ASB Disclosure Statement

For the six months ended 31 December 2022

Contents

General Disclosures

(To be read in conjunction with the Financial Statements)

31 December 2022

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

Corporate Information

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

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

Ultimate Parent Bank

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

Changes to Directors

There have been no changes to the Board of Directors of ASB (the "Board") since the balance date for the 30 June 2022 Disclosure Statement.

Responsible Persons

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

Credit Ratings

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

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

- On 7 June 2021, S&P affirmed ASB's long term issuer default rating at AA- and revised the outlook to stable from negative. S&P reaffirmed this rating and outlook on 24 October 2022.
- On 12 April 2021, Fitch Ratings affirmed ASB's long term issuer default rating at A+ and revised the outlook to stable from negative. Fitch Ratings reaffirmed this rating and outlook on 19 January 2023.
- The Moody's rating and outlook for ASB has remained unchanged during the two years immediately preceding the signing date. Moody's reaffirmed this rating and outlook on 27 December 2022.

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 'CCC' to indicate relative standing within the major rating categories.

Pending Proceedings or Arbitration

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

Auditor

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

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.

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 $3.803 billion were guaranteed as at the signing date of this Disclosure Statement. The amount of the guarantee is limited to the assets of the Covered Bond Trust. There are no material conditions applicable to the guarantee other than non-performance. There are no material legislative or regulatory restrictions in New Zealand which would have the effect of subordinating the claims under the guarantee of any creditors of the Bank on the assets of the Covered Bond Guarantor, to other claims on the Covered Bond Guarantor, in a winding up of the Covered Bond Guarantor.

The Covered Bond Guarantor's address for service is Level 16, SAP Tower, 151 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 2022, the Covered Bonds issued have been assigned a long term rating of 'AAA' by Fitch Ratings and 'Aaa' by Moody's. Further information about regarding the assets of The Covered Bond Trust pledged as security is provided in note 3 and additional information about this guarantee arrangement is included in the Bank's disclosure statement for the year ended 30 June 2022, 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 2022, there has been no material change in regulations, legislation, or other restrictions of a legally enforceable nature that may materially inhibit the legal ability of CBA to provide material financial support to the Bank.

Conditions of Registration

Effective 1 July 2022, the Reserve Bank of New Zealand ("RBNZ") amended the Bank's Conditions of Registration to:

- remove dividend restrictions implemented in response to COVID-19;
- increase the Prudential Capital Buffer ratio for Domestic Systemically Important Banks (D-SIBs) to 3.5% from 2.5% in line with the Reserve Bank's Capital Review decisions; and
- correct an error in the Liquidity Policy Annex: Liquid Assets (BS13A) and make a corresponding amendment to the Liquidity Policy (BS13).

Effective 5 September 2022, the RBNZ also amended the Bank's Conditions of Registration to refer to an updated version of BS11: Outsourcing Policy which has been changed to:

- create a temporary suspension clause, suspending the requirement to include mandatory risk mitigants in outsourcing arrangements that need to be entered into following an adverse impact from an extreme event which potentially threatens the stability of the bank; and
- rename the term "White List" to "Exempt List".

There have been no other changes to Conditions of Registration between 30 June 2022 and 31 December 2022.

Other Material Matters

In December 2022, the External Reporting Board published the Aotearoa New Zealand Climate Standards. These include a framework for considering climate-related risks and opportunities as well as principles and general requirements to enable disclosure of high-quality climate-related disclosures. In particular, Aotearoa New Zealand Climate Standard 3 General Requirements for Climate-related Disclosures (NZ CS 3) will require the Banking Group to produce climate-related disclosures from the year ending 30 June 2024. The Banking Group is actively working towards producing the required disclosures and expects to be able to do so within the required time frame.

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-22**	31-Dec-21
Interest income		**2,610**	1,706
Interest expense		**1,062**	431
Net interest income		**1,548**	1,275
Other income	2	**278**	293
Total operating income		**1,826**	1,568
Impairment losses/(recoveries) on financial assets	7	**49**	(13)
Total operating income after impairment losses/(recoveries)		**1,777**	1,581
Total operating expenses		**609**	522
Salaries and other staff expenses		**373**	304
Building occupancy and equipment expenses		**46**	45
Information technology expenses		**120**	104
Other expenses		**70**	69
Net profit before tax		**1,168**	1,059
Tax expense		**328**	297
Net profit after tax		**840**	762

Statement of Comprehensive Income

$ millions	Banking Group	
	Unaudited	Unaudited
For the six months ended	**31-Dec-22**	31-Dec-21
Net profit after tax	**840**	762
Other comprehensive 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	**(9)**	(2)
Net change in cash flow hedge reserve	**42**	34
	33	32
Total other comprehensive income, net of tax	**33**	33
Total comprehensive income	**873**	795

These statements are to be read in conjunction with the notes on pages 8 to 42, the Independent Review Report on pages 44 to 45 and the Independent Assurance Report on pages 46 to 47.

Statement of Changes in Equity

$ millions	Note	Banking Group Contributed Capital	Asset Revaluation Reserve	Cash Flow Hedge Reserve	FVOCI Reserve[(1)]	Retained Earnings	Total Shareholders' Equity
For the six months ended 31 December 2022							
Unaudited							
Balance at beginning of the period		**6,173**	**20**	**170**	**37**	**3,531**	**9,931**
Net profit after tax		**-**	**-**	**-**	**-**	**840**	**840**
Other comprehensive income/(expense)		**-**	**-**	**42**	**(9)**	**-**	**33**
Total comprehensive income/(expense)		**-**	**-**	**42**	**(9)**	**840**	**873**
Share capital issued	13	**1,000**	**-**	**-**	**-**	**-**	**1,000**
Redemption of perpetual preference shares	13	**(1,000)**	**-**	**-**	**-**	**-**	**(1,000)**
Ordinary dividends paid		**-**	**-**	**-**	**-**	**(400)**	**(400)**
Perpetual preference dividends paid		**-**	**-**	**-**	**-**	**(25)**	**(25)**
Balance as at 31 December 2022		**6,173**	**20**	**212**	**28**	**3,946**	**10,379**
For the six months ended 31 December 2021							
Unaudited							
Balance at beginning of the period		6,173	32	(125)	50	3,056	9,186
Net profit after tax		-	-	-	-	762	762
Other comprehensive income/(expense)		-	1	34	(2)	-	33
Total comprehensive income/(expense)		-	1	34	(2)	762	795
Transfer from asset revaluation reserve to retained earnings		-	(10)	-	-	10	-
Ordinary dividends paid		-	-	-	-	(650)	(650)
Perpetual preference dividends paid		-	-	-	-	(15)	(15)
Balance as at 31 December 2021		6,173	23	(91)	48	3,163	9,316

(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 42, the Independent Review Report on pages 44 to 45 and the Independent Assurance Report on pages 46 to 47.

Balance Sheet

$ millions		Banking Group		
		Unaudited	Unaudited	Audited
As at	Note	**31-Dec-22**	31-Dec-21	30-Jun-22
Assets				
Cash and liquid assets		**8,084**	5,444	6,613
Due from financial institutions		**1,173**	370	660
Securities at fair value through other comprehensive income		**6,745**	7,200	7,179
Derivative assets		**724**	615	1,294
Advances to customers	4	**106,645**	102,149	104,751
Other assets		**401**	271	309
Property, plant and equipment		**334**	378	354
Intangible assets		**223**	181	204
Deferred tax assets		**156**	231	158
Total assets		**124,485**	116,839	121,522
Total interest earning and discount bearing assets		***122,810***	*115,225*	*119,341*
Liabilities				
Deposits and other borrowings	10	**88,170**	82,847	84,522
Due to financial institutions		**2,131**	1,050	1,435
Derivative liabilities		**1,611**	419	1,143
Current tax liabilities		**130**	72	202
Other liabilities		**810**	523	588
Provisions		**130**	114	139
Debt issues:				
At fair value through Income Statement	11	**1,125**	3,931	1,300
At amortised cost	11	**19,091**	18,567	21,307
Loan capital		**908**	-	955
Total liabilities		**114,106**	107,523	111,591
Shareholders' equity				
Contributed capital - ordinary shares	13	**6,173**	5,173	5,173
Reserves		**260**	(20)	227
Retained earnings		**3,946**	3,163	3,531
Ordinary shareholder's equity		**10,379**	8,316	8,931
Contributed capital - perpetual preference shares	13	**-**	1,000	1,000
Total shareholders' equity		**10,379**	9,316	9,931
Total liabilities and shareholders' equity		**124,485**	116,839	121,522
Total interest and discount bearing liabilities		***100,896***	*92,356*	*97,423*

These statements are to be read in conjunction with the notes on pages 8 to 42, the Independent Review Report on pages 44 to 45 and the Independent Assurance Report on pages 46 to 47.

