ASB Disclosure Statement and Annual Report

For the year ended 30 June 2025

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Contents

Annual Report

The Directors are pleased to present the Annual Report for ASB Bank Limited for the year ended 30 June 2025.

The shareholder of the Bank has agreed to apply the reporting concessions available under section 211(3) of the Companies Act 1993. Accordingly, there is no information required to be included in the Annual Report other than the financial statements for the year ended 30 June 2025, the Independent Auditor's Report and Independent Assurance Report on those financial statements, which are enclosed.

On Behalf of the Board of Directors:

Dame Therese Walsh
Chair

Vittoria Shortt
Managing Director

13 August 2025

General Disclosures

(To be read in conjunction with the Financial Statements)

30 June 2025

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 listed in note 23 to the financial statements.

Ultimate Parent Bank

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

Voting Securities in the Registered Bank and Power to Appoint Directors

The Bank's holding company, ASB Holdings Limited, holds 100% of the voting securities of the Bank. The Board of the Bank, and the ultimate parent bank, CBA, have the power to appoint the Bank's directors. In accordance with the Bank's Conditions of Registration, any appointment of a director is subject to the Reserve Bank of New Zealand ("RBNZ") advising that it has no objection to that appointment. The RBNZ also has the power to appoint directors in certain circumstances under section 113B of the Banking (Prudential Supervision) Act 1989, after obtaining consent from the Minister of Finance.

Directors

The details of the directors of the Bank (the "Directors") as at the time this Disclosure Statement was signed are contained in the Directory on page 116.

Changes to Directors

Mr David Cohen resigned as a non-executive director of the Board on 9 February 2025.

Communications to Directors

Communications to the Directors may be sent to the registered office (refer to the Directory for this address).

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 Mr Ross Buckley, Dr Roderick Carr, Ms Victoria Crone, Mr Colin MacDonald, Ms Juliet Tainui-Hernandez and Mr Nigel Williams.

Conflicts of Interest

ASB maintains a register of Directors' interests that have been disclosed by Directors in accordance with the Companies Act 1993. Under the Bank's Conflicts Management Policy, disclosure by Directors of actual, potential and perceived conflicts of interests relating to outside business interests is required. Conflicts are managed by either controlling, disclosing or avoiding them or a combination of these methods.

Transactions with Directors

There have been no transactions by any Director, or any immediate relative or close business associate of any Director, with the Bank or any member of the Banking Group, that:

- Have been entered into on terms other than those which would, in the ordinary course of business of the Bank or any member of the Banking Group, be given to any other person of like circumstances or means; or
- Could otherwise be reasonably likely to influence materially the exercise of that Director's duties.

Board Audit Committee and Board Risk and Compliance Committee

There is a Board Audit Committee ("BAC") that covers audit matters. The BAC has seven members, being all members of the Board, other than the Managing Director. The BAC has six non-executive independent directors and one non-executive non-independent director. There is also a Board Risk and Compliance Committee ("BRCC"), consisting of the same members, that covers risk and compliance matters. Refer to the Directory on page 117 for more details.

Credit Ratings

As at the signing date 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
Moody's Investors Service Pty Limited ("Moody's")	Aa3	Stable
S&P Global Ratings Australia Pty Limited ("S&P")	AA-	Stable
Fitch Australia Pty Limited ("Fitch")	A+	Positive

- On 29 May 2024, Moody's upgraded ASB's long-term credit rating applying to its long-term senior unsecured obligations from A1 to Aa3. Following the upgrade, Moody's has set the outlook for ASB's rating as stable.
- On 28 March 2025, Fitch upgraded ASB's ratings outlook to positive from stable and affirmed the long-term credit rating at A+.
- The S&P rating has remained unchanged during the two years immediately preceding the signing date.

General Disclosures (continued)

(To be read in conjunction with the Financial Statements)

Credit Ratings (continued)

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 [(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 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 29, 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 ("PricewaterhouseCoopers") is the appointed auditor of the Bank. The auditor's address is contained in the Directory.

Priority of Creditors' Claims

In the event that the Bank was put into liquidation or ceased to trade, claims of secured creditors and those creditors set out in Schedule 7 of the Companies Act 1993 would rank ahead of the claims of unsecured creditors. Customer deposits are unsecured and rank equally with other unsecured unsubordinated liabilities of the Bank and rank ahead of any subordinated instruments issued by the Bank.

Guarantee Arrangements

Covered Bond Trust

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

The Covered Bond Guarantor has guaranteed payments of interest and principal under the Covered Bonds pursuant to a guarantee which is secured over the mortgage loans, related security and other assets of the Covered Bond Trust. Covered Bonds (including accrued interest) of $3.4 billion were guaranteed as at the signing date of this Disclosure Statement. The amount of the guarantee is limited to the assets of the Covered Bond Trust. There are no material conditions applicable to the guarantee other than non-performance. There are no material legislative or regulatory restrictions in New Zealand which would have the effect of subordinating the claims under the guarantee of any creditors of the Bank on the assets of the Covered Bond Guarantor, to other claims on the Covered Bond Guarantor, in a winding up of the Covered Bond Guarantor.

The Covered Bond Guarantor's address for service is Level 16, SAP Tower, 151 Queen Street, Auckland 1010, New Zealand. The Covered Bond Guarantor is not a member of the Banking Group and has no credit ratings applicable to its long term senior unsecured obligations payable in New Zealand dollars. As at 30 June 2025, the Covered Bonds issued have been assigned a long-term rating of 'AAA' by Fitch and 'Aaa' by Moody's.

General Disclosures (continued)

(To be read in conjunction with the Financial Statements)

Guarantee Arrangements (continued)

Depositor Compensation Scheme

The Deposit Takers Act 2023 ("DTA") was enacted in July 2023 and established the Depositor Compensation Scheme ("DCS") with effect from 1 July 2025. The Deposit Takers Regulations 2025 ("DCS Regulations") were enacted in January 2025 and prescribe further requirements relating to the DCS.

The DTA is available on this website https://www.legislation.govt.nz/act/public/2023/0035/latest/LMS469449.html. The DCS Regulations are available on this website https://www.legislation.govt.nz/regulation/public/2025/0001/latest/LMS1016476.html.

Under the DCS, if a licensed deposit taker fails, eligible deposits up to $100,000 per eligible depositor, per deposit taker are guaranteed by the New Zealand Government. Most transaction, savings, notice and term deposit accounts are eligible deposits. There are no other material conditions applicable to the guarantee. The DCS is administered by the RBNZ whose address is 2 The Terrace, Wellington Central, Wellington 6140.

Detailed information about the DCS is available on the RBNZ's website https://www.rbnz.govt.nz/dcs and the latest financial statements of the Government are available on the Treasury's website https://www.treasury.govt.nz/publications/financial-statements-government. The New Zealand Government's credit ratings are as follows (and the rating scales are described above):

Rating Agency	Current Long-Term Credit Rating	Credit Rating Outlook
Moody's	Aaa	Stable
S&P	AAA	Stable
Fitch	AA+	Stable

Otherwise, as at the signing date of this Disclosure Statement, other material obligations of the Bank are not guaranteed.

Restrictions on CBA's Ability to Provide Material Financial Support to the Bank

CBA does not guarantee the obligations of the Bank or its subsidiaries.

Under the Banking Act 1959 (Commonwealth of Australia) ("Australian Banking Act"), the Australian Prudential Regulation Authority ("APRA"), may determine prudential standards which must be complied with by CBA. Further, regulations made under the Australian Banking Act may specify prudential requirements which must be observed by CBA. These prudential standards and requirements may affect the ability of CBA to provide material financial support to the Bank or its subsidiaries.

Unless APRA provides otherwise, CBA must comply with APRA's prudential standard APS 222: *Associations with Related Entities* ("APS 222"). APS 222 contains the following prudential requirements:

- CBA's exposure to the Bank must not exceed 25% of CBA's Level 1 Tier 1 Capital (as defined in APS 222) and its aggregate exposure to all related Authorised Deposit-taking Institutions ("ADI's") (including overseas based equivalents) cannot exceed 75% of that capital base;
- CBA must not enter into cross-default clauses whereby a default by the Bank on an obligation (whether financial or otherwise) is deemed to trigger a default by CBA in its obligations;
- CBA must not have unlimited exposures to the Bank (such as providing a general guarantee of the Bank's obligations); and
- CBA's limits on acceptable levels of exposure to the Bank must have regard to the level of exposures that would be approved to third parties of broadly equivalent credit status to the Bank, the impact on CBA's stand-alone capital and liquidity positions, and its ability to continue operating in the event of a failure by the Bank or any other related entity to which it is exposed.

Based on enquiries that the Bank has made of CBA, to the best of the Bank's knowledge and belief, CBA expects that sufficient capacity exists under the limits to accommodate CBA's exposures to its related entities, including the additional capital requirement for New Zealand banks which was finalised by the RBNZ on 17 June 2021.

APRA requires CBA to limit its non-equity exposure to the Bank and its subsidiaries to below a limit of 5% of CBA's Level 1 Tier 1 Capital. For the purposes of this limit, exposures include all committed, non-intraday, non-equity exposures, including derivatives and off balance sheet exposures, however, exclude equity investments and holdings of capital instruments in the Bank and its subsidiaries. APRA confirmed it will allow, on agreeable terms, the Australian parent banks to provide contingent funding support to their New Zealand banking subsidiaries in times of financial stress. At this time, only Covered Bonds meet the criteria for contingent funding arrangements. As at 30 June 2025, CBA's non-equity exposures to the Bank are below 5% of CBA's Level 1 Tier Capital.

Under section 13A(3) of the Australian Banking Act, if an ADI (which includes CBA) becomes unable to meet its obligations or suspends payment of its obligations, the assets of the ADI in Australia are to be made available to meet the ADI's liabilities in the following order: first, the ADI's liabilities to APRA, to the extent that APRA has made, or is required to make, payments to depositors under the Australian Government's Financial Claims Scheme ("Scheme"); second, the ADI's debts to APRA for costs incurred by APRA in the administration of the Scheme in respect of that ADI; third, in payment of the ADI's liabilities in Australia in relation to protected accounts; fourth, the ADI's debts to the Reserve Bank of Australia; fifth, the ADI's liabilities under a certified industry support contract; and sixth, the ADI's other liabilities in the order of their priority apart from section 13A(3) of the Australian Banking Act.

The assets of an ADI are taken for the purposes of section 13A(3) of the Australian Banking Act not to include any interest in an asset or part of an asset in a cover pool for which the ADI is the issuing ADI.

Other Material Matters

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

Historical Summary of Financial Statements

$ millions For the year ended 30 June	**2025**	2024	Banking Group 2023	2022	2021
Income Statement					
Interest income	**7,739**	7,568	5,806	3,603	3,528
Interest expense	**4,681**	4,640	2,761	1,004	1,141
Net interest income	**3,058**	2,928	3,045	2,599	2,387
Other income	**444**	465	444	585	528
Total operating income	**3,502**	3,393	3,489	3,184	2,915
Impairment losses/(recoveries) on financial assets	**60**	70	64	41	(5)
Total operating income after impairment losses/(recoveries)	**3,442**	3,323	3,425	3,143	2,920
Total operating expenses	**1,427**	1,296	1,258	1,108	1,084
Net profit before tax	**2,015**	2,027	2,167	2,035	1,836
Tax expense	**566**	572	608	564	515
Net profit after tax	**1,449**	1,455	1,559	1,471	1,321
Dividends Paid					
Ordinary dividends paid[1]	**1,800**	800	700	975	-
Perpetual preference dividends paid	**-**	-	25	33	29
Total dividends paid	**1,800**	800	725	1,008	29

$ millions As at 30 June	**2025**	2024	Banking Group 2023	2022	2021
Balance Sheet					
Total assets	**135,164**	127,089	126,896	121,522	112,645
Individually impaired assets	**445**	373	321	212	329
Total liabilities	**123,672**	116,021	116,217	111,591	103,459
Total shareholders' equity	**11,492**	11,068	10,679	9,931	9,186

(1) Refer to note 32 for further information on the ordinary dividends paid.

The amounts disclosed in this historical summary of financial statements have been taken from the audited financial statements of the Banking Group, except that certain comparatives for Other income and Operating expenses have been reclassified in 2022 and 2021 to ensure consistency with presentation in the current year.

Income Statement

$ millions For the year ended 30 June	Note	Banking Group 2025	 2024
Interest income			
Effective interest income		**7,703**	7,568
Other interest income		**36**	-
Interest expense		**4,681**	4,640
Net interest income	2	**3,058**	2,928
Other income	3	**444**	465
Total operating income		**3,502**	3,393
Impairment losses on financial assets	16	**60**	70
Total operating income after impairment losses		**3,442**	3,323
Total operating expenses		**1,427**	1,296
Salaries and other staff expenses		**842**	773
Building occupancy and equipment expenses		**91**	95
Information technology expenses		**276**	261
Other expenses		**218**	167
Net profit before tax		**2,015**	2,027
Tax expense	6	**566**	572
Net profit after tax		**1,449**	1,455

Statement of Comprehensive Income

$ millions For the year ended 30 June	Note	Banking Group 2025	 2024
Net profit after tax		**1,449**	1,455
Other comprehensive income, net of tax			
Items that will not be reclassified to the Income Statement:			
Net change in equity compensation reserve	34	**1**	1
		1	1
Items that may be reclassified subsequently to the Income Statement:			
Net change in fair value through other comprehensive income reserve	34	**(49)**	(6)
Net change in cash flow hedge reserve	34	**123**	(261)
		74	(267)
Total other comprehensive income, net of tax		**75**	(266)
Total comprehensive income		**1,524**	1,189

These statements are to be read in conjunction with the notes on pages 12 to 98.

Statement of Changes in Equity

$ millions		Banking Group			
	Note	Contributed Capital	Reserves	Retained Earnings	Total Shareholder's Equity
For the year ended 30 June 2025					
Balance as at 1 July 2024		**6,173**	**(125)**	**5,020**	**11,068**
Net profit after tax		**-**	**-**	**1,449**	**1,449**
Other comprehensive income		**-**	**75**	**-**	**75**
Total comprehensive income		**-**	**75**	**1,449**	**1,524**
Share capital issued	33	**700**	**-**	**-**	**700**
Ordinary dividends paid	32	**-**	**-**	**(1,800)**	**(1,800)**
Balance as at 30 June 2025		**6,873**	**(50)**	**4,669**	**11,492**
For the year ended 30 June 2024					
Balance as at 1 July 2023		6,173	141	4,365	10,679
Net profit after tax		-	-	1,455	1,455
Other comprehensive income		-	(266)	-	(266)
Total comprehensive income		-	(266)	1,455	1,189
Ordinary dividends paid	32	-	-	(800)	(800)
Balance as at 30 June 2024		6,173	(125)	5,020	11,068

These statements are to be read in conjunction with the notes on pages 12 to 98.

Balance Sheet

$ millions		Banking Group	
As at 30 June	Note	**2025**	2024
Assets			
Cash and liquid assets	7	**5,584**	5,450
Receivables from financial institutions	8	**578**	630
Securities:			
At fair value through Income Statement	9	**1,083**	-
At fair value through other comprehensive income	10	**10,483**	9,729
Derivative assets	11	**1,244**	881
Advances to customers	12	**114,727**	109,010
Other assets	24	**510**	542
Property, plant and equipment	25	**314**	293
Intangible assets		**331**	253
Deferred tax assets	26	**310**	301
Total assets		**135,164**	127,089
Total interest earning and discount bearing assets		***132,531***	*125,071*
Liabilities			
Deposits and other borrowings	27	**93,422**	92,449
Payables to financial institutions	8	**1,539**	1,422
Derivative liabilities	11	**410**	956
Current tax liabilities		**187**	145
Other liabilities	28	**1,187**	1,447
Provisions	29	**188**	139
Debt issues:			
At fair value through Income Statement	30	**1,959**	887
At amortised cost	30	**23,808**	17,635
Loan capital	31	**972**	941
Total liabilities		**123,672**	116,021
Shareholder's Equity			
Contributed capital - ordinary shares	33	**6,873**	6,173
Reserves	34	**(50)**	(125)
Retained earnings		**4,669**	5,020
Ordinary shareholder's equity		**11,492**	11,068
Total shareholder's equity		**11,492**	11,068
Total liabilities and shareholder's equity		**135,164**	127,089
Total interest and discount bearing liabilities		***111,537***	*104,690*

For, and on behalf of, the Board of Directors, who authorised these financial statements for issue on 13 August 2025

Dame Therese Walsh
Chair of Board

Ross Buckley
Chair of Board Audit Committee

These statements are to be read in conjunction with the notes on pages 12 to 98.

Cash Flow Statement

$ millions For the year ended 30 June	Note	Banking Group 2025	 2024
Cash flows from operating activities			
Net profit before tax		**2,015**	2,027
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	4	**72**	77
Amortisation of intangible assets	4	**80**	82
Net change in allowance for expected credit loss and bad debts written off		**70**	80
Amortisation of loan establishment fees		**126**	102
Net change in fair value of financial instruments and hedged items		**(15)**	(129)
Other non-cash items		**160**	115
Net (increase)/decrease in operating assets:			
Net change in reverse repurchase agreements		**(323)**	(786)
Net change in receivables from financial institutions		**52**	(248)
Net change in securities at fair value through Income Statement		**(1,059)**	-
Net change in securities at fair value through other comprehensive income		**(390)**	(2,463)
Net change in derivative assets		**355**	(668)
Net change in advances to customers		**(5,905)**	(745)
Net change in other assets		**36**	(137)
Net increase/(decrease) in operating liabilities:			
Net change in deposits and other borrowings		**962**	2,748
Net change in payables to financial institutions		**119**	(273)
Net change in derivative liabilities		**(27)**	548
Net change in other liabilities and provisions		**(389)**	189
Net tax paid		**(562)**	(661)
Net cash flows from operating activities		**(4,623)**	(142)
Cash flows from investing activities			
Cash was applied to:			
Purchase of equity investment		**-**	(1)
Purchase of property, plant and equipment		**(38)**	(25)
Development and purchase of intangible assets		**(161)**	(102)
Total cash outflows applied to investing activities		**(199)**	(128)
Net cash flows from investing activities		**(199)**	(128)
Cash flows from financing activities			
Cash was provided from:			
Issue of debt securities (net of issue costs)	30	**12,885**	5,048
Total cash inflows provided from financing activities		**12,885**	5,048
Cash was applied to:			
Repayment of debt securities	30	**(7,111)**	(8,102)
Payments of the principal portion of lease liabilities	35	**(41)**	(37)
Ordinary dividends paid	32	**(1,100)**	(800)
Total cash outflows applied to financing activities		**(8,252)**	(8,939)
Net cash flows from financing activities		**4,633**	(3,891)
Summary of movements in cash flows			
Net decrease in cash and cash equivalents		**(189)**	(4,161)
Add: cash and cash equivalents at beginning of year		**4,478**	8,639
Cash and cash equivalents at end of year		**4,289**	4,478
Cash and cash equivalents comprise:			
Cash and liquid assets	7	**5,584**	5,450
Less: reverse repurchase agreements included in cash and liquid assets	7	**(1,295)**	(972)
Cash and cash equivalents at end of year		**4,289**	4,478
Additional operating cash flow information			
Interest received as cash		**7,758**	7,523
Interest paid as cash		**(5,111)**	(4,148)

These statements are to be read in conjunction with the notes on pages 12 to 98.

Notes to the Financial Statements

For the year ended 30 June 2025

1 Accounting Policies

General Accounting Policies

The reporting entity is ASB Bank Limited and its controlled entities (the "Banking Group"). ASB is a company domiciled and incorporated in New Zealand under the Companies Act 1955 on 16 August 1988. Its registered office is Level 2, ASB North Wharf, 12 Jellicoe Street, Auckland 1010, New Zealand. The Bank was re-registered under the Companies Act 1993 on 30 June 1995.

These financial statements for the year ended 30 June 2025 have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order").

The Banking Group's financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and comply with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and other New Zealand accounting standards and authoritative notices, as appropriate for for-profit entities. The financial statements also comply with International Financial Reporting Standards Accounting Standards.

In accordance with the Financial Markets Conduct Act 2013, the Bank is a climate reporting entity and is required to prepare a climate statement. The Bank's climate statement for the year ended 30 June 2025 is scheduled to be published on or before the mandatory deadline of 31 October 2025 and will be available on the Bank's website (https://www.asb.co.nz/about-us/sustainability.html).

Basis of Preparation

The measurement base adopted is that of historical cost as modified by the fair value measurement of certain financial instruments and the revaluation of certain property, plant and equipment.

Critical Accounting Estimates and Judgements

Preparation of the financial statements requires the use of management judgement in the application of accounting policies, and the use of management estimates and assumptions that affect the amounts reported. These estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Allowance for Expected Credit Loss

The Banking Group considers the allowance for expected credit loss ("ECL") on Advances to customers as an area that requires significant management judgement and estimation. Estimation uncertainty remains including the impact of interest rates and inflation, natural hazards, climate change, increased geopolitical tensions around the world and unemployment.

These factors have been considered in estimating a range of forward looking information (including updates to macroeconomic scenarios and weightings, and management adjustments).

Refer to note 1(k) and note 13 for details of credit risk management and note 1(k) and note 15 for the basis of the Banking Group's allowance for ECL.

Financial instruments

Financial instruments are an area of significant management judgement and estimation. The judgement regarding designation of financial liabilities at fair value through Income Statement, and the basis of valuation of financial instruments are described in note 1(e) and note 38.

Provisions and Contingent liabilities

Certain provisions involve significant judgement to determine the likely outcome of events as well as a reliable estimate of the outflow. Where future events are uncertain, or where the outflow cannot be reliably determined, these are disclosed as contingent liabilities. Refer to note 29.

New Standards or Amendments (effective 1 July 2024)

New standards or amendments to standards in the reporting period did not have a material impact on the Banking Group.

New Standards or Amendments (not yet effective)

The following new standards or amendments to standards relevant to the Banking Group have been issued. Other amendments to existing standards that are not yet effective are not expected to have a material impact on the Banking Group.

NZ IFRS 9 ***Financial Instruments – Hedge Accounting***

NZ IFRS 9 includes hedge accounting requirements which improve hedge accounting by more closely aligning accounting with risk management and increasing the eligibility of both hedge instruments and hedged items for hedge accounting.

As permitted by NZ IFRS 9, the Banking Group has elected as an accounting policy choice, to continue to apply the hedge accounting requirements in NZ IAS 39 *Financial Instruments: Recognition and Measurement* until the International Accounting Standards Board completes its Dynamic Risk Management project.

1 Accounting Policies (continued)

New Standards or Amendments (not yet effective) (continued)

Amendments to the Classification and Measurement of Financial Instruments (Amendments to NZ IFRS 9 and NZ IFRS 7)

Amendments to NZ IFRS 9 *Financial Instruments* and NZ IFRS 7 *Financial Instruments: Disclosures* amend or clarify:

- Requirements for derecognition of financial liabilities settled through electronic transfer.
- Application guidance for assessing whether cash flows of a financial asset are consistent with those of a basic lending arrangement.
- Guidance on financial assets with non-recourse features.
- Characteristics of contractually linked instruments.
- Disclosure requirements for investments designated as at fair value through other comprehensive income ("FVTOCI").
- Disclosure requirements regarding contractual terms that change the amount or timing of cash flows.

The amendments are effective for the Banking Group's reporting period beginning on 1 July 2027. The Banking Group is currently assessing the full impact of the amendments.

NZ IFRS 18 *Presentation and Disclosure in Financial Statements*

NZ IFRS 18, which will replace NZ IAS 1, introduces new requirements to improve reporting of financial performance and to give investors a better basis for analysing and comparing performance. The new requirements are as follows:

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

This standard is effective for the Banking Group's reporting period beginning on 1 July 2027. The Banking Group is currently assessing the full impact of NZ IFRS 18.

International Tax Reform – Pillar Two Model Rules

In December 2021, the Organisation for Economic Co-operation and Development ("OECD") released Global Anti-Base Erosion ("GloBE") Model rules ("Pillar Two") to address the tax challenges associated with the digitalisation of the global economy. Pillar Two applies to multinational enterprises ("MNEs") that fall within the rules and introduces new 'top-up' taxing mechanisms for jurisdictions implementing the rules. MNEs will be liable to pay a top-up for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate.

As at 30 June 2025, Pillar Two is not yet in effect in New Zealand however Pillar Two legislation has been enacted or substantively enacted. The legislation will be effective for the Banking Group for the financial period beginning on 1 July 2025.

International Tax Reform – Pillar Two Model Rules (Amendments to NZ IAS 12) was issued by the XRB in July 2023 to address the new Pillar Two taxes. The amendments to NZ IAS 12 *Income Taxes* introduced a temporary exception from recognising and disclosing the deferred taxes arising under Pillar Two and new disclosure requirements for Pillar Two income taxes. The Banking Group has applied the temporary exception for deferred taxes under the amended standard.

The Banking Group is part of the MNE group under CBA, headquartered in Australia, and falls within the Pillar Two rules in New Zealand. The Banking Group has performed an assessment of its potential exposure to Pillar Two income taxes and does not expect a material exposure, if any, to Pillar Two top-up taxes when the legislation becomes effective.

Presentation Currency and Rounding

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.

Notes to the Financial Statements

For the year ended 30 June 2025

1 Accounting Policies (continued)

Material Accounting Policies

The following material accounting policies have been applied on a consistent basis, except where noted below.

(a) Basis of Consolidation

The consolidated financial statements of the Banking Group include the financial statements of the Bank and all entities it controls. Control exists when the Banking Group is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. For the purposes of assessing control, the Banking Group acts as a principal when no other party has rights to remove the Banking Group from its position as principal and when its economic interest is substantive compared to the economic interest of other investors.

Subsidiaries
Subsidiaries are those companies and other entities controlled by the Banking Group. The financial statements of subsidiaries are included in the Banking Group's financial statements from the date the Banking Group obtains control until the date that it loses control.

All intra-group balances and transactions have been fully eliminated on consolidation.

Structured entities
A structured entity ("SE") is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their ongoing activities.

The Banking Group may invest in or establish a SE to enable it to undertake specific transactions. SEs include securitisation vehicles and a covered bond trust.

The Banking Group exercises judgement to assess whether a SE should be consolidated based on the Banking Group’s power over the relevant activities of the entity and the significance of its exposure to variable returns of the SE. Where the Banking Group has control of a SE, it is consolidated in the Banking Group's financial statements (refer to notes 21 and 23).

Associates
Associates are those entities in which the Banking Group has significant influence, but not control, over financial and operating policies. Associates are accounted for using the equity method of accounting.

Funds under management
ASB Group Investments Limited, a member of the Banking Group, acts as manager for a number of managed investment schemes and superannuation schemes. The assets and liabilities of these schemes are not included in the financial statements of the Banking Group as the Banking Group does not have control of these schemes. Fund management income is included in other income.

(b) Foreign Currency Translation

All foreign currency monetary assets and liabilities are converted at the rates of exchange ruling as at balance date. Foreign currency transactions are converted using the exchange rates prevailing at the dates of the transactions. For instruments which are not subject to hedge accounting, unrealised gains and losses arising from these revaluations and gains and losses arising from foreign exchange dealings are recognised immediately in the Income Statement. For more information on the treatment of hedge accounting gains and losses refer to note 1(g).

(c) Revenue Recognition

INTEREST INCOME AND EXPENSE

For financial instruments measured at amortised cost, the effective interest method is used to measure the interest income or interest expense recognised in the Income Statement. Fees and direct costs relating to loan origination, financing and loan commitments are deferred and amortised to interest income over the life of the loan using the effective interest method. Facility and lines fees in relation to commitments made under credit facilities where draw down is assessed as probable are considered an integral part of the effective interest rate and recognised in net interest income.

For financial instruments measured at FVTOCI, interest income or interest expense is recognised using the effective interest method.

For financial instruments measured at fair value through Income Statement (“FVTIS”) (other than derivatives), interest income and interest expense is accounted for on a contractual basis and includes amortisation of premiums/discounts. Interest income on financial instruments measured at FVTIS is recognised within Other interest income in the Income Statement.

Refer to note 1(f) for the recognition of revenue relating to derivatives.

1 Accounting Policies (continued)

(c) Revenue Recognition (continued)

OTHER INCOME

Fee and Commission Income

The Banking Group identifies distinct performance obligations within a contract with a customer and allocates the transaction price of the contract to those performance obligations. Revenue is recognised as each performance obligation is satisfied. Variable amounts of revenue are only recognised if it is highly probable that a significant reversal of the variable amount will not be required in future periods. Where the transaction price is received before or after the Banking Group has satisfied the performance obligation, a contract liability or contract asset is recognised as appropriate. A description of significant revenue streams is as follows:

- Lending fees (for example facility fees and commitment fees) not directly related to the origination of a loan are recognised as the performance obligation is met (which is over the period of service).
- Funds management fees are recognised as the performance obligation is met (which is over the period of service), and only recognised when it is probable that the revenue will be received.
- Commission and other fees which relate to specific transactions or events are recognised when the service is provided. Estimated commission income is recognised when the performance obligation is met.

Funds management income, Commission and other fees are presented net of incremental expenses that vary directly with the provision of goods or services to customers. Directly variable and incremental expenses are costs that would not have been incurred if a specific service had not been provided to the customer.

Trading Income

Trading income represents both realised and unrealised gains and losses from changes in the fair value of certain trading assets, trading liabilities and held for trading derivatives.

Other Income

Realised and unrealised gains and losses from re-measurement of financial instruments at FVTIS (other than those included in trading income above) are included in Other income.

(d) Expense Recognition

Expenses are recognised in the Income Statement on an accrual basis.

(e) Financial Instruments

BASIS OF RECOGNITION AND MEASUREMENT

The Banking Group offers an extensive range of financial instruments. Financial instruments are transacted on a commercial basis to derive an interest yield with terms and conditions having due regard to the nature of the transaction and the risks involved. All financial assets measured at fair value are accounted for on a trade date basis. Loans are recognised when cash is advanced to the borrower. Financial liabilities are recognised when an obligation arises. Accounting policies for derecognition are set out in note 1(j).

All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at FVTIS, where transaction costs are expensed as incurred.

FINANCIAL ASSET DEBT INSTRUMENTS

Financial asset debt instruments are classified on the basis of two criteria:

- The business model within which financial assets are managed; and
- Their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest' ("SPPI")).

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

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

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

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

1 Accounting Policies (continued)

(e) Financial Instruments (continued)

FINANCIAL ASSETS AT AMORTISED COST
Financial assets with contractual cash flows that comprise SPPI, and which are held in a business model whose objective is to collect their contractual cash flows are subsequently measured at amortised cost. Amounts are reported net of allowances for ECL to reflect the estimated recoverable amounts.

Where the Banking Group renegotiates or otherwise modifies the contractual cash flows of financial assets at amortised cost, the Banking Group assesses whether the new terms are substantially different to those under the original agreement. Where terms are substantially different, the Banking Group derecognises the original financial asset, with the renegotiated contract treated as a new financial asset and assessed for impairment in accordance with the Banking Group's accounting policy.

Where terms are not substantially different, the financial asset is not derecognised, and is recalculated as the present value of the renegotiated or modified contractual cash flows, discounted at the original effective interest rate, and a gain or loss is recognised in the Income Statement.

Interest income from these financial assets is recognised in the Income Statement using the effective interest method. Impairment recoveries and losses are presented in Impairment losses on financial assets in the Income Statement.

Financial assets in this category include:

Cash and Liquid Assets
Cash and liquid assets include cash and cash at bank, cash in transit, call deposits with the central bank, money at short call (with an original maturity of three months or less) and reverse repurchase agreements.

Receivables from Financial Institutions
Receivables from financial institutions include cash collateral, loans and settlement account balances receivable from other financial institutions. Cash collateral includes initial and variation margins in relation to derivative transactions and varies based on trading activities.

Advances to Customers
Advances include all forms of lending to customers and include mortgages, overdrafts, personal loans and credit card balances. They are recognised on the Balance Sheet when cash is advanced to the customer. When fair value hedge accounting is applied to Advances to customers, the carrying value at amortised cost is adjusted for changes in fair value related to the hedged risk.

Other Assets
Other assets include the accrual of interest, fees receivable and receivables relating to unsettled transactions. For derivatives, any accrued interest is recognised and measured as part of the derivative's fair value.

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
Financial assets with contractual cash flows that comprise SPPI, and which are held in a business model whose objective is to both collect their contractual cash flows and to sell are subsequently measured at FVTOCI, unless designated at FVTIS.

Changes in fair value are recognised in other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognised in the Income Statement. Impairment (if any) is presented in Impairment losses on financial assets in the Income Statement. Interest, premiums and discounts are amortised through interest income in the Income Statement using the effective interest method. Foreign exchange gains and losses (if any) are recognised in Other income or Other expenses, as appropriate.

When fair value hedge accounting is applied, only fair value changes relating to movements in credit spreads are included in OCI.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the Income Statement and recognised in Other income or Other expenses, as appropriate.

Financial assets in this category include Securities at FVTOCI.

FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT
Financial assets with contractual cash flows that do not represent SPPI, or which are held under a different business model (e.g. one for which the objective is held for trading) are subsequently measured at FVTIS. Financial assets can also be designated at FVTIS if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets in this category include:

Derivative Assets
Refer to note 1(f) for more details on derivatives.

Securities: At Fair Value through Income Statement
This category includes trading securities that are acquired principally for sale in the near term. Subsequent changes in fair value are recognised within Other income in the Income Statement.

