, as prescribed by the Order:

- Residential mortgages, presented in section (a);
- Other retail, presented in section (b); and
- Corporate, presented in section (c).

Information on total Advances to customers is presented in section (d), and is an aggregate of the above asset categorisations.

Information is not presented in respect of other financial assets as the related allowances for Expected Credit Loss ("ECL") are not material to the Banking Group.

Movement in allowance for ECL

The movement in allowance for ECL tables set out on the following pages summarise changes in the Banking Group's allowance for ECL for the six months ended 31 December 2019.

They 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;
- 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 non-significant changes in the credit quality of existing lending, changes in the expected life of existing lending, changes in future forecast economic assumptions and other changes in models or assumptions; 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 2019.

They are presented on the following basis:

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

Notes to the Financial Statements

For the six months ended 31 December 2019

5 Allowance for Expected Credit Loss (continued)

Unaudited

(a) Residential Mortgages

$ millions	Banking Group				
Movement in Allowance for Expected Credit Loss	**Collective Allowances**			**Individually Assessed Allowances**	
As at 31 December 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	22	40	10	3	75
(Credited against)/charged to the Income Statement					
Changes in collective allowances due to transfers between ECL stages					
Stage 1 to Stage 2	(2)	5	-	-	3
Stage 1 to Stage 3	-	-	6	-	6
Stage 2 to Stage 1	1	(2)	-	-	(1)
Stage 2 to Stage 3	-	(2)	6	-	4
Stage 3 to Stage 1	-	-	-	-	-
Stage 3 to Stage 2	-	1	(4)	-	(3)
Net transfers to Stage 3 individually assessed allowances	-	-	(1)	-	(1)
Changes in collective allowances due to transfers between ECL stages	(1)	2	7	-	8
Changes in collective allowances due to additions and deletions	1	(1)	(2)	-	(2)
Changes in collective allowances due to amounts written off	-	-	-	-	-
Total changes in collective allowances due to movements in gross carrying amounts	-	1	5	-	6
Other changes in collective allowances	-	(5)	(1)	-	(6)
Changes in individually assessed allowances due to transfers from collective allowances	-	-	-	1	1
New and increased individually assessed allowances	-	-	-	4	4
Write-back of individually assessed allowances no longer required	-	-	-	(3)	(3)
Total (credited against)/charged to the Income Statement	-	(4)	4	2	2
Amounts written off from individually assessed allowances	-	-	-	-	-
Balance at end of period	22	36	14	5	77

$ millions	Banking Group				
Movement in Gross Carrying Amounts	**Collectively Assessed**			**Individually Assessed**	
As at 31 December 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	50,447	6,453	273	21	57,194
Changes due to transfers between ECL stages					
Stage 1 to Stage 2	(649)	649	-	-	-
Stage 1 to Stage 3	(158)	-	158	-	-
Stage 2 to Stage 1	538	(538)	-	-	-
Stage 2 to Stage 3	-	(173)	173	-	-
Stage 3 to Stage 1	-	-	-	-	-
Stage 3 to Stage 2	-	137	(137)	-	-
Net transfers (from)/to Stage 3 individually assessed	(5)	(1)	(9)	15	-
Total changes due to transfers between ECL stages	(274)	74	185	15	-
Additions and deletions					
Additions	7,679	267	5	-	7,951
Deletions (excluding amounts written off)	(5,550)	(659)	(59)	(7)	(6,275)
Net additions/(deletions)	2,129	(392)	(54)	(7)	1,676
Amounts written off	-	-	-	-	-
Balance at end of period	52,302	6,135	404	29	58,870

5 Allowance for Expected Credit Loss (continued)

Unaudited

(b) Other Retail

$ millions	Banking Group				
Movement in Allowance for Expected Credit Loss	**Collective Allowances**			**Individually Assessed Allowances**	
As at 31 December 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	51	33	23	3	110
(Credited against)/charged to the Income Statement					
Changes in collective allowances due to transfers between ECL stages					
Stage 1 to Stage 2	(10)	20	-	-	10
Stage 1 to Stage 3	-	-	4	-	4
Stage 2 to Stage 1	3	(8)	-	-	(5)
Stage 2 to Stage 3	-	(5)	16	-	11
Stage 3 to Stage 1	-	-	-	-	-
Stage 3 to Stage 2	-	2	(7)	-	(5)
Net transfers to Stage 3 individually assessed allowances	-	-	-	-	-
Changes in collective allowances due to transfers between ECL stages	(7)	9	13	-	15
Changes in collective allowances due to additions and deletions	1	(3)	(3)	-	(5)
Changes in collective allowances due to amounts written off	-	(3)	(6)	-	(9)
Total changes in collective allowances due to movements in gross carrying amounts	(6)	3	4	-	1
Other changes in collective allowances	4	(4)	-	-	-
Changes in individually assessed allowances due to transfers from collective allowances	-	-	-	-	-
New and increased individually assessed allowances	-	-	-	2	2
Write-back of individually assessed allowances no longer required	-	-	-	(1)	(1)
Total (credited against)/charged to the Income Statement	(2)	(1)	4	1	2
Amounts written off from individually assessed allowances	-	-	-	(1)	(1)
Balance at end of period	49	32	27	3	111

$ millions	Banking Group				
Movement in Gross Carrying Amounts	**Collectively Assessed**			**Individually Assessed**	
As at 31 December 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	4,857	345	65	8	5,275
Changes due to transfers between ECL stages					
Stage 1 to Stage 2	(230)	230	-	-	-
Stage 1 to Stage 3	(10)	-	10	-	-
Stage 2 to Stage 1	183	(183)	-	-	-
Stage 2 to Stage 3	-	(46)	46	-	-
Stage 3 to Stage 1	4	-	(4)	-	-
Stage 3 to Stage 2	-	19	(19)	-	-
Net transfers (from)/to Stage 3 individually assessed	(1)	-	(2)	3	-
Total changes due to transfers between ECL stages	(54)	20	31	3	-
Additions and deletions					
Additions	2,322	51	14	-	2,387
Deletions (excluding amounts written off)	(2,296)	(79)	(25)	(2)	(2,402)
Net additions/(deletions)	26	(28)	(11)	(2)	(15)
Amounts written off	(3)	(17)	(13)	(1)	(34)
Balance at end of period	4,826	320	72	8	5,226

5 Allowance for Expected Credit Loss (continued)

Unaudited

(c) Corporate

$ millions	Banking Group				
Movement in Allowance for Expected Credit Loss	**Collective Allowances**			**Individually Assessed Allowances**	
As at 31 December 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	44	115	3	63	225
(Credited against)/charged to the Income Statement					
Changes in collective allowances due to transfers between ECL stages					
Stage 1 to Stage 2	(2)	8	-	-	6
Stage 1 to Stage 3	-	-	-	-	-
Stage 2 to Stage 1	2	(8)	-	-	(6)
Stage 2 to Stage 3	-	-	-	-	-
Stage 3 to Stage 1	-	-	-	-	-
Stage 3 to Stage 2	-	-	-	-	-
Net transfers to Stage 3 individually assessed allowances	-	(3)	-	-	(3)
Changes in collective allowances due to transfers between ECL stages	-	(3)	-	-	(3)
Changes in collective allowances due to additions and deletions	1	(3)	(1)	-	(3)
Changes in collective allowances due to amounts written off	-	-	-	-	-
Total changes in collective allowances due to movements in gross carrying amounts	1	(6)	(1)	-	(6)
Other changes in collective allowances	1	(2)	-	-	(1)
Changes in individually assessed allowances due to transfers from collective allowances	-	-	-	3	3
New and increased individually assessed allowances	-	-	-	8	8
Write-back of individually assessed allowances no longer required	-	-	-	(7)	(7)
Total charged to/(credited against) the Income Statement	2	(8)	(1)	4	(3)
Amounts written off from individually assessed allowances	-	-	-	(34)	(34)
Balance at end of period	46	107	2	33	188