Cash Flow Statement

$ millions		Banking Group	
		Unaudited	**Unaudited**
For the period ended	Note	**31-Dec-22**	31-Dec-21
Cash flows from operating activities			
Net profit before tax		**1,168**	1,059
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		**41**	40
Amortisation of intangible assets		**34**	31
Net change in allowance for expected credit loss and bad debts written off		**59**	(5)
Amortisation of loan establishment fees		**54**	43
Net change in fair value of financial instruments and hedged items		**44**	(162)
Other non-cash items		**40**	(17)
Net (increase)/decrease in operating assets:			
Net change in reverse repurchase agreements		**(147)**	(46)
Net change in due from financial institutions		**(513)**	153
Net change in securities at fair value through other comprehensive income		**321**	557
Net change in derivative assets		**1,217**	534
Net change in advances to customers		**(1,960)**	(2,796)
Net change in other assets		**(90)**	22
Net increase/(decrease) in operating liabilities:			
Net change in deposits and other borrowings		**3,647**	4,843
Net change in due to financial institutions		**701**	284
Net change in derivative liabilities		**(491)**	(61)
Net change in other liabilities and provisions		**146**	(84)
Net tax paid		**(411)**	(332)
Net cash flows from operating activities		**3,860**	4,063
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		**-**	14
Total cash inflows provided from investing activities		**-**	14
Cash was applied to:			
Net change in investment in subsidiaries or associates		**(2)**	(1)
Purchase of property, plant and equipment		**(16)**	(8)
Purchase of intangible assets		**(58)**	(34)
Total cash outflows applied to investing activities		**(76)**	(43)
Net cash flows from investing activities		**(76)**	(29)
Cash flows from financing activities			
Cash was provided from:			
Issue of debt securities (net of issue costs)	11	**4,693**	6,050
Total cash inflows provided from financing activities		**4,693**	6,050
Cash was applied to:			
Redemption of debt securities	11	**(6,708)**	(6,383)
Redemption of loan capital		**-**	(400)
Payment of principal portion of lease liabilities		**(19)**	(18)
Ordinary dividends paid		**(400)**	(650)
Perpetual preference dividends paid		**(25)**	(15)
Total cash outflows applied to financing activities		**(7,152)**	(7,466)
Net cash flows from financing activities		**(2,459)**	(1,416)
Summary of movements in cash flows			
Net increase in cash and cash equivalents		**1,325**	2,618
Add: cash and cash equivalents at beginning of period		**6,522**	2,652
Cash and cash equivalents at end of period		**7,847**	5,270
Cash and cash equivalents comprise:			
Cash and liquid assets		**8,084**	5,444
Less: reverse repurchase agreements included in cash and liquid assets		**(237)**	(174)
Cash and cash equivalents at end of period		**7,847**	5,270
Non-cash financing activities	13	**-**	-
Additional operating cash flow information			
Interest received as cash		**2,630**	1,785
Interest paid as cash		**(862)**	(431)

These statements are to be read in conjunction with the notes on pages 8 to 42, the Independent Review Report on pages 44 to 45 and the Independent Assurance Report on pages 46 to 47.

Notes to the Financial Statements

For the six months ended 31 December 2022

1 Statement of Accounting Policies

The condensed interim financial statements of the Banking Group for the six months ended 31 December 2022 (the "financial statements") have been incorporated in this Disclosure Statement. These financial statements consolidate the financial statements of the Bank and its controlled entities. They have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") as appropriate for for-profit entities, NZ IAS 34 *Interim Financial Reporting* ("NZ IAS 34") and the Order. These financial statements do not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the Banking Group's financial statements for the year ended 30 June 2022. These financial statements comply with both IAS 34 *Interim Financial Reporting* and NZ IAS 34.

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

All policies have been applied on a basis consistent with that used in the financial year ended 30 June 2022.

Critical Accounting Estimates and Judgements

Information regarding the critical accounting estimates, assumptions and judgements is provided in the financial statements for the year ended 30 June 2022. These estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances. Actual results could differ from these estimates.

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

IBOR Reform Programme

The Banking Group is exposed to London Interbank Offered Rates ("LIBORs") through various financial instruments including advances to customers, derivatives and debt issues. Non-cleared derivatives are now subject to the International Swaps and Derivatives Association ("ISDA") Fallbacks Protocol for converting IBORs to risk-free reference rates, including a spread, upon the occurrence of an index cessation event. Cleared derivatives will transition in accordance with the clearing house rulebook. For non-derivative financial instruments, the Banking Group has engaged with counterparties to transition or include appropriate fallback provisions. Fallback provisions comprise contractual clauses that 'trigger' a transition from LIBOR to the respective Alternative Risk-free Reference Rate ("ARR") when LIBOR benchmarks cease.

Transition from IBORs to ARRs exposes the Banking Group to various risks including operational, financial, legal and compliance risks. These risks arise from the need for new products that incorporate ARRs, the engagement of customers and financial instrument counterparties on IBOR related changes, the implementation of the ISDA Protocol as well as the need for different system and process capabilities.

The Banking Group, through its IBOR reform programme, has applied various means of eliminating and managing these risks, while ensuring that customer outcomes are appropriate and any disruption to business is minimised. No material changes have been made to the Banking Group's risk management strategy.

Exposures subject to benchmark reform as at 31 December 2022

The table below provides the Banking Group's exposure to interest rate benchmarks that are subject to IBOR reform and that are yet to transition to an ARR. The table includes financial instruments which contractually reference an IBOR benchmark subject to cessation, and currently mature after the relevant IBOR cessation date.

$ millions **As at 31 December 2022**	**Gross carrying amount**
USD LIBOR[1]	
Non-derivative financial assets	**22**
Non-derivative financial liabilities	**47**
Loan commitments and guarantees	**77**
Derivative assets	**323**
Derivative liabilities	**231**

(1) USD LIBOR tenors relevant to the Banking Group have a transition date of 30 June 2023.

Changes to Comparatives

Comparative information has been reclassified, where appropriate, to ensure consistency with presentation in the current period.

Operating Segments
From 1 July 2022, the Banking Group changed its operating segments. Comparative information has been reclassified to reflect the new segmentation. Refer to note 19.

Net fee and commission income
From 1 July 2022, the Banking Group presents fee and commission income net of incremental expenses that vary directly with the provision of goods or services to customers (within Other income). Comparative information has been reclassified for consistency, resulting in a $32 million decrease in Other income and $32 million decrease in Other expenses. The change was made to provide more relevant information to the users of the financial statements. Refer to note 2 and note 19.

All comparative reclassifications are footnoted throughout the financial statements.

2 Other Income

Unaudited

$ millions	Banking Group	
For the six months ended	**31-Dec-22**	31-Dec-21
Lending fees	**16**	20
Commission and other fees	**161**	140
Funds management income	**68**	81
Fee and commission income	**245**	241
Fee and commission expense	**(38)**	(33)
Net fee and commission income[1]	**207**	**208**
Trading income	**51**	51
Net fair value gain from:		
Derivatives not qualifying for hedge accounting	**15**	12
Hedge ineffectiveness	**-**	7
Total net fair value gain	**15**	19
Other operating income	**5**	15
Total other income	**278**	293

(1) Comparative information has been restated to ensure consistency with presentation in the current period. Refer to the Changes to Comparatives section of note 1 for more information.

3 Financial Assets Pledged as Collateral for Liabilities

Unaudited

As at 31 December 2022, $7.0 billion was pledged as collateral under repurchase agreements.

The Bank has entered into credit support annexes in respect of certain credit exposures relating to derivative transactions. As at 31 December 2022, $1.2 billion 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 2022, the Covered Bond Trust held Mortgage Loans with a carrying value of $4.8 billion and $84 million cash, which have been pledged in respect of the Covered Bonds.

4 Advances to Customers

$ millions	Banking Group		
	Unaudited	Unaudited	Audited
As at	**31-Dec-22**	31-Dec-21	30-Jun-22
Residential mortgages (refer to note 5(a))	**74,997**	71,397	73,624
Other retail (refer to note 5(b))	**3,077**	3,186	3,087
Corporate (refer to note 5(c))	**29,163**	28,067	28,589
Total gross carrying amount of advances to customers	**107,237**	102,650	105,300
Allowance for expected credit loss (refer to note 5(d))	**(592)**	(501)	(549)
Total advances to customers	**106,645**	102,149	104,751

5 Allowance for Expected Credit Loss

Unaudited

Information for the period ended 31 December 2022 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.

Section (e) provides a further explanation of movements in the Banking Group's allowance for Expected Credit Loss ("ECL").

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

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

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

Movement in allowance for ECL

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

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

Movement in gross carrying amount

The movement in gross carrying amount tables set out on the following pages summarise changes in gross carrying amounts to explain changes in the Banking Group's allowance for ECL for the six months ended 31 December 2022.

They are presented on the following basis:

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

5 Allowance for Expected Credit Loss (continued)

Unaudited

(a) Residential Mortgages

$ millions	Banking Group				
Movement in Allowance for Expected Credit Loss	**Collective Allowances**			**Individually Assessed Allowances**	
As at 31 December 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	50	29	77	1	157
Charged to/(credited against) the Income Statement					
Changes in allowances due to transfers between ECL Stages					
Stage 1 to Stage 2	(11)	13	-	-	2
Stage 1 to Stage 3	-	-	22	-	22
Stage 2 to Stage 1	4	(6)	-	-	(2)
Stage 2 to Stage 3	-	(1)	9	-	8
Stage 3 to Stage 1	-	-	-	-	-
Stage 3 to Stage 2	-	1	(17)	-	(16)
Net transfers between collective allowances and individually assessed allowances	-	-	1	(1)	-
Changes in allowances due to transfers between ECL Stages	(7)	7	15	(1)	14
Changes in collective allowances due to additions and deletions	4	-	(3)	-	1
Changes in collective allowances due to amounts written off	-	-	-	-	-
Total changes in allowances due to movements in gross carrying amounts	(3)	7	12	(1)	15
Other changes in collective allowances	29	18	(12)	-	35
New and increased individually assessed allowances	-	-	-	4	4
Write-back of individually assessed allowances no longer required	-	-	-	(1)	(1)
Total charged to/(credited against) the Income Statement	26	25	-	2	53
Amounts written off from individually assessed allowances	-	-	-	-	-
Balance at end of period	76	54	77	3	210

$ millions	Banking Group				
Movement in Gross Carrying Amounts	**Collectively Assessed**			**Individually Assessed**	
As at 31 December 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	68,768	4,075	756	25	73,624
Changes due to transfers between ECL Stages					
Stage 1 to Stage 2	(2,062)	2,062	-	-	-
Stage 1 to Stage 3	(301)	-	301	-	-
Stage 2 to Stage 1	1,465	(1,465)	-	-	-
Stage 2 to Stage 3	-	(160)	160	-	-
Stage 3 to Stage 1	7	-	(7)	-	-
Stage 3 to Stage 2	-	274	(274)	-	-
Net transfers to/(from) Stage 3 individually assessed	(1)	(4)	(3)	8	-
Total changes due to transfers between ECL Stages	(892)	707	177	8	-
Additions and deletions					
Additions	9,445	218	19	-	9,682
Deletions (excluding amounts written off)	(7,818)	(376)	(111)	(4)	(8,309)
Net additions/(deletions)	1,627	(158)	(92)	(4)	1,373
Amounts written off	-	-	-	-	-
Balance at end of period	69,503	4,624	841	29	74,997