1 Accounting Policies (continued)

(e) Financial Instruments (continued)

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH INCOME STATEMENT
Financial liabilities which are held for trading or designated at FVTIS because doing so either eliminates or significantly reduces an accounting mismatch, or because they are managed and evaluated on a fair value basis, are subsequently measured at FVTIS.

When the Banking Group designates a financial liability at FVTIS, the amount of change in the fair value of the liability that is attributable to changes in its credit risk is presented in OCI and within the FVTOCI reserve. Amounts recorded in OCI related to credit risk are not subject to recycling in the Income Statement but are transferred from the FVTOCI reserve to retained earnings when realised. Fair value changes relating to market risk are recognised in Other income or Other expenses, as appropriate, in the Income Statement.

Financial liabilities in this category include:

Derivative Liabilities
Refer to note 1(f) for more details on derivatives.

Debt Issues: At Fair Value through Income Statement
This category includes all debt issues that are designated at FVTIS and primarily consists of commercial paper. Debt issues have been designated at FVTIS, where the Banking Group has economically hedged the foreign exchange and interest rate risk using derivatives, but hedge accounting is not applied. Designation eliminates or significantly reduces an accounting mismatch as the derivative is also at FVTIS. These debt issues are managed with financial assets and liabilities accounted for and evaluated on a fair value basis.

FINANCIAL LIABILITIES AT AMORTISED COST
This category includes all financial liabilities other than those at FVTIS. Liabilities in this category are measured at amortised cost and interest expense is recognised in the Income Statement using the effective interest method.

Financial liabilities in this category include:

Deposits and Other Borrowings
Deposits and other borrowings cover all forms of funding that are not designated at FVTIS or included in debt issues. This includes transactional and savings accounts, term deposits, certificates of deposit, credit balances on cards, foreign currency accounts and repurchase agreements.

Payables to Financial Institutions
Payables to financial institutions include cash collateral, deposits and settlement account balances payable to other financial institutions. Cash collateral includes variation margins in relation to derivative transactions and varies based on trading activities.

Other Liabilities
Other liabilities include the accrual of interest and fees payable. For derivatives, any accrued interest is recognised and measured as part of the derivative's fair value.

Debt Issues: At Amortised Cost
This category includes all debt issues that are not designated at FVTIS and primarily consists of commercial paper, medium term notes, domestic bonds and covered bonds. When fair value hedge accounting is applied the carrying value at amortised cost is adjusted for changes in fair value related to the hedged risk.

Loan Capital
Loan capital is debt issued by the Banking Group with terms and conditions that qualify it for inclusion as capital under RBNZ's prudential standards. Refer to note 31 and note 40 for further information on regulatory capital. When fair value hedge accounting is applied to loan capital, the carrying value at amortised cost is adjusted for changes in fair value related to the hedged risk.

(f) Derivative Financial Instruments

Derivative instruments are contracts whose value is derived from one or more underlying variables such as a specified interest rate or an index as defined in the contract. The Banking Group enters into derivative transactions including foreign exchange contracts, forward rate agreements, futures, options, interest rate swaps, currency swaps, commodity contracts and combinations of these instruments. The sale of derivatives to customers as risk management products and their use for trading purposes is integral to the Banking Group's financial markets activities. Derivatives are also used to manage the Banking Group's own exposure to market risk.

The Banking Group recognises derivatives on the Balance Sheet at their fair value. Fair values are obtained from market yields and discounted cash flow models or option pricing models as appropriate. Derivative assets are those contracts which have a positive fair value. Derivative liabilities are those contracts which have a negative fair value.

Derivatives are classified either as 'Held for trading' or 'Held for hedging'.

Held for trading derivatives are those entered into in order to meet customers' needs, to undertake market making and positioning activities and for economic hedging without applying hedge accounting. Changes in the fair value of held for trading derivatives are included in Other income. Interest income or expense relating to held for trading derivatives entered into for economic hedging is included in interest income or expense depending on the nature of the hedged transaction. Interest income or interest expense relating to held for trading derivatives for purposes other than economic hedging is included in Other income.

Held for hedging derivatives are instruments held for the Banking Group's own risk management purposes, which meet the criteria for hedge accounting as described in note 1(g).

Notes to the Financial Statements

For the year ended 30 June 2025

1 Accounting Policies (continued)

(g) Hedge Accounting

The Banking Group uses derivatives as part of its asset and liability management activities to manage exposures to interest rate and foreign currency, including exposures arising from forecast transactions. The Banking Group applies either cash flow or fair value hedge accounting when transactions meet the specified criteria to apply hedge accounting.

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect net profit. A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability, or an identified portion of such an asset or liability, which is attributable to a particular risk and could affect net profit.

The Banking Group discontinues hedge accounting when it is determined that a hedge has ceased to be highly effective; when the derivative expires, or is sold, terminated, or exercised; when the hedged item matures or is sold or repaid; when a forecast transaction is no longer deemed highly probable; or when the Banking Group elects to revoke the hedge designation.

Cash Flow Hedge Accounting
A fair value gain or loss associated with the effective portion of a derivative designated as a cash flow hedge is recognised initially in the cash flow hedge reserve. The ineffective portion of changes in fair value are recognised immediately in Other income. When the transaction or item that the derivative is hedging (including cash flows from transactions that were forecast when the derivative hedge was effected) affects income or expense then the associated fair value change on the hedging derivative is simultaneously transferred from the cash flow hedge reserve to the corresponding income or expense line item in the Income Statement.

When a hedging derivative expires or is sold, the hedge no longer meets the criteria for hedge accounting, or the Banking Group elects to revoke the hedge designation, the cumulative gain or loss on the hedging derivative remains in the cash flow hedge reserve until the forecast transaction occurs and affects income, at which point it is transferred to the corresponding income or expense line. If a forecast transaction is no longer expected to occur, the cumulative gain or loss on the hedging derivative previously reported in the cash flow hedge reserve is immediately transferred to Other income.

Fair Value Hedge Accounting
For qualifying fair value hedges, the change in fair value of the hedging derivative is recognised within Other income in the Income Statement. Changes in the fair value of the hedged item which are attributable to the risks hedged with the derivative instrument, are reflected in an adjustment to the carrying value of the hedged item and are recognised in Other income.

If the hedging instrument no longer meets the criteria for hedge accounting, or the Banking Group revokes the hedge designation, the difference between the carrying value of the hedged item at that point and the value at which it would have been carried had the hedge never existed (the "unamortised fair value adjustment"), is maintained as part of the carrying value of the hedged item and amortised to Other income based on a recalculated effective interest rate. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in Other income.

(h) Repurchase and Reverse Repurchase Agreements

Under repurchase agreements, collateral in the form of securities is advanced to a third party and the Banking Group receives cash or other securities in exchange. The counterparty is allowed to sell or repledge the collateral advanced under repurchase agreements in the absence of default by the Banking Group but has an obligation to return the collateral at the maturity of the contract. The Banking Group has determined that it retains substantially all the risks and rewards of these securities and therefore the securities advanced are not derecognised and are retained within the relevant security portfolio and accounted for accordingly. The obligation to repurchase is recorded within Deposits and other borrowings. The difference between the sale and repurchase price represents interest expense and is recognised in the Income Statement over the term of the repurchase agreement.

A reverse repurchase agreement is the same transaction as a repurchase agreement except the Banking Group is receiving the collateral in the form of securities and giving cash in exchange. The Banking Group may sell or re-pledge any collateral received but has an obligation to return the collateral and the counterparty retains substantially all the risks and rewards of ownership. Consequently, the collateral is not recognised by the Banking Group which instead records a separate asset for the cash given. The amount receivable is recorded within Cash and liquid assets. The difference between the purchase and sale price represents interest income and is recognised in the Income Statement over the term of the agreement.

(i) Offsetting Financial Instruments

The Banking Group offsets financial assets and financial liabilities and reports the net balance on the Balance Sheet where there is currently a legally enforceable right to set off and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(j) Derecognition of Financial Instruments

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired. Derecognition also occurs when the rights to receive cash flows from financial assets have been transferred together with substantially all of their risks and rewards. For those transactions where substantially all the risk and rewards are neither retained nor transferred, the Banking Group derecognises assets when control is no longer retained. When control is retained, the assets are recognised to the extent of the Banking Group's continuing involvement.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

1 Accounting Policies (continued)

(k) Asset Quality

DEFINITIONS

Objective evidence that a financial asset or portfolio of assets is credit impaired includes, but is not limited to, observable data that comes to the attention of the Banking Group about the following loss events:

- Significant financial difficulty of the issuer or obligor; or
- A breach of contract, such as a default or delinquency in interest or principal payments; or
- The Banking Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that it would not otherwise consider; or
- The disappearance of an active market for the financial asset because of financial difficulties.

Individually impaired assets are any credit exposures against which an individually assessed allowance has been recorded.

A past due asset is any credit exposure where a counterparty has failed to make a payment when contractually due, and which is not an impaired asset.

An asset under administration is any credit exposure which is not an impaired asset or a past due asset, but which is to a counterparty:

- Who is in receivership, liquidation, bankruptcy, statutory management or any form of administration in New Zealand; or
- Who is in any other equivalent form of voluntary or involuntary administration in an overseas jurisdiction.

Default occurs if either of the following takes place:

- The customer is unlikely to repay their credit obligations to the Banking Group in full without recourse by the Banking Group to actions such as realising security; or
- The customer is 90 days or more overdue on a scheduled credit obligation repayment.

This definition of default is consistent with that used for internal credit risk management purposes and regulatory purposes and has been utilised in the measurement of ECL.

IMPAIRMENT

The Banking Group assesses credit impairment of all financial assets measured at amortised cost, debt instruments measured at FVTOCI, loan commitments and financial guarantee contracts. The ECL model estimates credit losses by incorporating forward-looking information. Financial assets at FVTIS are not assessed for impairment as their fair value reflects the credit quality of the instrument, and changes in fair value are recognised in Other income or Other expenses, as appropriate.

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

- Probability of default ("PD"): The estimate of the probability that a debtor defaults (default is defined above);
- Exposure at default ("EAD"): The estimate of the proportion of a facility that may be outstanding in the event of a default. For credit cards the exposure at default calculation takes into account the probability of further amounts being drawn down. For other amounts, exposure at default is generally the higher of the drawn balance and the total credit limit; and
- Loss given default ("LGD"): The estimate of the proportion that is not expected to be recovered following default.

The ECL model uses a three-stage approach to loss recognition. Financial assets may migrate through these stages based on a change in credit risk since origination:

Stage 1 – 12 months ECL – "Performing"

When a financial asset is originated or purchased it is classified as Stage 1 "Performing". A loss allowance is recognised for financial assets in Stage 1 at an amount equal to one year of expected credit losses. Purchased or originated credit impaired assets are excluded from Stage 1.

Stage 2 – Lifetime ECL – "Performing" loans that have experienced a significant increase in credit risk ("SICR")

If the credit risk on the financial asset increases significantly since initial recognition and the resulting credit quality is not considered to be low risk, the financial asset is transferred to Stage 2 "Performing". A loss allowance is recognised for financial assets in Stage 2 at an amount equal to the full lifetime expected credit losses. If credit quality improves in a subsequent period such that the increase in credit risk since origination is no longer considered significant, the exposure is reclassified to Stage 1 and the allowance for ECL reverts to 12 months ECL.

Stage 3 – Lifetime ECL – "Non-performing"

If the credit risk of a financial asset increases to the point that it is considered to be credit impaired, the financial asset is classified as Stage 3 "Non-performing". Financial assets in Stage 3 continue to have a loss allowance for the full lifetime expected credit losses. Financial assets in Stage 3 may be reclassified to Stage 2 if they are no longer considered to be non-performing.

Interest revenue is recognised on gross carrying amounts for financial assets in Stage 1 and Stage 2, and gross carrying value net of the allowance for ECL of financial assets in Stage 3.

Financial assets are assessed for impairment regularly through the reporting period and at each reporting date. Defaulted exposures with an expected loss in excess of $20,000 are assessed for impairment individually and are included in Stage 3. All other exposures are assessed for impairment collectively, and may be included in either Stage 1, 2 or 3 as appropriate (grouped by shared risk characteristics, such as retail or corporate portfolio types and credit risk rating).

Where exposures are assessed for ECL individually, the allowance for ECL is calculated directly as the difference between the defaulted asset's carrying value and the recoverable amount (being the present value of expected future cash flows, including cash flows from the realisation of collateral or guarantees, where applicable).

Notes to the Financial Statements

For the year ended 30 June 2025

1 Accounting Policies (continued)

(k) Asset Quality (continued)

IMPAIRMENT (continued)

Significant increase in credit risk
A SICR is assessed by comparing the risk of default at the reporting date to the corresponding risk of default at origination. In determining what constitutes a SICR the Banking Group has considered reasonable and supportable qualitative and quantitative information. For the majority of portfolios, the primary indicator of a SICR is a significant deterioration in the internal credit rating grade of a facility between origination and reporting date. Where applicable, credit risk factors (PD and LGD) are adjusted to incorporate reasonable forward-looking information about known or expected risks for specific segments of portfolios that would otherwise not have been considered in the modelling process which is included in the assessment of SICR.

For retail portfolios, the risk of default is assessed using a retail masterscale ("RM"). The RM has 15 risk grades that are assigned to retail accounts based on their credit quality scores determined through a credit quality scorecard. Risk grades for retail exposures are updated monthly. The retail portfolio includes housing loans, credit cards, other personal facilities and most business lending up to $1 million.

For corporate portfolios, the risk of default is assessed using a risk rated probability of default masterscale ("PDM"). The PDM is used in internal credit risk management and includes 23 risk grades that are assigned at a customer level using rating tools and reflecting customer specific financial and non-financial information and management's experienced credit judgement. Risk grades for corporate exposures are updated at least annually on the basis of the most recent financial and non-financial information.

Application of the primary SICR indicator uses a sliding threshold such that an exposure with a higher credit quality at origination would need to experience a more significant downgrade compared to a lower credit quality exposure before SICR is triggered. The levels of downgrade required to trigger SICR for each origination grade have been defined for each significant portfolio.

In combination with the SICR assessment detailed above, the Banking Group uses a range of secondary indicators to determine whether a SICR has occurred, such as 30 days past due data.

For corporate Advances to customers with low credit risk at the reporting date, it is presumed that there has been no SICR since origination.

The ECL is calculated based on expected lifetime losses where there has been an assessment of a SICR, or one year of expected losses where there is no SICR. As a consequence, the amount of ECL recognised by the Banking Group is sensitive to SICR judgements by management.

Financial assets will move back to Stage 1 once they no longer meet the criteria for a SICR.

Lifetime of an exposure
For exposures in Stage 2 and Stage 3, lifetime expected losses are used to determine the allowance for ECL. The Banking Group considers both the contractual period and behavioural life of a product when estimating the expected lifetime of an exposure.

Forward-looking information
The Banking Group considers four alternative macroeconomic scenarios to ensure a sufficiently representative sample of economic conditions when estimating ECL. These scenarios include forward–looking macroeconomic factors (e.g. unemployment, interest rates and house prices), which are further described in note 15. The Banking Group's Loan Loss Provisioning Committee ("LLPC") is responsible for approving the macroeconomic scenarios and their associated probability weightings.

Where applicable, management adjustments and overlays may be made to account for situations where additional known or expected risks and information has not been considered in the modelling process and other factors that cannot be adequately accounted for through the ECL models. Refer to note 15(g) for further details.

Write offs
A loan is written off, either partially or in full, when there is no reasonable expectation of recovery. Events which may indicate there is no longer a reasonable expectation of recovery include:

- For secured lending, when the Banking Group has received proceeds from all available security; and
- For unsecured retail lending, when amounts are at least 90 days past due.

A loan is either written off against an individually assessed allowance, or directly to the Income Statement where no individually assessed allowance is held. Where an individually assessed allowance is less than the amount written off, the excess is written off directly to the Income Statement.

While the Banking Group may write off financial assets that are still subject to enforcement activity, it will still seek to recover amounts it is legally owed in full. Any recoveries of amounts previously written off are credited directly to the Income Statement.

(l) Leasing

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

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

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

1 Accounting Policies (continued)

(l) Leasing (continued)

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

RIGHT OF USE ASSET
The right of use asset is initially measured at cost comprising the following:

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

The right of use asset is included within Property, plant and equipment and is depreciated over the shorter of the asset's useful life and the lease term, on a straight-line basis. Refer to note 1(m) for more details on Property, plant and equipment.

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

(m) Property, Plant and Equipment

Property, plant and equipment other than land and buildings are recognised on the Balance Sheet at cost less accumulated depreciation and impairment losses.

Freehold land and buildings are stated at revalued amounts based on revaluations conducted at least every three years. The valuations are carried out by independent registered valuers.

Changes in valuations of freehold land and buildings are recognised directly in the Asset revaluation reserve. Where a revaluation decrease results in a debit balance in the Asset revaluation reserve of any individual asset, the loss is recognised in the Income Statement, and any subsequent revaluation gains are written back through the Income Statement to the extent of past losses recognised. Upon sale of freehold land and buildings, any gains held in the Asset revaluation reserve are transferred directly to Retained earnings.

The cost of leased right of use assets is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The cost or revalued amount of other Property, plant and equipment (excluding land) less the estimated residual value is depreciated over their useful lives on a straight-line basis. The range of useful lives of the major assets are:

• Buildings	10-100	years
• Furniture and fittings	5-10	years
• Computer hardware and office equipment	3-8	years
• Other plant and equipment	4-18	years

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate at each balance date.

Assets are reviewed at least annually to determine whether there is any indication that their carrying amount may not be recoverable. If any such indication exists, the recoverable amount is determined and the asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. For revalued assets, the write down is treated in the same way as adjustments arising from revaluations described above. For other assets, the impairment loss is recognised within Operating expenses in the Income Statement. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Where the Banking Group expects the carrying amount of assets held within Property, plant and equipment to be recovered principally through a sale rather than through continuing use, these assets are classified as held for sale.

(n) Intangible Assets

Intangible assets comprise goodwill acquired in a business combination and acquired computer software licences as well as certain acquired and internally generated application software.

COMPUTER SOFTWARE
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their expected useful lives on a straight-line basis.

Certain internal and external costs directly incurred in acquiring and developing software are capitalised when specific criteria are met. These intangible assets are amortised over their expected useful lives on a straight-line basis. Computer software costs that do not meet the capitalisation criteria are expensed in the period incurred.

1 Accounting Policies (continued)

(n) Intangible Assets (continued)

COMPUTER SOFTWARE (continued)
Software-as-a-service ("SaaS") arrangements are service contracts providing the Banking Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are generally recognised as operating expenses when the services are received. Some of these costs incurred are for the development of software code that enhances, modifies or adds capacity to existing on-premise systems that the Banking Group controls, and meets the recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful life for computer software ranges between 3-10 years.

Computer software is subject to the same impairment review process as Property, plant and equipment. Any impairment loss is recognised in Operating expenses in the Income Statement.

(o) Income Tax

Income tax on the net profit for the year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised in OCI, in which case it is recognised in OCI.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted as at balance date taking advantage of all allowable deductions under current taxation legislation. It also includes any adjustment to tax payable in respect of previous financial years. Where transactions are assessed as having an uncertain tax outcome, provisions are held to reflect those tax uncertainties where appropriate.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted as at balance date.

A deferred tax asset is recognised only to the extent that it is probable that a future taxable profit will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current or deferred tax related to fair value measurement of Securities at FVTOCI and cash flow hedges, which is charged or credited to OCI is subsequently recognised in the Income Statement if and when the deferred gain or loss on the related asset or liability affects the Income Statement.

(p) Provisions

A provision is recognised on the Balance Sheet when the Banking Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(q) Contingent Liabilities and Credit Commitments

Contingent liabilities are possible obligations, whose existence will be confirmed only by uncertain future events, or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised on the Balance Sheet, but are disclosed, unless the probability of having to meet obligations is considered remote.

The Banking Group issues commitments to extend credit, letters of credit, guarantees and other credit facilities. These financial instruments attract fees in line with market prices for similar arrangements. They are not sold or traded. Letters of credit and guarantees generally do not involve cash payments other than in the event of default. The fee pricing is set as part of the broader customer credit process and reflects the probability of default. They are disclosed as contingent liabilities at their face value which represents the maximum amount that could be lost if the counterparty fails to meet its obligations.

(r) Cash Flow Statement

The Cash Flow Statement has been prepared using the indirect method by which net profit before tax is adjusted for non-cash transactions and movements in Balance Sheet accounts relating to operating activities. Cash and cash equivalents include cash and cash at bank, cash in transit, call deposits with the central bank, money at short call and nostro balances.

Changes in cash and cash equivalents related to operating activities reflect cash flows generated by the Banking Group's operations.

Changes in cash and cash equivalents related to investing activities reflect cash flows relating to investments in controlled entities and associates and other securities, as well as acquisitions and disposals of property, plant and equipment and intangible assets.

Changes in cash and cash equivalents related to financing activities reflect cash flows resulting from transactions with shareholders and cash flows relating to debt and loan capital issuances and repayments and payments of lease liabilities.

Changes to Comparatives

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

All comparative restatements and reclassifications are footnoted throughout the financial statements. All restatements and reclassifications have no impact on the previously reported Balance Sheet or Net profit after tax.

Notes to the Financial Statements

For the year ended 30 June 2025

2 Net Interest Income

$ millions For the year ended 30 June	Banking Group 2025	 2024
Interest Income		
Effective interest income on financial assets measured at amortised cost		
Cash and liquid assets	**213**	427
Receivables from financial institutions	**29**	34
Advances to customers	**6,939**	6,561
Total effective interest income on financial assets measured at amortised cost	**7,181**	7,022
Effective interest income on Securities at fair value through other comprehensive income	**522**	546
Total effective interest income	**7,703**	7,568
Other interest income		
Interest income on Securities at fair value through Income Statement	**36**	-
Total interest income	**7,739**	7,568
Interest Expense		
Deposits and other borrowings(1)	**3,439**	3,116
Payables to financial institutions	**70**	117
Debt issues:		
At fair value through Income Statement	**44**	31
At amortised cost	**1,052**	1,291
Loan capital	**68**	78
Lease liabilities	**8**	7
Total interest expense	**4,681**	4,640
Net interest income	**3,058**	2,928

(1) Comparative information has been reclassified to ensure consistency with presentation in the current year.

Notes to the Financial Statements

For the year ended 30 June 2025

3 Other Income

$ millions For the year ended 30 June	Banking Group 2025	 2024
Lending, commission and other fees[1]	268	331
Funds management income	156	140
Fee and commission income	424	471
Fee and commission expense	(78)	(78)
Net fee and commission income	346	393
Trading income[1, 2]	100	90
Hedge ineffectiveness		
Fair value hedge ineffectiveness:		
Gain/(loss) on hedged items	(1,041)	(161)
Gain/(loss) on hedging instruments	1,041	161
Cash flow hedge ineffectiveness	(2)	(3)
Total hedge ineffectiveness	(2)	(3)
Other income[1]		
Net fair value loss on financial liabilities at fair value through Income Statement and related derivatives	-	(1)
Net fair value gain/(loss) on derivatives not qualifying for hedge accounting	2	(15)
Other	(2)	1
Total other loss	-	(15)
Total other income	444	465

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

(2) Trading income includes a credit risk adjustment gain of $4 million (30 June 2024 $2 million) on trading derivatives.

4 Operating Expense Disclosures

$ millions For the year ended 30 June	Banking Group 2025	 2024
Depreciation		
Right of use assets	42	40
Buildings	1	1
Other property, plant and equipment	29	36
Total depreciation	72	77
Lease and rent expenses	9	13
Amortisation of intangible assets	80	82

Notes to the Financial Statements

For the year ended 30 June 2025

5 Auditor's Remuneration

$ thousands	Banking Group	
For the year ended 30 June	**2025**	2024[1]
PricewaterhouseCoopers[2]		
Audit and review of financial statements[3]	**2,733**	2,503
Audit or review related services:		
Trust deed requirements[4]	**17**	22
Internal controls and capital adequacy reasonable assurance and agreed upon procedures	**627**	615
Debt programmes agreed upon procedures	**83**	241
Other assurance services and other agreed-upon procedures engagements		
Climate and sustainability reporting related services[5]	**307**	523
Other services[6]	**59**	41
Total auditor's remuneration relating to the Banking Group	**3,826**	3,945
Auditor's remuneration related to off balance sheet funds managed by the Banking Group[8]		
Audit and review of financial statements[3]	**529**	467
Audit or review related services:		
Trust deed requirements[4]	**45**	35
Other assurance services and other agreed-upon procedures engagements		
Climate reporting related services[7]	**-**	124
Total auditor's remuneration	**4,400**	4,571

(1) Certain comparative information has been reclassified to ensure consistency with presentation in the current year. The reclassifications have not impacted the total auditor's remuneration.

(2) All fees are charged by PricewaterhouseCoopers New Zealand with the exception of fees relating to capital benchmarking of $57,000 (30 June 2024 $38,000) and subscription fees to PricewaterhouseCoopers' online accounting research tool of $2,000 (30 June 2024 $2,000) included within other services which is charged by PricewaterhouseCoopers Australia and PricewaterhouseCoopers US respectively.

(3) Fees are for both the audit of the annual financial statements and review of the interim financial statements. This includes limited assurance on disclosure of capital adequacy and regulatory liquidity requirements.

(4) Fees are for register compliance assurance services and supervisor reporting services.

(5) Fees are for pre-conditions assessments, and assurance relating to greenhouse gas emissions and sustainability metrics.

(6) Fees are for generic training, subscription to PricewaterhouseCoopers' online accounting research tool and capital benchmarking.

(7) Fees are for pre-conditions assessments in relation to greenhouse gas reporting.

(8) Fees are on charged to the off balance sheet funds with the exception of the following fees which are incurred by the manager, ASB Group Investments Limited, a member of the Banking Group:
- fees for the audit and review of the off balance sheet funds financial statements amounting to $122,000 (2024 $104,000);
- fees for the off balance sheet funds Trust Deed requirements amounting to $23,000 (2024 $20,000); and
- fees for climate and sustainability reporting services amounting to nil (2024 $124,000).

6 Tax Expense

$ millions For the year ended 30 June	Banking Group 2025	 2024
Current tax	**603**	571
Deferred tax (refer to note 26)	**(37)**	1
Total tax expense charged to the Income Statement	**566**	572

The Tax expense on the Banking Group's Net profit before tax differs from the theoretical amount that would arise using the domestic rate as follows:

Net profit before tax	**2,015**	2,027
Tax at the domestic rate of 28%	**564**	568
Tax effect of income not subject to tax	**(1)**	-
Tax effect of expenses not deductible for tax purposes	**3**	2
Tax effect of prior period adjustments	**-**	1
Tax impact of changes to building depreciation	**-**	1
Total tax expense charged to the Income Statement	**566**	572
Effective tax rate	**28.1%**	28.2%

7 Cash and Liquid Assets

$ millions As at 30 June	Banking Group 2025	 2024
Cash, cash at bank and cash in transit	**98**	10
Call deposits with the central bank	**4,162**	4,107
Money at short call	**29**	361
Reverse repurchase agreements	**1,295**	972
Total cash and liquid assets	**5,584**	5,450

8 Receivables from and Payables to Financial Institutions

$ millions As at 30 June	Banking Group 2025	 2024
Receivables from financial institutions		
Collateral paid	**425**	481
Other receivables	**153**	149
Total receivables from financial institutions	**578**	630
Amounts due for settlement within 12 months	**578**	630
Total receivables from financial institutions	**578**	630
Payables to financial institutions		
Collateral received	**1,016**	234
Other payables	**523**	1,188
Total payables to financial institutions	**1,539**	1,422
Amounts due for settlement within 12 months	**1,539**	1,422
Total payables to financial institutions	**1,539**	1,422

9 Securities at Fair Value through Income Statement

$ millions	Banking Group	
As at 30 June	**2025**	2024
Government and local authority securities	**948**	-
Corporate securities	**135**	-
Total securities at fair value through Income Statement	**1,083**	-
Amounts due for settlement within 12 months	**493**	-
Amounts due for settlement over 12 months	**590**	-
Total securities at fair value through Income Statement	**1,083**	-

10 Securities at Fair Value through Other Comprehensive Income

$ millions	Banking Group	
As at 30 June	**2025**	2024
Government and local authority securities	**6,900**	5,784
Supranational securities	**2,512**	2,617
Corporate securities	**1,069**	1,326
Equity investments	**2**	2
Total securities at fair value through other comprehensive income(1)	**10,483**	9,729
Amounts due for settlement within 12 months	**1,564**	1,451
Amounts due for settlement over 12 months	**8,917**	8,276
Non-maturing	**2**	2
Total securities at fair value through other comprehensive income	**10,483**	9,729

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

11 Derivative Financial Instruments

Derivative financial instruments are classified as either held for trading or held for hedging. Held for trading derivatives are those entered into in order to meet customers' needs, to undertake market making and positioning activities and for economic hedging without applying hedge accounting. Held for hedging derivatives are instruments held for risk management purposes, which meet the criteria for hedge accounting. Refer to note 1(f) and 1(g) for an explanation of the Banking Group's accounting policies for derivatives and hedge accounting.

The Banking Group has entered into credit support annexes ("CSAs") in respect of certain credit exposures relating to derivative transactions. These CSAs compel the Banking Group or the counterparty to collateralise the market value of outstanding derivative transactions. As at 30 June 2025 the Banking Group had advanced $421 million of cash collateral against derivative liabilities and received $1,016 million of cash collateral against derivative assets (30 June 2024 $478 million and $234 million respectively).

The table below summarises the Banking Group's derivative financial instruments:

$ millions	Banking Group					
As at 30 June	**2025**			2024		
	Notional Amount	**Fair Value Assets**	**Fair Value Liabilities**	Notional Amount	Fair Value Assets	Fair Value Liabilities
Derivative financial instruments						
Held for trading	**289,957**	**130**	**(176)**	213,473	69	(170)
Held for hedging	**119,542**	**1,114**	**(234)**	103,027	812	(786)
Total derivative assets/(liabilities)	**409,499**	**1,244**	**(410)**	316,500	881	(956)
Amounts due for settlement within 12 months[1]		**250**	**(326)**		391	(224)
Amounts due for settlement over 12 months[1]		**994**	**(84)**		490	(732)
Total derivative assets/(liabilities)		**1,244**	**(410)**		881	(956)

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

(a) Derivative Financial Instruments which are Held for Trading

The following table details the Banking Group's derivative financial instruments which are classified as held for trading:

$ millions	Banking Group					
As at 30 June	**2025**			2024		
	Notional Amount	**Fair Value Assets**	**Fair Value Liabilities**	Notional Amount	Fair Value Assets	Fair Value Liabilities
Exchange rate contracts						
Forward contracts	**8,077**	**56**	**(140)**	6,244	54	(40)
Options	**653**	**10**	**(10)**	581	8	(8)
Total exchange rate contracts	**8,730**	**66**	**(150)**	6,825	62	(48)
Interest rate contracts						
Swaps	**280,564**	**64**	**(26)**	206,135	7	(122)
Futures	**497**	**-**	**-**	512	-	-
Options	**166**	**-**	**-**	-	-	-
Total interest rate contracts	**281,227**	**64**	**(26)**	206,647	7	(122)
Commodity contracts	**-**	**-**	**-**	1	-	-
Total held for trading	**289,957**	**130**	**(176)**	213,473	69	(170)

11 Derivative Financial Instruments (continued)

(b) Information on Derivative Financial Instruments which are Held for Hedging

Hedged Risks

The Banking Group's risk management strategy specifically with respect to hedge accounting is to minimise Income Statement volatility.

Hedge accounting is applied for the following risk categories:

- Interest rate risk, which arises due to a mismatch between fixed and floating interest rates on assets and liabilities; and
- Combined risk, which arises on assets or liabilities with interest rate risk that are denominated in currencies other than New Zealand dollars.

For disclosures of the extent of risk exposures that the Banking Group manages, refer to notes 13 and 43 to 46.

Fair Value Hedges

Fair value hedges protect the Banking Group from changes in fair value due to movements in market interest rates and foreign exchange rates. The Banking Group uses interest rate swaps to swap the fixed interest rate exposure of fixed rate assets and liabilities into variable rate exposure. This is used in respect of certain Securities at fair value through other comprehensive income, Debt issues at amortised cost and Loan capital. For fixed rate assets and liabilities denominated in a foreign currency, the Banking Group uses cross currency swaps, or a combination of foreign currency interest rate swaps and cross currency swaps to swap the combined foreign currency and fixed interest rate exposure into local currency variable rate exposure. This is used in respect of certain Securities at fair value through other comprehensive income, Debt issues at amortised cost and Loan capital.

Cash Flow Hedges

Cash flow hedges protect the Banking Group from variability in future interest cash flows due to movements in future interest rates and foreign exchange rates. The Banking Group uses interest rate swaps to swap the variable interest rate exposure of floating rate assets and liabilities into fixed rate exposure. This is used in respect of forecast interest cash flows from floating rate Advances to customers, floating rate Deposits and other borrowings, floating rate Debt issues at amortised cost, and the roll-over of short-term fixed rate Deposits and other borrowings. For floating rate liabilities denominated in a foreign currency, the Banking Group uses cross currency swaps to swap combined foreign currency and variable interest rate exposure into local currency variable rate exposure. This is used in respect of certain Debt issues at amortised cost.