$ millions	Banking Group				
Movement in Gross Carrying Amounts	**Collectively Assessed**			**Individually Assessed**	
As at 31 December 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	14,301	10,955	39	341	25,636
Changes due to transfers between ECL stages					
Stage 1 to Stage 2	(1,170)	1,170	-	-	-
Stage 1 to Stage 3	-	-	-	-	-
Stage 2 to Stage 1	1,275	(1,275)	-	-	-
Stage 2 to Stage 3	-	(16)	16	-	-
Stage 3 to Stage 1	-	-	-	-	-
Stage 3 to Stage 2	-	2	(2)	-	-
Net transfers (from)/to Stage 3 individually assessed	-	(66)	(7)	73	-
Total changes due to transfers between ECL stages	105	(185)	7	73	-
Additions and deletions					
Additions	3,264	1,839	4	-	5,107
Deletions (excluding amounts written off)	(2,866)	(2,085)	(14)	(141)	(5,106)
Net additions/(deletions)	398	(246)	(10)	(141)	1
Amounts written off	-	-	-	(34)	(34)
Balance at end of period	14,804	10,524	36	239	25,603

5 Allowance for Expected Credit Loss (continued)

Unaudited

(d) Total Advances to Customers

$ millions	Banking Group				
Movement in Allowance for Expected Credit Loss	**Collective Allowances**			**Individually Assessed Allowances**	
As at 31 December 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	117	188	36	69	410
(Credited against)/charged to the Income Statement					
Changes in collective allowances due to transfers between ECL stages					
Stage 1 to Stage 2	(14)	33	-	-	19
Stage 1 to Stage 3	-	-	10	-	10
Stage 2 to Stage 1	6	(18)	-	-	(12)
Stage 2 to Stage 3	-	(7)	22	-	15
Stage 3 to Stage 1	-	-	-	-	-
Stage 3 to Stage 2	-	3	(11)	-	(8)
Net transfers to Stage 3 individually assessed allowances	-	(3)	(1)	-	(4)
Changes in collective allowances due to transfers between ECL stages	(8)	8	20	-	20
Changes in collective allowances due to additions and deletions	3	(7)	(6)	-	(10)
Changes in collective allowances due to amounts written off	-	(3)	(6)	-	(9)
Total changes in collective allowances due to movements in gross carrying amounts	(5)	(2)	8	-	1
Other changes in collective allowances	5	(11)	(1)	-	(7)
Changes in individually assessed allowances due to transfers from collective allowances	-	-	-	4	4
New and increased individually assessed allowances	-	-	-	14	14
Write-back of individually assessed allowances no longer required	-	-	-	(11)	(11)
Total (credited against)/charged to the Income Statement	-	(13)	7	7	1
Amounts written off from individually assessed allowances	-	-	-	(35)	(35)
Balance at end of period	117	175	43	41	376

$ millions	Banking Group				
Movement in Gross Carrying Amounts	**Collectively Assessed**			**Individually Assessed**	
As at 31 December 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	69,605	17,753	377	370	88,105
Changes due to transfers between ECL stages					
Stage 1 to Stage 2	(2,049)	2,049	-	-	-
Stage 1 to Stage 3	(168)	-	168	-	-
Stage 2 to Stage 1	1,996	(1,996)	-	-	-
Stage 2 to Stage 3	-	(235)	235	-	-
Stage 3 to Stage 1	4	-	(4)	-	-
Stage 3 to Stage 2	-	158	(158)	-	-
Net transfers (from)/to Stage 3 individually assessed	(6)	(67)	(18)	91	-
Total changes due to transfers between ECL stages	(223)	(91)	223	91	-
Additions and deletions					
Additions	13,265	2,157	23	-	15,445
Deletions (excluding amounts written off)	(10,712)	(2,823)	(98)	(150)	(13,783)
Net additions/(deletions)	2,553	(666)	(75)	(150)	1,662
Amounts written off	(3)	(17)	(13)	(35)	(68)
Balance at end of period	71,932	16,979	512	276	89,699

6 Credit Quality Information for Advances to Customers

Unaudited

$ millions	Banking Group			
As at 31 December 2019	**Residential Mortgages**	**Other Retail**	**Corporate**	**Total**
Past due assets not individually impaired				
1 to 7 days	1,004	152	251	1,407
8 to 29 days	597	98	38	733
1 to 29 days	1,601	250	289	2,140
30 to 59 days	196	43	2	241
60 to 89 days	74	21	-	95
90 days and over	74	29	1	104
Total past due assets not individually impaired	1,945	343	292	2,580
Other assets under administration	9	4	-	13
Undrawn lending commitments to customers with individually impaired assets	-	-	2	2

7 Impairment Losses on Financial Assets

Unaudited

$ millions	Banking Group			
For the six months ended 31 December 2019	**Residential Mortgages**	**Other Retail**	**Corporate**	**Total**
Impairment losses credited against the Income Statement for collective allowances	-	-	(6)	(6)
Impairment losses charged to the Income Statement for individually assessed allowances	2	-	-	2
Bad debts written off directly to the Income Statement	-	33	-	33
Recovery of amounts previously written off	-	(7)	-	(7)
Total impairment losses recognised in the Income Statement	2	26	(6)	22

Impairment losses on other financial assets 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*.

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, financial guarantees, letters of credit and other off balance sheet credit commitments. The maximum exposure to credit risk for financial guarantees and 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 or nil.

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 2019	**Financial Assets at Amortised Cost**	**Financial Assets at Fair Value**	**Other Credit Exposures**	**Total Credit Exposures**
Concentration by industry				
Agriculture	**10,365**	**19**	**727**	**11,111**
Forestry and Fishing, Agriculture Services	**471**	**3**	**62**	**536**
Manufacturing	**983**	**19**	**314**	**1,316**
Electricity, Gas, Water and Waste Services	**320**	**68**	**101**	**489**
Construction	**622**	**-**	**319**	**941**
Wholesale Trade	**745**	**12**	**467**	**1,224**
Retail Trade and Accommodation	**1,629**	**2**	**458**	**2,089**
Transport, Postal and Warehousing	**801**	**4**	**348**	**1,153**
Financial and Insurance Services	**3,126**	**4,564**	**237**	**7,927**
Rental, Hiring and Real Estate Services	**31,403**	**52**	**1,178**	**32,633**
Professional, Scientific, Technical, Administrative and Support Services	**541**	**1**	**374**	**916**
Public Administration and Safety	**29**	**2,782**	**67**	**2,878**
Education and Training	**270**	**1**	**115**	**386**
Health Care and Social Assistance	**871**	**8**	**246**	**1,125**
Arts, Recreation and Other Services	**337**	**1**	**106**	**444**
Households	**39,299**	**-**	**9,496**	**48,795**
All Other	**57**	**-**	**33**	**90**
Total credit exposures by industry	**91,869**	**7,536**	**14,648**	**114,053**
Concentration by geographic region				
Auckland	**44,473**	**1,951**	**8,339**	**54,763**
Rest of New Zealand	**45,267**	**2,222**	**6,172**	**53,661**
Overseas	**2,129**	**3,363**	**137**	**5,629**
Total credit exposures by geographic region	**91,869**	**7,536**	**14,648**	**114,053**

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 relevant six-month period and then dividing that amount by the Banking Group's common equity tier one capital as at 31 December 2019.