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 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	50	35	34	5	124
Charged to/(credited against) the Income Statement					
Changes in allowances due to transfers between ECL Stages					
Stage 1 to Stage 2	(8)	19	-	-	11
Stage 1 to Stage 3	-	-	2	-	2
Stage 2 to Stage 1	4	(13)	-	-	(9)
Stage 2 to Stage 3	-	(3)	7	-	4
Stage 3 to Stage 1	-	-	-	-	-
Stage 3 to Stage 2	-	3	(7)	-	(4)
Net transfers between collective allowances and individually assessed allowances	-	-	-	-	-
Changes in allowances due to transfers between ECL Stages	(4)	6	2	-	4
Changes in collective allowances due to additions and deletions	1	(3)	(3)	-	(5)
Changes in collective allowances due to amounts written off	-	(1)	(4)	-	(5)
Total changes in allowances due to movements in gross carrying amounts	(3)	2	(5)	-	(6)
Other changes in collective allowances	7	(3)	(13)	-	(9)
New and increased individually assessed allowances	-	-	-	1	1
Write-back of individually assessed allowances no longer required	-	-	-	(1)	(1)
Total charged to/(credited against) the Income Statement	4	(1)	(18)	-	(15)
Amounts written off from individually assessed allowances	-	-	-	(1)	(1)
Balance at end of period	54	34	16	4	108

$ millions	Banking Group				
Movement in Gross Carrying Amounts	**Collectively Assessed**			**Individually Assessed**	
As at 31 December 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	2,768	262	47	10	3,087
Changes due to transfers between ECL Stages					
Stage 1 to Stage 2	(167)	167	-	-	-
Stage 1 to Stage 3	(6)	-	6	-	-
Stage 2 to Stage 1	132	(132)	-	-	-
Stage 2 to Stage 3	-	(17)	17	-	-
Stage 3 to Stage 1	1	-	(1)	-	-
Stage 3 to Stage 2	-	15	(15)	-	-
Net transfers to/(from) Stage 3 individually assessed	(1)	-	1	-	-
Total changes due to transfers between ECL Stages	(41)	33	8	-	-
Additions and deletions					
Additions	1,524	45	10	-	1,579
Deletions (excluding amounts written off)	(1,504)	(58)	(14)	(1)	(1,577)
Net additions/(deletions)	20	(13)	(4)	(1)	2
Amounts written off	-	(5)	(6)	(1)	(12)
Balance at end of period	2,747	277	45	8	3,077

Notes to the Financial Statements

For the six months ended 31 December 2022

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 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	52	149	3	64	268
Charged to/(credited against) the Income Statement					
Changes in allowances due to transfers between ECL Stages					
Stage 1 to Stage 2	(5)	20	-	-	15
Stage 1 to Stage 3	-	-	-	-	-
Stage 2 to Stage 1	2	(6)	-	-	(4)
Stage 2 to Stage 3	-	-	1	-	1
Stage 3 to Stage 1	-	-	-	-	-
Stage 3 to Stage 2	-	-	(1)	-	(1)
Net transfers between collective allowances and individually assessed allowances	-	(1)	-	1	-
Changes in allowances due to transfers between ECL Stages	(3)	13	-	1	11
Changes in collective allowances due to additions and deletions	1	(2)	-	-	(1)
Changes in collective allowances due to amounts written off	-	-	-	-	-
Total changes in allowances due to movements in gross carrying amounts	(2)	11	-	1	10
Other changes in collective allowances	19	(9)	-	-	10
New and increased individually assessed allowances	-	-	-	3	3
Write-back of individually assessed allowances no longer required	-	-	-	(13)	(13)
Total charged to/(credited against) the Income Statement	17	2	-	(9)	10
Amounts written off from individually assessed allowances	-	-	-	(4)	(4)
Balance at end of period	69	151	3	51	274

$ millions	Banking Group				
Movement in Gross Carrying Amounts	**Collectively Assessed**			**Individually Assessed**	
As at 31 December 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	15,445	12,931	36	177	28,589
Changes due to transfers between ECL Stages					
Stage 1 to Stage 2	(4,196)	4,196	-	-	-
Stage 1 to Stage 3	(8)	-	8	-	-
Stage 2 to Stage 1	717	(717)	-	-	-
Stage 2 to Stage 3	-	(13)	13	-	-
Stage 3 to Stage 1	-	-	-	-	-
Stage 3 to Stage 2	-	13	(13)	-	-
Net transfers to/(from) Stage 3 individually assessed	3	(10)	10	(3)	-
Total changes due to transfers between ECL Stages	(3,484)	3,469	18	(3)	-
Additions and deletions					
Additions	3,605	2,690	7	-	6,302
Deletions (excluding amounts written off)	(2,956)	(2,756)	(12)	-	(5,724)
Net additions/(deletions)	649	(66)	(5)	-	578
Amounts written off	-	-	-	(4)	(4)
Balance at end of period	12,610	16,334	49	170	29,163

Notes to the Financial Statements

For the six months ended 31 December 2022

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 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	152	213	114	70	549
Charged to/(credited against) the Income Statement					
Changes in allowances due to transfers between ECL Stages					
Stage 1 to Stage 2	(24)	52	-	-	28
Stage 1 to Stage 3	-	-	24	-	24
Stage 2 to Stage 1	10	(25)	-	-	(15)
Stage 2 to Stage 3	-	(4)	17	-	13
Stage 3 to Stage 1	-	-	-	-	-
Stage 3 to Stage 2	-	4	(25)	-	(21)
Net transfers between collective allowances and individually assessed allowances	-	(1)	1	-	-
Changes in allowances due to transfers between ECL Stages	(14)	26	17	-	29
Changes in collective allowances due to additions and deletions	6	(5)	(6)	-	(5)
Changes in collective allowances due to amounts written off	-	(1)	(4)	-	(5)
Total changes in allowances due to movements in gross carrying amounts	(8)	20	7	-	19
Other changes in collective allowances	55	6	(25)	-	36
New and increased individually assessed allowances	-	-	-	8	8
Write-back of individually assessed allowances no longer required	-	-	-	(15)	(15)
Total charged to/(credited against) the Income Statement	47	26	(18)	(7)	48
Amounts written off from individually assessed allowances	-	-	-	(5)	(5)
Balance at end of period	199	239	96	58	592

$ millions	Banking Group				
Movement in Gross Carrying Amounts	**Collectively Assessed**			**Individually Assessed**	
As at 31 December 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	86,981	17,268	839	212	105,300
Changes due to transfers between ECL Stages					
Stage 1 to Stage 2	(6,425)	6,425	-	-	-
Stage 1 to Stage 3	(315)	-	315	-	-
Stage 2 to Stage 1	2,314	(2,314)	-	-	-
Stage 2 to Stage 3	-	(190)	190	-	-
Stage 3 to Stage 1	8	-	(8)	-	-
Stage 3 to Stage 2	-	302	(302)	-	-
Net transfers to/(from) Stage 3 individually assessed	1	(14)	8	5	-
Total changes due to transfers between ECL Stages	(4,417)	4,209	203	5	-
Additions and deletions					
Additions	14,574	2,953	36	-	17,563
Deletions (excluding amounts written off)	(12,278)	(3,190)	(137)	(5)	(15,610)
Net additions/(deletions)	2,296	(237)	(101)	(5)	1,953
Amounts written off	-	(5)	(6)	(5)	(16)
Balance at end of period	84,860	21,235	935	207	107,237

5 Allowance for Expected Credit Loss (continued)

Unaudited

(e) Further Explanation of Movements in Allowance for Expected Credit Loss

Estimation uncertainty remains at a heightened level, including the impact of rising interest rates and inflationary pressures, natural hazards, climate change, increased geopolitical tensions around the world, global supply chain issues, rising unemployment, the ongoing COVID-19 pandemic and the impact on the Banking Group's customers. Actual credit losses may differ from the Banking Group's current estimate.

The following table presents a summary of amounts charged to the Income Statement with respect to the Banking Group's allowance for ECL:

$ millions **For the six months ended 31 December 2022**	**Banking Group**
Updates to modelled multiple macroeconomic scenarios (refer section (f))	**29**
Management adjustments to ECL	**(5)**
Charged to the Income Statement for collective allowances due to model adjustments	**24**
Other amounts charged to the Income Statement for collective allowances	**31**
Credited against the Income Statement for individually assessed allowances	**(7)**
Total charged to the Income Statement for allowance for ECL	**48**

Further information specific to each of the Banking Group's portfolios is included below.

Residential Mortgages

The Banking Group's Residential mortgages allowance for ECL in note 5(a) increased $53 million during the period, with increases in both the collective allowances of $51 million and the individually assessed allowances of $2 million.

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

- Updates to multiple macroeconomic scenarios resulting in an increase of $48 million, within Other changes in collective allowances;
- A decrease to management adjustments of $31 million for portfolio related risks adequately covered by the multiple macroeconomic scenarios, within Other changes in collective allowances; and
- A net increase of $34 million primarily due to a softening of residential property prices, credit quality deterioration and increase in portfolio size, within Other changes in collective allowances, transfers between ECL Stages, and Additions and Deletions.

Other Retail

The Banking Group's Other retail allowance for ECL in note 5(b) decreased $16 million during the period, with decreases in both the collective allowances of $15 million and the individually assessed allowances of $1 million.

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

- Updates to multiple macroeconomic scenarios resulting in an increase of $2 million, within Other changes in collective allowances;
- A net decrease to management adjustments of $13 million primarily due to adjustments adequately covered by the multiple macroeconomic scenarios, within Other changes in collective allowances; and
- A net decrease of $4 million for reductions in portfolio size, write-offs and general improvements in the underlying portfolio credit quality. These adjustments are presented within Additions and Deletions, Other changes in collective allowances, and transfers between ECL Stages.