Hedging Risk Components

In some hedging relationships, the Banking Group will only hedge specific risk components of hedged items, such as:

- Benchmark interest rate risk as a component of interest rate risk, such as the Bank Bill Benchmark Rate ("BKBM") component; and
- Spot exchange rate risk as a component of foreign currency risk for foreign currency financial assets and financial liabilities.

Changes in fair value of the hedged risk component is usually the largest component of the overall change in fair value, excluding credit risk (which is not hedged, and is discussed further in note 13). Hedging the benchmark interest rate risk or spot exchange rate risk components results in other risks, such as credit risk and liquidity risk, being excluded from the hedge accounting relationship.

Hedge Relationships and Ineffectiveness

The Banking Group performs prospective tests at the inception of the hedge relationship and retrospective tests at reporting periods to determine the relationship between the hedged item and the hedging instrument, and to assess hedge effectiveness. Prospective testing and retrospective testing are performed using a regression model. The regression model compares the change in the fair value of the hedged item and the change in the fair value of the hedging instrument. The Banking Group monitors hedge effectiveness on a regular basis but at a minimum at least at each reporting date. For a hedge to be deemed effective, the slope of the regression line should be within a range of 0.8 and 1.25 and the regression co-efficient (R squared) of the regression line, which measures the correlation between the variables in the regression, should be within a range of 0.8 and 1.0.

The hedging ratio is established by matching the notional amount of the derivatives held for hedging purposes with the principal of the portfolio or financial instruments being hedged.

Sources of hedge ineffectiveness may arise for both risk categories due to:

- Differences in discounting between the hedged item and the hedging instrument. Collateralised derivatives are discounted using Overnight Indexed Swaps ("OIS") discount curves, whereas hedged items are discounted using a relevant benchmark rate (for example BKBM or EURIBOR); and
- Mismatches between the contractual terms of the hedged item and the hedging instrument.

11 Derivative Financial Instruments (continued)

(c) Hedging Instruments

The following table presents information in relation to the Banking Group's hedging instruments:

$ millions	Banking Group					
	2025			2024		
		Fair Value			Fair Value	
As at 30 June	**Notional Amount**	**Derivative Assets**	**Derivative Liabilities**	Notional Amount	Derivative Assets	Derivative Liabilities
Fair value hedges						
Interest rate risk	**16,298**	**18**	**(3)**	17,577	43	(14)
Combined risk	**18,663**	**1,057**	**(92)**	17,377	750	(748)
Total designated as fair value hedges	**34,961**	**1,075**	**(95)**	34,954	793	(762)
Cash flow hedges						
Interest rate risk	**79,582**	**9**	**(12)**	66,633	6	(9)
Combined risk	**4,999**	**30**	**(127)**	1,440	13	(15)
Total designated as cash flow hedges	**84,581**	**39**	**(139)**	68,073	19	(24)
Total held for hedging	**119,542**	**1,114**	**(234)**	103,027	812	(786)

The following table presents an analysis of the maturity profile of the notional values of the Banking Group's hedging instruments:

$ millions	Banking Group			
Notional Amount	**Within**	**Between**	**Over**	
As at 30 June 2025	**1 Year**	**1-5 Years**	**5 Years**	**Total**
Fair value hedges				
Interest rate risk	**2,399**	**10,302**	**3,597**	**16,298**
Combined risk	**2,228**	**13,667**	**2,768**	**18,663**
Total fair value hedges	**4,627**	**23,969**	**6,365**	**34,961**
Cash flow hedges				
Interest rate risk	**38,987**	**40,205**	**390**	**79,582**
Combined risk	**4,601**	**398**	**-**	**4,999**
Total cash flow hedges	**43,588**	**40,603**	**390**	**84,581**
Total held for hedging	**48,215**	**64,572**	**6,755**	**119,542**

$ millions	Banking Group			
Notional Amount	Within	Between	Over	
As at 30 June 2024	1 Year	1-5 Years	5 Years	Total
Fair value hedges				
Interest rate risk	2,423	11,435	3,719	17,577
Combined risk	2,775	10,566	4,036	17,377
Total fair value hedges	5,198	22,001	7,755	34,954
Cash flow hedges				
Interest rate risk	40,411	25,904	318	66,633
Combined risk	1,134	290	16	1,440
Total cash flow hedges	41,545	26,194	334	68,073
Total held for hedging	46,743	48,195	8,089	103,027

The average fixed interest rate of hedging instruments used to hedge interest rate risk as at 30 June 2025 was 3.89% for fair value hedges and 3.67% for cash flow hedges (30 June 2024 3.52% for fair value hedges and 4.19% for cash flow hedges).

The average exchange rates of major currencies where cross currency swaps were used to hedge foreign currency risk against NZD as at 30 June 2025 was 0.635 for USD and 0.567 for EUR (30 June 2024 0.659 for USD and 0.588 for EUR).

11 Derivative Financial Instruments (continued)

(d) Hedged Items in Fair Value Hedge Accounting Relationships

The following table presents information on the Banking Group's hedged items in fair value hedge accounting relationships:

$ millions		Banking Group			
		Carrying Amount		Accumulated Fair Value Adjustments(1)	
As at 30 June 2025	**Risk Categorisation**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Securities at fair value through other comprehensive income	Interest rate risk	**9,507**	**-**	**125**	**-**
Debt issues at amortised cost	Interest rate risk	**-**	**(1,942)**	**-**	**(24)**
Securities at fair value through other comprehensive income	Combined risk	**49**	**-**	**1**	**-**
Debt issues at amortised cost	Combined risk	**-**	**(16,017)**	**-**	**558**
Loan capital	Combined risk	**-**	**(972)**	**-**	**14**
Total		**9,556**	**(18,931)**	**126**	**548**

$ millions		Banking Group			
		Carrying Amount		Accumulated Fair Value Adjustments(1)	
As at 30 June 2024	Risk Categorisation	Assets	Liabilities(2)	Assets	Liabilities
Securities at fair value through other comprehensive income	Interest rate risk	8,691	-	(277)	-
Debt issues at amortised cost	Interest rate risk	-	(2,475)	-	43
Securities at fair value through other comprehensive income	Combined risk	48	-	-	-
Debt issues at amortised cost(2)	Combined risk	-	(13,720)	-	993
Loan capital	Combined risk	-	(941)	-	43
Total		8,739	(17,136)	(277)	1,079

(1) Represents the accumulated amount of fair value hedge adjustments included in the carrying amount of the hedged item. None of these adjustments relate to hedges which have been discontinued.

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

(e) Hedge Ineffectiveness

The following table presents the changes in value of the Banking Group's hedged items and hedging instruments, together with the hedge ineffectiveness recognised within Other income in the Income Statement:

$ millions	Banking Group					
As at 30 June	**2025**			2024		
	Change in Value of Hedging Instrument(3)	**Change in Value of Hedged Item(4)**	**Hedge Ineffectiveness**	Change in Value of Hedging Instrument(3)	Change in Value of Hedged Item(4)	Hedge Ineffectiveness
Fair value hedges						
Interest rate risk	**(214)**	**215**	**1**	(95)	95	-
Combined risk	**1,255**	**(1,256)**	**(1)**	256	(256)	-
Total	**1,041**	**(1,041)**	**-**	161	(161)	-
Cash flow hedges						
Interest rate risk	**146**	**(148)**	**(2)**	(282)	279	(3)
Combined risk	**100**	**(100)**	**-**	(82)	82	-
Total	**246**	**(248)**	**(2)**	(364)	361	(3)

(3) Represents the change in value of the hedging instruments used as the basis for recognising hedge ineffectiveness during the year.

(4) For fair value hedges, the changes in value of the hedged items are recognised in the Income Statement. For cash flow hedges, the changes in value of the hedged cash flows are only used as a basis for recognising ineffectiveness.

11 Derivative Financial Instruments (continued)

(f) Cash Flow Hedge Reserve

The table below details the movements in the Banking Group's Cash flow hedge reserve during the reporting period, which includes the impact of cash flow hedges on Net profit after tax and Other comprehensive income (excluding hedge ineffectiveness):

$ millions	Banking Group					
As at 30 June	**2025**			2024		
	Interest Rate Risk	**Combined Risk**	**Total**	Interest Rate Risk	Combined Risk	Total
Movement in cash flow hedge reserve						
Balance at beginning of year	**(49)**	**(97)**	**(146)**	152	(37)	115
Net gain/(loss) from changes in fair value[1]	**(17)**	**81**	**64**	(36)	(140)	(176)
Reclassified to Income Statement[2]						
Interest income	**193**	**-**	**193**	510	-	510
Interest expense	**(46)**	**19**	**(27)**	(753)	58	(695)
Other income	**-**	**(59)**	**(59)**	-	(1)	(1)
Deferred tax	**(37)**	**(11)**	**(48)**	78	23	101
Balance at end of year	**44**	**(67)**	**(23)**	(49)	(97)	(146)

(1) Represents hedging gains or losses recognised in Other comprehensive income during the reporting period.

(2) No material amounts have been reclassified to the Income Statement in respect of forecast transactions no longer expected to occur.

The cash flow hedge reserve balance represents amounts for continuing hedges. As at 30 June 2025, the reserve included $16 million loss relating to adjustments for hedges which have been discontinued (30 June 2024 $2 million gain).

12 Advances to Customers

$ millions	Banking Group					
	2025			2024[1]		
As at 30 June	**Gross Carrying Amount of Advances to Customers**	**Allowance for ECL**	**Total Advances to Customers**	Gross Carrying Amount of Advances to Customers	Allowance for ECL	Total Advances to Customers
Residential mortgages (refer to note 15(b))	**81,052**	**(233)**	**80,819**	76,100	(214)	75,886
Other retail (refer to note 15(c))	**2,824**	**(85)**	**2,739**	2,907	(89)	2,818
Corporate (refer to note 15(d))	**31,485**	**(316)**	**31,169**	30,622	(316)	30,306
Total	**115,361**	**(634)**	**114,727**	109,629	(619)	109,010
Amounts due for settlement within 12 months			**20,548**			21,409
Amounts due for settlement over 12 months			**94,179**			87,601
Total Advances to customers			**114,727**			109,010

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

13 Credit Risk Management Policies

Credit Risk Management

Credit risk is the potential risk of loss arising from the failure of a customer or counterparty to meet their contractual obligations. At a portfolio level, credit risk includes concentration risk arising from interdependencies between customers and concentrations of exposures to geographical regions, industry sectors and products/portfolio types.

Credit risk principally arises within the Banking Group from its core business in providing lending facilities. Credit risk also arises from the Banking Group assuming contingent liabilities, participating in financial market transactions and assuming underwriting commitments. The Banking Group is selective in targeting credit risk exposures and limits exposures to high-risk areas.

The BRCC operates under a charter by which it oversees the Banking Group's risk appetite statement, credit risk framework, credit approval authorities framework, and credit management policies and practices (including origination, decisioning, verification/fulfilment, and whole of life servicing). The BRCC oversees that the Banking Group has in place and maintains credit policies and portfolio standards consistent with responsible lending standards designed to achieve portfolio outcomes consistent with the Banking Group's risk/return expectations. Day-to-day management of credit risk is performed and reported by the Bank's Credit function, with monitoring by the Bank's Financial Risk Committee.

A system of industry limits and a large credit exposure policy assist in the diversification of the credit portfolio. These policies are an important part of portfolio management objectives to create a diversified portfolio avoiding significantly large concentrations of economically related credit risk exposures.

The Banking Group has comprehensive credit policies for the approval and management of credit risk including risk from other banks and related counterparties. Lending standards and criteria are defined across different business sectors for the Banking Group products and incorporate income/repayment capacity, acceptable terms and security and loan documentation tests.

Credit portfolio concentration limits and standards for the Banking Group are set by the Board approved credit risk framework and BRCC approved large credit exposure limits, country risk exposure limits, and industry sector concentration limits. Exposure to consumer credit products is managed within limits and standards set in the risk appetite statement and portfolio level risk appetite statements.

The measurement of credit risk is primarily based on a RBNZ accredited advanced internal ratings-based ("IRB") approach (albeit some exposures are subject to the standardised approach). The IRB approach uses judgemental assessment supported by analytical tools (including scorecards) to estimate expected and unexpected loss within the credit portfolio.

While the Banking Group applies policies, standards and procedures in governing the credit process, the management of credit risk also relies on the application of judgement and the exercise of good faith and due care by relevant staff within their delegated authority.

The BAC has an oversight role and provides challenge of key judgements and assumptions, including updates to macroeconomic scenarios and weightings, and overlays applied in determining the allowance for ECL. The BAC receives information regarding the Banking Group's allowance for ECL, impairment losses on financial assets, areas of key accounting estimates and judgement, reported results and key messages.

Refer to notes 14 to 19 for additional credit risk disclosures.

Climate Change Risk

Credit risk includes the risks associated to the Banking Group lending to customers who could be impacted by either physical or transition risks of climate change. Climate change risks can impact our customers in many ways, such as: having the potential to disrupt business activities, impact the viability of business models, affect our customers' ability to service or repay their loans, restrict our customers' ability to obtain insurance, and impact the value of collateral the Banking Group holds to secure loans. These impacts may arise from long-term changes in climatic conditions (chronic risks), increased frequency and severity of weather events (acute risks), and changes in regulation, technological innovation, social adaptation and market changes to transition to a low-emissions economy.

The Banking Group has an internal Environmental, Social and Governance ("ESG") credit standard. The standard lays a foundation for the way in which ESG risks are to be considered in credit risk assessment processes for non-retail customers and for how the ESG risk profile of credit portfolios is monitored.

Collateral

Refer to note 20 for information on the Banking Group's policies and procedures regarding collateral and credit enhancements to mitigate credit risk.

Credit Risk Measurement

The measurement of credit risk utilises analytical tools to calculate both expected and unexpected losses for the credit portfolio. This includes consideration of the probability of default, the exposure at the time of default and the loss given default that would likely be experienced as a consequence.

The PD is the estimate of the probability that a customer will default within the next 12 months. It reflects a customer's ability to generate sufficient cash flows into the future to meet the terms of all its credit contracts with the Banking Group.

EAD is the proportion of a facility that may be outstanding in the event of default. It is calculated as a percentage of the facility limit and is expressed in dollars.

LGD is the proportion of a facility estimated to be lost in the event of default. It is expressed as a percentage. LGD is impacted by the type, level, liquidity and volatility of any collateral held, carrying costs and other expense.

The expected loss ("EL") is the product of the PD, EAD and the LGD. An EL will be recorded for every facility, including retail.

13 Credit Risk Management Policies (continued)

Asset Quality

Credit risk is divided into the Retail segment and the Corporate segment. A different approach is used in each to determine an overall credit grade based on EL. These ratings equate to each other as follows:

Overall Credit Grade	Retail Grade	Corporate Grade	Banking Group Rating Classification
Low EL	Pool 1	CRR* 1 - 3	Retail facilities with low expected loss. Corporate facilities demonstrating financial condition and capacity to repay that are good to exceptional.
Medium EL	Pool 2	CRR 4 - 6	Retail facilities with moderate expected loss. Corporate facilities demonstrating financial condition and capacity to repay that are acceptable to good.
High EL	Pool 3	CRR 7 - 9	Retail facilities operating outside of agreed arrangements. Corporate facilities that require varying degrees of special attention (not necessarily contractually past due).

*Credit risk rating ("CRR")

Retail

The Retail segment comprises housing loans, credit cards, other personal credit facilities and most business lending up to $1 million. These portfolios are managed using statistical origination and account management techniques.

Retail facilities are assigned to a PD, EAD and LGD pool based on observed and predicted outcomes for facilities with similar characteristics. The overall credit grading pool is based on the EL that results from the product of PD, EAD and LGD for each facility.

Facilities in the Retail segment become classified for remedial management by centralised units based on delinquency status.

Corporate

Corporate exposures comprise commercial exposures, including bank and government exposures. A CRR is recorded against every corporate facility. Credit risk rated exposures are reviewed at least annually and the CRR reassessed.

PD and LGD are determined using credit assessment tools. The CRR is determined by reference to a matrix where PD and LGD combine to produce a numeric CRR grade which represents a range of EL.

CRRs fall into two categories:

1. Pass - CRR of 1 - 6. These credit facilities qualify for approval of new or increased exposure on normal commercial terms.
2. Troublesome and Non Performing Exposures ("TNPE") - CRR of 7 - 9. These credit facilities are not eligible for increases in exposure unless it will protect or improve the Banking Group's position by maximising recovery prospects or to facilitate rehabilitation.

Oversight

Both retail and corporate segments are subject to inspection. Credit processes are reviewed by the relevant Credit Quality Review unit, with an overview provided by an assurance function in the Risk Division. Assurance processes include a review of compliance with policy, portfolio standards, and application of risk ratings with reports on findings reported to the BAC or the BRCC.

Impairment of Financial Assets

The Banking Group's accounting policies regarding impairment and allowances for ECL are set out in note 1(k).

14 Credit Quality Information for Advances to Customers

With some exceptions, the PDs associated with the credit risk rating grades presented in the tables below are consistent with those used for credit risk management purposes, as detailed in note 13.

Credit Risk Rating Grade Classifications	PD (%)
Investment	0 - 0.45
Pass	0.45 - 6.66
Weak	6.66 - 100

Customers that are experiencing hardship or have an individually assessed allowance held against their exposure are included in the "Weak" credit risk rating grade classification.

The following tables present the Banking Group's Advances to customers, lending commitments and credit related contingent liabilities by credit risk rating grade:

$ millions	Banking Group				
	Collectively Assessed			Individually Assessed	
As at 30 June 2025	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Advances to customers					
Investment	**15,271**	**2,095**	**-**	**-**	**17,366**
Pass	**74,214**	**21,206**	**-**	**-**	**95,420**
Weak	**1**	**526**	**1,603**	**445**	**2,575**
Total Advances to customers	**89,486**	**23,827**	**1,603**	**445**	**115,361**
Lending commitments					
Investment	**7,429**	**425**	**-**	**-**	**7,854**
Pass	**7,176**	**1,718**	**-**	**-**	**8,894**
Weak	**3**	**19**	**15**	**18**	**55**
Total lending commitments	**14,608**	**2,162**	**15**	**18**	**16,803**
Total Advances to customers and lending commitments	**104,094**	**25,989**	**1,618**	**463**	**132,164**
Allowance for ECL on Advances to customers and lending commitments	**125**	**241**	**145**	**123**	**634**

$ millions	Banking Group				
	Collectively Assessed			Individually Assessed	
As at 30 June 2024	Stage 1	Stage 2[(1)]	Stage 3[(1)]	Stage 3	Total
Advances to customers					
Investment	12,863	2,002	-	-	14,865
Pass	69,707	22,558	-	-	92,265
Weak	-	652	1,474	373	2,499
Total Advances to customers	82,570	25,212	1,474	373	109,629
Lending commitments					
Investment	6,554	510	-	-	7,064
Pass	6,874	1,482	-	-	8,356
Weak	3	26	23	10	62
Total lending commitments	13,431	2,018	23	10	15,482
Total Advances to customers and lending commitments	96,001	27,230	1,497	383	125,111
Allowance for ECL on Advances to customers and lending commitments	121	247	152	99	619

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

14 Credit Quality Information for Advances to Customers (continued)

$ millions	Banking Group				
	Collectively Assessed			Individually Assessed	
As at 30 June 2025	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Credit related contingent liabilities					
Investment	**305**	**14**	**-**	**-**	**319**
Pass	**293**	**262**	**-**	**-**	**555**
Weak	**-**	**80**	**1**	**5**	**86**
Total credit related contingent liabilities	**598**	**356**	**1**	**5**	**960**
Allowance for ECL on credit related contingent liabilities	**2**	**10**	**-**	**-**	**12**

$ millions	Banking Group				
	Collectively Assessed			Individually Assessed	
As at 30 June 2024	Stage 1	Stage 2	Stage 3	Stage 3	Total
Credit related contingent liabilities					
Investment	322	20	-	-	342
Pass	307	295	-	-	602
Weak	-	77	1	2	80
Total credit related contingent liabilities	629	392	1	2	1,024
Allowance for ECL on credit related contingent liabilities	1	20	-	-	21

Further information on credit quality is presented below:

$ millions	Banking Group			
As at 30 June 2025	**Residential Mortgages**	**Other Retail**	**Corporate**	**Total**
Past due assets not individually impaired				
1 to 7 days	**1,824**	**70**	**320**	**2,214**
8 to 29 days	**1,204**	**46**	**41**	**1,291**
1 to 29 days	**3,028**	**116**	**361**	**3,505**
30 to 59 days	**356**	**25**	**18**	**399**
60 to 89 days	**154**	**14**	**18**	**186**
90 days and over	**403**	**43**	**28**	**474**
Total past due assets not individually impaired	**3,941**	**198**	**425**	**4,564**
Other asset quality information				
Other assets under administration	**14**	**2**	**5**	**21**
Undrawn lending commitments to customers with individually impaired assets	**-**	**-**	**18**	**18**

$ millions	Banking Group			
As at 30 June 2024	Residential Mortgages	Other Retail	Corporate	Total
Past due assets not individually impaired				
1 to 7 days	844	56	189	1,089
8 to 29 days	992	51	138	1,181
1 to 29 days	1,836	107	327	2,270
30 to 59 days	364	28	47	439
60 to 89 days	170	15	11	196
90 days and over	376	49	17	442
Total past due assets not individually impaired	2,746	199	402	3,347
Other asset quality information				
Other assets under administration	11	1	-	12
Undrawn lending commitments to customers with individually impaired assets	-	1	9	10

15 Allowance for Expected Credit Loss

Information for the year ended 30 June 2025 is presented separately for the following categories of Advances to customers, as prescribed by the Order:

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

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

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

Section (g) details the experienced credit judgement, management adjustments and overlays incorporated in the calculation of allowances for ECL.

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

Unless stated otherwise, 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 and overlays;
- The effect of any Stage 3 discount unwind is included within Other changes in collective allowances and within New and increased individually assessed allowances. This discount unwind is presented in the Income Statement as a reduction in Interest income;
- Other changes in collective allowances also includes the impact of changes in future forecast economic assumptions, other changes in models or assumptions, changes in the expected life of existing lending and other changes in the credit quality of existing lending (excluding those related to SICR). This includes the impact of management adjustments and overlays; 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 during the year.

They are presented on the following basis:

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

Explanations of the material drivers of the movement in allowance for ECL, including how changes in the gross carrying amounts contributed to changes in the allowance for ECL, are provided above the ECL tables.

15 Allowance for Expected Credit Loss (continued)

(a) Total Advances to Customers

The Banking Group's allowance for ECL increased by $15 million during the year, reflecting:

- A net increase of $24 million in individually assessed allowances primarily due to the impact from residential mortgages; and
- A net decrease of $9 million in collective allowances primarily due to updates to multiple macroeconomic scenarios and Additions and Deletions, partially offset by changes in portfolio quality and management adjustments.

$ millions	Banking Group				
Movement in Allowance for Expected Credit Loss	**Collective Allowances**			**Individually Assessed Allowances**	
As at 30 June 2025	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance as at 1 July 2024	121	247	152	99	619
Charged to/(credited against) the Income Statement					
Changes in allowances due to transfers between ECL Stages					
Transfers to Stage 1	18	(44)	(2)	-	(28)
Transfers to Stage 2	(33)	89	(88)	-	(32)
Transfers to Stage 3	-	(29)	178	-	149
Net transfers between collective allowances and individually assessed allowances	-	(11)	(16)	27	-
Changes in allowances due to transfers between ECL Stages	(15)	5	72	27	89
Changes in collective allowances due to additions and deletions	15	(20)	(36)	-	(41)
Changes in collective allowances due to amounts written off	-	(2)	(23)	-	(25)
Total changes in allowances due to movements in gross carrying amounts	-	(17)	13	27	23
Other changes in collective allowances	4	11	(20)	-	(5)
New and increased individually assessed allowances	-	-	-	69	69
Write-back of individually assessed allowances no longer required	-	-	-	(43)	(43)
Total charged to/(credited against) the Income Statement	4	(6)	(7)	53	44
Amounts written off from individually assessed allowances	-	-	-	(29)	(29)
Balance as at 30 June 2025	125	241	145	123	634

$ millions	Banking Group				
Movement in Gross Carrying Amounts	**Collectively Assessed**			**Individually Assessed**	
As at 30 June 2025	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance as at 1 July 2024	82,570	25,212	1,474	373	109,629
Changes due to transfers between ECL Stages					
Transfers to Stage 1	6,688	(6,627)	(61)	-	-
Transfers to Stage 2	(8,201)	9,278	(1,077)	-	-
Transfers to Stage 3	(45)	(1,789)	1,834	-	-
Net transfers to/(from) Stage 3 individually assessed	(12)	(130)	(77)	219	-
Total changes due to transfers between ECL Stages	(1,570)	732	619	219	-
Additions and deletions					
Additions	35,383	7,747	155	-	43,285
Deletions (excluding amounts written off)	(26,894)	(9,856)	(602)	(118)	(37,470)
Net additions/(deletions)	8,489	(2,109)	(447)	(118)	5,815
Amounts written off	(3)	(8)	(43)	(29)	(83)
Balance as at 30 June 2025	89,486	23,827	1,603	445	115,361

15 Allowance for Expected Credit Loss (continued)

(a) Total Advances to Customers (continued)

$ millions	Banking Group				
Movement in Allowance for Expected Credit Loss	Collective Allowances			Individually Assessed Allowances	
As at 30 June 2024	Stage 1	Stage 2	Stage 3	Stage 3	Total
Balance as at 1 July 2023	170	236	117	75	598
Charged to/(credited against) the Income Statement					
Changes in allowances due to transfers between ECL Stages					
Transfers to Stage 1	24	(56)	(1)	-	(33)
Transfers to Stage 2	(40)	113	(74)	-	(1)
Transfers to Stage 3	(1)	(26)	162	-	135
Net transfers between collective allowances and individually assessed allowances	1	(6)	(6)	11	-
Changes in allowances due to transfers between ECL Stages	(16)	25	81	11	101
Changes in collective allowances due to additions and deletions	10	(12)	(31)	-	(33)
Changes in collective allowances due to amounts written off	-	(1)	(14)	-	(15)
Total changes in allowances due to movements in gross carrying amounts	(6)	12	36	11	53
Other changes in collective allowances	(43)	(1)	(1)	-	(45)
New and increased individually assessed allowances	-	-	-	66	66
Write-back of individually assessed allowances no longer required	-	-	-	(34)	(34)
Total charged to/(credited against) the Income Statement	(49)	11	35	43	40
Amounts written off from individually assessed allowances	-	-	-	(19)	(19)
Balance as at 30 June 2024	121	247	152	99	619

$ millions	Banking Group				
Movement in Gross Carrying Amounts	Collectively Assessed			Individually Assessed	
As at 30 June 2024	Stage 1	Stage 2	Stage 3	Stage 3	Total
Balance as at 1 July 2023	84,343	23,082	1,299	321	109,045
Changes due to transfers between ECL Stages					
Transfers to Stage 1	7,050	(7,036)	(14)	-	-
Transfers to Stage 2[(1)]	(11,173)	12,083	(910)	-	-
Transfers to Stage 3	(245)	(1,262)	1,507	-	-
Net transfers to/(from) Stage 3 individually assessed	27	(125)	(31)	129	-
Total changes due to transfers between ECL Stages	(4,341)	3,660	552	129	-
Additions and deletions					
Additions	24,791	5,870	112	-	30,773
Deletions (excluding amounts written off)	(22,222)	(7,395)	(459)	(58)	(30,134)
Net additions/(deletions)	2,569	(1,525)	(347)	(58)	639
Amounts written off	(1)	(5)	(30)	(19)	(55)
Balance as at 30 June 2024	82,570	25,212	1,474	373	109,629

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

15 Allowance for Expected Credit Loss (continued)

(b) Residential Mortgages

The Banking Group's Residential mortgages allowance for ECL increased by $19 million during the year, with a net increase of $25 million in individually assessed allowances and a net decrease of $6 million in collective allowances.

With respect to the collective allowances in the table below, the movement primarily reflects:

- Updates to multiple macroeconomic scenarios resulting in a net decrease of $47 million, presented within Other changes in collective allowances; and
- A net increase of $41 million primarily due to portfolio credit quality deterioration presented within Other changes in collective allowances and Transfers between ECL Stages, partly offset by movements in exposure within Additions and Deletions.

$ millions	Banking Group				
Movement in Allowance for Expected Credit Loss	**Collective Allowances**			**Individually Assessed Allowances**	
As at 30 June 2025	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance as at 1 July 2024	**48**	**42**	**109**	**15**	**214**
Charged to/(credited against) the Income Statement					
Changes in allowances due to transfers between ECL Stages					
Transfers to Stage 1	8	(13)	(2)	-	(7)
Transfers to Stage 2	(16)	37	(70)	-	(49)
Transfers to Stage 3	-	(13)	124	-	111
Net transfers between collective allowances and individually assessed allowances	-	(3)	(16)	19	-
Changes in allowances due to transfers between ECL Stages	(8)	8	36	19	55
Changes in collective allowances due to additions and deletions	8	(3)	(24)	-	(19)
Changes in collective allowances due to amounts written off	-	-	-	-	-
Total changes in allowances due to movements in gross carrying amounts	-	5	12	19	36
Other changes in collective allowances	(3)	(2)	(18)	-	(23)
New and increased individually assessed allowances	-	-	-	34	34
Write-back of individually assessed allowances no longer required	-	-	-	(24)	(24)
Total charged to/(credited against) the Income Statement	(3)	3	(6)	29	23
Amounts written off from individually assessed allowances	-	-	-	(4)	(4)
Balance as at 30 June 2025	**45**	**45**	**103**	**40**	**233**

$ millions	Banking Group				
Movement in Gross Carrying Amounts	**Collectively Assessed**			**Individually Assessed**	
As at 30 June 2025	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance as at 1 July 2024	**70,238**	**4,475**	**1,283**	**104**	**76,100**
Changes due to transfers between ECL Stages					
Transfers to Stage 1	2,560	(2,501)	(59)	-	-
Transfers to Stage 2	(3,976)	4,978	(1,002)	-	-
Transfers to Stage 3	(42)	(1,655)	1,697	-	-
Net transfers to/(from) Stage 3 individually assessed	(7)	(81)	(83)	171	-
Total changes due to transfers between ECL Stages	(1,465)	741	553	171	-
Additions and deletions					
Additions	23,795	411	84	-	24,290
Deletions (excluding amounts written off)	(17,848)	(968)	(478)	(39)	(19,333)
Net additions/(deletions)	5,947	(557)	(394)	(39)	4,957
Amounts written off	-	-	(1)	(4)	(5)
Balance as at 30 June 2025	**74,720**	**4,659**	**1,441**	**232**	**81,052**

15 Allowance for Expected Credit Loss (continued)

(b) Residential Mortgages (continued)

$ millions	Banking Group				
Movement in Allowance for Expected Credit Loss	Collective Allowances			Individually Assessed Allowances	
As at 30 June 2024	Stage 1	Stage 2	Stage 3	Stage 3	Total
Balance as at 1 July 2023	60	49	93	7	209
Charged to/(credited against) the Income Statement					
Changes in allowances due to transfers between ECL Stages					
Transfers to Stage 1	11	(18)	(1)	-	(8)
Transfers to Stage 2	(16)	35	(61)	-	(42)
Transfers to Stage 3	(1)	(10)	112	-	101
Net transfers between collective allowances and individually assessed allowances	-	(1)	(6)	7	-
Changes in allowances due to transfers between ECL Stages	(6)	6	44	7	51
Changes in collective allowances due to additions and deletions	5	(3)	(21)	-	(19)
Changes in collective allowances due to amounts written off	-	-	-	-	-
Total changes in allowances due to movements in gross carrying amounts	(1)	3	23	7	32
Other changes in collective allowances	(11)	(10)	(7)	-	(28)
New and increased individually assessed allowances	-	-	-	13	13
Write-back of individually assessed allowances no longer required	-	-	-	(9)	(9)
Total charged to/(credited against) the Income Statement	(12)	(7)	16	11	8
Amounts written off from individually assessed allowances	-	-	-	(3)	(3)
Balance as at 30 June 2024	48	42	109	15	214

$ millions	Banking Group				
Movement in Gross Carrying Amounts	Collectively Assessed			Individually Assessed	
As at 30 June 2024	Stage 1	Stage 2	Stage 3	Stage 3	Total
Balance as at 1 July 2023	70,007	4,390	1,191	64	75,652
Changes due to transfers between ECL Stages					
Transfers to Stage 1	2,719	(2,706)	(13)	-	-
Transfers to Stage 2[(1)]	(3,517)	4,377	(860)	-	-
Transfers to Stage 3	(239)	(1,071)	1,310	-	-
Net transfers to/(from) Stage 3 individually assessed	(16)	(29)	(25)	70	-
Total changes due to transfers between ECL Stages	(1,053)	571	412	70	-
Additions and deletions					
Additions	16,141	349	48	-	16,538
Deletions (excluding amounts written off)	(14,857)	(835)	(365)	(27)	(16,084)
Net additions/(deletions)	1,284	(486)	(317)	(27)	454
Amounts written off	-	-	(3)	(3)	(6)
Balance as at 30 June 2024	70,238	4,475	1,283	104	76,100

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

15 Allowance for Expected Credit Loss (continued)

(c) Other Retail

The Banking Group's Other retail allowance for ECL decreased by $4 million during the year, due to a net decrease of $5 million in collective allowances and a net increase of $1 million in individually assessed allowances.