	Banking Group	
Number of exposures that equals or exceeds 10% of common equity tier one capital	**Exposure as at 31-Dec-19**	**Peak end-of-day exposure over six months to 31-Dec-19**
Exposures to banks		
With a long-term credit rating of A- or A3 or above, or its equivalent		
10% to less than 15% of common equity tier one capital	**-**	**1**
15% to less than 20% of common equity tier one capital	**-**	**2**
20% to less than 25% of common equity tier one 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		
As at	**Unaudited 31-Dec-19**	Unaudited 31-Dec-18	Audited 30-Jun-19
Certificates of deposit	**3,368**	3,628	3,377
Term deposits	**33,829**	33,107	34,034
On demand and short term deposits	**24,547**	23,565	23,275
Deposits not bearing interest	**6,585**	5,377	5,530
Repurchase agreements	**397**	-	9
Total deposits and other borrowings	**68,726**	65,677	66,225

11 Debt Issues

$ millions	Banking Group		
As at	**Unaudited 31-Dec-19**	Unaudited 31-Dec-18[(1)]	Audited 30-Jun-19
Debt issues at fair value through Income Statement	**584**	214	585
Debt issues at amortised cost	**20,632**	20,100	20,971
Total debt issues	**21,216**	20,314	21,556
Movement in debt issues			
Balance at beginning of period	**21,556**	20,201	20,201
Issuances during the period	**2,190**	4,265	8,869
Repayments during the period	**(2,346)**	(4,254)	(7,978)
Fair value movements	**(90)**	83	408
Foreign exchange and other movements	**(94)**	19	56
Balance at the end of period	**21,216**	20,314	21,556

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

12 Credit and Capital Commitments, and Contingent Liabilities

$ millions	Banking Group Notional Amount		
As at	**Unaudited 31-Dec-19**	Unaudited 31-Dec-18	Audited 30-Jun-19
Credit and Capital Commitments			
Lending commitments approved but not yet advanced [(1)]	**13,958**	14,240	14,178
Capital expenditure commitments	**9**	-	3
Total credit and capital commitments	**13,967**	14,240	14,181
Credit related contingent liabilities			
Financial guarantees	**187**	173	184
Letters of credit	**108**	131	125
Other credit facilities	**395**	223	387
Total credit related contingent liabilities	**690**	527	696

(1) These amounts include irrevocable lending commitments determined in accordance with accounting standards.

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

In addition to the above, the Labour Inspectorate of the Ministry of Business, Innovation, and Employment is undertaking a programme of compliance audits on a number of New Zealand organisations, including the Bank, in respect of the Holidays Act 2003 (the "Holidays Act"). On 18 December 2018, the Bank received the Labour Inspectorate's report of its findings on the Bank's compliance with the Holidays Act.

The report included the Labour Inspectorate's finding that the Bank has not complied with the requirements of the Holidays Act by not including certain incentive payments in the Bank's calculation of gross earnings under the Holidays Act. The Bank's position in relation to the Labour Inspectorate's finding, is that the application of the law is uncertain and yet to be definitively determined. If extrapolated to the Bank's entire workforce, that finding would result in an estimated liability of $32 million in total for the preceding six years' annual holiday payments. The Bank continues to engage with the Labour Inspectorate on the matter.

The Banking Group has other contingent liabilities in respect of actual and potential claims and proceedings. 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.

13 Contributed Capital

	Banking Group					
	Number of shares			$ millions		
	Unaudited	Unaudited	Audited	**Unaudited**	Unaudited	Audited
As at	**31-Dec-19**	31-Dec-18	30-Jun-19	**31-Dec-19**	31-Dec-18	30-Jun-19
Issued and fully paid ordinary share capital						
Balance at beginning of period	**2,648,121,300**	2,648,121,300	2,648,121,300	**2,673**	2,673	2,673
Share capital issued [1]	**2,500,000,000**	-	-	**2,500**	-	-
Balance at end of period	**5,148,121,300**	2,648,121,300	2,648,121,300	**5,173**	2,673	2,673
Issued and fully paid perpetual preference share capital						
Balance at beginning of period	**10,000,000**	560,000,000	560,000,000	**1,000**	1,550	1,550
Redemption of perpetual preference shares	**-**	-	(550,000,000)	**-**	-	(550)
Balance at end of period	**10,000,000**	560,000,000	10,000,000	**1,000**	1,550	1,000
Total contributed capital				**6,173**	4,223	3,673

(1) Refer to note 14 for further information.

14 Dividends

Unaudited

$ millions	Banking Group	
For the six months ended	**31-Dec-19**	31-Dec-18
Ordinary dividends paid	**2,850**	200
Perpetual preference dividends paid	**18**	27
Total dividends paid	**2,868**	227

On 10 October 2019, the Bank issued 2,500,000,000 ordinary shares to ASB Holdings Limited and raised $2.5 billion from this issuance. Effected on the same date, the Directors resolved to pay a dividend of $2.5 billion. Neither transaction required settlement in cash.

During the period, the Bank paid a half yearly dividend of $350 million.

On 31 January 2020, the Directors resolved to pay:

- The following quarterly dividends on perpetual preferences shares, subject to certain conditions being satisfied:
  - $5 million on 16 March 2020, being 84.64 cents per share on 6 million 2015 perpetual preference shares; and
  - $4 million on 16 March 2020, being 98.10 cents per share on 4 million 2016 perpetual preference shares.
- A half yearly dividend, subject to certain conditions being satisfied, of $500 million on 16 March 2020, being 9.71 cents per share on 5,148 million ordinary shares.

Notes to the Financial Statements

For the six months ended 31 December 2019

15 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 and 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.

During the six months ended 31 December 2019 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.

Colonial First State Global Asset Management ("CFSGAM") provides investment management services to the Banking Group. CFSGAM was part of the Commonwealth Bank Group until 2 August 2019, when CBA finalised the sale of this company to Mitsubishi UFJ Trust and Banking Corporation. From that date CFSGAM is no longer considered to be a related party of the Banking Group. CFSGAM changed its name to First Sentier Investors on 21 October 2019.

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, Deposits and other borrowings, Debt issues, Other assets, Other liabilities, Derivative assets and Derivative liabilities:

$ millions		**Banking Group**	
	Unaudited	Unaudited	Audited
As at	**31-Dec-19**	31-Dec-18	30-Jun-19
Commonwealth Bank Group	**833**	828	276
Superannuation schemes and managed investment schemes managed by ASB Group Investments Limited	**18**	15	16
Total amounts due from related parties	**851**	843	292
Commonwealth Bank Group	**1,038**	990	1,437
ASB Holdings Limited	**47**	32	33
Superannuation schemes and managed investment schemes managed by ASB Group Investments Limited	**1,046**	940	976
Total amounts due to related parties	**2,131**	1,962	2,446

For the six months ended 31 December 2019, significant related party transactions included interest expense paid to the Commonwealth Bank Group of $63 million (31 December 2018 $55 million) and management and administration fees received from schemes managed by ASB Group Investments Limited of $59 million (31 December 2018 $51 million). Shares issued and dividends paid to the shareholder are disclosed in notes 13 and 14 respectively.

16 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.