Corporate

The Banking Group's Corporate allowances for ECL in note 5(c) has increased $6 million during the period, with increases in the collective allowances of $19 million offset by decreases in individually assessed allowances of $13 million.

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

- Updates to multiple macroeconomic scenarios resulting in a decrease of $21 million, within Other changes in collective allowances;
- A net increase to management adjustments of $39 million for the sectors within the Corporate portfolio identified as having potentially worse or lagged prospects compared to the general economy, including commercial property, rural, discretionary retail trade, entertainment, leisure and tourism and customers impacted by supply chain challenges. The gross carrying amount of transfers from Stage 1 to Stage 2 of $4.2 billion in this period reflect the impact of these adjustments and portfolio quality movements. There is also an increase of $1 million due to deterioration of portfolio credit quality. These adjustments are presented within transfers between ECL Stages and Other changes in collective allowances.

With respect to the individually assessed allowances there has been a net reduction in gross carrying amount of $7 million during the period, and a $13 million decrease in these allowances, including the Write-back of allowances no longer required, Amounts written off and New and increased allowances.

5 Allowance for Expected Credit Loss (continued)

Unaudited

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

The methodology used to estimate expected credit losses is consistent with that applied at 30 June 2022.

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

Multiple Macroeconomic Scenarios

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

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

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

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

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

	Banking Group		
As at	**31-Dec-22**	31-Dec-21	30-Jun-22
Upside	**2.5%**	5%	2.5%
Central	**50%**	52.5%	50%
Downside	**40%**	35%	40%
Severe downside	**7.5%**	7.5%	7.5%

A refresh of credit risk factors for all scenarios reflecting economic pressures such as rising interest rates, inflationary pressure, increased geopolitical tensions and global supply chain disruption has been performed. These updates over the period have worsened the Central scenario's macroeconomic outlook. The movements in credit risk factors, general portfolio movements and management adjustments have resulted in a $43 million increase in allowance for ECL. This comprises a $55 million increase in collective allowances and a $12 million decrease in individually assessed allowances due to improvements or other resolution of the underlying asset.

Macroeconomic Credit Risk Factors

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

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

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

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

- Central (50%): The outlook for the next twelve months reflects a combination of unemployment increasing to 4.8%, house price reductions of 7.3% reflecting continued softening of the residential property market due to rising interest rates and inflation, growth in business investment of 3.5% and the OCR increasing to 5.5%. This scenario represents one where monetary policy controls bring inflation under control relatively quickly, with moderate economic impacts. Economic stabilisation is expected in the following 24 months while unemployment is marginally higher at 5.6%, the OCR reducing to 4.5%, house price growth of 2% and business investment of 2.5%.
- Upside (2.5%): The outlook for the next twelve months reflects a more positive outlook, with unemployment at 3%, house prices growing at 8%, business investment growth of 10% and the OCR reducing to 3.5%. This positive outlook continues in the following 24 months.

5 Allowance for Expected Credit Loss (continued)

Unaudited

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

- Downside (40%): The outlook for the next twelve months reflects a sharper but relatively short term economic shock with unemployment rising to 9%, house price reductions of 20%, negative business investment outlook of 15% and the OCR increasing to 6.5%. Economic recovery commences in the following 24 months with unemployment reducing to 7%, the OCR reducing to 5.5%, further house price reductions of 5% and relatively stable business investment growth of 3%.
- Severe downside (7.5%): Reflects the sharpest economic shock, which continues over the longer term. In the next twelve months unemployment rises to a peak of 12%, house prices fall by 25% and a negative business investment outlook of 30%, offset by an OCR of negative 0.25%. This negative trend continues through the following 24 months, with house prices falling a further 15%, unemployment remaining at 10%, business investment contracting a further 15% and the OCR dropping to negative 0.5%.

Sensitivity to Macroeconomic Scenarios

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

$ millions	Banking Group		
As at	**31-Dec-22**	31-Dec-21	30-Jun-22
Upside	**(302)**	(175)	(238)
Central	**(203)**	(171)	(160)
Downside	**79**	77	68
Severe downside	**1,034**	955	786

Sensitivity to SICR Assessment

If an additional 1% of Stage 1 financial assets were assessed as having a SICR at 31 December 2022, with the scenario weightings applied at 31 December 2022 held constant, the Banking Group's allowance for ECL would increase by $11 million as a result of recognising a loss allowance equal to Stage 2 lifetime ECL (rather than at an amount equal to one year of ECL). Conversely, if 1% of Stage 2 financial assets were assessed as no longer having a SICR, the Banking Group's allowance for ECL would decrease by $1 million.

(g) Natural hazards and climate change risk

The Banking Group acknowledges the risks resulting from natural hazards and climate change, and the potential for these risks to impact on our customers' ability to service and repay their loans, as well as impacting the value of collateral the Banking Group holds to secure loans. The Banking Group will continue to evaluate potential natural hazard and climate change impacts across key lending portfolios and any impact on provision levels. As at 31 December 2022, the Banking Group has considered the impacts of these risks over our provision time horizon and is adequately provided.

Notes to the Financial Statements

For the six months ended 31 December 2022

6 Credit Quality Information for Advances to Customers

Unaudited

$ millions	Banking Group			
As at 31 December 2022	**Residential Mortgages**	**Other Retail**	**Corporate**	**Total**
Past due assets not individually impaired				
1 to 7 days	1,267	70	201	1,538
8 to 29 days	711	63	78	852
1 to 29 days	1,978	133	279	2,390
30 to 59 days	191	27	8	226
60 to 89 days	72	13	-	85
90 days and over	142	22	13	177
Total past due assets not individually impaired	2,383	195	300	2,878
Other assets under administration	14	2	9	25
Undrawn lending commitments to customers with individually impaired assets	-	-	18	18

7 Impairment Losses on Financial Assets

Unaudited

$ millions	Banking Group			
For the six months ended 31 December 2022	**Residential Mortgages**	**Other Retail**	**Corporate**	**Total**
Impairment losses charged to/(credited against) the Income Statement for collective allowances	51	(15)	19	55
Impairment losses charged to/(credited against) the Income Statement for individually assessed allowances	2	-	(9)	(7)
Bad debts written off directly to the Income Statement	-	11	-	11
Recovery of amounts previously written off	-	(7)	(3)	(10)
Total impairment losses/(recoveries) recognised in the Income Statement	53	(11)	7	49

Impairment losses on other financial assets for the period ended 31 December 2022 are not material to the Banking Group.

8 Concentrations of Credit Exposures

Unaudited

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

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

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

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

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

$ millions	Banking Group			
As at 31 December 2022	**Financial Assets at Amortised Cost**	**Financial Assets at Fair Value**	**Other Credit Exposures**	**Total Credit Exposures**
Concentration by industry				
Agriculture	9,996	-	878	10,874
Forestry and Fishing, Agriculture Support Services	375	3	67	445
Manufacturing	1,154	24	369	1,547
Electricity, Gas, Water and Waste Services	424	72	158	654
Construction	740	-	399	1,139
Wholesale Trade	950	26	613	1,589
Retail Trade and Accommodation	1,733	1	613	2,347
Transport, Postal and Warehousing	749	-	275	1,024
Financial and Insurance Services	10,094	4,552	548	15,194
Rental, Hiring and Real Estate Services	36,383	-	1,598	37,981
Professional, Scientific, Technical, Administrative and Support Services	769	3	413	1,185
Public Administration and Safety	90	2,785	44	2,919
Education and Training	192	-	125	317
Health Care and Social Assistance	1,182	-	437	1,619
Arts, Recreation and Other Services	362	3	180	545
Households	50,680	-	10,202	60,882
All Other	29	-	29	58
Total credit exposures by industry	115,902	7,469	16,948	140,319
Concentration by geographic region				
Auckland	52,582	1,404	9,488	63,474
Rest of New Zealand	61,344	2,668	7,285	71,297
Overseas	1,976	3,397	175	5,548
Total credit exposures by geographic region	115,902	7,469	16,948	140,319

9 Concentration of Credit Exposures to Individual Counterparties

Unaudited

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

The peak end-of-day aggregate concentration of credit exposure to individual counterparties has been calculated by determining the maximum end-of-day aggregate amount of credit exposure over the six-month period and then dividing that amount by the Banking Group's Common Equity Tier 1 ("CET1") capital as at 31 December 2022.

	Banking Group	
Number of exposures that equals or exceeds 10% of CET1 capital	**Exposure as at 31-Dec-22**	**Peak end-of-day exposure over six months to 31-Dec-22**
Exposures to 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	-	-
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-22**	Unaudited 31-Dec-21	Audited 30-Jun-22
Certificates of deposit	**3,667**	2,879	2,886
Term deposits	**31,687**	25,401	26,526
On demand and short term deposits	**35,172**	38,864	37,871
Deposits not bearing interest	**12,083**	13,906	13,175
Repurchase agreements	**5,561**	1,797	4,064
Total deposits and other borrowings	**88,170**	82,847	84,522

Notes to the Financial Statements

For the six months ended 31 December 2022

11 Debt Issues

$ millions	Banking Group		
	Unaudited	Unaudited	Audited
As at	**31-Dec-22**	31-Dec-21	30-Jun-22
Debt issues at fair value through Income Statement	**1,125**	3,931	1,300
Debt issues at amortised cost	**19,091**	18,567	21,307
Total debt issues	**20,216**	22,498	22,607
Movement in debt issues			
Balance at beginning of period	**22,607**	22,936	22,936
Issuances during the period	**4,693**	6,050	10,642
Repayments during the period	**(6,708)**	(6,383)	(10,789)
Fair value hedge adjustment movements	**(403)**	(250)	(1,468)
Foreign exchange and other movements	**27**	145	1,286
Balance at the end of period	**20,216**	22,498	22,607

12 Credit and Capital Commitments, and Contingent Liabilities

$ millions	Banking Group Notional Amount		
	Unaudited	Unaudited	Audited
As at	**31-Dec-22**	31-Dec-21	30-Jun-22
Credit and capital commitments			
Lending commitments approved but not yet advanced (1)	**16,027**	16,323	16,303
Capital expenditure commitments	**2**	4	2
Total credit and capital commitments	**16,029**	16,327	16,305
Credit related contingent liabilities			
Financial guarantees	**272**	219	256
Letters of credit	**189**	93	204
Other credit facilities	**460**	473	456
Total credit related contingent liabilities	**921**	785	916

(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.