With respect to the collective allowances in the table below, the movement primarily reflects:

- A net decrease of $6 million due to write-offs and a decrease in portfolio size, presented within Amounts written off and Additions and Deletions, partly offset by portfolio credit quality deterioration presented within Transfers between ECL Stages and Other changes in collective allowances;
- Updates to multiple macroeconomic scenarios resulting in a net decrease of $5 million, presented within Other changes in collective allowances; and
- A net increase in management adjustments of $6 million for portfolio related risks not adequately covered by the ECL model, presented within Other changes in collective allowances.

$ millions	Banking Group				
Movement in Allowance for Expected Credit Loss	**Collective Allowances**			**Individually Assessed Allowances**	
As at 30 June 2025	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance as at 1 July 2024	28	16	38	7	89
Charged to/(credited against) the Income Statement					
Changes in allowances due to transfers between ECL Stages					
Transfers to Stage 1	4	(12)	-	-	(8)
Transfers to Stage 2	(11)	29	(16)	-	2
Transfers to Stage 3	-	(11)	49	-	38
Net transfers between collective allowances and individually assessed allowances	-	-	-	-	-
Changes in allowances due to transfers between ECL Stages	(7)	6	33	-	32
Changes in collective allowances due to additions and deletions	3	(4)	(11)	-	(12)
Changes in collective allowances due to amounts written off	-	(2)	(23)	-	(25)
Total changes in allowances due to movements in gross carrying amounts	(4)	-	(1)	-	(5)
Other changes in collective allowances	6	(4)	(2)	-	-
New and increased individually assessed allowances	-	-	-	6	6
Write-back of individually assessed allowances no longer required	-	-	-	(2)	(2)
Total charged to/(credited against) the Income Statement	2	(4)	(3)	4	(1)
Amounts written off from individually assessed allowances	-	-	-	(3)	(3)
Balance as at 30 June 2025	30	12	35	8	85

$ millions	Banking Group				
Movement in Gross Carrying Amounts	**Collectively Assessed**			**Individually Assessed**	
As at 30 June 2025	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance as at 1 July 2024	2,649	173	71	14	2,907
Changes due to transfers between ECL Stages					
Transfers to Stage 1	246	(244)	(2)	-	-
Transfers to Stage 2	(280)	316	(36)	-	-
Transfers to Stage 3	(3)	(87)	90	-	-
Net transfers to/(from) Stage 3 individually assessed	(3)	(3)	(2)	8	-
Total changes due to transfers between ECL Stages	(40)	(18)	50	8	-
Additions and deletions					
Additions	2,970	71	30	-	3,071
Deletions (excluding amounts written off)	(2,981)	(76)	(41)	-	(3,098)
Net additions/(deletions)	(11)	(5)	(11)	-	(27)
Amounts written off	(3)	(8)	(42)	(3)	(56)
Balance as at 30 June 2025	2,595	142	68	19	2,824

15 Allowance for Expected Credit Loss (continued)

(c) Other Retail (continued)

$ millions	Banking Group				
Movement in Allowance for Expected Credit Loss	Collective Allowances			Individually Assessed Allowances	
As at 30 June 2024	Stage 1	Stage 2	Stage 3	Stage 3	Total
Balance as at 1 July 2023	44	26	19	7	96
Charged to/(credited against) the Income Statement					
Changes in allowances due to transfers between ECL Stages					
Transfers to Stage 1	7	(18)		-	(11)
Transfers to Stage 2	(14)	36	(12)	-	10
Transfers to Stage 3	-	(13)	46	-	33
Net transfers between collective allowances and individually assessed allowances	-	-	-	-	-
Changes in allowances due to transfers between ECL Stages	(7)	5	34	-	32
Changes in collective allowances due to additions and deletions	3	(5)	(8)	-	(10)
Changes in collective allowances due to amounts written off	-	(1)	(14)	-	(15)
Total changes in allowances due to movements in gross carrying amounts	(4)	(1)	12	-	7
Other changes in collective allowances	(12)	(9)	7	-	(14)
New and increased individually assessed allowances	-	-	-	6	6
Write-back of individually assessed allowances no longer required	-	-	-	(2)	(2)
Total charged to/(credited against) the Income Statement	(16)	(10)	19	4	(3)
Amounts written off from individually assessed allowances	-	-	-	(4)	(4)
Balance as at 30 June 2024	28	16	38	7	89

$ millions	Banking Group				
Movement in Gross Carrying Amounts	Collectively Assessed			Individually Assessed	
As at 30 June 2024	Stage 1	Stage 2	Stage 3	Stage 3	Total
Balance as at 1 July 2023	2,763	243	51	12	3,069
Changes due to transfers between ECL Stages					
Transfers to Stage 1	266	(265)	(1)	-	-
Transfers to Stage 2	(298)	328	(30)	-	-
Transfers to Stage 3	(6)	(87)	93	-	-
Net transfers to/(from) Stage 3 individually assessed	(4)	(1)	(3)	8	-
Total changes due to transfers between ECL Stages	(42)	(25)	59	8	-
Additions and deletions					
Additions	2,917	92	22	-	3,031
Deletions (excluding amounts written off)	(2,988)	(132)	(34)	(2)	(3,156)
Net additions/(deletions)	(71)	(40)	(12)	(2)	(125)
Amounts written off	(1)	(5)	(27)	(4)	(37)
Balance as at 30 June 2024	2,649	173	71	14	2,907

15 Allowance for Expected Credit Loss (continued)

(d) Corporate

The Banking Group's Corporate allowance for ECL was stable at $316 million during the year, with a net decrease of $2 million in individually assessed allowances and a net increase of $2 million in collective allowances.

With respect to the collective allowances in the table below, the movement primarily reflects:

- Updates to multiple macroeconomic scenarios resulting in a net increase of $22 million, presented within Other changes in collective allowances partly offset by;
- A net release of $20 million due to changes in portfolio credit quality and portfolio size, presented within Transfers between ECL Stages, Other changes in collective allowances, and Additions and Deletions.

$ millions	Banking Group				
Movement in Allowance for Expected Credit Loss	**Collective Allowances**			**Individually Assessed Allowances**	
As at 30 June 2025	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance as at 1 July 2024	45	189	5	77	316
Charged to/(credited against) the Income Statement					
Changes in allowances due to transfers between ECL Stages					
Transfers to Stage 1	6	(19)	-	-	(13)
Transfers to Stage 2	(6)	23	(2)	-	15
Transfers to Stage 3	-	(5)	5	-	-
Net transfers between collective allowances and individually assessed allowances	-	(8)	-	8	-
Changes in allowances due to transfers between ECL Stages	-	(9)	3	8	2
Changes in collective allowances due to additions and deletions	4	(13)	(1)	-	(10)
Changes in collective allowances due to amounts written off	-	-	-	-	-
Total changes in allowances due to movements in gross carrying amounts	4	(22)	2	8	(8)
Other changes in collective allowances	1	17	-	-	18
New and increased individually assessed allowances	-	-	-	29	29
Write-back of individually assessed allowances no longer required	-	-	-	(17)	(17)
Total charged to/(credited against) the Income Statement	5	(5)	2	20	22
Amounts written off from individually assessed allowances	-	-	-	(22)	(22)
Balance as at 30 June 2025	50	184	7	75	316

$ millions	Banking Group				
Movement in Gross Carrying Amounts	**Collectively Assessed**			**Individually Assessed**	
As at 30 June 2025	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance as at 1 July 2024	9,683	20,564	120	255	30,622
Changes due to transfers between ECL Stages					
Transfers to Stage 1	3,882	(3,882)	-	-	-
Transfers to Stage 2	(3,945)	3,984	(39)	-	-
Transfers to Stage 3	-	(47)	47	-	-
Net transfers to/(from) Stage 3 individually assessed	(2)	(46)	8	40	-
Total changes due to transfers between ECL Stages	(65)	9	16	40	-
Additions and deletions					
Additions	8,618	7,265	41	-	15,924
Deletions (excluding amounts written off)	(6,065)	(8,812)	(83)	(79)	(15,039)
Net additions/(deletions)	2,553	(1,547)	(42)	(79)	885
Amounts written off	-	-	-	(22)	(22)
Balance as at 30 June 2025	12,171	19,026	94	194	31,485

Notes to the Financial Statements

For the year ended 30 June 2025

15 Allowance for Expected Credit Loss (continued)

(d) Corporate (continued)

$ millions	Banking Group				
Movement in Allowance for Expected Credit Loss	Collective Allowances			Individually Assessed Allowances	
As at 30 June 2024	Stage 1	Stage 2	Stage 3	Stage 3	Total
Balance as at 1 July 2023	66	161	5	61	293
Charged to/(credited against) the Income Statement					
Changes in allowances due to transfers between ECL Stages					
Transfers to Stage 1	6	(20)	-	-	(14)
Transfers to Stage 2	(10)	42	(1)	-	31
Transfers to Stage 3	-	(3)	4	-	1
Net transfers between collective allowances and individually assessed allowances	1	(5)	-	4	-
Changes in allowances due to transfers between ECL Stages	(3)	14	3	4	18
Changes in collective allowances due to additions and deletions	2	(4)	(2)	-	(4)
Changes in collective allowances due to amounts written off	-	-	-	-	-
Total changes in allowances due to movements in gross carrying amounts	(1)	10	1	4	14
Other changes in collective allowances	(20)	18	(1)	-	(3)
New and increased individually assessed allowances	-	-	-	47	47
Write-back of individually assessed allowances no longer required	-	-	-	(23)	(23)
Total charged to/(credited against) the Income Statement	(21)	28	-	28	35
Amounts written off from individually assessed allowances	-	-	-	(12)	(12)
Balance as at 30 June 2024	45	189	5	77	316

$ millions	Banking Group				
Movement in Gross Carrying Amounts	Collectively Assessed			Individually Assessed	
As at 30 June 2024	Stage 1	Stage 2	Stage 3	Stage 3	Total
Balance as at 1 July 2023	11,573	18,449	57	245	30,324
Changes due to transfers between ECL Stages					
Transfers to Stage 1	4,065	(4,065)	-	-	-
Transfers to Stage 2	(7,358)	7,378	(20)	-	-
Transfers to Stage 3	-	(104)	104	-	-
Net transfers to/(from) Stage 3 individually assessed	47	(95)	(3)	51	-
Total changes due to transfers between ECL Stages	(3,246)	3,114	81	51	-
Additions and deletions					
Additions	5,733	5,429	42	-	11,204
Deletions (excluding amounts written off)	(4,377)	(6,428)	(60)	(29)	(10,894)
Net additions/(deletions)	1,356	(999)	(18)	(29)	310
Amounts written off	-	-	-	(12)	(12)
Balance as at 30 June 2024	9,683	20,564	120	255	30,622

15 Allowance for Expected Credit Loss (continued)

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

The methodology used to estimate expected credit losses is consistent with that applied at 30 June 2024.

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 a probability-weighted range of possible future outcomes in estimating ECL, which have been updated to reflect the revised expected impact of economic conditions:

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

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

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

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

	Banking Group	
As at 30 June	**2025**	2024
Upside	**2.5%**	2.5%
Central	**52.5%**	55%
Downside	**35%**	32.5%
Severe downside	**10%**	10%

During the year ended 30 June 2025, the forward-looking macroeconomic scenarios were revised for the current economic conditions including consideration of reducing unemployment, lower interest rates and an improving residential property market. The Banking Group also increased the weighting to the Downside scenario with a commensurate decrease in the Central scenario during the year to account for increased risks associated with geopolitical tension, whilst the weighting of the Severe downside and Upside scenarios remained unchanged.

Macroeconomic Credit Risk Factors

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

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

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

Central credit risk factors have been refreshed during the year 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 (52.5%): The outlook for the next twelve months reflects a combination of unemployment of 5%, house price growth of 5.4% reflecting an improving residential property market, growth in business investment of 2.9% and the OCR reducing to 2.75%. This scenario represents one where monetary policy controls are being loosened as inflation has been brought under control relatively quickly, with moderate economic impacts. Economic stabilisation is expected in the following 24 months with the June 2028 position including unemployment of 4.6%, OCR of 2.75%, annual house price growth of 4% and annual business investment of 2.5%.

- Upside (2.5%): The scenario reflects a more positive outlook for the next twelve months, with unemployment improving to 3%, house price growth of 7.4%, business investment growth of 10% and the OCR reducing to 3.5%. The positive outlook continues in the next 24 months.

- Downside (35%): The outlook for the next twelve months reflects adverse macroeconomic conditions resulting from economic trade challenges causing acute inflationary pressures, leading to unemployment rising to 8.5%, house price reductions of 15%, business investment contraction of 20% and the OCR increasing to 5.75%. Economic recovery commences in the following 24 months with the June 2028 position including unemployment of 8.1%, OCR of 3.5%, annual house price growth of 0% and annual business investment of 3%.

15 Allowance for Expected Credit Loss (continued)

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

- Severe downside (10%): Reflects the most significant economic shock, which continues over the longer term. In the next twelve months unemployment rises to a peak of 13%, house prices fall by 20% and business investment contracts by 30%, offset by a supportive OCR of 1.5%. This negative trend continues through the following 24 months with the June 2028 position including unemployment of 11%, OCR of 0.5%, annual house price growth of 0% and annual business investment of 0%.

(f) Sensitivity Analyses

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. The sensitivity analyses have been performed on the allowance for ECL on Advances to customers, lending commitments and credit related contingent liabilities. Refer to note 14 for details on the allowance for ECL on credit related contingent liabilities.

$ millions	Banking Group	
As at 30 June	**2025**	2024
Upside	**(302)**	(302)
Central	**(286)**	(267)
Downside	**110**	102
Severe downside	**1,190**	1,215

Sensitivity to SICR Assessment

If an additional 1% of Stage 1 financial assets were assessed as having a SICR at 30 June 2025, with the scenario weightings applied at 30 June 2025 held constant, the Banking Group's allowance for ECL would increase by $9 million (30 June 2024 $10 million) as a result of recognising a loss allowance equal to Stage 2 lifetime ECL (rather than at an amount equal to one year of ECL). Conversely, if 1% of Stage 2 financial assets were assessed as no longer having a SICR, the Banking Group's allowance for ECL would decrease by $2 million (30 June 2024 $1 million).

(g) Incorporation of experienced credit judgement, management adjustments and overlays

Management exercises credit judgement in assessing whether an exposure has experienced a SICR and in determining the amount of allowance for ECL at each reporting date. Where applicable, credit risk factors (PD and LGD) are adjusted to incorporate reasonable forward-looking information about known or expected risks for specific segments of portfolios that would otherwise not have been considered in the modelling process. Credit judgement is used to determine the degree of adjustment to be applied and considers information such as risks at an industry, geographic or portfolio segment level.

The Banking Group also applies overlays which are determined based on a range of techniques including stress testing, benchmarking, scenario analysis and expert judgement. Overlays are subject to internal governance and applied as an incremental ECL top-up amount to the impacted portfolio segments. Overlays are continually reassessed, and if the risk is determined to have changed or is subsequently captured in the ECL models, the overlay is adjusted accordingly.

The Banking Group also applies management adjustments and overlays for factors that cannot be adequately accounted for through the ECL models.

(h) Natural hazards and climate change risk

The Banking Group acknowledges the risks resulting from natural hazards and climate change, which can impact our customers' ability to service or repay their loans, to obtain insurance, and the value of collateral the Banking Group holds to secure loans, ultimately affecting customers' PD and LGD. Future portfolio risk drivers are important to measure, monitor and mitigate where possible. The impacts from historic climate events are implicitly reflected in the Banking Group's PD and LGD estimates, and a scenario with severe deterioration in house or asset prices and an increase in unemployment is already considered within the Banking Group's expected credit loss framework. As a result, the Banking Group has concluded that no further adjustments are required to the allowance for ECL for climate risk as at 30 June 2025 (30 June 2024 nil). Climate change and the measurement thereof is evolving and will develop over time, and this perspective may change in the future.

16 Impairment Losses on Financial Assets

The tables below include impairment losses on Advances to customers, lending commitments and credit related contingent liabilities.

$ millions	Banking Group	
For the year ended 30 June	**2025**	**2024**
Impairment losses charged to/(credited against) the Income Statement for collective allowances	**(29)**	6
Impairment losses charged to the Income Statement for individually assessed allowances	**45**	38
Bad debts written off directly to the Income Statement	**54**	36
Recovery of amounts previously written off	**(10)**	(10)
Total impairment losses recognised in the Income Statement	**60**	**70**

16 Impairment Losses on Financial Assets (continued)

Impairment losses on other financial assets for the year ended 30 June 2025 and the year ended 30 June 2024 are immaterial to the Banking Group.

Amounts written off during the year still subject to enforcement activity

As at 30 June 2025, the contractual amount outstanding on financial assets that were written off during the year, but which are still subject to enforcement activity, is $85 million (30 June 2024 $43 million).

17 Concentrations of Credit Exposures

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 30 June 2025	**Financial Assets at Amortised Cost**	**Financial Assets at Fair Value**	**Other Credit Exposures**	**Total Credit Exposures**
Concentration by industry				
Agriculture	10,401	5	1,130	11,536
Forestry and Fishing, Agriculture Support Services	334	2	117	453
Manufacturing	1,000	16	418	1,434
Electricity, Gas, Water and Waste Services	622	40	199	861
Construction	893	-	356	1,249
Wholesale Trade	1,032	13	692	1,737
Retail Trade and Accommodation	2,191	4	618	2,813
Transport, Postal and Warehousing	767	2	289	1,058
Financial and Insurance Services	7,108	4,747	1,049	12,904
Rental, Hiring and Real Estate Services	38,801	22	1,567	40,390
Professional, Scientific, Technical, Administrative and Support Services	1,031	2	464	1,497
Public Administration and Safety	38	7,951	52	8,041
Education and Training	154	-	134	288
Health Care and Social Assistance	1,463	1	458	1,922
Arts, Recreation and Other Services	401	5	126	532
Household	54,628	-	10,066	64,694
All Other	25	-	28	53
Total credit exposures by industry	120,889	12,810	17,763	151,462
Concentration by geographic region				
Auckland	54,957	1,033	9,104	65,094
Rest of New Zealand	63,664	8,061	8,348	80,073
Overseas	2,268	3,716	311	6,295
Total credit exposures by geographic region	120,889	12,810	17,763	151,462

17 Concentrations of Credit Exposures (continued)

$ millions	Banking Group			
As at 30 June 2024	Financial Assets at Amortised Cost	Financial Assets at Fair Value	Other Credit Exposures	Total Credit Exposures
Concentration by industry				
Agriculture	10,628	1	892	11,521
Forestry and Fishing, Agriculture Support Services	362	2	58	422
Manufacturing	1,055	11	425	1,491
Electricity, Gas, Water and Waste Services	588	81	239	908
Construction	839	-	391	1,230
Wholesale Trade	1,103	6	678	1,787
Retail Trade and Accommodation	2,054	1	608	2,663
Transport, Postal and Warehousing	780	-	242	1,022
Financial and Insurance Services	6,886	4,626	816	12,328
Rental, Hiring and Real Estate Services	35,848	-	1,432	37,280
Professional, Scientific, Technical, Administrative and Support Services	885	1	460	1,346
Public Administration and Safety	29	5,880	45	5,954
Education and Training	213	-	119	332
Health Care and Social Assistance	1,563	-	456	2,019
Arts, Recreation and Other Services	426	1	127	554
Household	51,799	-	9,487	61,286
All Other	32	-	31	63
Total credit exposures by industry	115,090	10,610	16,506	142,206
Concentration by geographic region				
Auckland	52,490	1,163	8,684	62,337
Rest of New Zealand	60,629	5,970	7,524	74,123
Overseas	1,971	3,477	298	5,746
Total credit exposures by geographic region	115,090	10,610	16,506	142,206

18 Concentration of Credit Exposures to Individual Counterparties

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

The peak end-of-day aggregate concentration of credit exposure to individual counterparties has been calculated by determining the maximum end-of-day aggregate amount of credit exposure over the relevant six-month period and then dividing that amount by the Banking Group's CET1 capital as at 30 June 2025.

	Banking Group	
Number of exposures that equals or exceeds 10% of CET1 capital	**Exposure as at 30 June 2025**	**Peak end-of-day exposure over six months to 30 June 2025**
Exposures to banks		
With a long-term credit rating of A- or A3 or above, or its equivalent		
10% to less than 15% of CET1 capital	-	1
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	-	-

19 Credit Exposures to Connected Persons and Non-bank Connected Persons

	Banking Group			
	Peak end-of-day Exposure over the year to 30 June 2025		Exposure as at 30 June 2025	
Aggregate Credit Exposure	**$ millions**	**Percentage of Tier 1 Capital**	**$ millions**	**Percentage of Tier 1 Capital**
All connected persons	**3,080**	**28.4%**	**1,917**	**17.7%**
Non-bank connected persons	**18**	**0.2%**	**14**	**0.1%**

The information on credit exposures to connected persons has been derived in accordance with the Conditions of Registration and RBNZ document *Connected Exposures Policy* (BS8) dated October 2023, is net of individual credit impairment allowances and excludes advances to connected persons of a capital nature.

Aggregate credit exposure to connected persons has been calculated on a gross basis. The peak end-of-day aggregate credit exposure to connected persons has been calculated by determining the maximum end-of-day aggregate amount of credit exposure over the year and then dividing that amount by the Banking Group's Tier 1 capital as at 30 June 2025.

The Banking Group has a contingent exposure to its ultimate parent, CBA, arising from unfunded contingent credit protection arrangements provided by any connected persons in respect of credit exposures to counterparties (excluding counterparties that are connected persons) which amounted to $56 million as at 30 June 2025.

The Banking Group had no credit exposures to connected persons that were credit impaired and no loss allowance for credit exposures to connected persons at 30 June 2025.

As at 30 June 2025, the rating-contingent limit that applied to the Banking Group was 60% of Tier 1 capital. There have been no changes to the rating-contingent limit during the year ended 30 June 2025. Within the overall rating-contingent limit, there is a sub-limit of 15% of Tier 1 capital which applies to aggregate credit exposures to non-bank connected persons.

Notes to the Financial Statements

For the year ended 30 June 2025

20 Maximum Exposure and Effect of Collateral and Other Credit Enhancements

a) Maximum exposure to credit risk

The table below shows the Banking Group's maximum exposure to credit risk before considering any collateral held or other credit enhancements.

$ millions	Banking Group	
As at 30 June	**2025**	**2024**
Credit risk relating to on balance sheet exposures		
Cash and liquid assets(1)	5,486	5,440
Receivables from financial institutions	578	630
Securities:		
At fair value through Income Statement	1,083	-
At fair value through other comprehensive income	10,481	9,727
Derivative assets	1,244	881
Advances to customers	114,727	109,010
Other financial assets	408	444
Total on balance sheet credit risk exposure	134,007	126,132
Credit risk relating to off balance sheet exposures(2)	17,763	16,506
Total maximum exposure to credit risk	151,770	142,638

(1) Cash and liquid assets excludes cash, cash at bank and cash in transit as they do not have credit risk exposure.

(2) Off balance sheet exposures include lending commitments approved not yet advanced, financial guarantees and letters of credit and performance related contingencies.

b) Collateral and Credit Enhancements Held

The Banking Group has policies and procedures in place setting out the circumstances where acceptable and appropriate collateral is to be taken to mitigate credit risk, including valuation parameters. The Banking Group uses the comprehensive method to measure the mitigating effects of collateral. The general nature and amount of collateral or other credit enhancements taken to mitigate the credit risk of each financial asset class are summarised below.

Cash and Liquid Assets

This Balance Sheet category includes call deposits with the RBNZ, money at short call with other financial institutions and reverse repurchase agreements that are exposed to credit risk. Collateral is usually not sought on the majority of cash and liquid asset balances as these types of exposures are generally considered low risk. However, reverse repurchase agreements are fully collateralised by highly liquid debt securities which have been legally transferred to the Banking Group subject to an agreement to return them for a fixed price. As at 30 June 2025 the Banking Group had not sold or repledged securities accepted as collateral under reverse repurchase agreements (30 June 2024 nil).

Receivables from Financial Institutions

This balance comprises short-term unsecured lending to other financial institutions and includes collateral paid by the Banking Group. Collateral is usually not sought on these balances.

Securities at Fair Value through Income Statement and Securities at Fair Value through Other Comprehensive Income

These assets are measured at fair value which accounts for credit risk. As at 30 June 2025 no collateral is held to mitigate the credit risk on these instruments (30 June 2024 nil) and a maximum of $50 million of these securities are backed by guarantees (30 June 2024 $50 million).

Derivative Assets

The Banking Group's use of derivative contracts is outlined in note 11. The Banking Group is exposed to credit risk on derivative contracts, which arises as a result of counterparty credit risk. The Banking Group's exposure to counterparty credit risk is affected by the nature of the trades, the creditworthiness of the counterparty, partial settlement, netting, and collateral arrangements.

Credit risk from derivatives is mitigated where possible through the use of clearing houses, as well as master netting agreements whereby derivative assets and liabilities with the same counterparty can be offset. Banking Group policy requires all netting arrangements to be legally documented (e.g. International Swap and Derivatives Association ("ISDA") Master Agreement). A master netting agreement provides the contractual framework and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other predetermined events occur.

Depending on the creditworthiness of the counterparty and/or nature of the transaction, collateral may be obtained against derivative assets. Refer to note 11 for details of collateral received.

Other Assets

This Balance Sheet category includes interest receivable and other current assets. As at 30 June 2025 no collateral is held on these balances (30 June 2024 nil).

20 Maximum Exposure and Effect of Collateral and Other Credit Enhancements (continued)

b) Collateral and Credit Enhancements Held (continued)

Advances to Customers

The Banking Group assesses the integrity and ability of debtors or counterparties to meet their contracted financial obligations for repayment.

Principal collateral types for Advances to customers include:

- Mortgages over residential and commercial real estate;
- Charges over business assets such as premises, inventory and accounts receivable;
- Personal and corporate guarantees received from third parties; and
- The Crown Deed of Indemnity under the New Zealand Government's Business Finance Guarantee Scheme ("BFGS"), whereby the Crown undertakes to indemnify the Bank for up to 80 percent of the shortfall on supported loans issued under the BFGS. As at 30 June 2025 the Banking Group had advanced $51 million to customers under the Scheme (30 June 2024 $116 million). The BFGS concluded on 30 June 2021, with new scheme loans no longer being available.

The collateral mitigating credit risk of key lending portfolios is as follows:

- *Residential Mortgages*

  All home loans are secured by fixed charges over borrowers' residential properties. This portfolio also includes lending to small and medium sized entities which are secured by residential property.

- *Other Retail Lending*

  This category includes lending to small and medium sized enterprises not fully secured by residential mortgages, where collateral is commonly held, generally in the form of residential or commercial property. In some instances, other forms of collateral may be obtained, as listed under corporate lending below. This category also includes personal lending (card lending, personal loans and overdrafts) which are considered unsecured for the purposes of this disclosure, although some personal lending may be secured by all obligations mortgages.

- *Corporate Lending*

  The Banking Group's main collateral types for corporate lending consists of secured rights over specified assets of the borrower in the form of commercial property, land rights, cash (usually in the form of a charge over a deposit), guarantees by company directors supporting commercial lending, a charge over a company's assets (including debtors, inventory and work in progress), or a charge over shares. In other instances, customer facilities may be secured by collateral with a lower value than the carrying amount of the credit exposure.

For the purposes of the tables below:

- Secured exposures are those that have greater than or equal to 100% security cover after adjusting for collateral haircuts;
- Partially secured exposures are those that have greater than 0% and less than 100% security cover after adjusting for collateral haircuts;
- Unsecured exposures are those that have no security cover after adjusting for collateral haircuts; and
- The maximum exposure for collateral held on Advances to customers is presented net of any allowance for ECL.
- For the purposes of collateral classifications, residential mortgages are classified as fully secured, unless they are impaired in which case they may be classified as partially secured.

20 Maximum Exposure and Effect of Collateral and Other Credit Enhancements (continued)

(b) Collateral and Credit Enhancements Held (continued)

$ millions	Banking Group			
Collateral Held on Advances to Customers - On Balance Sheet	**Residential Mortgages[1]**	**Other Retail**	**Corporate**	**Total**
As at 30 June 2025				
Maximum Exposure	**80,819**	**2,739**	**31,169**	**114,727**
Collateral Classification[2]				
Secured	**99.8%**	**27.2%**	**75.9%**	**91.5%**
Partially Secured	**0.2%**	**14.0%**	**15.6%**	**4.8%**
Unsecured	**-**	**58.8%**	**8.5%**	**3.7%**
As at 30 June 2024				
Maximum Exposure	75,886	2,818	30,306	109,010
Collateral Classification				
Secured	99.9%	28.9%	76.0%	91.4%
Partially Secured	0.1%	4.0%	12.9%	3.7%
Unsecured	-	67.8%	11.1%	4.9%

Collateral Classification - Credit Impaired

As at 30 June 2025, 75.6% of the Banking Group's credit impaired Advances to customers were secured, 20.4% were partially secured and 4.0% were unsecured (30 June 2024 77.1% secured, 16.6% partially secured and 6.3% unsecured).

(1) Refer to note 40 for loan-to-valuation ratios for residential mortgages.

(2) During the year, the Banking Group refined its Collateral Classification, changing the previous definition of partially secured exposures from those that have 40% - 99.9% security cover, to greater than 0% and less than 100% security cover, in each case after adjusting for collateral haircuts. This has led to certain Other Retail exposures and Corporate exposures being classified as Partially Secured as at 30 June 2025 which would have been classified as Unsecured as at 30 June 2024.

Credit Commitments and Contingent Liabilities

The Banking Group applies the same risk management policies for off balance sheet risks as it does for its on balance sheet risks. In the case of credit commitments, customers and other counterparties will be subject to the same credit management policies as Advances to customers. Collateral may be sought depending on the strength of the counterparty and the nature of the transaction.

$ millions	
Collateral Held on Credit Commitments - Off Balance Sheet	**Banking Group**
As at 30 June 2025	
Maximum Exposure	**17,763**
Collateral Classification	
Secured	**67.4%**
Partially Secured	**9.5%**
Unsecured	**23.1%**
As at 30 June 2024	
Maximum Exposure	16,506
Collateral Classification	
Secured	65.9%
Partially Secured	6.6%
Unsecured	27.5%

21 Financial Assets Pledged as Collateral and Transferred Financial Assets

The Banking Group enters into transactions in the normal course of business that pledge financial assets as collateral or transfer financial assets to counterparties. As part of standard terms of transactions with financial institutions, the Banking Group has pledged collateral as part of entering into repurchase, derivative and other agreements. Financial assets that have been pledged as collateral or transferred have not been derecognised from the Banking Group's financial statements as the Banking Group retains substantially all the risks and rewards of ownership (funding, liquidity and credit risks remain with the Banking Group).

A financial asset is considered to be transferred if the contractual rights to receive the cash flows of the asset have been transferred or there is an obligation to pay the cash flows to another party. Transferred financial assets that do not qualify for derecognition are typically associated with repurchase agreements and securities transferred as collateral against derivatives.

Residential Mortgage-Backed Securities

The Banking Group has an internal residential mortgage-backed securities ("RMBS") facility, which issues securities that are acceptable as collateral for repurchase agreements with the RBNZ through the Medallion NZ Series Trust 2009-1R. Medallion NZ Series Trust 2009-1R is a consolidated structured entity of the Banking Group. As at 30 June 2025, mortgage loans with a carrying value of $14.6 billion (30 June 2024 $15.1 billion), have been internally securitised through the Medallion NZ Series Trust 2009-1R.

Covered Bond Programme

As noted in the General Disclosures, certain residential mortgages originated by the Bank are acquired by the Covered Bond Trust as part of the Covered Bond programme. 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. The Covered Bond Trust is a consolidated structured entity of the Banking Group. The amount of the guarantee is limited to the assets of the Covered Bond Trust. As at 30 June 2025, Covered Bonds (including accrued interest) of $3.4 billion were guaranteed (30 June 2024 $3.1 billion).

The carrying amounts of financial assets pledged as collateral are as follows:

$ millions	Banking Group	
As at 30 June	**2025**	2024
Securities pledged under repurchase agreements		
Residential mortgage-backed securities pledged with the RBNZ	**1,846**	6,039
Other securities	**432**	345
Total securities pledged under repurchase agreements	**2,278**	6,384
Collateral advanced against derivatives	**430**	482
Mortgage loans and cash pledged as security for the Covered Bonds	**4,823**	4,205
Other	**4**	4
Total financial assets pledged as collateral	**7,535**	11,075

Transferred Financial Assets that are not Derecognised in their Entirety

The carrying amount of transferred financial assets that did not qualify for derecognition and their associated liabilities are as follows:

$ millions	Banking Group	
As at 30 June	**2025**	2024
Transferred financial assets under repurchase agreements	**2,278**	6,384
Securities transferred as collateral against derivatives	**9**	4
Associated liabilities	**1,649**	4,963

Transferred Financial Assets that are Derecognised in their Entirety

As at 30 June 2025 the Banking Group has not derecognised in its entirety any financial assets where it has a continuing involvement (30 June 2024 nil).

22 Imputation Credit Account

Companies may attach imputation credits to dividends paid which represent the New Zealand tax already paid by the company or tax group on profits. New Zealand resident shareholders may claim a tax credit to the value of the imputation credit attached to dividends.