The Banking Group categorises financial assets and financial liabilities at fair value into fair value hierarchy as required by NZ IFRS 13 *Fair Value Measurement* 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 – where quoted market prices are not available, fair values have been estimated using present value or other valuation techniques using inputs that are observable for the financial asset or financial liability, either directly or indirectly; or
- Level 3 – fair values are estimated using inputs that are unobservable for the financial asset or financial liability.

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 2019.

Notes to the Financial Statements

For the six months ended 31 December 2019

16 Fair Value of Financial Instruments (continued)

(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 2019**	**Level 1**	**Banking Group** **Level 2**	**Level 3**	**Total**
Financial assets				
Securities at fair value through other comprehensive income	**5,489**	**1,107**	**-**	**6,596**
Derivative assets	**-**	**940**	**-**	**940**
Total financial assets measured at fair value	**5,489**	**2,047**	**-**	**7,536**
Financial liabilities				
Derivative liabilities	**1**	**506**	**-**	**507**
Debt issues at fair value through Income Statement	**-**	**584**	**-**	**584**
Total financial liabilities measured at fair value	**1**	**1,090**	**-**	**1,091**

Unaudited $ millions **As at 31 December 2018**	**Level 1**	**Banking Group** **Level 2**	**Level 3**	**Total**
Financial assets				
Securities at fair value through other comprehensive income	4,700	907	-	5,607
Derivative assets	1	1,208	-	1,209
Total financial assets measured at fair value	4,701	2,115	-	6,816
Financial liabilities				
Derivative liabilities	-	535	-	535
Debt issues at fair value through Income Statement	-	214	-	214
Total financial liabilities measured at fair value	-	749	-	749

Audited $ millions **As at 30 June 2019**	**Level 1**	**Banking Group** **Level 2**	**Level 3**	**Total**
Financial assets				
Securities at fair value through other comprehensive income	4,658	1,032	-	5,690
Derivative assets	1	1,150	-	1,151
Total financial assets measured at fair value	4,659	2,182	-	6,841
Financial liabilities				
Derivative liabilities	-	404	-	404
Debt issues at fair value through Income Statement	-	585	-	585
Total financial liabilities measured at fair value	-	989	-	989

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

Derivative assets and Derivative liabilities
The fair values are obtained from 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.

16 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. Other financial liabilities excludes the lease liability of $258m as no fair value disclosure is required in respect of lease liabilities.

$ millions	Banking Group					
	Unaudited		Unaudited		Audited	
	31-Dec-19		31-Dec-18		30-Jun-19	
As at	**Fair Value**	**Carrying Value**	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets						
Cash and liquid assets	**1,880**	**1,880**	3,535	3,535	2,542	2,542
Due from financial institutions	**666**	**666**	624	624	518	518
Advances to customers	**89,526**	**89,323**	85,277	85,167	87,868	87,695
Other financial assets	**279**	**279**	296	296	278	278
Total	**92,351**	**92,148**	89,732	89,622	91,206	91,033
Financial liabilities						
Deposits and other borrowings	**68,841**	**68,726**	65,755	65,677	66,343	66,225
Due to financial institutions	**814**	**814**	820	820	1,312	1,312
Other financial liabilities	**512**	**512**	527	527	602	602
Debt issues at amortised cost	**20,724**	**20,632**	20,112	20,100	21,020	20,971
Loan capital	**420**	**407**	819	806	423	407
Total	**91,311**	**91,091**	88,033	87,930	89,700	89,517

17 Capital Adequacy

Unaudited

The Banking Group is subject to regulation by the RBNZ. The RBNZ has set minimum regulatory capital requirements for New Zealand registered banks that are consistent with the internationally agreed framework developed by the Basel Committee on Banking Supervision, commonly known as Basel III. These requirements define what is acceptable as capital and provide for 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 document *Capital Adequacy Framework (Internal Models Based Approach)* ("BS2B") dated November 2015. The Banking Group is accredited by the RBNZ to adopt the internal ratings based ("IRB") approach for calculating regulatory capital requirements.

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

The RBNZ released its final decisions on capital requirements applicable to New Zealand registered banks on 5 December 2019. The RBNZ confirmed that:

- The risk-weighted assets ("RWA") of IRB banks will increase to approximately 90% of that required under a standardised approach. This is achieved through an 85% output floor for credit risk RWA and an increase to the scalar applied to credit risk RWA from 6% to 20%;
- The Tier one capital requirement for systemically important banks will increase to 16% of RWA with 13.5% in the form of Common Equity Tier one ("CET1") capital;
- Tier two capital will remain in the framework and can comprise 2% of the minimum Total Capital ratio of 18% with the remaining being made up of additional Tier one capital ("AT1");
- Redeemable perpetual preference shares that are issued by banks will be eligible to qualify as AT1 capital. Existing AT1 and Tier two contingent instruments issued by New Zealand banks will no longer be eligible under the RBNZ's new capital criteria and will be phased out over the transition period; and
- There will be a 7 year transition period starting from 1 July 2020.

17 Capital Adequacy (continued)

Unaudited

$ millions As at 31 December 2019	Banking Group
Capital under Basel III IRB approach	
Tier one capital	
Common equity tier one capital	
Issued and fully paid-up ordinary share capital	**5,173**
Retained earnings	**1,930**
Accumulated other comprehensive income and other disclosed reserves	**(107)**
Deductions from common equity tier one capital:	
Goodwill and other intangible assets	**(184)**
Deferred tax assets	**(169)**
Cash flow hedge reserve	**110**
Excess of expected loss over eligible allowance for impairment	**(102)**
Total common equity tier one capital	**6,651**
Additional tier one capital	
Perpetual fully paid-up non-cumulative preference shares - classified as equity	**1,000**
Total additional tier one capital	**1,000**
Total tier one capital	**7,651**
Tier two capital	
Loan capital	**400**
Asset revaluation reserve	**29**
Total tier two capital	**429**
Total capital	**8,080**

	Banking Group		Bank	
As at	**31-Dec-19**	31-Dec-18	**31-Dec-19**	31-Dec-18
Capital ratios				
Common equity tier one capital ratio	**11.7%**	11.5%	**11.7%**	11.5%
Tier one capital ratio	**13.5%**	13.3%	**13.5%**	13.3%
Total capital ratio	**14.2%**	14.8%	**14.2%**	14.8%
Buffer ratio	**6.2%**	6.8%	**6.2%**	6.8%
Minimum ratio requirement				
Common equity tier one capital ratio	**4.5%**	4.5%	**4.5%**	4.5%
Tier one capital ratio	**6.0%**	6.0%	**6.0%**	6.0%
Total capital ratio	**8.0%**	8.0%	**8.0%**	8.0%
Buffer ratio	**2.5%**	2.5%	**2.5%**	2.5%

$ millions	Banking Group		
As at 31 December 2019	**Total Exposure(1)**	**RWE(2)**	**Capital Requirement**
Capital requirements			
Total credit risk	**115,784**	**49,502**	**3,960**
Operational risk	**N/A**	**4,488**	**359**
Market risk	**N/A**	**2,794**	**224**
Total capital requirement		**56,784**	**4,543**

As at 31 December 2019, the Banking Group held $3,537m of capital in excess of its regulatory capital requirements.

(1) Total exposure is after credit risk mitigation.

(2) RWE is risk-weighted exposures or implied risk-weighted exposures.

17 Capital Adequacy (continued)

Capital Structure

Ordinary Shares

The total number of ordinary shares issued by the Bank as at 31 December 2019 was 5,148,121,300. All ordinary shares have equal voting rights and share equally in dividends and any profit on winding up, after the obligations to holders of ASB perpetual preference shares ("PPS") are satisfied. Dividends are declared, subject in all cases, to the applicable Directors' resolutions being passed. Ordinary shares qualify as common equity tier one capital under the RBNZ's regulatory capital standards.

