ASB Disclosure Statement

For the six months ended 31 December 2020

asb.co.nz

Contents

General Disclosures

(To be read in conjunction with the Financial Statements)

31 December 2020

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 Central, Auckland 1010, New Zealand.

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

Ultimate Parent Bank

The ultimate parent bank of the Bank is Commonwealth Bank of Australia ("CBA"). CBA's registered office and address of service is: Ground Floor, Tower 1, 201 Sussex Street, Sydney, NSW 2000, Australia.

Changes to Directors

There have been two changes to the composition of the Board of Directors of ASB (the "Board") since the balance date for the 30 June 2020 Disclosure Statement:

- Mr R Buckley was appointed as a non-executive independent director of ASB on 1 October 2020; and
- Mr S Bartlett sadly passed away and ceased to be a director of the Board on 15 December 2020.

Credit Ratings

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

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

- On 8 April 2020, S&P affirmed CBA's long-term issuer default rating at AA- and revised the outlook to negative from stable. As a consequence, ASB's outlook was aligned with CBA's and revised to negative from stable.
- On 7 April 2020, Fitch Ratings downgraded the long-term credit ratings of the major Australian banks and their subsidiaries by one notch. As a consequence, ASB's long-term credit rating was revised to A+ from AA- and the outlook remains negative.
- The Moody's rating for ASB has remained unchanged during the two years immediately preceding the signing date.

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

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

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

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

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

Pending Proceedings or Arbitration

The Banking Group is not a party to any pending legal proceedings or arbitration that may have a material adverse effect on the Bank or the Banking Group.

Auditor

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

General Disclosures

(To be read in conjunction with the Financial Statements)

Guarantee Arrangements

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

The Covered Bond Guarantor has guaranteed payments of interest and principal under the Covered Bonds pursuant to a guarantee which is secured over the Mortgage Loans, related security and other assets of the Covered Bond Trust. Covered bonds (including accrued interest) of $3.361 billion were guaranteed as at the signing date of this Disclosure Statement. The amount of the guarantee is limited to the assets of the Covered Bond Trust. There are no material conditions applicable to the guarantee other than non-performance. There are no material legislative or regulatory restrictions in New Zealand which would have the effect of subordinating the claims under the guarantee of any creditors of the Bank on the assets of the Covered Bond Guarantor, to other claims on the Covered Bond Guarantor, in a winding up of the Covered Bond Guarantor.

The Covered Bond Guarantor's address for service is Level 9, 34 Shortland Street, Auckland 1010, New Zealand. The Covered Bond Guarantor is not a member of the Banking Group and has no credit ratings applicable to its long term senior unsecured obligations payable in New Zealand dollars. As at 31 December 2020, the Covered Bonds issued have been assigned a long term rating of 'AAA' by Fitch Ratings and 'Aaa' by Moody's. Further information about this guarantee arrangement is included in the Bank's disclosure statement for the year ended 30 June 2020, a copy of which is available at the internet address www.asb.co.nz. A printed copy will also be made available, free of charge, upon request.

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

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

Since 30 June 2020, there has been no material change in regulations, legislation, or other restrictions of a legally enforceable nature that may materially inhibit the legal ability of CBA to provide material financial support to the Bank.

In August 2019, the Australian Prudential Regulation Authority ("APRA") confirmed revisions to prudential standard APS 222: *Associations with Related Entities*, effective from 1 January 2022. The changes will reduce the limit of CBA's exposure to the Bank to 25% of CBA's Level 1 Tier 1 Capital (currently 50% of CBA's Level 1 Total Capital), and CBA's aggregate exposure to all related Authorised Deposit-taking Institutions and overseas based equivalents will be limited to 75% of CBA's Level 1 Tier 1 Capital. CBA expects that sufficient capacity exists under the reduced limits to accommodate CBA's exposures to its related entities, including the additional capital requirement for New Zealand banks announced by the Reserve Bank of New Zealand ("RBNZ") on 5 December 2019.

CBA has met APRA's requirement to reduce its non-equity exposure to the Bank and its subsidiaries to below a limit of 5% of CBA's Level 1 Tier 1 Capital over a five year transition period ending 31 December 2020. For the purposes of this limit, exposures include all committed, non-intraday, non-equity exposures, including derivatives and off balance sheet exposures, however, excludes 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.