The Bank and some of its subsidiaries have formed an imputation group with other members of the Commonwealth Bank of Australia Group ("ICA Group").

The amount of imputation credits available to all members of the ICA Group as at 30 June 2025 is $1,567 million (30 June 2024 $1,654 million). This amount includes imputation credits that will arise from provisional tax payable at balance date.

23 Controlled Entities and Associates

Entity Name	%	Nature of Business	Balance Date
Subsidiaries			
ASB Group Investments Limited	100	Investment administration and management	30 June
ASB Management Services Limited	100	Management, payment services and property investment	30 June
ASB Nominees Limited	100	Nominee company	30 June
ASB Securities Limited	100	Sharebroking	30 June
Securitisation Management Services Limited	100	Securitisation management	30 June
Other Controlled Entities			
ASB Cash Fund	-	Portfolio investment entity	30 June
ASB Term Fund	-	Portfolio investment entity	30 June
Structured entities:			
Medallion NZ Series Trust 2009-1R	-	Group funding entity	30 June
ASB Covered Bond Trust	-	Group funding entity	30 June
Associates			
Payments NZ Limited	19	Payment systems	30 September
Trade Window Holdings Limited	21	Digital trade administration platform	31 March

Summarised financial information for the associates is not provided, as the amounts involved are immaterial.

All companies were incorporated in New Zealand.

Changes in Composition of the Banking Group

There were no changes in the composition of the Banking Group during the year.

24 Other Assets

$ millions	Banking Group	
As at 30 June	**2025**	2024
Interest receivable	**296**	339
Contract assets	**30**	25
Other assets	**184**	178
Total other assets	**510**	542
Amounts due for settlement within 12 months	**456**	468
Amounts due for settlement over 12 months	**54**	74
Total other assets	**510**	542

25 Property, Plant and Equipment

$ millions	Banking Group			
As at 30 June 2025	**Right of use assets**	**Freehold land and buildings**	**Other plant and equipment**	**Total**
Net book value				
Balance as at 1 July 2024	**146**	**27**	**120**	**293**
Additions	**54**	**-**	**42**	**96**
Disposals	**(2)**	**-**	**(1)**	**(3)**
Depreciation charge for the year	**(42)**	**(1)**	**(29)**	**(72)**
Balance as at 30 June 2025	**156**	**26**	**132**	**314**

25 Property, Plant and Equipment (continued)

$ millions	Banking Group			
As at 30 June 2024	Right of use assets	Freehold land and buildings	Other plant and equipment	Total
Net book value				
Balance as 1 July 2023	169	26	132	327
Additions	19	2	27	48
Disposals	(2)	-	(3)	(5)
Depreciation charge for the year	(40)	(1)	(36)	(77)
Balance as at 30 June 2024	146	27	120	293

26 Deferred Tax Assets

$ millions	Banking Group	
As at 30 June	**2025**	**2024**
Balance at beginning of year	**301**	199
Recognised in the Income Statement	**37**	(1)
Recognised in Other comprehensive income	**(28)**	103
Balance at end of year	**310**	301
Deferred tax relates to:		
Fair value through other comprehensive income reserve	**18**	(1)
Cash flow hedge reserve	**8**	56
Depreciation	**35**	30
Right of use assets	**(43)**	(41)
Lease liabilities	**51**	49
Provision for employee entitlements	**22**	19
Allowance for expected credit loss	**182**	181
Other temporary differences	**37**	8
Total deferred tax assets	**310**	301
Deferred tax recognised in the Income Statement:		
Depreciation	**5**	(7)
Right of use assets	**(2)**	6
Lease liabilities	**2**	(6)
Provision for employee entitlements	**2**	-
Allowance for expected credit loss	**1**	10
Other temporary differences	**29**	(4)
Total deferred tax recognised in the Income Statement	**37**	(1)
Deferred tax recognised in Other comprehensive income:		
Fair value through other comprehensive income reserve	**19**	2
Cash flow hedge reserve	**(48)**	101
Equity compensation reserve	**1**	-
Total deferred tax recognised in Other comprehensive income	**(28)**	103

27 Deposits and Other Borrowings

$ millions	Banking Group	
As at 30 June	**2025**	2024
Certificates of deposit	**2,547**	2,548
Term deposits	**43,972**	41,845
On demand and short-term deposits	**34,587**	33,463
Deposits not bearing interest	**10,667**	9,630
Repurchase agreements	**1,649**	4,963
Total deposits and other borrowings	**93,422**	92,449
Amounts due for settlement within 12 months	**89,682**	87,611
Amounts due for settlement over 12 months	**3,740**	4,838
Total deposits and other borrowings	**93,422**	92,449

28 Other Liabilities

$ millions	Banking Group	
As at 30 June	**2025**	2024
Interest payable	**607**	990
Salaries, wages and other staff payables	**70**	58
Contract liabilities	**55**	57
Trade accounts payable and other liabilities	**285**	181
Lease liabilities (refer to note 35)	**170**	161
Total other liabilities	**1,187**	1,447
Amounts due for settlement within 12 months	**995**	1,165
Amounts due for settlement over 12 months	**192**	282
Total other liabilities	**1,187**	1,447

29 Provisions, Contingent Liabilities and Commitments

a) Provisions

Provisions are held in respect of a range of future obligations, some of which involve judgement about the likely outcome of various events and estimated future cash flows. The provisions held as at 30 June 2025 relate to the following:

Employee entitlements

This provision comprises annual leave, long service leave and other employee benefits and is calculated based on expected payments. These typically settle within one year. Where the payments are expected to be more than one year in the future, this provision factors in the expected period of service by employees, as well as salary increases. These future obligations are discounted using a market observable rate.

Compliance, regulation and remediation

These provisions are associated with customer remediation and other regulatory or compliance matters and require significant levels of estimation and judgement. These provisions are calculated based on management's best estimate of expected future payments or remediation and often depend on a number of different assumptions, such as the number of years impacted and average cost per case. The timing of settlement is dependent on the related compliance, regulation, or remediation outcome. It is possible the actual outcomes may differ from the assumptions used in estimating the provision and result in significant changes to the amounts recognised in the financial statements.

Leasing make-good obligations

This provision is associated with leased premises where, at the end of a lease, the Banking Group is required to return premises to their original condition and remove any fixtures and fittings installed in the leased property. This obligation arises immediately upon installation and the timing of settlement is dependent on the duration of each respective lease.

Other provisions

Other provisions include allowance for ECL on credit commitments, legal fee provisions and provisions for restructuring and certain other costs.

The following table presents the movement in provisions during the year:

$ millions	Banking Group				
For the year ended 30 June 2025	**Employee entitlements**	**Compliance, regulation and remediation**	**Leasing make-good obligations**	**Other**	**Total**
Balance as at 1 July 2024	**45**	**42**	**14**	**38**	**139**
Additional provisions during the year	**79**	**64**	**-**	**20**	**163**
Amounts utilised during the year	**(75)**	**(7)**	**(1)**	**(16)**	**(99)**
Release of provisions during the year	**-**	**-**	**-**	**(15)**	**(15)**
Balance as at 30 June 2025	**49**	**99**	**13**	**27**	**188**

The table below details when the provisions are expected to be settled.

$ millions	Banking Group	
As at 30 June	**2025**	2024
Estimated amounts due for settlement within 12 months	**175**	126
Estimated amounts due for settlement over 12 months	**13**	13
Total provisions	**188**	139

29 Provisions, Contingent Liabilities and Commitments (continued)

b) Litigation, investigations and reviews

The Banking Group is exposed to potential liabilities in respect of actual and potential court proceedings, claims and investigations conducted by regulatory authorities. The Banking Group has also initiated contact with its regulators on compliance-related matters.

The scope of court proceedings, claims, regulatory investigations and reviews can be wide-ranging and may relate to or have related in recent years to matters including anti-money laundering and counter terrorism financing obligations, responsible lending practices, disclosure obligations, interest and fees and the entitlement to charge them, customer remediations, competition and fair dealing obligations. These matters can result in enforcement actions, fines, and other financial penalties as well as customer remediation.

These matters include instances where the potential liability of the Banking Group, if any, cannot be accurately assessed until such proceedings, claims, regulatory investigations or reviews are further progressed or because the application of the law is uncertain.

An assessment of the Banking Group's likely loss in respect of these matters has been made on a case-by-case basis and provisions are made in the financial statements where the recognition criteria is met. Contingent liabilities exist in part or in full with respect to these matters where it is not possible to determine the extent of any obligation to remediate or the potential liability cannot be reliably estimated. 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.

The main litigated claims against the Banking Group as at 30 June 2025 are summarised below.

Class Action

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

On 23 and 24 April 2024, the New Zealand Court of Appeal heard ASB's appeal from an earlier High Court decision permitting the plaintiffs to pursue their claims as an opt-out representative proceeding on behalf of a class. On 19 July 2024, the Court of Appeal confirmed the earlier Court's decision to allow the plaintiffs to bring the action against ASB as an opt-out representative action.

On 20 December 2024, the Supreme Court of New Zealand dismissed ASB's application for leave to appeal the Court of Appeal's decision to make a common fund order in favour of the plaintiffs.

The class action is continuing in the High Court.

The plaintiffs' class definition covers all customers who had a home or personal loan with ASB between 6 June 2015 and 18 June 2019 covered by the CCCFA and who were not provided with compliant variation disclosure. Given this definition and the fact that issues raised in the claim have not been determined by the Courts before, the size of the class is unknown. However, the class and the allegations made in the proceedings would potentially cover hundreds of thousands of loans.

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

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

Financial Markets Authority ("FMA") proceedings

On 7 October 2024, the FMA commenced civil proceedings in the High Court of New Zealand alleging ASB made false and misleading representations in contravention of section 22 of the Financial Markets Conduct Act 2013 in respect of two matters. The first matter relates to multi-policy discounts that were not applied to some insurance policies underwritten by IAG New Zealand Limited. The second matter relates to FastNet Business fees that were incorrectly charged to some customers.

The FMA alleges between April 2014 (when the relevant legislation came into force) and May 2022 a total of 23,062 customers were affected by the multi-policy discount issue and 2,435 customers were affected by the FastNet Business fees issue.

The issues were self-reported to the FMA. ASB has completed remediation of both matters.

ASB is considering the FMA's claim and has been granted an extension to 16 August 2025 to file a defence in respect of the two matters. The Banking Group has provided for certain costs associated with these matters.

29 Provisions, Contingent Liabilities and Commitments (continued)

c) Commitments and credit related contingent liabilities

The following table presents commitments and contingent liabilities arising from the ordinary course of business. The face value represents the maximum potential amount that could be lost if a counterparty fails to meet its financial obligations. Even though these obligations may not be recognised in the Banking Group's Balance Sheet, they contain credit risk and therefore form part of the overall risk of the Bank. Refer to note 13 for details on credit risk management policies.

$ millions	Banking Group Face Value	
As at 30 June	**2025**	2024
Credit and capital commitments		
Lending commitments approved but not yet advanced [(1)]	**16,803**	15,482
Capital expenditure commitments	**8**	5
Total credit and capital commitments	**16,811**	15,487
Credit related contingent liabilities[(2)]		
Financial guarantees and letters of credit[(3)]	**430**	426
Performance related contingencies[(4)]	**530**	598
Total credit related contingent liabilities	**960**	1,024

(1) Lending commitments approved but not yet advanced include the Banking Group's obligations to provide credit facilities against which clients can borrow money under defined terms and conditions. These amounts include irrevocable lending commitments determined in accordance with accounting standards. As facilities may expire without being drawn upon, the face value, does not necessarily reflect the future cash requirements.

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

(3) Financial guarantees and letters of credit are undertakings given by the Banking Group to support the obligations of a customer to third parties in the event of a default by a customer.

(4) Performance related contingencies include bonds and other trade-related credit facilities. They are undertakings that oblige the Banking Group to pay third parties should a customer fail to fulfil its contractual non-monetary obligations. The Banking Group's obligation is only limited to the credit owed by its customer to the interested third party and not related to the customer's performance obligation.

30 Debt Issues

$ millions As at 30 June	Banking Group 2025	 2024
Debt issues by programme		
Euro commercial paper	**570**	-
USD commercial paper	**5,307**	2,020
Euro medium term notes	**9,948**	7,388
USD medium term notes	**3,966**	3,847
NZD domestic bonds	**2,774**	2,458
Covered bonds	**3,202**	2,809
Total debt issues	**25,767**	18,522
Short-term debt issues by currency		
USD	**5,877**	2,020
Long-term debt issues by currency due for settlement within 12 months		
USD	**1,425**	323
EUR	**1,315**	938
NZD	**490**	596
HKD	**170**	85
CHF	**-**	830
Total debt issues due for settlement within 12 months	**9,277**	4,792
Long-term debt issues by currency due for settlement over 12 months		
USD	**4,185**	5,120
AUD	**184**	175
JPY	**354**	-
EUR	**8,530**	5,738
NZD	**2,301**	1,879
HKD	**139**	130
CHF	**797**	688
Total debt issues due for settlement over 12 months	**16,490**	13,730
Total debt issues	**25,767**	18,522
Debt issues at fair value through Income Statement	**1,959**	887
Debt issues at amortised cost	**23,808**	17,635
Total debt issues	**25,767**	18,522
Movement in debt issues[1]		
Balance at beginning of year	**18,522**	21,186
Issuances during the year	**12,885**	5,048
Repayments during the year	**(7,111)**	(8,102)
Fair value movements	**502**	473
Foreign exchange movements	**938**	(91)
Other movements	**31**	8
Balance at end of year	**25,767**	18,522
Fair value hedge adjustments included in total debt issues	**(534)**	(1,036)

[1] Certain comparative information has been restated to ensure consistency with presentation in the current year.

30 Debt Issues (continued)

Short-Term Debt

The Bank's short-term borrowing programmes include a Euro Commercial Paper ("ECP") programme under which it may issue commercial paper ("CP") in multiple currencies up to an aggregate of USD7 billion, and a USD CP ("USCP") programme under which it may issue CP in USD up to an aggregate of USD7 billion. CP is issued under these programmes at both fixed and variable interest rates.

Long-Term Debt

The Bank's long-term borrowings include:

- Notes issued under a joint Euro Medium Term Note programme with CBA. The joint programme limit is USD70 billion. These issuances occur in multiple currencies and may have both fixed and variable interest rates;
- Notes issued under a US Medium Term Note programme. The programme limit is USD10 billion. Notes issued under this programme are in USD and may have both fixed and variable interest rates;
- Bonds issued under a Covered Bond programme. The programme limit is EUR7 billion and is subject to the regulatory constraint that the assets of the Covered Bond Trust may not exceed 10% of the Banking Group's total assets. The issuances may occur in multiple currencies and may have both fixed and variable interest rates. These bonds are guaranteed by the Covered Bond Guarantor. Refer to the General Disclosures and to note 21 for further information; and
- Domestic bonds issued into the New Zealand market. The issuances occur in NZD and may have both fixed and variable interest rates.

Interest rate and foreign currency risks associated with both short-term and long-term debt issuances are incorporated within the Banking Group's risk management framework.

Debt issued under the short-term and long-term debt programmes (excluding USD Subordinated Notes classified as Loan capital in note 31) is unsubordinated and ranks equally with other unsubordinated obligations of the Bank.

31 Loan Capital

$ millions	Banking Group	
As at 30 June	**2025**	2024
Loan capital by programme		
USD Subordinated Notes	**972**	941
Total loan capital	**972**	941

$ millions	Banking Group	
For the year ended 30 June	**2025**	2024
Movement in loan capital		
Balance at beginning of year	**941**	935
Fair value movements	**28**	5
Foreign exchange movements	**2**	1
Other movements	**1**	-
Balance at end of year	**972**	941
Fair value hedge adjustments included in loan capital	**(14)**	(42)

USD Subordinated Notes

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 USD600 million. The USD Subordinated Notes meet the criteria for Tier 2 capital designation under the RBNZ's prudential standards and are classified as financial liabilities under NZ IAS 32.

Maturity and Redemption

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

Interest

The USD Subordinated Notes bear interest at a 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.

Ranking

In the event of a liquidation of the Bank, holders of the USD Subordinated Notes will rank after holders of the Bank's unsubordinated obligations, including depositors and holders of the Bank's unsubordinated debt issues set out in note 30.

Notes to the Financial Statements

For the year ended 30 June 2025

32 Ordinary Dividends Paid

For the year ended 30 June 2025	Banking Group Cents per Share	 Ordinary Dividends Paid $ millions
Ordinary dividend paid in September 2024	**6.51**	**400**
Ordinary dividend paid in November 2024[1]	**11.39**	**700**
Ordinary dividend paid in March 2025	**10.22**	**700**
Total ordinary dividends paid		**1,800**

For the year ended 30 June 2024	Banking Group Cents per Share	 Ordinary Dividends Paid $ millions
Ordinary dividend paid in December 2023	13.07	800
Total ordinary dividends paid		800

(1) On 14 November 2024, the Bank paid a dividend of $700 million on ordinary shares to ASB Holdings Limited. Effected on the same date, the Bank raised $700 million from the issuance of 700 million ordinary shares to ASB Holdings Limited. These two transactions were settled net and not in cash. All other dividends paid during the year were settled in cash (30 June 2024 ordinary dividends were settled in cash).

33 Contributed Capital - Ordinary Shares

	Banking Group			
	Number of shares		$ millions	
As at 30 June	**2025**	2024	**2025**	2024
Issued and fully paid ordinary share capital				
Balance at beginning of year	**6,148,121,300**	6,148,121,300	**6,173**	6,173
Share capital issued	**700,000,000**	-	**700**	-
Total contributed capital	**6,848,121,300**	6,148,121,300	**6,873**	6,173

Contributed capital is included in Tier 1 capital for capital adequacy calculation purposes. Refer to note 40 for more information on regulatory capital.

Ordinary Shares

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.

On 14 November 2024, the Bank issued 700,000,000 ordinary shares to ASB Holdings Limited, with each share issued for a subscription price of $1.

Notes to the Financial Statements

For the year ended 30 June 2025

34 Reserves

$ millions	Banking Group	
As at 30 June	**2025**	2024
Asset revaluation reserve		
Balance at beginning of year	**17**	17
Balance at end of year	**17**	17
Cash flow hedge reserve		
Balance at beginning of year	**(146)**	115
Net gain/(loss) from changes in fair value	**64**	(176)
Reclassified to Income Statement:		
Interest income	**193**	510
Interest expense	**(27)**	(695)
Other income	**(59)**	(1)
Deferred tax	**(48)**	101
Balance at end of year	**(23)**	(146)
Fair value through other comprehensive income reserve		
Balance at beginning of year	**3**	9
Net loss from changes in fair value	**(68)**	(8)
Deferred tax	**19**	2
Balance at end of year	**(46)**	3
Equity compensation reserve		
Balance at beginning of year	**1**	-
Current year movement	**1**	1
Balance at end of year	**2**	1
Total reserves	**(50)**	(125)

Asset revaluation reserve

The asset revaluation reserve relates to revaluation gains on land and buildings carried at valuation. Refer to note 1(m) for further detail.

Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of foreign exchange and interest rate derivative contracts related to hedged forecast transactions that have not yet occurred.

Fair value through other comprehensive income reserve

The fair value through other comprehensive income reserve includes the cumulative net change in the fair value of Securities at FVTOCI (excluding impairment losses or recoveries, interest revenue and foreign exchange gains or losses) until the financial asset 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.

Equity compensation reserve

The equity compensation reserve represents the current and deferred tax effect of equity settled share-based payments recognised directly in equity.

35 Leasing

The Banking Group leases premises and motor vehicles under arrangements with varying terms and renewal rights. Disclosure of the Banking Group's recognised right of use assets is included in note 25, and related depreciation in note 4. Disclosure of the Banking Group's recognised lease liabilities is included in note 28, and related interest expense in note 2.

The following table presents the movements in lease liabilities during the year:

$ millions	Banking Group	
As at 30 June	**2025**	2024
Balance at beginning of year	**161**	181
New leases during the year	**13**	2
Repayments during the year [(1)]	**(41)**	(37)
Other movements	**37**	15
Balance at end of year	**170**	161

(1) Repayments during the year represent the principal portion of the lease liability repayments. The total cash outflow in respect of leases (including interest, short-term, low value and variable lease payments) was $60 million for the year ended 30 June 2025 (30 June 2024 $54 million).

The following table presents a maturity analysis of the Banking Group's undiscounted lease liabilities:

$ millions	Banking Group	
As at 30 June	**2025**	2024
Less than one year	**41**	41
Between one and two years	**35**	35
Between two and five years	**74**	69
Over five years	**49**	33
Total undiscounted lease liabilities	**199**	178

Significant leasing arrangements

The Banking Group's most significant lease is in respect of its head office premises. This lease was for an initial term of 18 years, to 2031. As at 30 June 2025, the lease was subject to a 2.5% fixed annual increase and at the end of the initial lease term the Bank had the right of renewal for two subsequent six-year terms (subject to a market review of the lease rate for each renewal period). At 30 June 2025 the remaining reasonably certain lease term for this lease was 6 years, and, as a result, the rights of renewal have not been included in the recognised lease liability (30 June 2024 7 years and rights of renewal not included in the recognised lease liability). Subsequent to the reporting period, the lease of ASB's head office premises has been extended by a further 9 years via a Surrender and Regrant of a New Lease to 30 June 2040, effective 1 July 2025 (subject to approval from the Overseas Investment Office). This will result in an increase in both the lease liability and the right of use asset by $84 million from the effective date of the lease modification.

In respect of these head office premises and all other premises leased by the Banking Group, the gross undiscounted cash flows associated with renewals which have not been included in the lease liability is approximately $249 million (30 June 2024 $231 million). It is uncertain whether the Banking Group will exercise these renewals.

The Banking Group is not committed to any lease which has not yet commenced at 30 June 2025 (30 June 2024: one lease with a right of use asset and lease liability of $1 million).

36 Related Party Transactions and Balances

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

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

During the year ended 30 June 2025 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.

$ millions	Banking Group	
For the year ended 30 June	**2025**	2024
Related Party Transactions		
Interest income		
Received from Commonwealth Bank Group	**28**	26
Interest expense		
Paid to Commonwealth Bank Group	**383**	610
Paid to superannuation and managed investment schemes managed by ASB Group Investments Limited	**48**	42
	431	652
Other income		
Management and administration fees received from superannuation and managed investment schemes managed by ASB Group Investments Limited	**145**	129
Other expenses		
Paid to Commonwealth Bank Group	**3**	2

$ millions	Banking Group	
As at 30 June	**2025**	2024
Related Party Balances		
Commonwealth Bank Group		
Assets		
Cash and liquid assets	**740**	521
Receivables from financial institutions	**153**	275
Derivative assets	**879**	482
Other assets	**1**	2
	1,773	1,280
Liabilities		
Deposits and other borrowings	**99**	383
Payables to financial institutions	**889**	868
Derivative liabilities	**132**	567
Other liabilities	**3**	-
	1,123	1,818

36 Related Party Transactions and Balances (continued)

$ millions	Banking Group	
As at 30 June	**2025**	2024
Related Party Balances (continued)		
Superannuation and managed investment schemes managed by ASB Group Investments Limited		
Assets		
Other assets	**19**	17
Liabilities		
Deposits and other borrowings	**619**	1,330
Debt issues at amortised cost	**79**	74
	698	1,404
ASB Holdings Limited		
Liabilities		
Deposits and other borrowings	**-**	9
Trade Window Holdings Limited		
Assets		
Advances to customers	**1**	1
Liabilities		
Deposits and other borrowings	**-**	1
Total related party assets	**1,793**	1,298
Total related party liabilities	**1,821**	3,232

Other Transactions and Balances

Commonwealth Bank Group provides guarantees over certain lending offered by the Bank to the value of $56 million (30 June 2024 $59 million). The Banking Group provides guarantees over certain lending offered to Commonwealth Bank Group to the value of $12 million (30 June 2024 $11 million).

The Banking Group has entered into derivatives with the Commonwealth Bank Group with an aggregate notional principal amount of $21,138 million (30 June 2024 $15,779 million).

Net receipts of $18 million were received by the Banking Group from related parties, relating to tax-related items (30 June 2024 $8 million).

No individually assessed allowance has been recognised in respect of loans given to related parties (30 June 2024 nil).

Refer to note 32 for details of dividends paid to the shareholder, note 33 for details of shares issues to related parties, note 37 for transactions and amounts with key management personnel and note 41 for further information on superannuation and managed investment schemes managed by ASB Group Investments Limited.

37 Key Management Personnel

The executive management and Directors of the Bank are considered to be key management personnel. Their details are set out in the Directory.

$ millions	Banking Group	
For the year ended 30 June	**2025**	2024
Key management compensation [(1)]		
Short-term employee benefits	**12**	14
Share-based payments	**4**	4
Total key management compensation	**17**	18

(1) Key management compensation is presented on an underlying unrounded basis and therefore may not add down.

Key management personnel's post-employment benefits and other long-term benefits rounded to nil (30 June 2024 rounded to nil). Termination benefits are included in short-term employee benefits and rounded to $nil (30 June 2024 rounded to $1 million).

Executive management of the Bank participate in CBA cash settled share-based payment plans and are awarded a number of rights that vest provided certain conditions are met (including that the participant remains in employment until the vesting date). The liability as at 30 June 2025 was $6 million (30 June 2024 $5 million).

The Chief Executive Officer of the Bank participates in CBA equity settled share-based payment plans and is awarded a number of rights or shares that vest provided similar conditions are met (including remaining in employment until the vesting date). Further details are provided in the CBA Remuneration Report within the CBA 2025 Annual Report.

The following table presents information about the equity settled share-based payment plans:

	Banking Group			
	Number of rights or shares		Fair Value ($ millions)	
As at 30 June	**2025**	2024	**2025**	2024
CBA equity settled rights or shares granted during the year	**15,566**	19,048	**2**	2

The expense recognised on CBA equity settled rights or shares for the year ended 30 June 2025 rounded to $2 million (30 June 2024 rounded to $2 million). 14,612 CBA equity rights or shares have vested during the year (30 June 2024 31,629 CBA equity rights or shares were vested).

$ millions	Banking Group	
As at 30 June	**2025**	2024
Loans to key management personnel and their related parties[(1)]	**14**	14
Deposits from key management personnel and their related parties[(1)]	**8**	10

(1) Includes close family members of key management personnel and entities that are controlled or jointly controlled by key management personnel or their close family members.

Loans made to and deposits held from key management personnel were made in the ordinary course of business on normal commercial terms and conditions, no more favourable than those given to other employees of the Banking Group. Deposits consist of on call, savings, term investments and cash management balances.

No individually assessed allowance has been recognised in respect of loans provided to key management personnel. There were no debts written off or forgiven during the year ended 30 June 2025 (30 June 2024 nil).

For the year ended 30 June 2025 interest received on loans rounded to $1 million (30 June 2024 rounded to $1 million) and interest paid on deposits rounded to nil (30 June 2024 rounded to nil).

38 Fair Value of Financial Instruments

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

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

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

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

The Banking Group considers transfers between levels, if any, to have occurred at the end of the reporting period for which the financial statements are prepared.

Fair Value Estimates

The Banking Group determines the valuation of financial instruments 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 Income Statement, 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.

For financial instruments not presented on the Banking Group's Balance Sheet at their fair value, fair value is estimated as follows:

Advances to Customers
For floating rate advances, the carrying amount on the Balance Sheet is considered a reasonable estimate of their fair value after making allowances for the fair value of impaired and potential problem loans. For fixed rate advances, fair value is estimated using discounted cash flow models applying discount rates based on current market interest rates for advances with similar credit and interest rate repricing profiles.

Deposits and Other Borrowings
For non-interest bearing debt, call and variable rate deposits, the carrying amounts on the Balance Sheet are a reasonable estimate of their fair value. For other term deposits, fair value is estimated using discounted cash flow models applying discount rates based on current market interest rates for similar instruments with similar maturity profiles.

Loan Capital and Debt Issues: At Amortised Cost
The estimated fair value of loan capital, commercial paper, medium term notes, domestic bonds and covered bonds is based on quoted market rates of publicly traded securities of similar maturity, credit and yield characteristics.

All Other Financial Instruments Not Measured at Fair Value
For all other financial instruments not measured at fair value, the carrying amounts on the Balance Sheet are a reasonable estimate of the fair value. These instruments are either short-term in nature or re-price frequently.

38 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 financial instruments that are recognised and measured at fair value on a recurring basis.

$ millions	Banking Group			
As at 30 June 2025	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Securities:				
At fair value through Income Statement	**619**	**464**	**-**	**1,083**
At fair value through other comprehensive income	**8,804**	**1,677**	**2**	**10,483**
Derivative assets	**-**	**1,244**	**-**	**1,244**
Total financial assets measured at fair value	**9,423**	**3,385**	**2**	**12,810**
Financial liabilities				
Derivative liabilities	**-**	**410**	**-**	**410**
Debt issues at fair value through Income Statement	**-**	**1,959**	**-**	**1,959**
Total financial liabilities measured at fair value	**-**	**2,369**	**-**	**2,369**

There were no transfers between levels for recurring fair value measurements for the year ended 30 June 2025.

$ millions	Banking Group			
As at 30 June 2024	Level 1	Level 2	Level 3	Total
Financial assets				
Securities at fair value through other comprehensive income	7,931	1,796	2	9,729
Derivative assets	-	881	-	881
Total financial assets measured at fair value	7,931	2,677	2	10,610
Financial liabilities				
Derivative liabilities	-	956	-	956
Debt issues at fair value through Income Statement	-	887	-	887
Total financial liabilities measured at fair value	-	1,843	-	1,843

There were no transfers between levels for recurring fair value measurements for the year ended 30 June 2024.

Notes to the Financial Statements

For the year ended 30 June 2025

38 Fair Value of Financial Instruments (continued)

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

The following tables compare the carrying values of financial instruments not measured at fair value with their estimated fair values and analyses them by level in the fair value hierarchy.

$ millions	Banking Group				
	Fair Value				Carrying Value
As at 30 June 2025	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total**
Financial assets					
Cash and liquid assets	**4,289**	**1,295**	**-**	**5,584**	**5,584**
Receivables from financial institutions	**-**	**578**	**-**	**578**	**578**
Advances to customers	**-**	**-**	**114,966**	**114,966**	**114,727**
Other financial assets	**-**	**408**	**-**	**408**	**408**
Total	**4,289**	**2,281**	**114,966**	**121,536**	**121,297**
Financial liabilities					
Deposits and other borrowings	**-**	**93,601**	**-**	**93,601**	**93,422**
Payables to financial institutions	**-**	**1,539**	**-**	**1,539**	**1,539**
Other financial liabilities[1]	**-**	**1,017**	**-**	**1,017**	**1,017**
Debt issues at amortised cost	**-**	**23,862**	**-**	**23,862**	**23,808**
Loan capital	**-**	**980**	**-**	**980**	**972**
Total	**-**	**120,999**	**-**	**120,999**	**120,758**

$ millions	Banking Group				
	Fair Value				Carrying Value
As at 30 June 2024	Level 1	Level 2	Level 3	Total	Total
Financial assets					
Cash and liquid assets	4,478	972	-	5,450	5,450
Receivables from financial institutions	-	630	-	630	630
Advances to customers	-	-	108,345	108,345	109,010
Other financial assets	-	444	-	444	444
Total	4,478	2,046	108,345	114,869	115,534
Financial liabilities					
Deposits and other borrowings	-	92,503	-	92,503	92,449
Payables to financial institutions	-	1,422	-	1,422	1,422
Other financial liabilities[1]	-	1,286	-	1,286	1,286
Debt issues at amortised cost	-	17,643	-	17,643	17,635
Loan capital	-	959	-	959	941
Total	-	113,813	-	113,813	113,733

(1) Other financial liabilities exclude the lease liability of $170 million as no fair value disclosure is required in respect of lease liabilities (30 June 2024 $161 million).

39 Offsetting Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset on the Balance Sheet only when there is a currently enforceable legal right to offset the respective recognised amounts and an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. The right to offset is a legal right to settle or otherwise eliminate all or a portion of an amount due by applying an amount receivable, generally from the same counterparty, against it.

The Banking Group enters into netting agreements with counterparties to manage the credit risks associated primarily with over-the-counter derivatives, repurchase and reverse repurchase transactions. These netting agreements and similar arrangements enable the counterparties to offset liabilities against assets if an event of default or other predetermined event occurs, however they generally do not result in net settlement in the ordinary course of business. Consequently, the Banking Group does not offset its financial assets and liabilities on the Balance Sheet, even if these amounts are subject to enforceable netting arrangements.

The following table identifies the amounts that are covered by enforceable netting and similar arrangements (offsetting arrangements and financial collateral).