Other Contingent Liabilities

Proceedings were served on ASB on 29 September 2021 by plaintiffs seeking to bring a representative action on behalf of a class of plaintiffs against ASB in the High Court of New Zealand, Auckland Registry. These proceedings relate to ASB's variation disclosure obligations under the Credit Contracts and Consumer Finance Act 2003.

On 29 July 2022, the Court granted leave for the plaintiffs to bring the action against ASB as an opt out representative action on behalf of a class, being customers who had a home or personal loan with ASB between 6 June 2015 and 18 June 2019 and who requested a variation to such loan during such time period. ASB is appealing the Court's decision. That class and the breaches alleged are not confined to those referred to in ASB's settlement with the Commerce Commission dated 23 February 2021. The plaintiffs are seeking a range of relief including that ASB is not entitled to retain costs of borrowing (interest and fees) for the period during which the plaintiffs allege that ASB did not provide and has not subsequently provided requisite variation disclosure under the Act. ASB is defending the proceedings.

It is currently not possible to determine the ultimate impact of this claim, if any, on the Banking Group. The Banking Group has provided for current legal costs expected to be incurred in the defence of this claim.

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

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

Notes to the Financial Statements

For the six months ended 31 December 2022

13 Contributed Capital

	Banking Group					
	Number of shares			$ millions		
	Unaudited	Unaudited	Audited	**Unaudited**	Unaudited	Audited
As at	**31-Dec-22**	31-Dec-21	30-Jun-22	**31-Dec-22**	31-Dec-21	30-Jun-22
Issued and fully paid ordinary share capital						
Balance at beginning of period	**5,148,121,300**	5,148,121,300	5,148,121,300	**5,173**	5,173	5,173
Share capital issued [1]	**1,000,000,000**	-	-	**1,000**	-	-
Balance at end of period	**6,148,121,300**	5,148,121,300	5,148,121,300	**6,173**	5,173	5,173
Issued and fully paid perpetual preference share capital						
Balance at beginning of period	**10,000,000**	10,000,000	10,000,000	**1,000**	1,000	1,000
Redemption of perpetual preference shares [2]	**(10,000,000)**	-	-	**(1,000)**	-	-
Balance at end of period	**-**	10,000,000	10,000,000	**-**	1,000	1,000
Total contributed capital				**6,173**	6,173	6,173

[1] On 15 December 2022, the Bank issued 1,000,000,000 ordinary shares to ASB Holdings Limited, with each share issued for a subscription price of $1.

[2] On 15 December 2022, the Bank exercised its option to redeem 6,000,000 perpetual preference shares issued to ASB Holdings Limited on 16 March 2015 and 4,000,000 perpetual preference shares issued to ASB Holdings Limited on 31 March 2016 for $100 per perpetual preference share. The redemption amount was immediately applied to satisfy the obligation of ASB Holdings Limited to pay the subscription price of the ordinary share issue.

14 Related Party Transactions and Balances

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

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

During the six months ended 31 December 2022 the Banking Group has entered into, or had in place, various financial transactions with members of the Commonwealth Bank Group and other related parties. The Bank provides administrative functions to some related companies and entities for which no compensation has been received. In all other cases, arrangements with related parties were conducted on an arm's length basis and on normal commercial terms, and within the Bank's approved policies. Loans to and borrowings from related parties are unsecured.

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

$ millions	**Banking Group**		
	Unaudited	Unaudited	Audited
As at	**31-Dec-22**	31-Dec-21	30-Jun-22
Commonwealth Bank Group	**1,236**	555	980
Superannuation schemes and managed investment schemes managed by ASB Group Investments Limited	**17**	20	18
Trade Window Holdings Limited	**1**	2	2
Total amounts due from related parties	**1,254**	577	1,000
Commonwealth Bank Group	**2,466**	1,403	2,141
ASB Holdings Limited	**4**	10	1
Superannuation schemes and managed investment schemes managed by ASB Group Investments Limited	**1,447**	1,485	1,428
Trade Window Holdings Limited	**4**	9	3
Total amounts due to related parties	**3,921**	2,907	3,573

For the six months ended 31 December 2022, significant related party transactions included interest expense paid to the Commonwealth Bank Group of $203 million (31 December 2021 $51 million), interest expense paid to schemes managed by ASB Group Investments Limited of $27 million (31 December 2021 $6 million) and management and administration fees received from schemes managed by ASB Group Investments Limited of $63 million (31 December 2021 $71 million). Shares issued to and repurchased from related parties are disclosed in note 13 and the Statement of Changes in Equity. Dividends paid to the shareholder are disclosed in the Statement of Changes in Equity.

15 Fair Value of Financial Instruments

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

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

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

- Level 1 – fair values are based on quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities that the Banking Group can access;
- Level 2 – 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 significant inputs that are unobservable for the financial asset or financial liability.

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

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

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

The Banking Group considers transfers between levels, if any, to have occurred at the end of the reporting period for which the financial statements are prepared. There were no transfers between levels for recurring fair value measurements for the period ended 31 December 2022.

15 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		Banking Group		
$ millions				
As at 31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Securities at fair value through other comprehensive income	**5,417**	**1,328**	**-**	**6,745**
Derivative assets	**1**	**723**	**-**	**724**
Total financial assets measured at fair value	**5,418**	**2,051**	**-**	**7,469**
Financial liabilities				
Derivative liabilities	**-**	**1,611**	**-**	**1,611**
Debt issues at fair value through Income Statement	**-**	**1,125**	**-**	**1,125**
Total financial liabilities measured at fair value	**-**	**2,736**	**-**	**2,736**

Unaudited		Banking Group		
$ millions				
As at 31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Securities at fair value through other comprehensive income	5,366	1,834	-	7,200
Derivative assets	-	615	-	615
Total financial assets measured at fair value	5,366	2,449	-	7,815
Financial liabilities				
Derivative liabilities	1	418	-	419
Debt issues at fair value through Income Statement	-	3,931	-	3,931
Total financial liabilities measured at fair value	1	4,349	-	4,350

Audited		Banking Group		
$ millions				
As at 30 June 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Securities at fair value through other comprehensive income	5,578	1,601	-	7,179
Derivative assets	-	1,294	-	1,294
Total financial assets measured at fair value	5,578	2,895	-	8,473
Financial liabilities				
Derivative liabilities	-	1,143	-	1,143
Debt issues at fair value through Income Statement	-	1,300	-	1,300
Total financial liabilities measured at fair value	-	2,443	-	2,443

15 Fair Value of Financial Instruments (continued)

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

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

$ millions	Banking Group					
	Unaudited		Unaudited		Audited	
	31-Dec-22		31-Dec-21		30-Jun-22	
As at	**Fair Value**	**Carrying Value**	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets						
Cash and liquid assets	**8,084**	**8,084**	5,444	5,444	6,613	6,613
Due from financial institutions	**1,173**	**1,173**	370	370	660	660
Advances to customers	**104,729**	**106,645**	101,126	102,149	102,932	104,751
Other financial assets	**328**	**328**	231	231	262	262
Total	**114,314**	**116,230**	107,171	108,194	110,467	112,286
Financial liabilities						
Deposits and other borrowings	**88,045**	**88,170**	82,848	82,847	84,433	84,522
Due to financial institutions	**2,131**	**2,131**	1,050	1,050	1,435	1,435
Other financial liabilities(1)	**625**	**625**	318	318	395	395
Debt issues at amortised cost	**18,984**	**19,091**	18,722	18,567	21,219	21,307
Loan capital	**893**	**908**	-	-	955	955
Total	**110,678**	**110,925**	102,938	102,782	108,437	108,614

(1) Other financial liabilities exclude the lease liability of $185 million as at 31 December 2022 (30 June 2022 $193 million, 31 December 2021 $205 million) as no fair value disclosure is required in respect of lease liabilities.

16 Capital Adequacy

Unaudited

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

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

The prudential capital buffer increased from 2.5% to 3.5% on 1 July 2022 and will increase progressively to 9% by 1 July 2028. The scalar applied to IRB credit risk-weighted assets ("RWA") increased from 6% to 20% on 1 October 2022, with the scalar applied to standardised exposures decreasing from 6% to 0%. The RBNZ has confirmed IRB banks will now be required to dual report IRB and standardised RWA from 30 June 2023.

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

16 Capital Adequacy (continued)

Unaudited

$ millions **As at 31 December 2022**	**Banking Group**
Capital under Basel III IRB approach	
Tier 1 capital	
CET1 capital	
Issued and fully paid-up ordinary share capital	**6,173**
Retained earnings	**3,946**
Accumulated other comprehensive income and other disclosed reserves	**240**
Deductions from CET1 capital:	
Goodwill and other intangible assets	**(223)**
Deferred tax assets	**(156)**
Cash flow hedge reserve	**(212)**
Total CET1 capital	**9,768**
Additional Tier 1 capital	**-**
Total Tier 1 capital	**9,768**
Tier 2 capital	
Loan capital	**949**
Asset revaluation reserve	**20**
Eligible impairment allowance in excess of expected loss	**67**
Total Tier 2 capital	**1,036**
Total capital	**10,804**

	Banking Group		**Bank**	
As at	**31-Dec-22**	31-Dec-21	**31-Dec-22**	31-Dec-21
Capital ratios				
CET1 capital ratio	**14.1%**	12.9%	**14.0%**	12.9%
Tier 1 capital ratio	**14.1%**	14.5%	**14.0%**	14.5%
Total capital ratio	**15.5%**	14.6%	**15.5%**	14.5%
Prudential capital buffer ratio	**7.5%**	6.6%	**7.5%**	6.5%
Minimum ratio requirement				
CET1 capital ratio	**4.5%**	4.5%	**4.5%**	4.5%
Tier 1 capital ratio	**6.0%**	6.0%	**6.0%**	6.0%
Total capital ratio	**8.0%**	8.0%	**8.0%**	8.0%
Prudential capital buffer ratio	**3.5%**	2.5%	**3.5%**	2.5%

$ millions		**Banking Group**	
As at 31 December 2022	**Total Exposure[(1)]**	**RWA[(2)]**	**Capital Requirement**
Capital requirements			
Total credit risk	**146,214**	**58,970**	**4,718**
Operational risk	**N/A**	**7,681**	**614**
Market risk	**N/A**	**2,840**	**227**
Total capital requirement		**69,491**	**5,559**

As at 31 December 2022, the Banking Group held $5,245m of capital in excess of its regulatory capital requirements.