Perpetual Preference Shares

On 16 March 2015, the Bank issued 6,000,000 PPS to ASB Holdings Limited and raised $600 million from the issuance. On 31 March 2016, the Bank issued a further 4,000,000 PPS to ASB Holdings Limited and raised $400 million from the issuance. Both PPS issuances currently qualify as additional tier one capital under the RBNZ's existing regulatory capital standards but will be phased out over the 7 year transition period starting 1 July 2020 under the RBNZ's new capital criteria.

The PPS are non-voting and pay discretionary quarterly floating rate dividends. Upon a winding-up, the PPS rank equally with the Bank's other preference shares, above its ordinary shares and below its liabilities. At the option of the Bank, the 6,000,000 and 4,000,000 PPS are redeemable on the initial optional redemption dates of 16 March 2020 and 15 June 2021 respectively or on any subsequent scheduled distribution date, subject to RBNZ approval.

If a non-viability trigger event ("NVTE") occurs, the PPS will be exchanged into a fixed number of ordinary shares of the Bank. A NVTE occurs at the direction of the RBNZ or a statutory manager of the Bank. A NVTE occurs when, among other circumstances, the RBNZ has reasonable grounds to believe that the Bank is insolvent or likely to become insolvent and directs the Bank to exchange the PPS for ordinary shares. If for any reason the exchange for ordinary shares cannot occur, the PPS will be immediately and irrevocably written down, in accordance with the PPS terms.

The total number of issued PPS as at 31 December 2019 was 10,000,000.

Loan Capital

On 30 November 2016, the Bank issued subordinated and unsecured debt securities ("ABB050 Notes") with a face value of $400 million. The ABB050 Notes meet the existing criteria for tier two capital designation under the Bank's and CBA's regulatory capital requirements and are classified as financial liabilities under NZ IAS 32. Under the RBNZ's new capital criteria, the ABB050 Notes will be phased out over the 7 year transition period starting 1 July 2020.

The ABB050 Notes will mature on 15 December 2026 but subject to certain conditions, the Bank has the right to redeem all or some of the ABB050 Notes on any interest payment date on or after 15 December 2021 (call option date). At any time, the Bank may redeem all the ABB050 Notes for tax or regulatory reasons. The ABB050 Notes bear an interest rate of 5.25% fixed for five years, and will be reset if the ABB050 Notes are not redeemed on or before their call option date. Payment of interest is quarterly in arrears and is subject to the Bank and the Banking Group being solvent immediately after such payment is made.

If a NVTE occurs, some or all of the ABB050 Notes will automatically and immediately be exchanged for CBA ordinary shares. A NVTE occurs when, among other circumstances:

- The RBNZ has reasonable grounds to believe that the Bank is insolvent or likely to become insolvent and directs the Bank to convert or write down a class of capital instruments that includes the ABB050 Notes; or
- APRA notifies CBA that it believes an exchange of some or all the ABB050 Notes is necessary because without it CBA would become non-viable. If the ABB050 Notes are not able to be exchanged, or the exchange is not effective, within five business days, the rights of the holders will be terminated.

In conjunction with the issuance of the ABB050 Notes, the Bank also entered into related agreements with ASB Holdings Limited and CBA on 12 October 2016. These related agreements include a requirement for the Bank to issue to ASB Holdings Limited, upon the occurrence of a NVTE, a variable number of shares, for a consideration equivalent to the ABB050 Notes exchanged into CBA shares

Reserves

Accumulated other comprehensive income and other disclosed reserves in common equity tier one capital includes the Fair value through other comprehensive income reserve of $3 million. The Fair value through other comprehensive income reserve includes the cumulative net change in the fair value of Securities at fair value through other comprehensive income 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 $29 million included in tier two capital relates to revaluation gains on land and buildings carried at valuation, except that to the extent the gain reverses a revaluation loss on the same asset previously recognised in the Income Statement, that gain is recognised in the Income Statement.

17 Capital Adequacy (continued)

Unaudited

Credit risk exposures subject to the IRB approach by exposure class

As at 31 December 2019	Banking Group					
PD Grade	Exposure Weighted PD	Exposure Amount $ millions	Exposure Weighted LGD	Exposure Weighted Risk Weight	Risk Weighted Exposures[1] $ millions	Minimum Capital Requirement $ millions
Sovereign exposures						
Less than and including 0.03%	0.02%	4,750	42%	7%	340	27
Over 0.03% up to and including 0.05%	-	-	-	-	-	-
Over 0.05% up to and including 0.07%	-	-	-	-	-	-
Over 0.07% up to and including 0.26%	-	-	-	-	-	-
Over 0.26% up to and including 99.99%	-	-	-	-	-	-
Default PD grade	-	-	-	-	-	-
Total sovereign exposures	0.02%	4,750	42%	7%	340	27
Bank exposures						
Less than and including 0.03%	0.03%	1,063	60%	27%	303	24
Over 0.03% up to and including 0.05%	0.04%	2,735	61%	25%	732	59
Over 0.05% up to and including 0.07%	0.07%	199	61%	28%	60	5
Over 0.07% up to and including 0.26%	0.18%	10	61%	61%	6	-
Over 0.26% up to and including 99.99%	1.90%	-	59%	185%	1	-
Default PD grade	-	-	-	-	-	-
Total bank exposures	0.04%	4,007	61%	26%	1,102	88
Exposures secured by residential mortgages						
Less than and including 0.50%	0.27%	21,335	16%	9%	2,086	167
Over 0.50% up to and including 0.85%	0.65%	21,482	20%	21%	4,790	383
Over 0.85% up to and including 3.26%	1.25%	20,154	23%	38%	8,209	657
Over 3.26% up to and including 7.76%	3.58%	2,441	26%	80%	2,075	166
Over 7.76% up to and including 99.99%	12.52%	1,184	19%	99%	1,241	99
Default PD grade	100.00%	455	23%	280%	1,351	108
Total exposures secured by residential mortgages	1.70%	67,051	20%	28%	19,752	1,580
Other retail exposures						
Less than and including 0.50%	-	-	-	-	-	-
Over 0.50% up to and including 0.85%	0.83%	502	95%	89%	472	38
Over 0.85% up to and including 3.26%	1.58%	2,208	95%	112%	2,610	208
Over 3.26% up to and including 7.76%	3.77%	368	93%	134%	522	42
Over 7.76% up to and including 99.99%	26.96%	26	94%	233%	63	5
Default PD grade	100.00%	13	94%	1174%	162	13
Total other retail exposures	2.34%	3,117	94%	116%	3,829	306
Corporate exposures - small and medium enterprises						
Less than and including 0.20%	0.15%	588	34%	21%	131	10
Over 0.20% up to and including 0.50%	0.34%	3,713	26%	28%	1,096	88
Over 0.50% up to and including 1.00%	0.69%	9,898	31%	48%	5,024	402
Over 1.00% up to and including 2.30%	1.46%	7,255	32%	66%	5,074	406
Over 2.30% up to and including 99.99%	6.88%	2,260	32%	106%	2,542	203
Default PD grade	100.00%	248	40%	363%	956	77
Total corporate exposures - small and medium enterprises	2.47%	23,962	32%	106%	14,823	1,186
Other corporate exposures						
Less than and including 0.20%	0.10%	888	51%	26%	245	20
Over 0.20% up to and including 0.50%	0.31%	1,989	42%	46%	967	77
Over 0.50% up to and including 1.00%	0.64%	1,854	36%	59%	1,154	92
Over 1.00% up to and including 2.30%	1.56%	826	37%	78%	685	55
Over 2.30% up to and including 99.99%	9.20%	224	44%	173%	410	33
Default PD grade	100.00%	14	33%	402%	59	5
Total other corporate exposures	1.15%	5,795	44%	173%	3,520	282

(1) Risk-weighted exposures include a scalar of 1.06 in accordance with the Bank's Conditions of Registration.