			Banking Group Amounts Subject to Enforceable Master Netting Agreements			
				Amounts Not Offset on the Balance Sheet		
$ millions	Total Balance Sheet Amount	Amounts Not Subject to Enforceable Master Netting Agreements	Gross Amounts	Financial Instruments	Financial Collateral	Net Amount
Financial instruments as at 30 June 2025						
Derivative assets	**1,244**	**(37)**	**1,207**	**(180)**	**(950)**	**77**
Reverse repurchase agreements	**1,295**	**-**	**1,295**	**-**	**(1,295)**	**-**
Total financial assets	**2,539**	**(37)**	**2,502**	**(180)**	**(2,245)**	**77**
Derivative liabilities	**(410)**	**26**	**(384)**	**180**	**149**	**(55)**
Repurchase agreements	**(1,649)**	**-**	**(1,649)**	**-**	**1,649**	**-**
Total financial liabilities	**(2,059)**	**26**	**(2,033)**	**180**	**1,798**	**(55)**
Financial instruments as at 30 June 2024						
Derivative assets	881	(4)	877	(567)	(234)	76
Reverse repurchase agreements	972	-	972	-	(972)	-
Total financial assets	1,853	(4)	1,849	(567)	(1,206)	76
Derivative liabilities	(956)	60	(896)	567	231	(98)
Repurchase agreements	(4,963)	-	(4,963)	-	4,963	-
Total financial liabilities	(5,919)	60	(5,859)	567	5,194	(98)

Effects of Master Netting Agreements on Financial Instruments

In the table above:

- Gross amounts identifies financial assets and liabilities that are subject to enforceable master netting agreements such as ISDA Master Agreements, global master repurchase agreements and global master securities lending agreements. Under these agreements all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transactions covered by the agreements if an event of default or other predetermined events occur;
- Financial collateral refers to cash and non-cash collateral obtained to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default or if other predetermined events occur;
- Net amount shows the potential effects of the Banking Group's right of offset from master netting agreements; and
- Amounts not subject to enforceable master netting agreements represents those amounts covered by master netting agreements but have uncertainty on their enforceability under applicable New Zealand legislation.

The net amounts do not represent the Banking Group's actual credit exposure.

40 Capital Adequacy

Unaudited

This note is subject to limited assurance procedures which do not constitute an audit. These sections are clearly labelled as "Unaudited". Refer to the Independent Assurance Report for further information.

Regulatory Requirements – Basel III

The Banking Group is subject to regulation by the RBNZ. The RBNZ has set regulatory capital adequacy requirements for New Zealand registered banks, which are based on the internationally agreed framework developed by the Basel Committee on banking supervision, commonly known as Basel III. These requirements define what qualifies as capital and provides methods of measuring 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").

As a condition of registration, the Banking Group must comply with the following minimum requirements set by the RBNZ for the year ended 30 June 2025:

- Total regulatory capital must not be less than 9% of risk-weighted exposures;
- Tier 1 capital must not be less than 7% of risk-weighted exposures;
- CET1 capital must not be less than 4.5% of risk-weighted exposures; and
- Total regulatory capital must not be less than $30 million.

In addition, if the Banking Group's prudential capital buffer ("PCB") falls below the Buffer Trigger Ratio set by the RBNZ, the Bank may be subject to dividend restrictions and be required to implement a capital restoration or recapitalisation plan according to the RBNZ's Capital Buffer Response Framework, depending on the level of PCB. The RBNZ set the Banking Group's Buffer Trigger Ratio at 4.5%.

Regulatory capital is divided into Tier 1 capital, comprising CET1 capital and AT1 capital, and Tier 2 capital.

CET1 and AT1 capital primarily consist of shareholders' equity and qualifying Tier 1 capital instruments as per BPR110: *Capital Definitions*, less intangible and deferred tax assets, and other prescribed deductions. Tier 2 capital as per BPR110: *Capital Definitions,* comprises the asset revaluation reserve and subordinated debt securities.

Regulatory capital adequacy ratios are calculated by expressing capital (CET1, AT1, Tier 2 or total regulatory capital) as a percentage of risk-weighted assets. Risk-weighted assets represent risks associated with the Banking Group's credit risk exposures, as well as operational risk and both traded and non-traded market risk, calculated in accordance with RBNZ's BPRs. The Banking Group has been accredited by the RBNZ to adopt the internal ratings based ("IRB") approach for calculating credit risk-weighted assets, which includes the use of IRB models and credit models described in note 13 (using PD, EAD and LGD).

RBNZ published revised regulatory capital adequacy requirements in 12 BPRs (which came into effect 1 October 2021). The outstanding reforms yet to be fully implemented include:

- The Buffer Trigger Ratio increasing from 4.5% to 9.0% by 1 July 2028 (for IRB banks), and the progressive de-recognition of non-compliant AT1 and Tier 2 instruments which are being phased out at 12.5% per annum, with these instruments fully derecognised by 1 July 2028. As at, 30 June 2025, ASB does not have any non-qualifying AT1 or Tier 2 instruments in its capital structure.

In March 2025, the RBNZ announced a review of capital settings for deposit takers which is expected to conclude before the end of 2025.

40 Capital Adequacy (continued)

Unaudited

Capital Management Policies

The Banking Group's objectives for the management of capital are to:

- Comply at all times with the regulatory capital requirements set by the RBNZ;
- Maintain a strong capital base to cover the inherent risks of the business; and
- Support the future development and growth of the business.

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*. The ICAAP is an integrated process used to assess the appropriate level and quality of capital that is required now and in the future, given the risk profile of the Banking Group. A key component of the Banking Group's ICAAP is the establishment of target ranges for capital levels to reduce the risk of breaching the Banking Group's Conditions of Registration, support business growth and to provide a buffer for unexpected losses.

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 BRCC and the Board.

The Banking Group's current and forecast capital adequacy is actively monitored and reported on a regular basis to senior management and the Board. Where required, capital transactions are executed to optimise the Banking Group's capital structure and ensure that capital levels remain within target ranges.

The material terms and conditions of loan capital and ordinary shares are disclosed in notes 31 and 33.

The capital adequacy tables set out below summarise the composition of regulatory capital and the capital adequacy ratios for the Banking Group for the year ended 30 June 2025.

During the current financial year and the comparative year shown, the Banking Group complied with the RBNZ minimum capital ratios to which it is subject.

Capital

$ millions	Banking Group
As at 30 June	**2025**
Tier 1 capital	
CET1 capital	
Issued and fully paid-up ordinary share capital	6,873
Retained earnings	4,669
Accumulated other comprehensive income and other disclosed reserves[1]	(67)
Deductions from CET1 capital:	
Goodwill and other intangible assets	(331)
Deferred tax assets	(310)
Cash flow hedge reserve	23
Total CET1 capital	10,857
AT1 capital	-
Total Tier 1 capital	10,857
Tier 2 capital	
Loan capital	988
Asset revaluation reserve	17
Eligible impairment allowance in excess of expected loss	-
Total Tier 2 capital	1,005
Total capital	11,862

(1) Accumulated other comprehensive income and other disclosed reserves include the fair value through other comprehensive income reserve ($46 million), the cash flow hedge reserve ($23 million) and the equity compensation reserve of $2 million.

40 Capital Adequacy (continued)

Unaudited

	Banking Group		Bank	
As at 30 June	**2025**	2024	**2025**	2024
Capital ratios				
CET1 capital ratio	**14.4%**	14.9%	**14.4%**	14.8%
Tier 1 capital ratio	**14.4%**	14.9%	**14.4%**	14.8%
Total capital ratio	**15.8%**	16.3%	**15.7%**	16.2%
Prudential capital buffer ratio	**6.8%**	8.3%	**6.7%**	8.2%
Minimum ratio requirement				
CET1 capital ratio	**4.5%**	4.5%	**4.5%**	4.5%
Tier 1 capital ratio	**7.0%**	6.0%	**7.0%**	6.0%
Total capital ratio	**9.0%**	8.0%	**9.0%**	8.0%
Buffer trigger ratio	**4.5%**	4.5%	**4.5%**	4.5%

$ millions	Banking Group		
As at 30 June 2025	**Total Exposure(1)**	**RWE(2)**	**Total Capital Requirement(3)**
Total credit risk	**150,835**	**63,550**	**5,720**
Operational risk	**N/A**	**8,308**	**748**
Market risk	**N/A**	**3,399**	**306**
Total		**75,257**	**6,774**

As at 30 June 2025, the Banking Group held $5,088 million of capital in excess of its regulatory capital requirement.

(1) Total exposure is after credit risk mitigation.

(2) RWE is risk weighted exposure or implied risk weighted exposure.

(3) Total capital requirement is calculated based on minimum capital requirement ratio which is 9%, effective from 1 July 2024.

Notes to the Financial Statements

For the year ended 30 June 2025

40 Capital Adequacy (continued)

Unaudited

IRB Credit risk exposures by asset class and exposure-weighted PD Grade

	Banking Group				
As at 30 June 2025	Weighted Average PD %	Exposure Amount $ millions	Exposure-Weighted LGD used for the capital Calculation %	Exposure-Weighted Risk Weight %	Risk Weighted Assets[1] $ millions
Exposures secured by residential mortgages					
Less than and including 0.50%	0.33%	32,162	17%	11%	4,156
Over 0.50% up to and including 0.85%	0.66%	13,758	19%	21%	3,398
Over 0.85% up to and including 3.26%	1.48%	40,157	22%	40%	19,127
Over 3.26% up to and including 7.76%	5.94%	734	24%	97%	857
Over 7.76% up to and including 99.99%	-	-	-	-	-
Default PD grade	100.00%	1,705	23%	190%	3,889
Total exposures secured by residential mortgages	2.87%	88,516	20%	30%	31,427
Other retail exposures					
Less than and including 0.50%	0.33%	973	84%	47%	548
Over 0.50% up to and including 0.85%	0.65%	271	84%	70%	227
Over 0.85% up to and including 3.26%	1.28%	689	84%	92%	765
Over 3.26% up to and including 7.76%	3.29%	143	84%	119%	204
Over 7.76% up to and including 99.99%	-	-	-	-	-
Default PD grade	100.00%	22	84%	532%	143
Total other retail exposures	1.95%	2,098	84%	75%	1,887
Corporate exposures - small and medium enterprises					
Less than and including 0.20%	0.15%	623	23%	17%	127
Over 0.20% up to and including 0.50%	0.32%	4,782	24%	27%	1,528
Over 0.50% up to and including 1.00%	0.68%	10,488	25%	39%	4,925
Over 1.00% up to and including 2.30%	1.43%	6,416	24%	49%	3,743
Over 2.30% up to and including 99.99%	7.24%	1,892	27%	86%	1,949
Default PD grade	100.00%	235	40%	247%	696
Total corporate exposures - small and medium enterprises	2.25%	24,436	25%	44%	12,968
Other corporate exposures					
Less than and including 0.20%	0.10%	2,084	55%	34%	856
Over 0.20% up to and including 0.50%	0.31%	2,406	38%	41%	1,195
Over 0.50% up to and including 1.00%	0.66%	2,142	34%	57%	1,467
Over 1.00% up to and including 2.30%	1.38%	950	30%	61%	694
Over 2.30% up to and including 99.99%	7.84%	293	39%	146%	516
Default PD grade	100.00%	59	37%	40%	29
Total other corporate exposures	1.50%	7,934	40%	50%	4,757
Total credit risk exposures subject to the IRB approach		122,984			51,039

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

Notes to the Financial Statements

For the year ended 30 June 2025

40 Capital Adequacy (continued)

Unaudited

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

$ millions	Banking Group			
	Undrawn Commitments and Other Off-Balance Sheet Contingent Liabilities		Counterparty Credit Risk on Derivatives and Securities Financing Transactions	
As at 30 June 2025	**Value**	**Exposure at Default**	**Value**	**Exposure at Default**
Exposures secured by residential mortgages	8,383	8,566	-	-
Other retail exposures	1,894	1,209	-	-
Corporate exposures - small and medium enterprises	3,243	2,549	2,613	46
Other corporate exposures	2,711	2,390	4,123	83
	16,231	14,714	6,736	129

Residential mortgages by loan-to-valuation ratio ("LVR")

$ millions	Banking Group					
LVR Range **As at 30 June 2025**	**Does not exceed 60%**	**Exceeds 60% and not 70%**	**Exceeds 70% and not 80%**	**Exceeds 80% and not 90%**	**Exceeds 90%**	**Total**
On-balance sheet exposures	37,362	16,195	21,143	5,714	987	81,401
Off-balance sheet exposures	6,621	952	950	61	145	8,729
Total value of exposures	43,983	17,147	22,093	5,775	1,132	90,130
Expressed as a percentage of total exposures	48.8%	19.0%	24.5%	6.4%	1.3%	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.

Reconciliation of mortgage-related amounts

$ millions **As at 30 June**	**Banking Group** **2025**
Residential mortgages in Advances to customers (refer to note 15)[(1)]	81,052
Add/(less):	
Off-balance sheet exposures	8,729
Exposure at default adjustments	823
Unamortised loan establishment fees and expenses	(474)
Residential mortgages in LVR disclosure	90,130
Add/(less):	
Corporate lending secured by residential mortgages (subject to the Standardised Approach)	(1,602)
Residential mortgages (subject to the Standardised Approach)	(12)
Residential mortgages subject to the IRB approach	88,516

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

40 Capital Adequacy (continued)

Unaudited

Specialised Lending subject to the slotting approach

	Banking Group		
On-balance sheet exposures as at 30 June 2025	Total Exposure after Credit Risk Mitigation $ millions	Risk Weight	Risk Weighted Assets(1) $ millions
Strong	538	70%	452
Good	3,037	90%	3,280
Satisfactory	719	115%	992
Weak	24	250%	72
Default	10	-	-
	4,328		4,796

	Banking Group		
Off-balance sheet exposures as at 30 June 2025	Exposure at Default $ millions	Average Risk Weight	Risk Weighted Assets(1) $ millions
Undrawn commitments and other off-balance sheet exposures	327	86%	338

Credit risk exposures subject to the standardised approach

	Banking Group		
On-balance sheet exposures by separate risk weight as at 30 June 2025	Total Exposure after Credit Risk Mitigation $ millions	Average Risk Weight	Risk Weighted Assets $ millions
Cash and gold bullion	90	0%	-
Sovereigns and central banks	11,703	0%	-
	-	20%	-
	-	50%	-
	-	100%	-
	-	150%	-
Multilateral development banks and other international organisations	2,311	0%	-
	222	20%	44
	-	50%	-
	-	100%	-
	-	150%	-
Public sector entities	854	20%	171
	-	50%	-
	-	100%	-
	-	150%	-
Banks	277	20%	55
	1,065	50%	533
	-	100%	-
	-	150%	-
	16,522		803

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

40 Capital Adequacy (continued)

Unaudited

Other on-balance sheet exposures by average risk weight as at 30 June 2025	Banking Group Total Exposure after Credit Risk Mitigation $ millions	Average Risk Weight	Risk Weighted Assets $ millions
Corporate	1,320	100%	1,315
Residential mortgages	1,438	38%	548
Past due assets	30	113%	34
Other assets	1,659	100%	1,659
Total balance sheet exposures	4,447		3,556

Off-balance sheet exposures as at 30 June 2025	Banking Group Total Exposure or Principal Amount $ millions	Average Credit Conversion Factor	Credit Equivalent Amount $ millions	Average Risk Weight	Risk Weighted Assets $ millions
Total off-balance sheet exposures subject to the standardised approach	1,367	50%	681	67%	456
Memo item: Undrawn commitment to the Business Growth Fund	-	-	-	-	-

Counterparty credit risk subject to the standardised approach as at 30 June 2025	Banking Group Total Exposure or Principal Amount $ millions	Credit Equivalent Amount $ millions	Average Risk Weight	Risk Weighted Assets $ millions
Foreign exchange contracts	30,273	1,088	25%	275
Interest rate contracts	34,821	24	38%	9
Other	3	2	20%	-
Total counterparty credit risk for counterparties subject to the standardised approach	65,097	1,114		284

Exposures arising from trades settled on Qualifying Central Counterparties (QCCPs) as at 30 June 2025	Banking Group Trade Exposure or Collateral Amount $ millions	Average Risk Weight	Risk Weighted Assets $ millions
Bank as QCCP clearing member, clearing own trades	-	-	-
Collateral posted for clearing own trades	-	-	-
Bank as client of QCCP member, clearing trades through that member	254	4%	10
Collateral posted for clearing via member bank	170	4%	7
Total Exposures arising from trades settled on Qualifying Central Counterparties	424		17

40 Capital Adequacy (continued)

Unaudited

Equity exposures as at 30 June 2025	Banking Group Total Exposure $ millions	Risk Weight	Risk Weighted Exposures $ millions
Equity holdings in the Business Growth Fund that qualify for 250% risk weight	-	250%	-
Equity holdings (not deducted from capital) included in the NZX 50 or overseas equivalent index	-	300%	-
All equity holdings (not deductible from capital)	6	400%	25
Total Equity Exposures subject to the Standardised approach	6		25

$millions Total credit risk as at 30 June 2025	Banking Group Total Exposure after Credit Risk Mitigation	Total Risk Weighted Exposure	Total Capital Requirement
Exposures subject to the IRB approach	122,984	51,039	4,594
Specialised lending subject to the slotting approach	4,655	5,134	462
Standardised floor impact[(1)]	-	1,771	159
Exposures subject to the standardised approach	23,196	5,141	463
Credit valuation adjustment	-	465	42
Total credit risk (including standardised floor impact)	150,835	63,550	5,720

(1) The standardised floor relates to exposures subject to the IRB approach and exposures 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.

40 Capital Adequacy (continued)

Unaudited

Impact of the standardised floor on total credit risk RWAs

BPR130 requires IRB Banks to calculate total credit risk RWA as the sum of:

- The greater of:
  - total RWA's calculated using the IRB approach on all credit exposures (as shown in tables in the sections above Credit Risk subject to the IRB approach and Specialised lending subject to the slotting approach, with the risk-weighted asset amount disclosed including a scalar of 1.2 in accordance with BPR130); and
  - 0.85 x total standardised equivalent RWA for each credit risk exposure subject to the IRB RWA treatment (commonly referred to as the standardised floor); and
- 1.0 x total RWA calculated using the standardised approach on all credit and other exposures.

The table below shows the Banking Group's application of the standardised floor to calculate total reported credit risk RWA as at 30 June 2025.

$ millions	Banking Group Risk Weighted Assets	
As at 30 June 2025	Calculated for Compliance Purposes	Recalculated Using the Standardised Approach
Total IRB and supervisory slotting exposures	56,173	68,169
Standardised floor at 85% of standardised equivalents	n/a	57,944
IRB and slotting RWAs with floor applied	57,944	n/a
RWAs for standardised exposures	5,606	n/a
Total credit risk RWAs	**63,550**	**n/a**

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	
As at 30 June 2025	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
Exposure Class		
Sovereign	710	-
Bank	2,433	-
Corporate (including specialised lending)	67	-
Residential mortgage	3	-
Other	1	-

40 Capital Adequacy (continued)

Unaudited

Additional Information about Credit Risk

The RBNZ has accredited the Banking Group to report capital adequacy under BPR133: *IRB Credit Risk RWAs*.

Under the internal ratings-based approach the measurement of credit risk utilises analytical tools to calculate both expected and unexpected loss probabilities for the credit portfolio. This includes consideration of the PD, the EAD and the LGD that would likely be experienced as a consequence. Refer to note 13 for more information about the Banking Group's credit risk management.

For exposures classified as specialised lending, the Banking Group uses risk weight percentages supplied by the RBNZ rather than internal estimates.

In addition, from January 2022 the RBNZ requires accredited IRB banks to calculate the total Standardised Equivalent RWA per BPR131: *Standardised credit RWAs* for each credit risk exposure subject to the IRB RWA treatment (including specialised lending), with credit RWA of IRB banks floored at 85% of the requirement under a standardised approach (commonly referred to as the standardised floor). Refer to the section below "Dual Reporting Disclosures for IRB Banks" for more information on Standardised Equivalents.

For exposures classified as sovereign and central banks, multilateral development banks and other international organisations, public sector entities and banks, the RBNZ require these to be measured under the standardised approach as per BPR131: *Standardised credit RWAs*.

The Banking Group also has a number of portfolios that due to size, systems or other constraints are not yet part of the IRB approach and are assessed for capital adequacy under the standardised approach - prescribed by the RBNZ under the document BPR131: *Standardised Credit Risk RWAs*. The major portfolio segments in this category relate to personal lending exposures and small business lending that does not meet the corporate criteria, as they are not individually risk rated. The summary table at the top of this page shows the approach for calculating risk weights for different asset types.

Controls Surrounding Credit Risk Ratings Systems

Credit risk rating systems and policy cover all of the methods, processes, controls, data collection and technology that support the assessment of credit risk, the assignment of credit risk ratings and the quantification of associated default and loss estimates.

The Chief Risk Officer has ultimate responsibility for the on-going review and amendment of credit risk rating models. The Credit Risk Management division actively participates in the development, selection, implementation and validation of rating models.

Internal Audit regularly reviews the Banking Group's credit risk rating system and its operations, including the operations of the credit function and the estimation of PD, LGD and EAD.

All material aspects of rating and estimation processes must be approved by the Board. Senior management are required to:

- Provide notice to the Board of material changes or exceptions from established policies that will materially impact the operations of the credit risk rating system;
- Approve material differences between established procedure and actual practice;
- Ensure, on an on-going basis, that the rating system operates properly; and
- Regularly assess the performance and improvement areas, including efforts to improve previously identified deficiencies of the credit risk rating systems.

Refer to note 13 for more details of credit risk management controls.

Operational Risk

The Banking Group 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 30 June 2025 was $8,308 million.

The total operational risk capital requirement as at 30 June 2025 was $665 million.

40 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 capital charges is derived by taking the highest market exposure over the six months ended 30 June 2025.

$ millions	Banking Group		
Aggregate Exposures as at 30 June 2025	**Interest Rate Risk**	**Foreign Currency Risk**	**Equity Risk**
Implied risk-weighted exposure[1]	**3,379**	**20**	**-**
Aggregate capital charge	**270**	**2**	**-**

$ millions	Banking Group		
Peak end-of-day capital charge for the six months ended 30 June 2025	**Interest Rate Risk**	**Foreign Currency Risk**	**Equity Risk**
Implied risk-weighted exposure[1]	**4,490**	**39**	**-**
Aggregate capital charge	**359**	**3**	**-**

(1) Implied risk weighted exposures are equal to 12.5 x aggregate capital charge in accordance with BPR100: Capital Adequacy and as prescribed by the Order.

Capital for Other Material Risks

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 and reputational risk, funding and liquidity risk, compliance risk, concentration risk. As at 30 June 2025 internal capital allocations of $265 million (30 June 2024 $297 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 and ultimate parent bank are predominantly accredited to use the Advanced Internal-Ratings Based ("AIRB") Approach for credit risk and for the Standardised Measurement Approach for operational risk. The ultimate parent banking group is also required to assess its traded market risk and Interest Rate Risk in the Banking Book requirements under Pillar 1 of the Basel capital framework.

APRA's prudential standards require the ultimate parent banking group and ultimate parent bank to have minimum capital ratios at least equal to those specified under the Basel II capital framework, including a minimum CET1 ratio of 4.5%. APRA's prudential standards also require the ultimate parent banking group and ultimate parent bank to have an additional CET1 capital conservation buffer of 5.75%, inclusive of a D-SIB requirement of 1.0% and a CCyB of 1.0%[1], which brings the CET1 requirement to at least 10.25%.

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

As at 30 June 2025, the minimum capital requirements were met (30 June 2024 minimum capital requirements were met).

	Ultimate Parent Bank		Ultimate Parent Banking Group	
As at 30 June	**2025**	2024	**2025**	2024
CET1 capital ratio	**12.4%**	12.4%	**12.3%**	12.3%
Tier 1 capital ratio	**14.1%**	14.6%	**13.9%**	14.3%
Total capital ratio	**21.8%**	21.8%	**20.9%**	20.9%

(1) In November 2024, APRA announced that the CCyB for Australian exposures will remain at 1%. The ultimate parent banking group has limited exposures to those offshore jurisdictions which a CCyB in excess of 0% has been imposed. 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.

40 Capital Adequacy (continued)

Unaudited

Dual Reporting Disclosures for IRB Banks

From reporting periods 30 June 2024 onwards, the RBNZ requires IRB accredited banks to include additional information in their disclosure statements for standardised RWA's (as required per BPR131: *Standardised Credit RWAs*) and resulting capital ratios recalculated as if the banks were subject to the standardised approach, this is referred to as dual reporting. These disclosures are for dual reporting disclosure purposes only and compare IRB modelled outcomes to standardised outcomes, they do not relate to the Banking Group's compliance with RBNZ regulatory capital requirements.

Credit risk: standardised equivalents of IRB risk-weighted assets

The standardised equivalents of the Banking Group's IRB exposures classes at 30 June 2025 is disclosed in the table below.

$ millions	Banking Group			
As at 30 June 2025	**Exposure under the IRB Approach**	**IRB Risk Weighted Assets**	**Equivalent Exposure under Standardised Approach**	**Standardised Equivalents of Risk Weighted Assets**
IRB exposure class				
Exposures secured by residential mortgages	**88,516**	**31,427**	**84,407**	**32,765**
Other retail exposures	**2,098**	**1,887**	**819**	**821**
Corporate exposures - small and medium enterprises	**24,436**	**12,968**	**24,226**	**22,688**
Other corporate exposures	**7,934**	**4,757**	**7,858**	**7,637**
Specialised lending subject to the slotting approach	**4,655**	**5,134**	**4,628**	**4,258**
Total Credit Risk	**127,639**	**56,173**	**121,938**	**68,169**

Standardised equivalent capital ratios

The standardised equivalents of the Banking Group's capital ratios at 30 June 2025 are disclosed in the table below. The standardised equivalent capital amount and the banking group's reported total capital values (refer table 'Capital under Basel III IRB approach' above) differ under the two approaches due to the 'Eligible impairment allowance in excess of expected loss' that only applies under the IRB approach. The standardised equivalent total RWAs and the Banking Group's reported total RWA differ under the two approaches due to credit RWA, with the Banking Group accredited to report under BPR133: *IRB Credit Risk RWAs* for compliance purposes, whereas for the purposes of dual reporting, the risk weighted assets of these exposures have been recalculated under the requirements of BPR131: *Standardised Credit RWAs*.

$ millions **Standardised equivalent capital ratios** **As at 30 June 2025**	Banking Group **CET1 Capital**	 **Tier 1 Capital**	 **Total Capital**
Standardised equivalent capital amount	**10,857**	**10,857**	**11,862**
Standardised equivalent total RWAs	**85,483**	**85,483**	**85,483**
Ratio	**12.7%**	**12.7%**	**13.9%**

40 Capital Adequacy (continued)

Unaudited

Historical comparison with standardised capital ratios and risk weights

The below table discloses reported total capital ratios and average risk weights under the Banking Group's compliance obligations compared to the standardised equivalents as at 30 June 2025 and full-year reporting dates on or after 30 June 2024.

	Banking Group	
As at 30 June	**2025**	**2024**
Capital ratios		
Total capital ratio(1)	**15.8%**	**16.3%**
Total capital ratio recalculated as if the bank were not an IRB bank(2)	**13.9%**	**14.4%**
Actual average risk weight for all modelled credit risk exposures(3)	**44.0%**	**44.1%**
Standardised equivalent average risk weight for all modelled credit risk exposures(4)	**55.9%**	**56.0%**

(1) Total capital ratio is calculated by dividing the total capital amount by the total risk weighted exposures as required under the Banking Group's compliance obligations.

(2) Total capital ratio recalculated as if the bank were not an IRB bank is calculated by dividing the standardised equivalent capital amount by total risk weighted assets calculated under the standardised approach.

(3) Actual average risk weight for all modelled credit risk exposures is calculated by dividing the total risk weighted assets for all exposures that are subject to IRB modelling approach or the supervisory slotting approach (including any applicable scalar), by the EAD of these exposures as required under the Banking Group's compliance obligations.

(4) Standardised equivalent average risk weight for all modelled credit risk exposures is calculated by dividing the total risk weighted assets subject to the IRB modelling approach or the supervisory slotting approach recalculated as if the bank were a standardised bank, by the total on-balance sheet and credit equivalent amounts for these exposures in accordance with the standardised risk weighting approach in BPR131: Standardised Credit Risk RWAs.

41 Securitisation, Funds Management, Other Fiduciary Activities and the Marketing and Distribution of Insurance Products

Insurance Business

The Banking Group does not conduct any insurance business.

The Banking Group's involvement in Securitisation, Funds Management, Other Fiduciary Activities and Marketing and Distribution of Insurance Products

Securitisation
The Banking Group originates securitised assets in the form of RMBS through the Medallion NZ Series Trust 2009-1R. Refer to note 21 for more information. Other than these activities, the Banking Group is not involved in the marketing or servicing of securitisation schemes.

Funds Management
The Banking Group markets and distributes managed fund products which are managed and issued by a wholly owned subsidiary, ASB Group Investments Limited (refer to note 23 and note 36). Funds under management distributed by the Banking Group totalled $23,606 million as at 30 June 2025 (30 June 2024 $21,176 million).

As at 30 June 2025 $857 million of funds under management were invested in related party products or securities (30 June 2024 $1,499 million).

Other Fiduciary Activities
The Banking Group provides custodial services relating to holding interest-bearing instruments and equity securities on behalf of clients. Funds under custodial arrangements totalled $1,097 million as at 30 June 2025 (30 June 2024 $885 million).

Marketing and Distribution of Insurance Products
Certain general, travel and life insurance products are marketed and distributed by the Banking Group for the following entities: IAG New Zealand Limited, AIG Insurance New Zealand Limited and AIA New Zealand Limited. None of these are affiliated insurance entities.

Arrangements to Ensure No Adverse Impacts Arising from the Above Activities
Frameworks, policies and procedures are in place to ensure that difficulties arising from the above activities would not impact adversely on the Banking Group. These include, where appropriate, disclosure of information regarding products (including rates, terms and conditions), and formal and regular review of products and processes.

Financial Services Provided to Entities Conducting the Above Activities
During the year, financial services (including deposit taking and foreign exchange services) provided by any member of the Banking Group to entities that conduct the above activities, have been provided on arm's length terms and conditions and at fair value.

Assets Purchased from Entities Conducting the Above Activities
During the year, any assets purchased by any member of the Banking Group from entities that conduct the above activities, have been purchased on arm's length terms and conditions and at fair value.

41 Securitisation, Funds Management, Other Fiduciary Activities and the Marketing and Distribution of Insurance Products (continued)

Funding provided to entities in aggregate and individually

During the year ended 30 June 2025, the peak end-of-day aggregate amount of funding provided by the Banking Group to entities that conduct funds management activities was $7 million (30 June 2024 nil), which was 0.1% (30 June 2024 nil) of the Banking Group's Tier 1 capital. The funding related to temporary overdraft facilities of $4 million and $3 million that were provided to facilitate termination of two off balance sheet entities.

No funding external to the Banking Group was provided to entities that conduct securitisation and other fiduciary activities (30 June 2024 nil).

Method for deriving peak end-of-day amount of funding in aggregate and individually

The peak end-of-day amount of funding is the maximum end-of-day aggregate amount of funding over the full year accounting period, divided by the Banking Group's Tier 1 capital as at 30 June 2025.

42 Financial Reporting by Operating Segments

The Banking Group is organised into the following major business segments which are consistent with internal reporting provided to the Banking Group's chief operating decision maker (being the executive management team).

Personal Banking:	The Personal Banking segment provides banking, investment and insurance services to personal customers.
Business Banking:	The Business Banking segment provides services to commercial, rural and small business customers.
Corporate Banking:	The Corporate Banking segment provides services to corporate customers, transactional banking services and retail broking services. It also comprises the Bank's financial markets activities, including financial instruments trading and sales of financial instruments to customers bank wide.

The **Other** category 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 provide support and services to the segments; and
- Elimination entries on consolidation of the results, assets and liabilities of the Banking Group's controlled entities in the preparation of the consolidated financial statements of the Banking Group.

Business segment performance is assessed on a "Cash profit" basis, a non-IFRS measure which represents how segments are managed internally. Cash profit reflects the Banking Group's underlying operating results and excludes items that introduce volatility and/or one-off distortions which are not considered representative of ongoing financial performance.

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.

Notes to the Financial Statements

For the year ended 30 June 2025

42 Financial Reporting by Operating Segments (continued)

	Banking Group				
$ millions	Personal Banking	Business Banking	Corporate Banking	Other	Total
Income Statement					
For the year ended 30 June 2025					
Net interest income	1,544	1,152	260	(31)	2,925
Lending, commission and other fees	176	61	31	-	268
Funds management income	147	9	-	-	156
Fee and commission income	323	70	31	-	424
Fee and commission expense	(77)	(1)	-	-	(78)
Net fee and commission income	246	69	31	-	346
Other operating income/(loss)[1]	47	34	8	(1)	88
Total operating income/(loss)	1,837	1,255	299	(32)	3,359
Impairment losses on financial assets	(47)	(18)	5	-	(60)
Operating expenses	(896)	(411)	(118)	1	(1,424)
Cash net profit/(loss) before tax	894	826	186	(31)	1,875
Tax (expense)/benefit	(250)	(231)	(52)	8	(525)
Cash net profit after tax ("Cash profit")	644	595	134	(23)	1,350
Reconciliation of Cash profit to Statutory profit					
Cash profit					1,350
Reconciling items:					
Hedging and IFRS volatility[2]					-
Notional inter-group charges[3]					127
Reporting structure differences[4]					13
Tax on reconciling items					(41)
Net profit after tax ("Statutory profit")					1,449
Non-cash expenses[5]					
Depreciation and amortisation expense	(116)	(25)	(11)	-	(152)
Balance Sheet					
As at 30 June 2025					
Advances to customers	66,525	42,817	5,385	-	114,727
Total assets	66,690	42,888	5,639	19,947	135,164
Deposits and other borrowings	58,043	18,474	9,251	7,654	93,422
Total liabilities	58,218	18,483	9,093	37,878	123,672

(1) Includes Trading income, Net fair value gains/(losses) and Other operating income.