(1) Total exposure is after credit risk mitigation.

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

16 Capital Adequacy (continued)

Unaudited

Capital Structure

Ordinary Shares

The total number of ordinary shares issued by the Bank as at 31 December 2022 was 6,148,121,300. All ordinary shares have equal voting rights and share equally in dividends and any profit on winding up. Dividends are declared, subject in all cases, to the applicable directors' resolutions being passed. Ordinary shares qualify as CET1 capital under the RBNZ's BPRs.

From 1 July 2022, the RBNZ removed dividend restrictions that had been in place as a result of economic uncertainty brought on by COVID-19 pandemic, since 29 April 2021.

Loan Capital

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

Maturity and Redemption

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

Interest

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

Reserves

Accumulated other comprehensive income and other disclosed reserves in CET1 capital include the fair value through other comprehensive income reserve of $28 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 $20 million included in Tier 2 capital relates to revaluation gains on land and buildings carried at valuation.

16 Capital Adequacy (continued)

Unaudited

Credit risk exposures subject to the IRB approach by exposure class

As at 31 December 2022	Banking Group					
Probability of Default ("PD") Grade	Weighted Average PD	Exposure Amount $ millions	Exposure Weighted Loss Given Default	Exposure Weighted Risk Weight	Risk Weighted Assets[1] $ millions	Minimum Capital Requirement $ millions
Exposures secured by residential mortgages						
Less than and including 0.50%	0.34%	31,095	16%	11%	4,027	322
Over 0.50% up to and including 0.85%	0.66%	13,783	19%	20%	3,322	266
Over 0.85% up to and including 3.26%	1.44%	36,224	21%	37%	15,982	1,279
Over 3.26% up to and including 7.76%	5.94%	681	23%	90%	737	59
Over 7.76% up to and including 99.99%	-	-	-	-	-	-
Default PD grade	100.00%	867	22%	175%	1,816	145
Total exposures secured by residential mortgages	1.97%	82,650	19%	26%	25,884	2,071
Other retail exposures						
Less than and including 0.50%	0.34%	895	74%	42%	450	36
Over 0.50% up to and including 0.85%	0.65%	351	74%	62%	259	21
Over 0.85% up to and including 3.26%	1.28%	707	74%	81%	691	55
Over 3.26% up to and including 7.76%	3.29%	189	74%	105%	238	19
Over 7.76% up to and including 99.99%	-	-	-	-	-	-
Default PD grade	100.00%	15	74%	423%	76	6
Total other retail exposures	1.65%	2,157	74%	66%	1,714	137
Corporate exposures - small and medium enterprises						
Less than and including 0.20%	0.15%	856	31%	21%	216	17
Over 0.20% up to and including 0.50%	0.33%	3,661	25%	28%	1,208	97
Over 0.50% up to and including 1.00%	0.67%	11,374	26%	41%	5,558	444
Over 1.00% up to and including 2.30%	1.42%	5,637	27%	53%	3,609	289
Over 2.30% up to and including 99.99%	7.23%	1,415	28%	88%	1,500	120
Default PD grade	100.00%	223	43%	297%	792	63
Total corporate exposures - small and medium enterprises	2.13%	23,166	27%	46%	12,883	1,030
Other corporate exposures						
Less than and including 0.20%	0.08%	2,535	50%	25%	759	61
Over 0.20% up to and including 0.50%	0.30%	2,787	41%	46%	1,537	123
Over 0.50% up to and including 1.00%	0.68%	2,226	39%	64%	1,704	136
Over 1.00% up to and including 2.30%	1.31%	567	36%	71%	484	39
Over 2.30% up to and including 99.99%	3.46%	249	40%	116%	346	28
Default PD grade	100.00%	12	57%	20%	3	-
Total other corporate exposures	0.64%	8,376	43%	48%	4,833	387
Total credit risk exposures subject to the IRB approach		116,349			45,314	3,625

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

16 Capital Adequacy (continued)

Unaudited

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

$ millions	Banking Group			
	Undrawn Commitments and Other Off Balance Sheet Contingent Liabilites		Counterparty Credit Risk on Derivatives and Securities Financing Transactions	
As at 31 December 2022	**Value**	**EAD**	**Value**	**EAD**
Exposures secured by residential mortgages	8,961	8,861	-	-
Other retail exposures	1,910	1,191	-	-
Corporate exposures - small and medium enterprises	3,064	3,012	1,518	24
Other corporate exposures	2,361	2,194	3,984	97
	16,296	15,258	5,502	121

$ millions	Banking Group					
LVR Range						
As at 31 December 2022	**Does not exceed 60%**	**Exceeds 60% and not 70%**	**Exceeds 70% and not 80%**	**Exceeds 80% and not 90%**	**Exceeds 90%**	**Total**
Residential mortgages by loan-to-valuation ratio ("LVR")						
On balance sheet exposures	36,882	15,662	17,628	3,950	1,227	75,349
Off balance sheet exposures	6,154	1,204	1,282	181	218	9,039
Total value of exposures	43,036	16,866	18,910	4,131	1,445	84,388
Expressed as a percentage of total exposures	51.0%	20.0%	22.4%	4.9%	1.7%	100.0%

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

$ millions **As at 31 December 2022**	**Banking Group**
Reconciliation of mortgage-related amounts	
Residential mortgages in Advances to customers (refer to note 4)[1]	74,997
Add/(less):	
Off balance sheet exposures	9,039
Exposure at default adjustments	713
Unamortised loan establishment fees and expenses	(361)
Residential mortgages in LVR disclosure	84,388
Add/(less):	
Corporate lending secured by residential mortgages (subject to the standardised approach)	(1,724)
Residential mortgages (subject to the standardised approach)	(14)
Residential mortgages subject to the IRB approach	82,650

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

Notes to the Financial Statements

For the six months ended 31 December 2022

16 Capital Adequacy (continued)

Unaudited

As at 31 December 2022 On Balance Sheet Exposures Subject to the Slotting Approach	Banking Group Total Exposure after Credit Risk Mitigation $ millions	Risk Weight	Risk Weighted Assets[(1)] $ millions	Minimum Pillar 1 Capital Requirement $ millions
Specialised lending				
Strong	1,083	70%	910	73
Good	2,350	90%	2,538	203
Satisfactory	435	115%	600	48
Weak	22	250%	65	5
Default	8	0%	-	-
	3,898		4,113	329

As at 31 December 2022 Off Balance Sheet Exposures Subject to the Slotting Approach	Banking Group EAD $ millions	Average Risk Weight	Risk Weighted Assets[(1)] $ millions	Minimum Pillar 1 Capital Requirement $ millions
Undrawn commitments and other off balance sheet exposures	170	89%	182	15

As at 31 December 2022 On Balance Sheet Exposures Subject to the Standardised Approach	Banking Group Total Exposure after Credit Risk Mitigation $ millions	Average Risk Weight	Risk Weighted Exposure $ millions	Minimum Pillar 1 Capital Requirement $ millions
Cash and gold bullion	122	-	-	-
Sovereigns and central banks	11,580	-	-	-
Multilateral development banks and other internal organisations	2,797	4%	112	9
Public sector entities	35	20%	7	1
Banks	2,274	37%	832	67
Corporate	1,511	99%	1,491	119
Residential mortgages	1,548	38%	591	47
Past due assets	19	120%	23	2
Other assets	1,840	76%	1,393	111
Total balance sheet exposures	21,726		4,449	356

As at 31 December 2022 Off Balance Sheet Exposures and Counterparty Credit Risk for Counterparties Subject to the Standardised Approach	Banking Group Total Exposure or Principal Amount $ millions	Average Credit Conversion Factor	Credit Equivalent Amount $ millions	Average Risk Weight	Risk Weighted Exposure $ millions	Minimum Pillar 1 Capital Requirement $ millions
Total off balance sheet exposures subject to the standardised approach	1,342	49%	654	74%	483	39
Counterparty credit risk for counterparties subject to the standardised approach						
Foreign exchange contracts	26,914	N/A	485	31%	149	12
Interest rate contracts	181,422	N/A	2,902	3%	73	6
Other	6	N/A	23	20%	5	-
Total off balance sheet exposures and counterparty credit risk for counterparties subject to the standardised approach	209,684		4,064		710	57

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

16 Capital Adequacy (continued)

Unaudited

As at 31 December 2022	Banking Group			
Equity Exposures Subject to the Standardised Approach	**Total Exposure $ millions**	**Risk Weight**	**Risk Weighted Exposure $ millions**	**Minimum Pillar 1 Capital Requirement $ millions**
All other equity holdings not deducted from capital	7	400%	27	2

$ millions	Banking Group		
As at 31 December 2022	**Total Exposure after Credit Risk Mitigation**	**Risk Weighted Exposure**	**Total Capital Requirement**
Total credit risk			
Exposures subject to the IRB approach	116,349	45,314	3,625
Specialised lending subject to the slotting approach	4,068	4,295	344
Exposures subject to the standardised approach	25,797	5,186	415
Credit valuation adjustment	-	286	23
Total credit risk (excluding standardised floor impact)	146,214	55,081	4,407
Standardised floor impact [(1)]	-	3,889	311
Total credit risk (including standardised floor impact)	146,214	58,970	4,718

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

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

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

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

16 Capital Adequacy (continued)

Unaudited

Credit Risk Mitigation

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

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

$ millions	Banking Group	
31 December 2022	**For portfolios subject to the standardised approach: total value of exposures covered by eligible financial collateral (after haircutting)**	**For all portfolios: total value of exposures covered by guarantees or credit derivatives**
Total exposures		
Sovereign	**3,089**	**-**
Bank	**836**	**-**
Corporate (including specialised lending)	**61**	**-**
Residential mortgage	**2**	**-**
Other	**-**	**-**

Operational Risk

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

The implied risk-weighted exposure for operational risk as at 31 December 2022 was $7,681 million.