17 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 Amounts		Market Related Contracts	
As at 31 December 2019	Value	EAD	Principal Amount	EAD
Sovereign exposures	1	1	-	-
Bank exposures	133	133	134,647	1,494
Exposures secured by residential mortgages	8,140	7,780	-	-
Other retail exposures	2,044	2,005	-	-
Corporate exposures - small and medium enterprises	2,546	2,541	2,412	88
Other corporate exposures	1,590	1,588	2,730	86
	14,454	14,048	139,789	1,668

$ millions	Banking Group					
LVR Range	0%-60%	60.1%-70%	70.1%-80%	80.1%-90%	>90%	Total
Residential mortgages by loan-to-valuation ratio ("LVR")						
On balance sheet exposures	25,801	12,916	15,837	3,461	1,269	59,284
Off balance sheet exposures	4,851	1,208	1,354	163	210	7,786
Total value of exposures	30,652	14,124	17,191	3,624	1,479	67,070
Expressed as a percentage of total exposures	45.7%	21.1%	25.6%	5.4%	2.2%	100.0%

LVR is calculated as the current balance 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 greater than 90% range.

Unaudited $ millions As at 31 December 2019	Banking Group
Reconciliation of mortgage-related amounts	
Residential mortgages in Advances to customers (refer to note 4)	58,870
Add/(less):	
Off balance sheet exposures	7,786
Exposure at default adjustments	599
Unamortised loan establishment fees and expenses	(185)
Residential mortgages in LVR disclosure	67,070
Add/(less):	
Residential mortgages subject to the Standardised Approach	(19)
Residential mortgages subject to the IRB approach	67,051

17 Capital Adequacy (continued)

Unaudited

As at 31 December 2019 Balance Sheet Exposures Subject to the Slotting Approach	Banking Group Total Exposure after Credit Risk Mitigation $ millions	Risk Weight	Risk Weighted Exposures[1] $ millions	Minimum Pillar One Capital Requirement $ millions
Specialised lending				
Strong	122	70%	90	7
Good	162	90%	155	12
Satisfactory	8	115%	10	1
Weak	-	250%	1	-
	292		256	20

As at 31 December 2019 Off Balance Sheet Exposures Subject to the Slotting Approach	Banking Group EAD $ millions	Average Risk Weight	Risk Weighted Exposures[1] $ millions	Minimum Pillar One Capital Requirement $ millions
Undrawn commitments	22	134%	31	2
Other off balance sheet exposures	-	90%	-	-
	22		31	2

As at 31 December 2019 Balance Sheet Exposures Subject to the Standardised Approach	Banking Group Total Exposure after Credit Risk Mitigation $ millions	Average Risk Weight	Risk Weighted Exposures[1] $ millions	Minimum Pillar One Capital Requirement $ millions
Cash	146	-	-	-
Residential mortgages	13	50%	7	1
Other assets	4,988	100%	5,266	421
Total balance sheet exposures	5,147		5,273	422

As at 31 December 2019 Off Balance Sheet Exposures 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 Exposures[1] $ millions	Minimum Pillar One Capital Requirement $ millions
Market related contracts						
Foreign exchange contracts	68	N/A	2	112%	2	-
Interest rate contracts	10	N/A	-	112%	-	-
Other OTC	-	N/A	-	-	-	-
Undrawn commitments	1,200	6%	75	97%	77	6
Other off balance sheet exposures	106	100%	106	100%	112	9
Total off balance sheet exposures subject to the standardised approach	1,384		183		191	15

As at 31 December 2019 Equity Exposures Subject to the Standardised Approach	Banking Group Total Exposure $ millions	Risk Weight	Risk Weighted Exposures[1] $ millions	Minimum Pillar One Capital Requirement $ millions
All equity holdings not deducted from capital	2	400%	8	1

(1) Risk-weighted exposures include a scalar of 1.06 in accordance with the Bank's Conditions of Registration.

17 Capital Adequacy (continued)

Unaudited

$ millions	Banking Group		
As at 31 December 2019	Total Exposure after Credit Risk Mitigation	Total Risk Weighted Exposures	Capital Requirement
Total credit risk			
Exposures subject to the IRB approach	108,682	43,366	3,469
Specialised lending subject to the slotting approach	314	287	23
Exposures subject to the standardised approach	5,332	5,472	438
Credit valuation adjustment	-	346	28
Qualifying central counterparties	1,456	31	2
Total credit risk	115,784	49,502	3,960

Exposures Subject to the IRB Approach	
Sovereign exposures	Exposures to the Crown; RBNZ; specified multilateral development banks; any other sovereign or its central bank.
Bank exposures	Exposures to banks and local authorities.
Exposures secured by residential mortgages	Home lending fully or partially secured by residential property.
Other retail exposures	Personal credit cards.
Corporate exposures	Other 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	Project finance; income-producing real estate.

Exposures Subject to the Standardised Approach	
Secured by residential mortgages	A small non-scored home loan portfolio.
Other assets	SME where group exposure is less than $1 million, other personal lending, and all other assets not falling within any other asset class.

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. Longer term consumer finance (e.g. housing loans) is generally secured against real estate while short term revolving consumer credit is generally unsecured.

As at 31 December 2019, none of the credit risk exposures subject to the standardised approach are covered by eligible financial collateral (i.e. cash, debt securities or equity securities). 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.

Operational Risk

The Banking Group uses the Advanced Measurement Approach together with any required regulatory adjustments to determine capital requirements for operational risk.

The implied risk-weighted exposure for operational risk as at 31 December 2019 was $4,488 million.

The total operational risk capital requirement as at 31 December 2019 was $359 million.

17 Capital Adequacy (continued)

Unaudited

Market Risk Capital Charges

The Banking Group's aggregate market risk exposure is derived in accordance with BS2B and the RBNZ document *Market Risk Guidance Notes*. The peak end-of-day exposure is derived by taking the highest market exposure over the six months ended 31 December 2019.

Interest rate risk, foreign exchange risk and equity risk are calculated on a daily basis. For each category, the peak end-of-day market risk exposure may not have occurred at the same time.

$ millions	Banking Group			
Exposures as at 31 December 2019	**Interest Rate Risk**	**Foreign Currency Risk**	**Equity Risk**	**Total**
Implied risk-weighted exposure	**2,580**	**214**	**-**	**2,794**
Aggregate capital charge	**207**	**17**	**-**	**224**

$ millions	Banking Group			
Peak Exposures for the six months ended 31 December 2019	**Interest Rate Risk**	**Foreign Currency Risk**	**Equity Risk**	**Total**
Implied risk-weighted exposure	**3,152**	**513**	**1**	**3,666**
Aggregate capital charge	**252**	**41**	**-**	**293**

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 *Guidelines on a Bank's Internal Capital Adequacy Assessment Process ("ICAAP")* in accordance with the Bank's Conditions of Registration. The Board is responsible for ensuring that the Banking Group has adequate overall capital in relation to its risk profile.