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

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

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

(5) Non-cash expenses are included in segment operating expenses.

42 Financial Reporting by Operating Segments (continued)

	Banking Group				
$ millions	Personal Banking	Business Banking	Corporate Banking	Other	Total
Income Statement[1]					
For the year ended 30 June 2024					
Net interest income	1,443	1,103	269	(19)	2,796
Lending, commission and other fees	232	68	31	-	331
Funds management income	132	8	-	-	140
Fee and commission income	364	76	31	-	471
Fee and commission expense	(77)	(1)	-	-	(78)
Net fee and commission income	287	75	31	-	393
Other operating income/(loss)[2]	57	35	(10)	(5)	77
Total operating income	1,787	1,213	290	(24)	3,266
Impairment (losses)/recoveries on financial assets	(23)	(27)	(20)	-	(70)
Operating expenses	(806)	(386)	(102)	1	(1,293)
Cash net profit/(loss) before tax	958	800	168	(23)	1,903
Tax expense	(268)	(224)	(47)	4	(535)
Cash net profit after tax ("Cash profit")	690	576	121	(19)	1,368
Reconciliation of Cash profit to Statutory profit					
Cash profit					1,368
Reconciling items:					
Hedging and IFRS volatility[3]					(18)
Notional inter-group charges[4]					127
Reporting structure differences[5]					15
Tax on reconciling items					(37)
Net profit after tax ("Statutory profit")					1,455
Non-cash expenses[6]					
Depreciation and amortisation expense	(122)	(22)	(15)	-	(159)
Balance Sheet					
As at 30 June 2024					
Advances to customers	61,701	42,138	5,171	-	109,010
Total assets	61,830	42,210	5,554	17,495	127,089
Deposits and other borrowings	54,431	18,589	9,632	9,797	92,449
Total liabilities	54,573	18,599	9,603	33,246	116,021

(1) The Banking Group made some minor changes to its structure and some refinements to the allocation of costs to support units. These changes have not impacted the Banking Group's statutory profit but have resulted in changes to the presentation of the Income Statement and the Balance Sheet of the affected segments. Certain comparative information has been restated to ensure consistency with presentation in the current year.

(2) Includes Trading income, Net fair value gains/(losses) and Other operating income.

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

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

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

(6) Non-cash expenses are included in segment operating expenses.

43 Risk Management Policies

The Banking Group is exposed to financial, non-financial and strategic risks through its business activities and the products and services it offers. This note summarises the Banking Group's approach to managing its material risk types, governing policies and committees, material risk drivers and key control and risk mitigations in place.

Risk Management Framework

The Banking Group manages risk in accordance with the Risk Management Framework ("RMF"). The RMF defines how the Banking Group identifies, evaluates and manages material risks. It articulates the risk system in place to adequately monitor and control the Banking Group's material risks and includes details on risk drivers, governing policies and committees, and key risk mitigations in place. Additionally, it outlines Board and Management risk governance structure.

The RMF is reviewed and approved by the Board on at least a triennial basis or where required due to material changes in risk operating models or processes. The BRCC assists the Board with oversight and governance of the Banking Group's material risks, which includes monitoring risk appetite and assessing the risk profile of the Banking Group. The Board Audit Committee ("BAC") assists the Board with review and oversight of compliance with laws and regulatory standards.

The RMF is underpinned by the Banking Group's Three Lines of Accountability model that outlines roles and accountabilities for how risk is identified, assessed, monitored and managed across the Banking Group.

Risk Appetite Statement

The Risk Appetite Statement ("RAS"), seeks to establish a culture of disciplined management of risk that enables the Banking Group to deliver long term value for its customers, communities, shareholders and employees. It specifies key business outcomes, expectations and metrics with respect to material risks, which define the Banking Group's risk appetite and shapes risk culture.

The RAS outlines the types and amounts of risk that the Board is prepared to pursue or accept in day-to-day activities. Risk appetite is reviewed, updated and approved by the Board on an annual basis, and is set at a level which the Board expects management to operate in across all material risk types. Risk appetite is defined through both qualitative statements and quantitative indicators to measure performance against defined appetite for each risk type.

Governance

The Banking Group's Chief Risk Officer, who reports to the Chief Executive Officer ("CEO"), is responsible for the implementation of the Risk Management Framework. This includes the development and deployment of appropriate risk frameworks that allow for conscious exposures to risk within the Board approved RAS, to achieve the Banking Group's desired business outcomes. All executives have responsibility for the day-to-day management of risk across the Banking Group, including the implementation of the Banking Group's RMF. The executive-level Non-financial Risk Committee ("NFRC"), Financial Risk Committee ("FRC") and the Asset and Liability Committee ("ALCO") oversee the operation of the Banking Group's risk management. Together, these committees monitor and advise on the material risks impacting the Banking Group, and the effectiveness of the RMF and supporting material risk type frameworks and policies. They also regularly monitor the Banking Group's RAS, Risk Profile and Risk Culture. All members of the Executive Leadership Team ("ELT") are members of the NFRC and FRC and a subset of the executive team are members of ALCO.

Material Risks

The Banking Group's material risks are: credit, market, liquidity and funding, operational, compliance and strategic risk.

This note contains information on operational, compliance and strategic risks. Further information on credit risk, market risk and liquidity and funding risk that arise from the Banking Group's use of financial instruments, can be found in the financial statement notes listed below:

- Note 13 (credit risk);
- Notes 44 and 45 (market risk); and
- Notes 46 to 49 (liquidity and funding risk).

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, systems or people, or from external events. It includes the following sub-risk types: Accounting and Taxation, Legal, Cyber-security, Data Management, Fraud and Scams, Model, Business Disruption, People, Technology, Third Parties and Transaction Processing. The Banking Group's primary operational risk process, the Risk and Control Self-assessment ("RCSA"), requires business units to identify and assess risks at a divisional level over a twelve-month timeframe. The self-assessment is performed at least annually. The Operational Risk Management Framework covers the structures, policies, systems, processes and people within the Banking Group that identify, measure, evaluate, control/mitigate, monitor and report internal and external operational risks.

Compliance Risk

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss of reputation that the Banking Group may incur as a result of failure to comply with its obligations. Compliance obligations can arise from mandatory requirements, such as applicable laws and regulations or voluntary commitments, including industry standards, rules or codes of practice. Compliance risk includes the following sub-risk types: Financial Crime, Conduct, Regulatory and Licensing, and Privacy.

The Compliance Management Framework ("CMF") supports management of applicable obligations and compliance risks and includes regulatory change and obligations management processes under which applicable obligations are identified, assessed and managed by the Banking Group. Once a new or amended obligation is identified, the Banking Group assesses applicability to business units and determines how existing or new processes and controls collectively achieve compliance. Records of applicable obligations and their corresponding processes and controls are maintained to support the review of the Banking Group's compliance environment and the identification, assessment and management of any gaps or weaknesses. Compliance risks are monitored and managed in accordance with the CMF and are reported to the appropriate internal Risk Committees or BRCC as relevant. Additionally, business units formally reassess the adequacy of their compliance environment at least biennially.

The CMF works in alignment with the Operational Risk Management Framework to help identify, assess, manage and report Operational and Compliance risks on a consistent and reliable basis.

43 Risk Management Policies (continued)

Strategic Risk

Strategic risk is the risk of material stakeholder value destruction or less than planned value creation due to changes in the Banking Group's external and internal operating environments. It includes the following sub-risk types: Capital Adequacy, Capability and Culture, Environmental and Social ("E&S"), Strategy Development, Execution and Delivery and Artificial Intelligence. The Board approved Strategic Risk Management Policy outlines the requirements for how the Banking Group assesses, monitors and responds to Strategic Risks by operating enterprise level:

- Strategy setting processes that identify and assess emerging trends in the external and internal operating environment; and
- Strategy monitoring and review processes.

Strategic risk is managed by the Bank's ELT who assess strategic risk at least annually and monitor strategic execution risk at least quarterly.

Environmental and Social Risk

The RMF defines E&S Risk (a strategic risk type) as the risk of adverse impacts on the environment and society from the Banking Group's activities, or adverse impacts to the Banking Group's business model and profitability from not appropriately responding to existing and changing environmental and social issues. E&S can also manifest or be a driver of other financial and non-financial risk types, i.e. is a cross-cutting risk. To ensure the Banking Group effectively assesses and manages all aspects of the cross-cutting nature of the E&S Risk type, E&S drivers of non-financial risks are considered during risk and control evaluations when performing non-financial risk RCSAs. E&S drivers of financial risks are identified and assessed utilising the relevant financial risk framework, policies and standards.

Refer to note 13 for details on climate change risk in relation to credit risk.

Internal Audit and Reviews of the Banking Group's Risk Management Systems

The Banking Group maintains an independent internal audit function which is ultimately accountable to the Board through the BAC.

The internal audit function provides independent opinions on the effectiveness of risk management systems and the framework of controls and governance processes within the Banking Group's operations. Audits of the Banking Group's operations are undertaken in accordance with internal audit methodology and are based on an assessment of risk. Very high risk areas are reviewed on a 12-18 month frequency, high risk on a 18-24 month frequency, medium risk on a 24-36 month frequency and low risk areas are reviewed as required.

The BAC meets on a regular basis to consider the Banking Group's financial reporting, internal control and corporate governance matters. In doing so, the BAC reviews internal audit findings and opinions, and the activities of the internal audit function.

In addition to reviews completed by the internal audit team, other external reviews of the Banking Group's risk management systems were conducted during the year as part of ongoing compliance with regulatory requirements.

The Banking Group's external auditor also reviews parts of the Banking Group's RMF that impact on significant aspects of financial systems, but only to the extent necessary to form their review opinion on the Banking Group's half-year financial statements or audit opinion on the Banking Group's annual financial statements.

44 Market Risk

Market risk is the risk that market rates and prices will change and that this may have an adverse effect on the profitability and/or net worth of the Banking Group. This includes changes in interest rates, foreign exchange rates, volatility, equity prices, commodity prices and credit spreads.

Market risk is managed by the Bank's Asset and Liability Committee and Market Risk Committee in accordance with the Banking Group's market risk policy which is approved by the Board.

The market risk framework outlines the limit setting framework through the Banking Group's Risk Appetite Statement, Market Risk Policy, Trading Book Standard, Banking Book Standard, Global Markets Dealing Manual and the Treasury Non-Traded Market Risk Mandate.

Measurement approaches for the underlying market risks include Value-at-Risk ("VaR"), Market Value Sensitivity ("MVS"), stress testing and sensitivity analysis.

The Banking Group makes a distinction between traded and non-traded market risk for the purposes of risk management, measurement and reporting. Traded market risk principally arises from the Banking Group's trading book activities within Global Markets. Non-traded market risk includes interest rate risk that arises from banking book activities.

Market Risk Measurement

The Banking Group uses VaR as one of the measures of traded market risk. VaR measures the potential loss using historically observed market volatility and correlation between different markets. The VaR measured for traded market risk uses two years of daily movement in market rates. The Banking Group uses MVS as one of the measures of non-traded banking book market risk. MVS is like VaR, except it uses six years of daily movements in market rates and a longer holding period.

VaR is modelled at a 99% confidence level over a 10-day holding period for trading book positions. MVS is modelled at a 99% confidence level over a 20-day holding period to measure the interest rate risk in the banking book.

VaR and MVS are calculated utilising historical observations and are not estimates of the maximum loss that the Banking Group could experience from an extreme market event. As a result of this limitation, management also uses additional market risk metrics to measure and manage market risk including stress testing, risk sensitivity and position limits.

Traded Market Risk

Traded market risk is assessed daily and is generated through the Banking Group's participation in financial markets to service its customers as well as an appetite to take positions to benefit from changes in interest rates and foreign exchange rates.

44 Market Risk (continued)

$ millions VaR at 99% Confidence Level	Banking Group As at 30 June 2025	High for year	Low for year	Average for year
Foreign exchange risk	**0.02**	**0.39**	**0.01**	**0.04**
Interest rate risk	**0.52**	**2.01**	**0.35**	**0.87**
Diversification benefit	**(0.01)**	**N/A**	**N/A**	**(0.04)**
Total Traded Market Risk	**0.53**	**1.97**	**0.38**	**0.87**

$ millions VaR at 99% Confidence Level	Banking Group As at 30 June 2024	High for year	Low for year	Average for year
Foreign exchange risk	0.02	0.73	0.02	0.11
Interest rate risk	1.77	2.29	0.50	1.02
Diversification benefit	(0.02)	N/A	N/A	(0.08)
Total Traded Market Risk	1.77	2.27	0.49	1.05

Non-traded Market Risk - Interest Rate Risk in the Banking Book

Non-traded market risk is the current and prospective impact to the Banking Group's financial condition because of adverse changes in interest rates to which the Banking Group's Balance Sheet is exposed. The activities of the Banking Group can create mismatches in the repricing terms of asset and liability positions. These mismatches may have undesired earnings and value outcomes depending on interest rate movements. The Banking Group's objective is to manage interest rate risk to achieve stable and sustainable net interest income over the long term.

The Banking Group measures and manages the impact of interest rate risk in two ways:

- **Next 12 months' earnings**

  Interest rate risk from an earnings perspective ("Earnings Risk") is the impact based on changes to the net interest income over the next 12 months. This is measured daily.

  Earnings Risk is measured through a sensitivity analysis, which applies an instantaneous 100 basis point parallel shock in interest rates across the yield curve.

  The prospective change to net interest income is measured by using an Asset and Liability Management simulation model which incorporates both existing and anticipated new business in its assessment. Assets and liabilities that reprice directly from observable market rates are measured based on the full extent of the rate shock that is applied. Assets and liabilities that are priced based on Banking Group administered interest rates, and that are impacted by customer behaviour, are measured by taking into consideration the historic repricing strategy of the Banking Group and customer behaviour. This analysis does not consider management actions that may be taken to mitigate the unfavourable impact of falling interest rates.

  The table below outlines the potential unfavourable change to the Banking Group's net interest earnings during the year based on a 100-basis point parallel rate shock.

$ millions Net Interest Earnings at Risk	Banking Group 2025	2024
Exposure at end of year	**57.3**	20.5
Past 12-month exposure - average	**22.6**	20.5
Past 12-month exposure - high	**57.3**	33.3
Past 12-month exposure - low	**0.7**	9.9

44 Market Risk (continued)

Non-traded Market Risk - Interest Rate Risk in the Banking Book (continued)

- **Economic Value**

  Interest rate risk from an economic value perspective is based on a 20-day, 99% MVS measure. Measuring the change in the economic value of equity is an assessment of the long-term impact to the earnings potential of the Banking Group present valued to the current date. The Banking Group assesses the potential change in its economic value of equity through the application of MVS methodology. A 20-day 99% MVS measure is used to capture the net economic value for all Balance Sheet assets and liabilities from adverse changes in interest rates.

  Cash flows for discretionary priced products are behaviourally adjusted and modelled at the resultant profile.

  The table below outlines the net present value of the expected change in the Banking Group's future earnings in all future periods for the remaining term of all existing assets and liabilities:

$ millions	Banking Group	
MVS at 99% Confidence Level	**2025**	2024
Exposure at end of year	**20.2**	36.9
Past 12-month MVS (99 percentile) - average	**25.4**	28.3
Past 12-month MVS (99 percentile) - high	**37.5**	38.4
Past 12-month MVS (99 percentile) - low	**10.1**	20.2

Net Foreign Currency Open Positions

The table below outlines the net open foreign currency positions of the Banking Group stated in New Zealand dollar equivalents based on the balance date spot exchange rates:

$ millions	Banking Group	
As at 30 June	**2025**	2024
Net open foreign currency position		
US Dollar	**(2)**	(1)
Total net open position	**(2)**	(1)

45 Interest Rate Repricing Schedule

The following tables represent 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. The management of interest rate risk is set out in note 44.

$ millions				Banking Group			
As at 30 June 2025	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	5,486	-	-	-	-	98	5,584
Receivables from financial institutions	578	-	-	-	-	-	578
Securities:							
At fair value through Income Statement	114	79	299	58	533	-	1,083
At fair value through other comprehensive income	967	239	517	1,059	7,699	2	10,483
Derivative assets	-	-	-	-	-	1,244	1,244
Advances to customers	50,216	17,722	26,130	18,064	2,771	(176)	114,727
Other financial assets	-	-	-	-	-	408	408
Total financial assets	57,361	18,040	26,946	19,181	11,003	1,576	134,107
Non-financial assets							1,057
Total assets							135,164
Liabilities							
Deposits and other borrowings	55,511	15,633	7,872	1,724	2,015	10,667	93,422
Payables to financial institutions	1,490	-	-	-	-	49	1,539
Derivative liabilities	-	-	-	-	-	410	410
Other financial liabilities	-	-	-	-	-	1,187	1,187
Debt issues:							
At fair value through Income Statement	1,473	486	-	-	-	-	1,959
At amortised cost	5,758	1,216	1,593	3,995	11,787	(541)	23,808
Loan capital	-	-	-	984	-	(12)	972
Total financial liabilities	64,232	17,335	9,465	6,703	13,802	11,760	123,297
Non-financial liabilities							375
Total liabilities							123,672
Net derivative notionals	9,250	4,051	(18,402)	(6,879)	11,980		
Interest rate sensitivity gap	2,379	4,756	(921)	5,599	9,181		

45 Interest Rate Repricing Schedule (continued)

$ millions	Banking Group						
As at 30 June 2024	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	5,440	-	-	-	-	10	5,450
Receivables from financial institutions	630	-	-	-	-	-	630
Securities at fair value through other comprehensive income	957	239	401	764	7,366	2	9,729
Derivative assets	-	-	-	-	-	881	881
Advances to customers	48,855	17,908	20,682	16,504	5,325	(264)	109,010
Other financial assets	-	-	-	-	-	444	444
Total financial assets	55,882	18,147	21,083	17,268	12,691	1,073	126,144
Non-financial assets							945
Total assets							127,089
Liabilities							
Deposits and other borrowings	55,947	13,378	9,857	1,795	1,842	9,630	92,449
Payables to financial institutions	1,324	-	-	-	-	98	1,422
Derivative liabilities	-	-	-	-	-	956	956
Other financial liabilities	-	-	-	-	-	1,447	1,447
Debt issues:							
At fair value through Income Statement	244	643	-	-	-	-	887
At amortised cost	2,492	1,305	437	2,462	11,982	(1,043)	17,635
Loan capital	-	-	-	-	982	(41)	941
Total financial liabilities	60,007	15,326	10,294	4,257	14,806	11,047	115,737
Non-financial liabilities							284
Total liabilities							116,021
Net derivative notionals	98	3,062	(11,613)	(2,510)	10,963		
Interest rate sensitivity gap	(4,027)	5,883	(824)	10,501	8,848		

46 Liquidity and Funding Risk

a) Liquidity and Funding Risk Management Framework and Policies

Liquidity risk is the risk of not being able to meet financial obligations as they fall due and that liquidity in financial markets, such as the market for debt securities, may reduce significantly.

Funding risk contributes to overall liquidity risk and is the risk of over-reliance on a funding source to the extent that a change in that funding source could increase overall funding costs or cause difficulty in raising funds.

The Banking Group has a Board approved liquidity policy and contingency funding plan ("CFP") in place to manage these risks. Senior management set an annual wholesale funding plan to manage debt refinancing and issuance requirements. The BRCC approves any substantive changes to the CFP and approves the liquidity policy annually.

The key objectives of the liquidity policy are:

- To ensure that cash flow commitments can be met as they fall due under both normal operating, crisis and stress conditions;
- To ensure that the Bank develops and protects a resilient and diversified funding base that is responsive to the Banking Group's needs; and
- To ensure that procedures and practices in relation to liquidity risk management are clearly documented and communicated.

The CFP establishes policies, responsibilities and plans which are designed to return the Bank to a robust position within risk tolerance in the event of a liquidity crisis.

Day-to-day management of liquidity and funding risks is documented in the liquidity management standard, liquid asset portfolio strategy and the annual wholesale funding plan which are approved by the Asset and Liability Committee. Liquidity and funding risk management is performed and reported by Treasury, monitored by the Market Risk Committee with oversight provided by the Asset and Liability Committee.

Regulatory Supervision

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 has the appropriate internal framework and tools for liquidity risk management to ensure compliance with these regulatory requirements, as well as internal targets and limits.

Measuring and Monitoring Liquidity Risk

The Bank monitors liquidity risk primarily by forecasting future cash requirements. To provide for any unexpected patterns of cash movements, the Bank holds a pool of readily realisable investment assets and deposits with high credit quality counterparties. The Bank also seeks a diverse and stable funding base avoiding undue maturity, source or investor concentrations. Management limits are set to reduce liquidity risks through limiting the level of wholesale and offshore funding, as well as on the amount of wholesale funding that may mature in any period. The Bank ensures sufficient holding of high-quality liquid assets which are acceptable under repurchase agreements with the RBNZ or other market participants.

BRCC approved liquidity risk limits define a quantitative tolerance for liquidity risk that are more conservative than the requirements of the relevant regulators. The Bank conducts regular internal modelled and industry wide stress testing that considers a range of individual or system wide stress events, which helps inform the setting of liquidity risk limits. These limits are consistent with the risk appetite statement and the liquidity policy. These require that the Bank maintains positive cash flow runoffs for one-week and one-month periods using stressed assumptions, in addition to a strong and stable core funding ratio.

RBNZ Liquidity Facilities

The RBNZ has several facilities that support monetary policy and manage liquidity in the New Zealand banking system. These facilities allow banks to borrow funding from the RBNZ by pledging high quality liquid assets as collateral. As noted in note 21, the Bank has an internal RMBS facility, which has issued securities that can be used as collateral for borrowing from the RBNZ. As at 30 June 2025, the Bank had internally securitised $15.5 billion of RMBS through the Medallion NZ Series Trust 2009-1R (30 June 2024 $15.5 billion), of which $14.0 billion of Class A floating rate notes have been assigned a credit rating of AAA by Fitch and are eligible for acceptance by the RBNZ (30 June 2024 $14.0 billion). While not intended to be used for day-to-day liquidity management, the internal RMBS forms part of the Bank's total qualifying liquid assets. The RBNZ has imposed a tiered cap limiting the amount of RMBS that can be deemed as qualifying liquid assets available for repurchase agreements with the RBNZ, with a maximum limit of 5% of total assets, based upon the Bank's asset encumbrance ratio. Refer note 47 for details of the RMBS held by the Banking Group that qualified as liquid assets. Refer to note 21 for details of RMBS that had been used as collateral for repurchase agreements with the RBNZ.

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. As at 30 June 2025, the Banking Group has drawn $18 million under this facility (30 June 2024 $121 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 until 6 December 2022 for the conditional additional allocation. As at 30 June 2025, the Banking Group had utilised $1.2 billion of this facility (30 June 2024 $4.5 billion).

46 Liquidity and Funding Risk (continued)

b) Liquidity and Funding Risk Management Framework and Regulatory Liquidity Ratios (unaudited)

The Bank calculates liquidity ratios in accordance with BS13. The BS13 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 the core funding ratio.

The average of these ratios for the quarters ended 30 June 2025 and 31 March 2025 are reflected in the table below.

Unaudited	**Banking Group**	
Average for the three months ended	**30-Jun-25**	31-Mar-25
One-month mismatch ratio	**7.9%**	7.2%
One-week mismatch ratio	**8.2%**	7.7%
Core funding ratio	**89.0%**	89.1%

47 Qualifying Liquid Assets

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 30 June	**2025**	**2024**(1)
Cash and balances with central banks	**4,289**	4,478
Government and local authority securities	**8,699**	6,437
Supranational securities	**2,534**	2,641
Corporate securities	**1,214**	1,336
Residential mortgage-backed securities (2)	**6,758**	6,354
Total qualifying liquid assets	**23,494**	21,246

(1) Comparative information has been reclassified to ensure consistency with presentation in the current year.

(2) As at 30 June 2025, $6,637 million of the residential mortgage-backed securities held by the Banking Group qualified as liquid assets, which is calculated based on the two months prior to the reporting date in accordance with BS13A (30 June 2024 $6,339 million).

48 Maturity Analysis for Undiscounted Contractual Cash Flows

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. The management of liquidity risk is set out in note 46.

48 Maturity Analysis for Undiscounted Contractual Cash Flows (continued)

$ millions				Banking Group				
As at 30 June 2025	**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	**45,254**	**37,238**	**8,041**	**1,858**	**2,141**	**-**	**94,532**	**93,422**
Payables to financial institutions	**1,539**	**-**	**-**	**-**	**-**	**-**	**1,539**	**1,539**
Other financial liabilities	**55**	**809**	**133**	**37**	**129**	**53**	**1,216**	**1,187**
Debt issues:								
At fair value through Income Statement	**-**	**1,976**	**-**	**-**	**-**	**-**	**1,976**	**1,959**
At amortised cost	**-**	**3,628**	**4,202**	**4,429**	**10,931**	**2,642**	**25,832**	**23,808**
Loan capital	**-**	**24**	**26**	**1,040**	**-**	**-**	**1,090**	**972**
Total non-derivative financial liabilities	**46,848**	**43,675**	**12,402**	**7,364**	**13,201**	**2,695**	**126,185**	**122,887**
Derivative financial liabilities[1]								
Inflows from derivatives	**-**	**3,049**	**3,870**	**710**	**2,505**	**1,917**	**12,051**	
Outflows from derivatives	**-**	**(3,894)**	**(4,190)**	**(1,035)**	**(2,820)**	**(1,768)**	**(13,707)**	
	-	**(845)**	**(320)**	**(325)**	**(315)**	**149**	**(1,656)**	
Off balance sheet items								
Lending commitments	**13,028**	**3,775**	**-**	**-**	**-**	**-**	**16,803**	
Financial guarantees and letters of credit	**430**	**-**	**-**	**-**	**-**	**-**	**430**	
Performance related contingencies	**530**	**-**	**-**	**-**	**-**	**-**	**530**	
Total off balance sheet items	**13,988**	**3,775**	**-**	**-**	**-**	**-**	**17,763**	

(1) Excludes cash provided on cleared derivatives as part of partial settlement.

$ millions				Banking Group				
As at 30 June 2024	On Demand	Within 6 Months	Between 6-12 Months	Between 1-2 Years	Between 2-5 Years	Over 5 Years	Total	Carrying Value
Non-derivative financial liabilities								
Deposits and other borrowings	43,093	33,256	12,490	3,223	1,971	-	94,033	92,449
Payables to financial institutions	1,037	385	-	-	-	-	1,422	1,422
Other financial liabilities	57	840	270	142	120	35	1,464	1,447
Debt issues:							-	
At fair value through Income Statement	-	904	-	-	-	-	904	887
At amortised cost	-	3,289	991	2,854	9,164	3,722	20,020	17,635
Loan capital	-	24	26	52	1,038	-	1,140	941
Total non-derivative financial liabilities	44,187	38,698	13,777	6,271	12,293	3,757	118,983	114,781
Derivative financial liabilities[1]								
Inflows from derivatives	-	1,541	790	2,843	4,037	3,749	12,960	
Outflows from derivatives	-	(2,436)	(1,223)	(3,329)	(4,649)	(3,809)	(15,446)	
	-	(895)	(433)	(486)	(612)	(60)	(2,486)	
Off balance sheet items								
Lending commitments	12,729	2,753	-	-	-	-	15,482	
Financial guarantees and letters of credit	426	-	-	-	-	-	426	
Performance related contingencies	598	-	-	-	-	-	598	
Total off balance sheet items	13,753	2,753	-	-	-	-	16,506	

(1) Excludes cash provided on cleared derivatives as part of partial settlement.

49 Concentrations of Funding

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

$ millions	Banking Group	
As at 30 June	**2025**	2024
Total funding comprises:		
Deposits and other borrowings	**93,422**	92,449
Payables to financial institutions	**1,539**	1,422
Debt issues:		
At fair value through Income Statement	**1,959**	887
At amortised cost	**23,808**	17,635
Loan capital	**972**	941
Total funding	**121,700**	113,334
Concentration by industry		
Agricultural, Forestry and Fishing	**1,694**	1,391
Manufacturing	**1,493**	1,265
Construction	**1,427**	1,450
Wholesale Trade	**993**	1,047
Retail Trade and Accommodation	**1,378**	1,341
Transport, Postal and Warehousing	**504**	588
Information Media and Telecommunications	**613**	512
Financial and Insurance Services	**37,639**	33,557
Rental, Hiring and Real Estate Services	**4,593**	4,620
Professional, Scientific, Technical, Administrative and Support Services	**6,535**	6,453
Public Administration and Safety	**1,329**	894
Education and Training	**2,276**	2,148
Health Care and Social Assistance	**1,599**	1,735
Arts, Recreation and Other Services	**2,026**	2,023
Households	**57,065**	53,921
All Other	**536**	389
Total funding by industry	**121,700**	113,334
Concentration by geographic region		
New Zealand	**89,496**	89,458
Overseas	**32,204**	23,876
Total funding by geographic region	**121,700**	113,334

50 Events after the Reporting Period

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

Additional Disclosures

(To be read in conjunction with the Financial Statements)

Conditions of Registration for ASB Bank Limited

The following conditions were applicable as at 30 June 2025 and came into effect on 1 July 2024.

The registration of ASB Bank Limited ("the bank") as a registered bank is subject to the following conditions:

1. That:

    (a) The Total capital ratio of the banking group is not less than 9%;

    (b) The Tier 1 capital ratio of the banking group is not less than 7%;

    (c) The Common Equity Tier 1 capital ratio of the banking group is not less than 4.5%;

    (d) The Total capital of the banking group is not less than $30 million.

    For the purposes of this condition of registration,

    - "Total capital ratio", "Tier 1 capital ratio", and "Common Equity Tier 1 capital ratio" have the same meaning as in Subpart B2 of BPR100: *Capital Adequacy*, except that in the formulae for calculating the ratios, the term "total capital requirement for operational risk" included in "total RWA equivalents" has the same meaning as in BPR150: *Standardised Operational Risk*;
    - "Total capital" has the same meaning as in BPR110: *Capital Definitions*.

1A. That:

    (a) The bank has an internal capital adequacy assessment process ("ICAAP") that accords with the requirements set out in Part D of BPR100: *Capital Adequacy*;

    (b) Under its ICAAP the bank identifies and measures its "other material risks" defined in Part D of BPR100: *Capital Adequacy*; and

    (c) The bank determines an internal capital allocation for each identified and measured "other material risk".

1B. That the bank must:

    (a) Comply with the minimum requirements for using the IRB approach set out in BPR134: *IRB Minimum System Requirements,* except in the circumstances described in (i) below:

        (i) notwithstanding the above, the six-month period stated in section E2.5(2) of BPR134 does not apply in circumstances where a modified item is covered by the North Island Weather Event Loan Guarantee Scheme, and the bank may, in this limited case, re-rate a modified item from a defaulted grade to a non-defaulted grade before the six-month period is met;

    (b) Comply with the minimum qualitative requirements for using the AMA approach for operational risk set out in subpart B1 of BPR151: *AMA Operational Risk*;

    (c) Follow the process in Part E of BPR120: *Capital Adequacy Process Requirements* for obtaining Reserve Bank approval for any changes to any IRB credit risk model;

    (d) Maintain a compendium of approved models in accordance with the requirements of section E1.5 of BPR120: *Capital Adequacy Process Requirements*.

1C. That, if the Prudential Capital Buffer (PCB) ratio of the banking group is 4.5% or less, the bank must:

    (a) According to the following table, limit the aggregate distributions of the bank's earnings, other than discretionary payments payable to the holders of Additional Tier 1 capital instruments, to the percentage limit on distributions that corresponds to the banking group's PCB ratio; and

Banking group's PCB ratio	Percentage limit on distributions of the bank's earnings	Capital Buffer Response Framework stage
0% - 0.5%	0%	Stage 3
>0.5% - 1%	30%	Stage 2
>1% - 2%	60%	Stage 1
>2% - 4.5%	100%	None

    (b) Comply with the Capital Buffer Response Framework requirements as set out in Part D of BPR120: *Capital Adequacy Process Requirements*.

    For the purposes of this condition of registration,

    - "Prudential capital buffer ratio", "distributions", and "earnings" have the same meaning as in Subpart B2 of BPR100: *Capital Adequacy*, except that in the formula for calculating the prudential capital buffer ratio, the term "total capital requirement for operational risk" included in "total RWA equivalents" has the same meaning as in BPR150: *Standardised Operational Risk*;
    - An Additional Tier 1 capital instrument is an instrument that meets the requirements of B2.2(2)(a), (c) or (d) of BPR110: *Capital Definitions*.

1CA. That the bank must not make any distribution on a transitional AT1 capital instrument on or after the date on which on any conversion or write-off provision in the terms and conditions of the instrument is triggered due to either a loss absorption trigger event or a non-viability trigger event.

    For the purposes of this condition of registration, "transitional AT1 capital instrument" has the meaning given in section A2.3 of BPR110: *Capital Definitions* and "loss absorption trigger event" and "non-viability trigger event" have the meanings given in sub-section C2.2(3) of BPR120: *Capital Adequacy Requirements*.