Conditions of Registration

There have been no changes to Conditions of Registration between 30 June 2020 and 31 December 2020.

Non-compliance with condition of registration 21

In December 2020, the RBNZ advised that ASB has been non-compliant with condition of registration 21 since 1 March 2018. This relates to the outsourcing of certain collateral management functions to CBA which was discussed with RBNZ in advance and subject to exemptions being provided. Legal clarification now provided suggests that the exemptions do not apply. This non-compliance is not material and is being remediated.

In January 2021, the Bank identified eight instances of non-compliance with condition of registration 21 where it updated its BS11 outsourcing compendium outside the prescribed timeframes. This non-compliance is not material. ASB has updated its compendium and corrected its compendium update process.

Other Material Matters

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

Income Statement

$ millions		Banking Group	
		Unaudited	Unaudited
For the six months ended	Note	**31-Dec-20**	31-Dec-19
Interest income		**1,797**	2,120
Interest expense		**687**	1,050
Net interest income		**1,110**	1,070
Other income	2	**306**	328
Total operating income		**1,416**	1,398
Impairment losses on financial assets	7	**30**	22
Total operating income after impairment losses		**1,386**	1,376
Total operating expenses		**518**	534
Salaries and other staff expenses		**300**	289
Building occupancy and equipment expenses		**57**	52
Information technology expenses		**88**	81
Other expenses		**73**	112
Net profit before tax		**868**	842
Tax expense		**243**	243
Net profit after tax		**625**	599

Statement of Comprehensive Income

$ millions	Banking Group	
	Unaudited	Unaudited
For the six months ended	**31-Dec-20**	31-Dec-19
Net profit after tax	**625**	599
Other comprehensive income/(expense), net of tax		
Items that will not be reclassified to the Income Statement:		
Net change in asset revaluation reserve	**-**	(1)
Items that may be reclassified subsequently to the Income Statement:		
Net change in fair value through other comprehensive income reserve	**31**	(3)
Net change in cash flow hedge reserve	**(27)**	7
	4	4
Total other comprehensive income/(expense), net of tax	**4**	3
Total comprehensive income	**629**	602

These statements are to be read in conjunction with the notes on pages 8 to 37 and the Independent Review Report on pages 39 to 40.

Statement of Changes in Equity

$ millions	Contributed Capital	Asset Revaluation Reserve	Cash Flow Hedge Reserve	FVOCI Reserve[(1)]	Retained Earnings	Total Shareholders' Equity
	Banking Group					
For the six months ended 31 December 2020						
Unaudited						
Balance at beginning of the period	**6,173**	**33**	**(99)**	**4**	**1,772**	**7,883**
Net profit after tax	**-**	**-**	**-**	**-**	**625**	**625**
Other comprehensive (expense)/income	**-**	**-**	**(27)**	**31**	**-**	**4**
Total comprehensive (expense)/income	**-**	**-**	**(27)**	**31**	**625**	**629**
Perpetual preference dividends paid	**-**	**-**	**-**	**-**	**(15)**	**(15)**
Balance as at 31 December 2020	**6,173**	**33**	**(126)**	**35**	**2,382**	**8,497**
For the six months ended 31 December 2019						
Unaudited						
Balance at beginning of the period	3,673	30	(117)	6	4,199	7,791
Net profit after tax	-	-	-	-	599	599
Other comprehensive (expense)/income	-	(1)	7	(3)	-	3
Total comprehensive (expense)/income	-	(1)	7	(3)	599	602
Share capital issued	2,500	-	-	-	-	2,500
Ordinary dividends paid[(2)]	-	-	-	-	(2,850)	(2,850)
Perpetual preference dividends paid	-	-	-	-	(18)	(18)
Balance as at 31 December 2019	6,173	29	(110)	3	1,930	8,025

(1) FVOCI Reserve refers to Fair value through other comprehensive income reserve.

(2) On 2 April 2020, restrictions took effect under revised Conditions of Registration that prevent New Zealand incorporated banks from paying dividends on ordinary shares. These restrictions remain in place until further notice.

These statements are to be read in conjunction with the notes on pages 8 to 37 and the Independent Review Report on pages 39 to 40.