Under RBNZ rules, a bank that is a member of a wider banking group may base its approach on group wide-methodologies. The Banking Group, as a member of the wider CBA banking group, has based its ICAAP processes on that of CBA, after taking account of specific business and economic conditions in New Zealand and the Bank's risk appetite, performance and position.

The Banking Group's ICAAP is a documented process to ensure the Banking Group has adequate overall capital in relation to its risk profile. Component parts of the Banking Group's ICAAP are reviewed on a regular basis by senior management and the Board. The Banking Group's ICAAP and ICAAP documents are reviewed annually. Revisions to significant ICAAP processes must be approved by the Board.

The Banking Group's ICAAP includes an assessment of capital required to cover material risks not already captured in the measurement of regulatory capital. As at 31 December 2019, internal capital allocations of $313 million (31 December 2018 $320 million) had been made for other material risks including strategic risk and fixed asset risk.

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 CBA and the various companies and other entities owned and controlled by CBA.

The ultimate parent banking group is predominantly accredited to use the Advanced Internal Ratings Based Approach for credit risk and the Advanced 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.

APRA prudential standards require a minimum CET1 ratio of 4.5%, effective from 1 January 2013. An additional CET1 capital conservation buffer of 3.5%, inclusive of a domestic systemically important bank requirement of 1% and a countercyclical capital buffer of 0%, was effective from 1 January 2016, bringing the CET1 requirement to at least 8% as specified under Basel III.

The ultimate parent banking group is required to disclose capital adequacy information quarterly. This information is made available to users via the ultimate parent bank's website (www.commbank.com.au).

The ultimate parent banking group is required by APRA to hold minimum capital. As at 31 December 2019 the minimum capital requirements were met (31 December 2018 minimum capital requirements were met).

	Ultimate Parent Bank		Ultimate Parent Banking Group	
As at	**31-Dec-19**	31-Dec-18	**31-Dec-19**	31-Dec-18
Common equity tier one capital ratio	**12.1%**	11.3%	**11.7%**	10.8%
Tier one capital ratio	**14.6%**	13.3%	**14.1%**	12.9%
Total capital ratio	**18.0%**	16.3%	**17.4%**	15.8%

18 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, Cigna Life Insurance Limited and AIA New Zealand Limited (formerly Sovereign Assurance Company Limited).

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

Unaudited

In August 2019, Bond Investments No 1 Limited was removed from the New Zealand Companies Register. The removal does not have an impact on the consolidated financial statements of the Banking Group.

In December 2019, the Bank sold its wholly owned subsidiaries Aegis Limited and Investment Custodial Services Limited to MMC Limited. The sale resulted in the recognition of a net loss of $28 million.

During the period, the Bank acquired a 25% shareholding in Trade Window Limited which is now an associate of the Banking Group. Trade Window Limited's principal business activity is the digitisation of the trade flow process using distributed ledger technology.

There were no other changes in the composition of the Banking Group for the six months ended 31 December 2019.

20 Financial Reporting by Operating Segments

Unaudited

	Banking Group					
$ millions	Retail Banking	Business Banking	Corporate Banking	Private Banking, Wealth and Insurance	Other	Total
Income Statement						
For the six months ended 31 December 2019						
Net interest income	544	412	59	31	24	1,070
Other income/(loss)	208	62	28	123	(93)	328
Total operating income/(expense)	752	474	87	154	(69)	1,398
Impairment losses/(recoveries) on financial assets	29	(10)	2	1	-	22
Segment operating expenses/(income) (excluding impairment losses)	286	157	27	67	(3)	534
Segment net profit/(loss) before tax	437	327	58	86	(66)	842
Tax expense/(benefit)	122	92	16	24	(11)	243
Segment net profit/(loss) after tax	315	235	42	62	(55)	599
Balance Sheet						
As at 31 December 2019						
Total assets	46,029	37,255	5,675	2,686	8,902	100,547
Total liabilities	36,663	15,212	6,755	4,675	29,217	92,522

20 Financial Reporting by Operating Segments (continued)

Unaudited

	Banking Group					
$ millions	Retail Banking	Business Banking	Corporate Banking	Private Banking, Wealth and Insurance	Other	Total
Income Statement (1)						
For the six months ended 31 December 2018						
Net interest income	537	395	56	31	48	1,067
Other income/(loss)	201	64	24	113	(76)	326
Total operating income/(expense)	738	459	80	144	(28)	1,393
Impairment losses/(recoveries) on financial assets	30	17	(2)	-	-	45
Segment operating expenses/(income) (excluding impairment losses)	270	149	28	63	(37)	473
Segment net profit before tax	438	293	54	81	9	875
Tax expense	122	82	15	23	3	245
Segment net profit after tax	316	211	39	58	6	630
Balance Sheet (1)						
As at 31 December 2018						
Total assets	43,343	35,981	5,705	2,487	9,486	97,002
Total liabilities	34,914	14,845	6,207	4,303	28,495	88,764

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

Retail Banking: The Retail Banking segment provides services to personal customers. In addition, net income is attributed to this segment for the distribution of wealth management products through the retail distribution network.

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 and transactional banking services for non-retail customers. It also comprises the Bank's financial markets activities, including financial instruments trading and sales of financial instruments to customers bank wide.

Private Banking, Wealth and Insurance: The Private Banking, Wealth and Insurance segment provides securities, investment and insurance services to customers, and a personalised banking service to high net worth individuals.

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;
- 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; and
- Results of certain business units excluded for management reporting purposes, but included within the consolidated financial statements of the Banking Group for statutory reporting purposes.

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

21 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 2019	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	1,689	-	-	-	-	191	1,880
Due from financial institutions	666	-	-	-	-	-	666
Securities at fair value through other comprehensive income	1,273	801	20	1,290	3,212	-	6,596
Derivative assets	-	-	-	-	-	940	940
Advances to customers	37,246	8,504	17,104	20,596	6,078	(205)	89,323
Other financial assets	-	-	-	-	-	279	279
Total financial assets	40,874	9,305	17,124	21,886	9,290	1,205	99,684
Non-financial assets							863
Total assets							100,547
Liabilities							
Deposits and other borrowings	43,034	10,232	6,660	1,245	970	6,585	68,726
Due to financial institutions	783	-	-	-	-	31	814
Derivative liabilities	-	-	-	-	-	507	507
Other financial liabilities	-	-	-	-	-	770	770
Debt issues:							
At fair value through Income Statement	148	436	-	-	-	-	584
At amortised cost	5,509	832	541	2,590	10,905	255	20,632
Loan capital	-	-	-	400	-	7	407
Total financial liabilities	49,474	11,500	7,201	4,235	11,875	8,155	92,440
Non-financial liabilities							82
Total liabilities							92,522
Net derivative notionals	16,225	(4,810)	(6,570)	(14,637)	9,792		
Interest rate sensitivity gap	7,625	(7,005)	3,353	3,014	7,207		

22 Regulatory Liquidity Ratios

Unaudited

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 daily, in accordance with BS13 and BS13a, which are a key component of the Bank's liquidity management framework. The average three month ratios are produced in line with the Order and are reflected in the table below.

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 Bank 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.

RBNZ requires banks to get a minimum amount of funding from stable sources called core funding. The Bank must maintain its core funding above 75% of the Bank's total Advances to customers on a daily basis.

	Banking Group	
Average for the three months ended	**31-Dec-19**	30-Sep-19
One-month mismatch ratio	**5.5%**	5.7%
One-week mismatch ratio	**4.9%**	4.9%
Core funding ratio	**87.9%**	87.0%

23 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.