The total operational risk capital requirement as at 31 December 2022 was $614 million.

16 Capital Adequacy (continued)

Unaudited

Market Risk Capital Charges

The Banking Group's aggregate market risk exposure is derived in accordance with BPR140: *Market Risk*. The peak end-of-day exposure is derived by taking the highest market risk exposure over the six months ended 31 December 2022.

$ millions	Banking Group			
Exposures as at 31 December 2022	**Interest Rate Risk**	**Foreign Currency Risk**	**Equity Risk**	**Total**
Implied risk-weighted exposure	**2,826**	**14**	**-**	**2,840**
Aggregate capital charge	**226**	**1**	**-**	**227**

$ millions	Banking Group			
Peak end-of-day exposures for the six months ended 31 December 2022	**Interest Rate Risk**	**Foreign Currency Risk**	**Equity Risk**	**Total**
Implied risk-weighted exposure	**3,147**	**50**	**-**	**3,197**
Aggregate capital charge	**252**	**4**	**-**	**256**

Capital for Other Material Risks

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

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

The Banking Group's ICAAP includes an assessment of capital required to cover material risks not already captured in the measurement of regulatory capital. Other material risks considered by the Banking Group include strategic risk, liquidity risk, reputational risk, funding risk, concentration risk, information technology and cyber risk. As at 31 December 2022, internal capital allocations of $349 million (31 December 2021 $357 million) had been made for other material risks.

Capital Adequacy of Ultimate Parent Bank and Ultimate Parent Banking Group

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

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

Australian Prudential Regulation Authority ("APRA") prudential standards require the ultimate parent banking group to have a minimum CET1 ratio of 4.5%. An additional CET1 capital conservation buffer of 3.5%, inclusive of a domestic systemically important bank requirement of 1.0% and a countercyclical capital buffer ("CCyB") of 0% brings the CET1 requirement to at least 8.0% 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).

As at 31 December 2022, the minimum capital requirements were met (31 December 2021 minimum capital requirements were met).

From 1 January 2023, APRA has implemented its revisions to the capital framework. The new framework requires the ultimate parent banking group to have a minimum CET1 ratio of 4.5% plus an additional CET1 capital conservation buffer of 5.75% (inclusive of a domestic systemically important bank requirement of 1.0% and a CCyB of 1.0%)[1], which brings the CET1 requirement to a least 10.25%. The ultimate parent banking group is well placed to meet the new requirements.

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

	Ultimate Parent Bank		Ultimate Parent Banking Group	
As at	**31-Dec-22**	31-Dec-21	**31-Dec-22**	31-Dec-21
CET1 capital ratio	**11.7%**	12.0%	**11.4%**	11.8%
Tier 1 capital ratio	**13.7%**	14.4%	**13.3%**	14.0%
Total capital ratio	**18.6%**	18.6%	**17.8%**	18.0%

Notes to the Financial Statements

For the six months ended 31 December 2022

17 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, Chubb International Investments Limited and AIA New Zealand Limited. None of these are affiliated insurance entities.

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

Unaudited

On 4 December 2022, Mortgage Holding Trust Company Limited was amalgamated into ASB Bank Limited. Mortgage Holding Trust Company Limited was previously a wholly owned subsidiary of the Bank. There was no material impact on the consolidated financial statements of the Banking Group.

On 20 July 2022, the Bank invested an additional $1.8 million in Trade Window Holdings Limited. Trade Window Holdings Limited remains an associate of the Banking Group.

There were no other changes in the composition of the Banking Group for the six months ended 31 December 2022.

19 Financial Reporting by Operating Segments

Unaudited

During the period ended 31 December 2022, the Banking Group changed its operating segments. This included the consolidation of the Private Banking, Wealth and Insurance segment (excluding the retail broking business) into the Retail Banking segment (subsequently renamed to Personal Banking), and the consolidation of the retail broking business into the Corporate Banking segment. These changes are intended to better align the Banking Group's internal business with the needs of its primary customer groups, distribution channels and core product offerings. They were implemented from 1 July 2022 and have been applied retrospectively.

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

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

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

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

Other: Other primarily includes:

- Business units that do not meet the definition of operating segments under NZ IFRS 8 *Operating Segments,* including the Bank's Treasury function and other functions that supply support and services to the segments;
- 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 transactions are eliminated for the purposes of reporting the consolidated Banking Group's results and are included in the Other segment.

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

19 Financial Reporting by Operating Segments (continued)

Unaudited

	Banking Group				
$ millions	Personal Banking	Business Banking	Corporate Banking	Other	Total
Income Statement					
For the six months ended 31 December 2022					
Net interest income	801	587	130	30	1,548
Lending fees	3	9	4	-	16
Commission and other fees	124	25	12	-	161
Funds management income	64	4	-	-	68
Fee and commission income	191	38	16	-	245
Fee and commission expense	(38)	-	-	-	(38)
Net fee and commission income	153	38	16	-	207
Other operating income [1]	29	23	3	16	71
Total operating income	983	648	149	46	1,826
Impairment losses on advances	(38)	(9)	(2)	-	(49)
Segment operating expenses	(387)	(180)	(42)	-	(609)
Segment net profit before tax	558	459	105	46	1,168
Tax expense	(156)	(128)	(29)	(15)	(328)
Segment net profit after tax	402	331	76	31	840
Balance Sheet					
As at 31 December 2022					
Total assets	60,515	41,589	7,881	14,500	124,485
Total liabilities	49,640	18,905	9,107	36,454	114,106

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

19 Financial Reporting by Operating Segments (continued)

Unaudited

$ millions	Banking Group Personal Banking	Business Banking	Corporate Banking	Other	Total
Income Statement (1)					
For the six months ended 31 December 2021					
Net interest income	653	497	82	43	1,275
Lending fees	7	10	3	-	20
Commission and other fees	110	19	11	-	140
Funds management income	77	4	-	-	81
Fee and commission income	194	33	14	-	241
Fee and commission expense	(33)	-	-	-	(33)
Net fee and commission income	161	33	14	-	208
Other operating income (2)	17	17	14	37	85
Total operating income	831	547	110	80	1,568
Impairment recoveries/(losses) on advances	3	21	(10)	(1)	13
Segment operating (expenses)/benefit	(358)	(168)	(39)	43	(522)
Segment net profit before tax	476	400	61	122	1,059
Tax expense	(133)	(112)	(17)	(35)	(297)
Segment net profit after tax	343	288	44	87	762
Balance Sheet (1)					
As at 31 December 2021					
Total assets	57,322	41,241	7,010	11,266	116,839
Total liabilities	48,033	19,865	9,048	30,577	107,523

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

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

20 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 2022	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	7,996	-	-	-	-	88	8,084
Due from financial institutions	1,173	-	-	-	-	-	1,173
Securities at fair value through other comprehensive income	906	958	558	728	3,595	-	6,745
Derivative assets	-	-	-	-	-	724	724
Advances to customers	42,174	10,688	21,176	22,505	10,353	(251)	106,645
Other financial assets	-	-	-	-	-	328	328
Total financial assets	52,249	11,646	21,734	23,233	13,948	889	123,699
Non-financial assets							786
Total assets							124,485
Liabilities							
Deposits and other borrowings	54,051	10,272	9,574	1,199	991	12,083	88,170
Due to financial institutions	2,095	-	-	-	-	36	2,131
Derivative liabilities	-	-	-	-	-	1,611	1,611
Other financial liabilities	-	-	-	-	-	810	810
Debt issues:							
At fair value through Income Statement	275	-	850	-	-	-	1,125
At amortised cost	2,512	784	1,345	3,943	12,060	(1,553)	19,091
Loan capital	-	-	-	-	945	(37)	908
Total financial liabilities	58,933	11,056	11,769	5,142	13,996	12,950	113,846
Non-financial liabilities							260
Total liabilities							114,106
Net derivative notionals	10,339	2,364	(11,255)	(10,499)	9,051		
Interest rate sensitivity gap	3,655	2,954	(1,290)	7,592	9,003		

21 Regulatory Liquidity Ratios

Unaudited

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

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

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

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

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

The average of these ratios for the quarters ended 31 December 2022 and 30 September 2022 are reflected in the table below.

	Banking Group	
Average for the three months ended	**31-Dec-22**	30-Sep-22
One-month mismatch ratio	**6.9%**	6.4%
One-week mismatch ratio	**6.9%**	6.2%
Core funding ratio	**89.8%**	88.7%

b) Additional RBNZ Facilities

The RBNZ made available several facilities to support monetary policy and manage liquidity in the New Zealand banking system in 2020. These facilities allowed banks to borrow funding from the RBNZ by pledging high quality liquid assets as collateral. The Bank has an internal residential mortgage-backed securities ("RMBS") facility, which has issued securities that can be used as collateral for borrowing from the RBNZ. As at 31 December 2022, the Bank had internally securitised $18.0 billion of RMBS through the Medallion NZ Series Trust 2009-1R (30 June 2022 $16.4 billion, 31 December 2021 $14.0 billion), of which $16.5 billion of Class A floating rate notes have been assigned a credit rating of AAA by Fitch Ratings and are eligible for acceptance by the RBNZ (30 June 2022 $15.0 billion, 31 December 2021 $12.8 billion). While not intended to be used for day-to-day liquidity management, the RMBS form part of the Bank's total qualifying liquid assets (excluding RMBS that have been used as collateral for repurchase agreements with the RBNZ, as set out below). The RBNZ has imposed a tiered cap limiting the amount of RMBS that can be deemed as qualifying liquid assets available for repurchase agreements with the RBNZ, with a maximum allowance of 5% of total assets as defined in BS13A.