Conditions of Registration for ASB Bank Limited (continued)

1D. That:

(a) The bank must not include the amount of an Additional Tier 1 capital instrument or Tier 2 capital instrument issued on or after 1 July 2021 in the calculation of its capital ratios unless it has completed the notification requirements in Part B of BPR120: *Capital Adequacy Process Requirements* in respect of the instrument; and

(b) The bank meets the requirements of Part C of BPR120: *Capital Adequacy Process Requirements* in respect of regulatory capital instruments.

For the purposes of this condition of registration,

- An Additional Tier 1 capital instrument is an instrument that meets the requirements of subsection B2.2(2)(a) or (c) of BPR110: *Capital Definitions*;
- A Tier 2 capital instrument is an instrument that meets the requirements of subsection B3.2(2)(a) or (c) of BPR110: *Capital Definitions*.

1E. That for the purposes of LGD estimates for farm lending exposures covered by a Deed of Indemnity from the Crown under the North Island Weather Events Loan Guarantee Scheme, the bank may choose to apply either the relevant minimum LGD in Table C3.2 of BPR133, or an LGD of 8.5%.

For the purposes of this condition of registration "LGD" (loss given default) has the meaning in BPR001: *Glossary*.

2. That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities.

In this condition of registration, the meaning of "material" is based on generally accepted accounting practice.

3. That the banking group's insurance business is not greater than 1% of its total consolidated assets.

For the purposes of this condition of registration, the banking group's insurance business is the sum of the following amounts for entities in the banking group:

(a) If the business of an entity predominantly consists of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total consolidated assets of the group headed by the entity; and

(b) If the entity conducts insurance business and its business does not predominantly consist of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total liabilities relating to the entity's insurance business plus the equity retained by the entity to meet the solvency or financial soundness needs of its insurance business.

In determining the total amount of the banking group's insurance business—

(a) All amounts must relate to on balance sheet items only, and must comply with generally accepted accounting practice; and

(b) If products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets must be considered part of the insurance business.

For the purposes of this condition of registration,

- "Insurance business" means the undertaking or assumption of liability as an insurer under a contract of insurance.
- "Insurer" and "contract of insurance" have the same meaning as provided in sections 6 and 7 of the Insurance (Prudential Supervision) Act 2010.

4. The bank must comply with all the requirements set out in the following document: BS8 *Connected Exposures* 1 October 2023.

5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.

Additional Disclosures (continued)

(To be read in conjunction with the Financial Statements)

Conditions of Registration for ASB Bank Limited (continued)

6. That the bank complies with the following corporate governance requirements:
   - (a) The board of the bank must have at least five directors;
   - (b) The majority of the board members must be non-executive directors;
   - (c) At least half of the board members must be independent directors;
   - (d) An alternate director,
     - (i) For a non-executive director must be non-executive; and
     - (ii) For an independent director must be independent;
   - (e) At least half of the independent directors of the bank must be ordinarily resident in New Zealand;
   - (f) The chairperson of the board of the bank must be independent; and
   - (g) The bank's constitution must not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e. the bank).

   For the purposes of this condition of registration, "non-executive" and "independent" have the same meaning as in the RBNZ document entitled *"Corporate Governance"* (BS14) dated July 2014.
7. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, is made in respect of the bank unless:
   - (a) The RBNZ has been supplied with a copy of the curriculum vitae of the proposed appointee; and
   - (b) The RBNZ has advised that it has no objection to that appointment.
8. That a person must not be appointed as chairperson of the board of the bank unless:
   - (a) The RBNZ has been supplied with a copy of the curriculum vitae of the proposed appointee; and
   - (b) The RBNZ has advised that it has no objection to that appointment.
9. That the bank has a board audit committee, or other separate board committee covering audit matters, that meets the following requirements:
   - (a) The mandate of the committee must include: ensuring the integrity of the bank's financial controls, reporting systems and internal audit standards;
   - (b) The committee must have at least three members;
   - (c) Every member of the committee must be a non-executive director of the bank;
   - (d) The majority of the members of the committee must be independent; and
   - (e) The chairperson of the committee must be independent and must not be the chairperson of the bank.

   For the purposes of this condition of registration, "non-executive" and "independent" have the same meaning as in the RBNZ document entitled *"Corporate Governance"* (BS14) dated July 2014.
10. That a substantial proportion of the bank's business is conducted in and from New Zealand.
11. That the bank must comply with the Reserve Bank of New Zealand document "*Outsourcing Policy*" (BS11) dated September 2022.
12. That:
    - (a) The business and affairs of the bank are managed by, or under the direction or supervision of, the board of the bank;
    - (b) The employment contract of the chief executive officer of the bank or person in an equivalent position (together "CEO") is with the bank, and the terms and conditions of the CEO's employment agreement are determined by, and any decisions relating to the employment or termination of employment of the CEO are made by, the board of the bank; and
    - (c) All staff employed by the bank will have their remuneration determined by (or under the delegated authority of) the board or the CEO of the bank and be accountable (directly or indirectly) to the CEO of the bank.
13. That the banking group complies with the following quantitative requirements for liquidity-risk management:
    - (a) The one-week mismatch ratio of the banking group is not less than zero per cent at the end of each business day;
    - (b) The one-month mismatch ratio of the banking group is not less than zero per cent at the end of each business day; and
    - (c) The one-year core funding ratio of the banking group is not less than 75 per cent at the end of each business day.

    For the purposes of this condition of registration, the bank must calculate the banking group's one-week mismatch ratio, one-month mismatch ratio and one-year core funding ratio in accordance with the RBNZ documents entitled *"Liquidity Policy"* (BS13) dated July 2022 and *"Liquidity Policy Annex: Liquid Assets"* (BS13A) dated July 2022.

Additional Disclosures (continued)

(To be read in conjunction with the Financial Statements)

Conditions of Registration for ASB Bank Limited (continued)

14. That the bank has an internal framework for liquidity risk management that is adequate in the bank's view for managing the bank's liquidity risk at a prudent level, and that, in particular:
    (a) Is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;
    (b) Identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;
    (c) Identifies the principal methods that the bank will use for measuring, monitoring and controlling liquidity risk; and
    (d) Considers the material sources of stress that the bank might face, and prepares the bank to manage stress through a contingency funding plan.
15. That no more than 10% of total assets may be beneficially owned by a SPV.

    For the purposes of this condition,

    - "Total assets" means all assets of the banking group plus any assets held by any SPV that are not included in the banking group's assets;
    - "SPV" means a person:
      (a) To whom any member of the banking group has sold, assigned, or otherwise transferred any asset;
      (b) Who has granted, or may grant, a security interest in its assets for the benefit of any holder of any covered bond; and
      (c) Who carries on no other business except for that necessary or incidental to guarantee the obligations of any member of the banking group under a covered bond;
    - "Covered bond" means a debt security issued by any member of the banking group, for which repayment to holders is guaranteed by a SPV, and investors retain an unsecured claim on the issuer.
16. That:
    (a) No member of the banking group may give effect to a qualifying acquisition or business combination that meets the notification threshold, and does not meet the non-objection threshold, unless:
        (i) The bank has notified the RBNZ in writing of the intended acquisition or business combination and at least 10 working days have passed; and
        (ii) At the time of notifying the RBNZ of the intended acquisition or business combination, the bank provided the RBNZ with the information required under the RBNZ Supervision Handbook document *"Significant Acquisitions Policy"* (BS15) dated December 2011; and
    (b) No member of the banking group may give effect to a qualifying acquisition or business combination that meets the non-objection threshold unless:
        (i) The bank has notified the RBNZ in writing of the intended acquisition or business combination;
        (ii) At the time of notifying the RBNZ of the intended acquisition or business combination, the bank provided the RBNZ with the information required under the RBNZ Banking Supervision Handbook document *"Significant Acquisitions Policy"* (BS15) dated December 2011; and
        (iii) The RBNZ has given the bank a notice of non-objection to the significant acquisition or business combination.

    For the purposes of this condition of registration, "qualifying acquisition or business combination", "notification threshold" and "non-objection threshold" have the same meaning as in the RBNZ Banking Supervision Handbook document *"Significant Acquisitions Policy"* (BS15) dated December 2011.
17. That the bank is pre-positioned for Open Bank Resolution and in accordance with a direction from the RBNZ, the bank can:
    (a) Close promptly at any time of the day and on any day of the week and that effective upon the appointment of the statutory manager,
        (i) All liabilities are frozen in full; and
        (ii) No further access by customers and counterparties to their accounts (deposits, liabilities or other obligations) is possible;
    (b) Apply a de minimis to relevant customer liability accounts;
    (c) Apply a partial freeze to the customer liability account balances;
    (d) Reopen by no later than 9am the next business day following the appointment of a statutory manager and provide customers access to their unfrozen funds;
    (e) Maintain a full freeze on liabilities not pre-positioned for open bank resolution; and
    (f) Reinstate customers' access to some or all of their residual frozen funds.

    For the purposes of this condition of registration, "de minimis", "partial freeze", "customer liability account", and "frozen and unfrozen funds" have the same meaning as in the RBNZ document *"Open Bank Resolution (OBR) Pre-positioning Requirements Policy"* (BS17) dated June 2022.

Additional Disclosures (continued)

(To be read in conjunction with the Financial Statements)

Conditions of Registration for ASB Bank Limited (continued)

18. That the bank has an Implementation Plan that:

    (a) Is up to date; and

    (b) Demonstrates that the bank's prepositioning for Open Bank Resolution meets the requirements set out in the RBNZ document: *"Open Bank Resolution Pre-positioning Requirements Policy"* (BS17) dated June 2022.

    For the purposes of this condition of registration, "Implementation Plan" has the same meaning as in the RBNZ document *"Open Bank Resolution (OBR) Pre-positioning Requirements Policy"* (BS17) dated June 2022.

19. That the bank has a compendium of liabilities that:

    (a) At the product-class level lists all liabilities, indicating which are:

        (i) Pre-positioned for Open Bank Resolution; and

        (ii) Not pre-positioned for Open Bank Resolution;

    (b) Is agreed to by the RBNZ; and

    (c) If the RBNZ's agreement is conditional, meets the RBNZ's conditions.

    For the purposes of this condition of registration, "compendium of liabilities", and "pre-positioned and non pre-positioned liabilities" have the same meaning as in the RBNZ document *"Open Bank Resolution (OBR) Pre-positioning Requirements Policy"* (BS17) dated June 2022.

20. That on an annual basis the bank tests all the component parts of its Open Bank Resolution solution that demonstrates the bank's prepositioning for Open Bank Resolution as specified in the bank's Implementation Plan.

    For the purposes of this condition of registration, "Implementation Plan" has the same meaning as in the RBNZ document *"Open Bank Resolution (OBR) Pre-positioning Requirements Policy"* (BS17) dated June 2022.

21. That for a loan-to-valuation measurement period ending on or after 30 September 2024, the total of the bank's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 70%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

22. That, for a loan-to-valuation measurement period ending on or after 30 September 2024, the total of the bank's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

23. That, for a debt-to-income measurement period, the total of the bank's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a debt-to-income ratio of more than 7, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the debt-to-income measurement period.

24. That, for a debt-to-income measurement period, the total of the bank's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a debt-to-income ratio of more than 6, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the debt-to-income measurement period.

25. That the bank must not make a residential mortgage loan unless the terms and conditions of the loan contract or the terms and conditions for an associated mortgage require that a borrower obtain the registered bank's agreement before the borrower can grant to another person a charge over the residential property used as security for the loan.

In these conditions of registration:

- "Banking group" means ASB Bank Limited (as reporting entity) and all other entities included in the group as defined in section 6(1) of the Financial Markets Conduct Act 2013 for the purposes of part 7 of that Act.
- "Generally accepted accounting practice" has the same meaning as in section 8 of the Financial Reporting Act 2013.

Additional Disclosures (continued)

(To be read in conjunction with the Financial Statements)

Conditions of Registration for ASB Bank Limited (continued)

In these conditions of registration, the version dates of the Reserve Bank of New Zealand Banking Prudential Requirement (BPR) documents that are referred to in the capital adequacy conditions 1 to 1E, or are referred to in turn by those documents or by Banking Supervision Handbook (BS) documents, are:

BPR document	Version date
BPR100: *Capital adequacy*	1 July 2024
BPR110: *Capital definitions*	1 October 2023
BPR120: *Capital adequacy process requirements*	1 October 2023
BPR130: *Credit risk RWAs overview*	1 July 2024
BPR131: *Standardised credit risk RWAs*	1 July 2024
BPR132: *Credit risk mitigation*	1 July 2024
BPR133: *IRB credit risk RWAs*	1 July 2024
BPR134: *IRB minimum system requirements*	1 July 2024
BPR140: *Market risk exposure*	1 July 2024
BPR150: *Standardised operational risk*	1 July 2024
BPR151: *AMA operational risk*	1 July 2024
BPR160: *Insurance, securitisation, and loan transfers*	1 July 2024
BPR001: *Glossary*	1 October 2023

In conditions of registration 21 and 22:

- "Loan-to-valuation ratio", "non property-investment residential mortgage loan", "property-investment residential mortgage loan", "qualifying new mortgage lending amount in respect of property-investment residential mortgage loans", and "qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans" have the same meaning as in the RBNZ document entitled "*Framework for Restrictions on High-LVR Residential Mortgage Lending*" (BS19) dated October 2021:
- "Loan-to-valuation measurement period" means a rolling period of three calendar months ending on the last day of the third calendar month.

In conditions of registration 23 and 24, –

- "debt-to-income ratio", "debt-to-income measurement period", "non property-investment residential mortgage loan", "property-investment residential mortgage loan", "qualifying new mortgage lending amount in respect of property-investment residential mortgage loans", and "qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High Debt-To-Income Residential Mortgage lending" (BS20) dated 3 April 2023:
- "debt-to-income measurement period" means–
  - (a) the initial period of six calendar months from the date of this conditions of registration (1 July 2024) ending on 31 December 2024; and
  - (b) thereafter, a rolling period of three calendar months ending on the last day of the third calendar month, the first of which ends on 31 January 2025 and covers the months of November and December 2024 and January 2025.

In condition of registration 25, –

"residential mortgage loan" has the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High Debt-To-Income Residential Mortgage lending" (BS20) dated 3 April 2023.

Changes to Conditions of Registration since the 30 June 2024 Disclosure Statement

Effective 1 July 2024, the Reserve Bank of New Zealand ("RBNZ") amended the Bank's Conditions of Registration to:

- implement changes to the minimum Total capital ratio (from 8% to 9%) and Tier 1 capital ratio (from 6% to 7%) from 1 July 2024, in line with the decisions announced by the RBNZ in the 2019 Capital Review.
- activate Debt-to-Income ("DTI") restrictions at settings of a 20% limit on new residential lending to owner-occupiers with a DTI greater than 6 and a 20% limit on new residential lending to investors with a DTI greater than 7.
- ease Loan-to-Value Ratio ("LVR") restrictions to a 20% limit on new lending to owner-occupiers with an LVR above 80% (from a 15% limit) and a 5% limit on new lending to investors with an LVR above 70% (from an LVR threshold of above 65%).
- remove Condition 4A relating to disclosure reporting, which had been included on an interim basis.
- incorporate a revised version of BPR131: Standardised credit risk RWAs to incorporate minor edits that clarify the risk weighting of exposures to sovereigns with unsolicited credit ratings, and the treatment of past due Kāinga Whenua loans.
- update legislative references in the Banking Prudential Requirements ("BPRs").

As at 30 June 2025, there have been no other changes to the Conditions of Registration.

Directors' Statement

After due enquiry by the Directors, each Director believes that over the year ended 30 June 2025:

- The Bank 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 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

13 August 2025

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Independent auditor's report

To the shareholder of ASB Bank Limited

Our opinion

In our opinion, the accompanying:

- consolidated financial statements, excluding the information disclosed in accordance with Schedules 4, 7, 11, 13, 14, 15 and 17 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order"), of ASB Bank Limited (the "Bank"), including the entities it controlled as at 30 June 2025 or from time to time during the financial year (the "Banking Group"), present fairly, in all material respects, the financial position of the Banking Group as at 30 June 2025, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and International Financial Reporting Standards Accounting Standards ("IFRS Accounting Standards"); and
- information disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order (the "Supplementary Information"), in all material respects:
  - presents fairly the matters to which it relates; and
  - is disclosed in accordance with those schedules.

What we have audited

- The Banking Group's consolidated financial statements (the "Financial Statements") required by clause 24 of the Order, comprising:
  - the balance sheet as at 30 June 2025;
  - the income statement for the year then ended;
  - the statement of comprehensive income for the year then ended;
  - the statement of changes in equity for the year then ended;
  - the cash flow statement for the year then ended; and
  - the notes to the Financial Statements, excluding the information disclosed in accordance with Schedules 4, 7, 11, 13, 14, 15 and 17 of the Order within notes 13 to 19, 40, 41 and 43 to 48, which includes material accounting policy information and other explanatory information.
- The Supplementary Information within notes 13 to 19, 40, 41 and 43 to 48 of the Financial Statements for the year ended 30 June 2025 of the Banking Group.

We have not audited the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 11 of the Order within notes 40 and 46(b) of the Financial Statements and our opinion does not extend to this information.

Basis for opinion

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

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

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

In our capacity as auditor and assurance practitioner, our firm also provides review, other assurance, agreed-upon procedures and other services for the Banking Group or in respect of funds managed by the Banking Group. Our firm carried out other assignments for the Banking Group in the areas of generic training and advisory services relating to capital benchmarking. 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 firm has no other relationship with, or interests in, the Banking Group.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements and the Supplementary Information of the current year. These matters were addressed in the context of our audit of the Financial Statements and the Supplementary Information as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	How our audit addressed the key audit matter
Allowance for expected credit loss NZ IFRS 9 *Financial Instruments* requires the recognition of an allowance for expected credit loss (ECL) against the gross carrying amount of the Bank's advances to customers, the measurement of which is required to incorporate reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The Bank utilises complex models to calculate ECL on a collective basis. These models have been developed using internal historic default data and incorporate various forward-looking assumptions, such as forecasts of future economic conditions across multiple economic scenarios. In addition, significant judgemental adjustments are applied to the modelled ECL outcomes (including overlays and forward-looking adjustments). Individually assessed allowances are also recognised by the Bank for advances to customers that are known to be impaired at the reporting date.	We developed an understanding of the control activities relevant to our audit over the Bank's allowance for ECL. For certain control activities, we assessed whether they were appropriately designed and were operating effectively, on a sample basis, throughout the year ended 30 June 2025. This included control activities relevant to: ● The completeness and accuracy of certain inputs and outputs from the ECL models; and ● The review and approval of forward-looking assumptions, management adjustments, overlays and overall adequacy of ECL allowances by the Bank's Loan Loss Provisioning Committee. In addition to controls testing we, along with our credit risk modelling experts, performed the following procedures, amongst others, on a sample basis, to assess the reasonableness of the Bank's allowance for ECL as at 30 June 2025: ● Assessed the appropriateness of the ECL model methodology applied by the Bank for a selection of the Bank's loan portfolios, with consideration to model performance; ● Tested the accuracy of the ECL model calculations for a selection of the Bank's loan portfolios;

Description of the key audit matter	How our audit addressed the key audit matter
We consider the allowance for ECL a key audit matter due to the significant audit effort required and the inherent estimation uncertainty present in its determination, which is specifically due to the complexity, subjectivity and extent of judgement used by the Bank in its recognition and measurement. Specific drivers of this uncertainty include the following: • The models which are used to calculate ECL (ECL models) are inherently complex and judgement is applied in determining the appropriate construct of each ECL model; • Multiple assumptions are made by the Bank concerning the future occurrence of events and conditions, as well as their probabilities, for which there is inherently heightened levels of estimation uncertainty given the forward-looking nature of these assumptions; and • The determination of the need for and quantification of significant management adjustments and overlays to modelled assumptions and model outputs. **Relevant references in the Financial Statements** Refer to notes 1(k) and 13 to 15 for further information.	• Assessed the appropriateness of certain forward-looking assumptions incorporated into the ECL models, including the macroeconomic scenarios developed, underlying forecasts and probability weightings applied; • Assessed the appropriateness of certain management adjustments and overlays identified by the Bank; • Tested the completeness and accuracy of a sample of certain critical data elements used as inputs to the ECL models to relevant source documentation; • Tested the appropriateness of certain individually assessed corporate allowances recognised by the Bank by assessing the appropriateness of expected cash flow forecasts and other judgements made in their measurement; and • Considered the impact of relevant events occurring after the end of the financial year until the date of signing the independent auditor's report. Where applicable, we also considered the competency, capabilities, objectivity and nature of the work of certain experts used by the Bank to assist in the development of significant assumptions used in determining the allowance for ECL. We also assessed the reasonableness of the related disclosures in the Financial Statements against the requirements of NZ IFRS.
Class Action proceeding A Class Action proceeding with respect to compliance with parts of the Credit Contracts and Consumer Finance Act 2003 has been brought against the Bank. Significant judgement is required to determine whether a provision is required and to assess the adequacy of contingent liability disclosures, with regard to the requirements of NZ IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. We consider the determination, valuation and disclosure of any provision and the disclosure of the contingent liability for the Class Action to be a key audit matter due to the level of	We developed an understanding of the control activities relevant to our audit over the Bank's treatment of the ongoing Class Action. We performed the following procedures, amongst others, in assessing the accounting treatment for the Class Action: • Made enquiries of management and the Bank's in-house legal counsel in relation to the status of the Class Action; • Inspected certain Board minutes and papers for any material developments; • Inspected a legal representation letter from the external legal counsel and evaluated the responses received; • Evaluated the Bank's assessment as to whether

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Description of the key audit matter	How our audit addressed the key audit matter
judgement required in determining whether a provision is required, the inherent estimation uncertainty in calculating the appropriate amount of any provision, where required, and in assessing the adequacy of the related disclosures within the Financial Statements. **Relevant references in the Financial Statements** Refer to note 29 for further information.	a provision was required or whether the Class Action meets the definition of a contingent liability with regard to the requirements of the accounting standards; • Tested the valuation of provisions, if any, recognised; and • Considered the impact of relevant events occurring after the end of the financial year until the date of signing the independent auditor's report. We also assessed the reasonableness of the related disclosures in the Financial Statements against the requirements of NZ IFRS.

Description of the key audit matter	How our audit addressed the key audit matter
Operation of financial reporting Information Technology (IT) systems and controls The Banking Group's operations and financial reporting processes are heavily dependent on IT systems for the processing and recording of a significant volume of transactions. Due to this, we consider the operation of financial reporting IT systems and controls to be a key audit matter. In particular, in common with all banks, access rights to technology are important because they are intended to ensure that changes to applications and data are appropriately authorised. Ensuring that only appropriate staff have access to IT systems, that the level of access itself is appropriate, and that access is periodically monitored, are key controls in mitigating the potential for fraud or error as a result of a change to an application or underlying data. The Banking Group's controls over IT systems are intended to ensure that: • New systems or changes to existing systems operate as intended and are authorised; • Access to process transactions or change data is appropriate and maintains an intended segregation of duties; • The use of privileged access to systems and data is restricted and monitored; and • IT processing is approved and where issues arise they are resolved.	For material financial statement transactions and balances we developed an understanding of the business processes, IT systems used to generate and support those transactions and balances, associated IT application controls and IT dependencies in manual controls. Our procedures included evaluating and testing the design and operating effectiveness of certain controls over the continued integrity of the IT systems that are relevant to financial reporting. This involved assessing, where relevant to the audit: • Change management: the processes and controls used to develop, test and authorise changes to the functionality and configurations within systems; • System development: the project disciplines which ensure that significant developments or implementations are appropriately tested before implementation and that data is converted and transferred completely and accurately; • Security: the access controls designed to enforce segregation of duties, govern the use of generic and privileged accounts or ensure that data is only changed through authorised means; and • IT operations: the controls over IT operations used to ensure that any issues that arise are managed appropriately. Within the scope of our audit where technology services are provided by a third party, we considered: • Assurance reports from the third party's auditor on the design and operating effectiveness of controls; and • Management's monitoring controls over the third party; or • Where an assurance report was not available we performed alternative procedures to test any IT dependencies relied upon.

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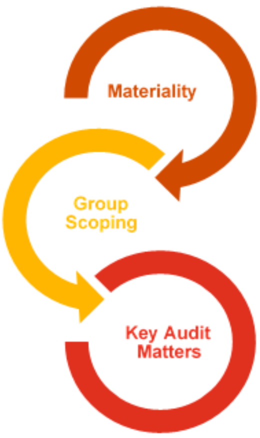
Our audit approach

Overview



The overall Banking Group materiality is $100.7 million which represents approximately 5% of net profit before tax.

We chose net profit before tax because, in our view, it is the benchmark against which the performance of the Banking Group is most commonly measured by users, and is a generally accepted benchmark.

A full scope audit was performed for the Bank based on its financial significance. Specified audit and analytical review procedures were performed on the remaining entities including elimination entities required for the aggregation.

As reported above, we have three key audit matters, being:

- Allowance for expected credit loss;
- Class Action proceeding; and
- Operation of financial reporting Information Technology (IT) systems and controls.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Financial Statements and the Supplementary Information. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality
The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the Financial Statements and the Supplementary Information are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements and the Supplementary Information.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Banking Group materiality for the Financial Statements and the Supplementary Information, as a whole, as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the Financial Statements and the Supplementary Information, as a whole.

How we tailored our group audit scope
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the Financial Statements and the Supplementary Information, as a whole, taking into account the structure of the Banking Group, the financial reporting processes and controls, and the industry in which the Banking Group operates.

The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment, the financial significance of components and other qualitative factors (including history of misstatement through fraud or error).

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Other information

The Directors are responsible for the other information. The other information comprises the information included in the ASB Disclosure Statement and Annual Report presented in accordance with Schedule 2 of the Order on pages 1 to 7, 99 to 105 and 116 to 117, and the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 11 of the Order within notes 40 and 46(b), but does not include the Financial Statements, the Supplementary Information and our auditor's report thereon. The other information also includes ASB's climate statement to be published at a later date. Other than ASB's climate statement which we will receive at a later date, we have received all the other information expected to be included in the ASB Disclosure Statement and Annual Report.

Our opinion on the Financial Statements and the Supplementary Information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon. We issue a separate limited assurance report on the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 11 of the Order.

In connection with our audit of the Financial Statements and the Supplementary Information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements and the Supplementary Information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read ASB's climate statement, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the Directors for the ASB Disclosure Statement and Annual Report

The Directors are responsible, on behalf of the Bank, for the preparation and fair presentation of the Financial Statements in accordance with clause 24 of the Order, NZ IFRS and IFRS Accounting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements and the Supplementary Information that are free from material misstatement, whether due to fraud or error.

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

- all of the information prescribed in Schedule 2 of the Order; and
- the information prescribed in Schedules 4, 7, 11, 13, 14, 15 and 17 of the Order.

In preparing the Financial Statements, the Directors are responsible for assessing the Banking Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Banking Group or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report (continued)

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Auditor's responsibilities for the audit of the Financial Statements and the Supplementary Information

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

A further description of our responsibilities for the audit of the Financial Statements and the Supplementary Information is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-1-1/

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

PricewaterhouseCoopers
13 August 2025

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 21 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 full year Disclosure Statement for the year ended 30 June 2025 (the "Disclosure Statement"). The Disclosure Statement containing the information prescribed in Schedule 11 of the Order relating to capital adequacy and regulatory liquidity requirements will accompany our report, for the purpose of reporting to the shareholder of ASB Bank Limited.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Bank's information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 21 of the Order and disclosed in notes 40 and 46(b) of the financial statements, is not, in all material respects, disclosed in accordance with Schedule 11 of the Order.

Basis for conclusion

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

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

Directors' responsibilities

The Directors are responsible on behalf of the Bank for compliance with the Order, including clause 21 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.

In our capacity as auditor and assurance practitioner, our firm also provides audit, review, other assurance, agreed-upon procedures and other services for the Banking Group (which comprises the Bank and the entities it controlled), or in respect of funds managed by the Banking Group. Our firm carried out other assignments in the areas of generic training and advisory services relating to capital benchmarking. 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 business. The firm has no other relationship with, or interests in, the Banking Group.

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 21 of the Order is not, in all material respects, disclosed in accordance with Schedule 11 of the Order. SAE 3100 (Revised) requires that we plan and perform our procedures to obtain limited assurance about whether anything has come to our attention that causes us to believe that the Bank's information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 21 of the Order, is not, in all material respects, disclosed in accordance with Schedule 11 of the Order.

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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 21 of the Order in respect of the information relating to capital adequacy and regulatory liquidity requirements is likely to arise.

Given the circumstances of the engagement we:

- obtained an understanding of the process, models, data and internal controls implemented over the preparation of the information relating to capital adequacy and regulatory liquidity requirements;
- obtained an understanding of the Bank's compliance framework and internal control environment to ensure the information relating to capital adequacy and regulatory liquidity requirements is in compliance with the Reserve Bank of New Zealand's (the "RBNZ") prudential requirements for banks;
- obtained an understanding and assessed the impact of any matters of non-compliance with the RBNZ's prudential requirements for banks that relate to capital adequacy and regulatory liquidity requirements and inspected relevant correspondence with the RBNZ;
- performed analytical and other procedures on the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 11 of the Order, and considered its consistency with the annual 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 21 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

PricewaterhouseCoopers
13 August 2025

Auckland

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Directory

As at the signing date of this Disclosure Statement

DIRECTORS

Name	**Dame Therese Maria Walsh DNZM**
Position	Chair and Independent Non-Executive Director
Primary occupation	Company director
Country of residence	New Zealand
Other company directorships	Air New Zealand Limited, Therese Walsh Consulting Limited, On Being Bold Limited
Qualifications	BCA, FCA, CMInstD

Name	**Vittoria Annabel June Shortt**
Position	Managing Director
Primary occupation	Chief Executive Officer for ASB Bank Limited
Country of residence	New Zealand
Other company directorships	Lawford Family Trustee Limited
Qualifications	BMS, FCA

Name	**Dr Roderick Marshall Carr**
Position	Independent Non-Executive Director
Primary occupation	Company director
Country of residence	New Zealand
Other company directorships	Waingawa Forest Corporation Limited, JRC (NZ) Limited
Qualifications	BCom (Hons), LLB (Hons), MBA, MA, PhD

Name	**Colin Archibald MacDonald QSO**
Position	Independent Non-Executive Director
Primary occupation	Company director
Country of residence	New Zealand
Qualifications	BSc, CPEng, MInstD

Name	**Victoria Helen Crone**
Position	Independent Non-Executive Director
Primary occupation	Company director
Country of residence	New Zealand
Other company directorships	Victory & Grace Limited, Chitogel Limited, True North Seville Limited, Pyper Vision Limited
Qualifications	MCA

Name	**Ross James Patrick Buckley**
Position	Independent Non-Executive Director
Primary occupation	Company director
Country of residence	New Zealand
Other company directorships	Stride Property Limited, Stride Investment Management Limited, Stride Holdings Limited, Investore Property Limited, Service Foods Limited
Qualifications	BBS, FCA, FCPA, CMInstD

Name	**Nigel Henry Murray Williams**
Position	Non-Executive Director
Primary occupation	Company director
Country of residence	Australia
Other company directorships	The Cancer Council NSW
Qualifications	BCom

Name	**Juliet Keri Tainui-Hernandez**
Position	Independent Non-Executive Director
Primary occupation	Company director
Country of residence	New Zealand
Other company directorships	Whai Rawa Fund Limited, Te Kahui O Onuku Charitable Company Limited
Qualifications	BA, LLB

Directory (continued)

As at the signing date of this Disclosure Statement

BOARD AUDIT COMMITTEE	Ross James Patrick Buckley (Chair) Dr Roderick Marshall Carr Victoria Helen Crone Colin Archibald MacDonald Juliet Keri Tainui-Hernandez Dame Therese Maria Walsh DNZM Nigel Henry Murray Williams	
BOARD RISK AND COMPLIANCE COMMITTEE	Dr Roderick Marshall Carr (Chair) Ross James Patrick Buckley Victoria Helen Crone Colin Archibald MacDonald Juliet Keri Tainui-Hernandez Dame Therese Maria Walsh DNZM Nigel Henry Murray Williams	
APPOINTMENTS AND REMUNERATION COMMITTEE	Colin Archibald MacDonald (Chair) Ross James Patrick Buckley Juliet Keri Tainui-Hernandez Dame Therese Maria Walsh DNZM	
EXECUTIVE MANAGEMENT	Vittoria Shortt	Chief Executive Officer
	Stephen Bendall	General Counsel and Executive General Manager Business Services
	Adam Boyd	Executive General Manager Personal Banking
	Andrew Faskheev	Chief Risk Officer
	David Bullock	Executive General Manager Technology & Transformation
	Carl Ferguson	Chief Financial Officer
	Rebecca James	Executive General Manager Business Banking
	Amie Nilsson	Chief Operating Officer
	Jonathan Oram	Executive General Manager Corporate Banking
	Nicola Richardson	Executive General Manager People
INTERNAL AUDITOR	David Sutton	Chief Internal Auditor
AUDITOR	PricewaterhouseCoopers New Zealand Chartered Accountants PwC Tower 15 Customs Street West Auckland 1010 New Zealand www.pwc.co.nz	
ULTIMATE SHAREHOLDER (Ordinary Shares)	Commonwealth Bank of Australia Commonwealth Bank Place South Level 1 11 Harbour Street Sydney, NSW 2000 Australia www.commbank.com.au	
REGISTERED OFFICE	Level 2 ASB North Wharf 12 Jellicoe Street Auckland 1010 New Zealand www.asb.co.nz	