If 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 19 percent, 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 2019	**Cash and Liquid Assets**	**Securities at Fair Value through Other Comprehensive Income**	**Advances to Customers**	**Deposits and Other Borrowings [1]**	**Other Assets**	**Total**
Cash	**215**	**-**	**-**	**-**	**-**	**215**
Call deposits with the central bank	**960**	**-**	**-**	**-**	**-**	**960**
Local authority securities	**-**	**343**	**-**	**-**	**3**	**346**
New Zealand government securities	**705**	**2,144**	**-**	**(397)**	**16**	**2,468**
Corporate bonds	**-**	**124**	**-**	**-**	**1**	**125**
Bank bills	**-**	**579**	**-**	**-**	**-**	**579**
Kauri bonds	**-**	**2,221**	**-**	**-**	**19**	**2,240**
Bank bonds	**-**	**1,185**	**-**	**-**	**5**	**1,190**
Residential mortgage-backed securities	**-**	**-**	**4,022**	**-**	**-**	**4,022**
Total qualifying liquid assets	**1,880**	**6,596**	**4,022**	**(397)**	**44**	**12,145**

(1) Repurchase agreements are combined with the qualifying liquid assets detailed above for the purposes of managing and reporting liquidity risk.

24 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 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 substantial customer savings and cheque 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 2019	**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	31,133	28,930	6,709	1,273	947	54	69,046	68,726
Due to financial institutions	739	75	-	-	-	-	814	814
Other financial liabilities	56	433	64	42	96	121	812	770
Debt issues:								
At fair value through Income Statement	-	587	-	-	-	-	587	584
At amortised cost	-	3,338	710	3,855	9,782	3,995	21,680	20,632
Loan capital	-	11	11	21	63	421	527	407
Total non-derivative financial liabilities	31,928	33,374	7,494	5,191	10,888	4,591	93,466	91,933
Derivative financial liabilities								
Inflows from derivatives	-	906	277	1,267	2,352	2,516	7,318	
Outflows from derivatives	-	(1,650)	(458)	(1,517)	(2,723)	(2,830)	(9,178)	
	-	(744)	(181)	(250)	(371)	(314)	(1,860)	
Off balance sheet items								
Lending commitments	12,583	1,375	-	-	-	-	13,958	
Financial guarantees	187	-	-	-	-	-	187	
Other credit related contingent liabilities	503	-	-	-	-	-	503	
Total off balance sheet items	13,273	1,375	-	-	-	-	14,648	

25 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	Banking Group
As at	**31-Dec-19**
Total funding comprises:	
Deposits and other borrowings	**68,726**
Due to financial institutions	**814**
Debt issues:	
At fair value through Income Statement	**584**
At amortised cost	**20,632**
Loan capital	**407**
Total funding	**91,163**
Concentration by industry	
Agricultural, Forestry and Fishing	**1,233**
Manufacturing	**822**
Construction	**942**
Wholesale Trade	**731**
Retail Trade and Accommodation	**1,017**
Transport, Postal and Warehousing	**673**
Information Media and Telecommunications	**384**
Financial and Insurance Services	**29,644**
Rental, Hiring and Real Estate Services	**3,957**
Professional, Scientific, Technical, Administrative and Support Services	**4,950**
Public Administration and Safety	**1,050**
Education and Training	**1,606**
Health Care and Social Assistance	**924**
Arts, Recreation and Other Services	**1,857**
Households	**41,028**
All Other	**345**
Total funding by industry	**91,163**
Concentration by geographic region	
New Zealand	**65,727**
Overseas	**25,436**
Total funding by geographic region	**91,163**

26 Events after the Reporting Period

Unaudited

Refer to note 14 for details of perpetual preference and ordinary dividends declared after the reporting period.

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

Directors' Statement

After due enquiry by the Directors, it is each Director's opinion that for the six months ended 31 December 2019:

- The Bank complied with the Conditions of Registration imposed by the Reserve Bank of New Zealand under section 74 of the Reserve Bank of New Zealand Act 1989;
- Credit exposures to connected persons were not contrary to the interests of the Banking Group; and
- The Bank had systems in place to adequately monitor and control 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 are being properly applied.

After due enquiry by the Directors, it is each Director's opinion that as at the date of this Disclosure Statement:

- The Disclosure Statement contains all the information 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 or on behalf of all the Directors.

G.R. Walker

Dame Therese Walsh

V.A.J. Shortt

S.M. Bartlett

S.R.S. Blair

R.M. Carr

D.A. Cohen

S.R. Peterson

12 February 2020

Independent Review Report

To the shareholder of ASB Bank Limited

Report on the Disclosure Statement

We have reviewed pages 4 to 36 of the Disclosure Statement for the six months ended 31 December 2019 (the 'Disclosure Statement') of ASB Bank Limited (the 'Bank') and the entities it controlled at 31 December 2019 or from time to time during the period (the 'Banking Group'), which includes the condensed interim financial statements (the 'financial statements') 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 required by Schedules 5, 7, 11, 13, 16 and 18 of the Order. The financial statements comprise the balance sheet as at 31 December 2019, the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the six months then ended, and the notes to the financial statements that include the statement of accounting policies and selected explanatory notes.

Directors' responsibility for the Disclosure Statement

The Directors of the Bank (the 'Directors') are responsible on behalf of the Bank for the preparation and fair presentation of the Disclosure Statement, which includes financial statements prepared in accordance with Clause 25 of the Order and for such internal control as the Directors determine is necessary to enable the preparation of the financial statements 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 supplementary information in the Disclosure Statement which complies with Schedules 3, 5, 7, 11, 13, 16 and 18 of the Order.

Our responsibility

Our responsibility is to express the following conclusions on the financial statements and supplementary information presented by the Directors based on our review:

- the financial statements (excluding the supplementary information): whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the 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);
- the supplementary information (excluding the supplementary information relating to capital adequacy and regulatory liquidity requirements): whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information does not fairly state the matters to which it relates in accordance with Schedules 5, 7, 13, 16 and 18 of the Order; and
- the supplementary information relating to capital adequacy and regulatory liquidity requirements: whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information is not, in all material respects disclosed in accordance with Schedule 11 of the Order.

PricewaterhouseCoopers, 188 Quay Street, Private Bag 92162, Auckland 1142, New Zealand
T: +64 9 355 8000, F: +64 9 355 8001, pwc.co.nz

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410: *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). As the auditor of the Bank, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily 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. Accordingly, we do not express an audit opinion on the financial statements and the supplementary information.

We are independent of the Banking Group. Our firm carries out other services for the Banking Group. These services are audit and assurance services in respect to funds managed by the Banking Group and other assurance and audit-related services. Other assurance and audit-related services include assurance over compliance with regulations, internal controls and audit related agreed upon procedure engagements. We have also performed a cybersecurity maturity assessment. 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. These matters have not impaired our independence as auditor of the Banking Group.

Conclusions

We have examined the financial statements and supplementary information and based on our review, nothing has come to our attention that causes us to believe that:

a) the financial statements on pages 4 to 36 (excluding the supplementary information) have not been prepared, in all material respects, in accordance with NZ IAS 34 and IAS 34;

b) the supplementary information prescribed by Schedules 5, 7, 13, 16 and 18 of the Order, does not fairly state the matters to which it relates in accordance with those Schedules;

c) the supplementary information relating to capital adequacy and regulatory liquidity requirements prescribed by Schedule 11 of the Order, is not, in all material respects disclosed in accordance with Schedule 11 of the Order.

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 to the Bank's shareholder 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.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
12 February 2020

Auckland

PwC