From 26 May 2020, the RBNZ made available a Term Lending Facility ("TLF") for a fixed term of three years at the rate of the OCR, with access to the funds linked to banks' lending under the Business Finance Guarantee Scheme ("BFGS"). The TLF was available until 28 July 2021 in line with the BFGS and the maximum term was extended to five years. The Banking Group has drawn down $222 million under this facility as at 31 December 2022 (30 June 2022 $264 million, 31 December 2021 $297 million).

From 7 December 2020, the RBNZ made available the Funding for Lending Programme ("FLP"). The FLP provides funding to banks at the prevailing OCR for a term of three years, secured by high quality collateral. The size of funding available under the FLP included an initial allocation of 4% of each banks' eligible loans (as defined by the RBNZ). A conditional additional allocation of up to 2% of eligible loans was also made available, subject to growth in eligible loans, for a total size of up to 6% of eligible loans. The facility was available until 6 June 2022 for the initial allocation and up to 6 December 2022 for the conditional additional allocation. As at 31 December 2022, the Banking Group had utilised $5.0 billion of this facility (30 June 2022 $3.8 billion, 31 December 2021 $1.5 billion).

As at 31 December 2022, $6.7 billion of the RMBS had been used as collateral for repurchase agreements with the RBNZ (30 June 2022 $5.1 billion, 31 December 2021 $2.2 billion).

22 Qualifying Liquid Assets

Unaudited

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

When the Bank enters into a repurchase agreement with the RBNZ, the qualifying liquid assets sold under the agreement are subject to a reduction in value ("haircut") in accordance with the RBNZ's Operating Rules and Guidelines. This haircut can range from 1 to 20 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 2022	**Cash and Liquid Assets**	**Securities at Fair Value through Other Comprehensive Income**	**Advances to Customers**	**Deposits and Other Borrowings (1)**	**Other Assets**	**Total**
Cash	109	-	-	-	-	109
Call deposits with the central bank	7,738	-	-	-	-	7,738
Local authority securities	-	725	-	-	4	729
New Zealand government securities	189	1,689	-	(339)	12	1,551
Corporate bonds	-	248	-	-	2	250
Treasury bills	48	-	-	-	-	48
Bank bills	-	169	-	-	-	169
Kauri bonds	-	2,774	-	-	23	2,797
Bank bonds	-	1,140	-	-	8	1,148
Residential mortgage-backed securities(2)	-	-	6,224	-	-	6,224
Total qualifying liquid assets	**8,084**	**6,745**	**6,224**	**(339)**	**49**	**20,763**

(1) This amount represents repurchase agreements with the RBNZ which are combined with the qualifying liquid assets detailed above for the purposes of managing and reporting liquidity risk.
(2) As at 31 December 2022, $6,152 million of the $6,224 million residential mortgage-backed securities included within qualifying liquid assets were eligible for repurchase transactions with the RBNZ.

23 Maturity Analysis for Undiscounted Contractual Cash Flows

Unaudited

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

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

Deposits and other borrowings include customer savings and 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 2022	**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	47,255	24,619	9,735	2,864	4,857	59	89,389	88,170
Due to financial institutions	827	525	23	45	868	-	2,288	2,131
Other financial liabilities	56	412	53	77	180	58	836	810
Debt issues:								
At fair value through Income Statement	-	277	878	-	-	-	1,155	1,125
At amortised cost	-	3,160	1,767	4,286	6,552	6,337	22,102	19,091
Loan capital	-	23	25	50	1,074	-	1,172	908
Total non-derivative financial liabilities	48,138	29,016	12,481	7,322	13,531	6,454	116,942	112,235
Derivative financial liabilities								
Inflows from derivatives	-	1,054	710	3,333	4,874	5,453	15,424	
Outflows from derivatives	-	(2,376)	(1,394)	(4,235)	(6,013)	(5,915)	(19,933)	
	-	(1,322)	(684)	(902)	(1,139)	(462)	(4,509)	
Off balance sheet items								
Lending commitments	13,368	2,659	-	-	-	-	16,027	
Financial guarantees	272	-	-	-	-	-	272	
Other credit related contingent liabilities	649	-	-	-	-	-	649	
Total off balance sheet items	14,289	2,659	-	-	-	-	16,948	

24 Concentrations of Funding
Unaudited

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

$ millions **As at**	**Banking Group** **31-Dec-22**
Total funding comprises:	
Deposits and other borrowings	**88,170**
Due to financial institutions	**2,131**
Debt issues:	
At fair value through Income Statement	**1,125**
At amortised cost	**19,091**
Loan capital	**908**
Total funding	**111,425**
Concentration by industry	
Agricultural, Forestry and Fishing	**1,385**
Manufacturing	**1,263**
Construction	**1,508**
Wholesale Trade	**1,149**
Retail Trade and Accommodation	**1,459**
Transport, Postal and Warehousing	**803**
Information Media and Telecommunications	**537**
Financial and Insurance Services	**36,073**
Rental, Hiring and Real Estate Services	**4,719**
Professional, Scientific, Technical, Administrative and Support Services	**6,700**
Public Administration and Safety	**799**
Education and Training	**1,874**
Health Care and Social Assistance	**1,967**
Arts, Recreation and Other Services	**1,949**
Households	**48,888**
All Other	**352**
Total funding by industry	**111,425**
Concentration by geographic region	
New Zealand	**81,644**
Overseas	**29,781**
Total funding by geographic region	**111,425**

25 Events after the Reporting Period
Unaudited

Subsequent to the reporting period, several regions across the North Island of New Zealand have been impacted by significant weather events. The Banking Group has advances to customers and owns or leases properties across the regions impacted. As at the date these financial statements were signed, it was not possible to make a reliable estimate of the losses, if any, resulting from these events.

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, each Director believes that over the six months ended 31 December 2022:

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

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

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

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

Dame Therese Walsh
Chair

Vittoria Shortt
Managing Director

15 February 2023

Independent auditor's review report

To the shareholder of ASB Bank Limited

Report on the Disclosure Statement (excluding the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 11)

Our conclusion

We have reviewed the condensed interim financial statements (the 'Financial Statements') required by Clause 25 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the 'Order') and the supplementary information disclosed in accordance with Schedules 5, 7, 13, 16 and 18 (the 'Supplementary Information', excluding the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 11) of the Order for the six months ended 31 December 2022 of ASB Bank Limited (the 'Bank') and the entities it controlled at 31 December 2022 or from time to time during the period (together, the 'Banking Group').

The Financial Statements comprise the balance sheet as at 31 December 2022, the related income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six months ended on that date and notes, comprising significant accounting policies and other explanatory notes.

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

a) Financial Statements have not been prepared, in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34) and International Accounting Standard 34 *Interim Financial Reporting* (IAS 34); and

b) Supplementary Information that is required to be disclosed in accordance with Schedules 5, 7, 13, 16 and 18 of the Order, does not present fairly, in all material respects, the matters to which it relates in accordance with those schedules.

Basis for conclusion

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

We are independent of the Banking Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements. In addition to our role as auditor, 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, capital adequacy, regulatory liquidity requirements and internal controls and audit related agreed upon procedure engagements. In addition, certain partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of trading activities of the Banking Group. The provision of these other services and these relationships have not impaired our independence as auditor of the Banking Group.

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Responsibilities of the Directors for the Financial Statements and Supplementary Information

The Directors are responsible, on behalf of the Bank, for the preparation and fair presentation of the Financial Statements in accordance with Clause 25 of the Order, NZ IAS 34 and IAS 34 and for such internal control as the Directors determine is necessary to enable the preparation of the Financial Statements 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 of the Disclosure Statement in accordance with Schedule 3 of the Order and preparation of the Supplementary Information in the Disclosure Statement which presents fairly, in all material respects, the matters to which it relates in accordance with Schedules 5, 7, 13, 16 and 18 of the Order.

Auditor's responsibility for the review of the Financial Statements and Supplementary Information

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

- Financial Statements, taken as a whole, have not been prepared, in all material respects, in accordance with NZ IAS 34 and IAS 34; and
- Supplementary Information does not present fairly, in all material respects, the matters to which it relates in accordance with Schedules 5, 7, 13, 16 and 18 of the Order.

A review in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform 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 and consequently do not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on these Financial Statements and Supplementary Information.

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
15 February 2023

Auckland

Independent Assurance Report

To the shareholder of ASB Bank Limited

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

Our conclusion

We have undertaken a limited assurance engagement on ASB Bank Limited (the 'Bank')'s compliance, in all material respects, with clause 22 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the 'Order') which requires information prescribed in Schedule 11 of the Order relating to capital adequacy and regulatory liquidity requirements to be disclosed in its Disclosure Statement for the six months ended 31 December 2022 (the 'Disclosure Statement').

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Bank's information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 22 of the Order and disclosed in notes 16 and 21(a), is not, in all material respects, disclosed in accordance with Schedule 11 of the Order.

Basis for conclusion

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

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

Directors' Responsibilities

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

Our Independence and Quality Management

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

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

We are independent of the Bank and the entities it controlled at 31 December 2022 or from time to time during the period (together, the 'Banking Group'). In addition to our role as auditor, our firm carries out other services for the Banking Group in the areas of 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 capital adequacy and audit related agreed upon procedure engagements. In addition, certain partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of trading activities of the Banking Group. The provision of these other services and these relationships have not impaired our independence.

Assurance Practitioner's responsibilities

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

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Independent Assurance Report (continued)

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liquidity requirements, included in the Disclosure Statement in compliance with clause 22 of the Order, is not, in all material respects, disclosed in accordance with Schedule 11 of the Order.

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

Given the circumstances of the engagement we:

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

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

Inherent Limitations

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

Use of Report

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

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

PricewaterhouseCoopers

Chartered Accountants
15 February 2023

Auckland, New Zealand

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