Balance Sheet

$ millions		Banking Group		
		Unaudited	Unaudited	Audited
As at	Note	**31-Dec-20**	31-Dec-19	30-Jun-20
Assets				
Cash and liquid assets		**3,510**	1,880	4,217
Due from financial institutions		**551**	666	532
Securities at fair value through other comprehensive income		**8,296**	6,596	7,409
Derivative assets		**818**	940	1,644
Advances to customers	4	**94,870**	89,323	90,184
Other assets		**293**	332	321
Property, plant and equipment		**422**	457	452
Intangible assets		**207**	184	189
Deferred tax assets		**264**	169	264
Total assets		**109,231**	100,547	105,212
Total interest earning and discount bearing assets		***107,442***	*98,479*	*102,646*
Liabilities				
Deposits and other borrowings	10	**76,379**	68,726	74,488
Due to financial institutions		**760**	814	1,640
Derivative liabilities		**772**	507	265
Current tax liabilities		**27**	32	100
Other liabilities		**596**	727	874
Provisions		**142**	93	143
Debt issues:				
At fair value through Income Statement	11	**4,593**	584	545
At amortised cost	11	**17,058**	20,632	18,863
Loan capital		**407**	407	411
Total liabilities		**100,734**	92,522	97,329
Shareholders' equity				
Contributed capital - ordinary shares		**5,173**	5,173	5,173
Reserves		**(58)**	(78)	(62)
Retained earnings		**2,382**	1,930	1,772
Ordinary shareholder's equity		**7,497**	7,025	6,883
Contributed capital - perpetual preference shares		**1,000**	1,000	1,000
Total shareholders' equity		**8,497**	8,025	7,883
Total liabilities and shareholders' equity		**109,231**	100,547	105,212
Total interest and discount bearing liabilities		***88,164***	*84,285*	*87,148*

These statements are to be read in conjunction with the notes on pages 8 to 37 and the Independent Review Report on pages 39 to 40.

Cash Flow Statement

$ millions		Banking Group	
		Unaudited	Unaudited
For the period ended	Note	**31-Dec-20**	31-Dec-19
Cash flows from operating activities			
Net profit before tax		**868**	842
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		**40**	38
Amortisation of intangible assets		**31**	27
Net change in allowance for expected credit loss and bad debts written off		**36**	29
Amortisation of loan establishment fees		**52**	38
Net change in fair value of financial instruments and hedged items		**(230)**	4
Other non-cash items		**2**	3
Items classified as investing activities included in net profit before tax:			
Loss on sale from disposal of subsidiaries		**-**	28
Net (increase)/decrease in operating assets:			
Net change in reverse repurchase agreements		**380**	841
Net change in due from financial institutions		**(19)**	(158)
Net change in securities at fair value through other comprehensive income		**(986)**	(963)
Net change in derivative assets		**(99)**	149
Net change in advances to customers		**(4,774)**	(1,700)
Net change in other assets		**28**	(39)
Net increase/(decrease) in operating liabilities:			
Net change in deposits and other borrowings		**2,048**	2,511
Net change in due to financial institutions		**(824)**	(499)
Net change in derivative liabilities		**390**	40
Net change in other liabilities		**(257)**	(87)
Net change in provisions		**(1)**	8
Net tax paid		**(316)**	(345)
Net cash flows from operating activities		**(3,631)**	767
Cash flows from investing activities			
Cash was provided from:			
Proceeds from disposal of subsidiaries		**-**	21
Total cash inflows provided from investing activities		**-**	21
Cash was applied to:			
Purchase of property, plant and equipment		**(15)**	(19)
Purchase of intangible assets		**(48)**	(48)
Total cash outflows applied to investing activities		**(63)**	(67)
Net cash flows from investing activities		**(63)**	(46)
Cash flows from financing activities			
Cash was provided from:			
Issue of debt securities (net of issue costs)	11	**5,282**	2,190
Total cash inflows provided from financing activities		**5,282**	2,190
Cash was applied to:			
Redemption of debt securities	11	**(1,881)**	(2,346)
Payment of lease liabilities		**(19)**	(18)
Ordinary dividends paid		**-**	(350)
Perpetual preference dividends paid		**(15)**	(18)
Total cash outflows applied to financing activities		**(1,915)**	(2,732)
Net cash flows from financing activities		**3,367**	(542)
Summary of movements in cash flows			
Net (decrease)/increase in cash and cash equivalents		**(327)**	179
Add: cash and cash equivalents at beginning of period		**3,371**	996
Cash and cash equivalents at end of period		**3,044**	1,175
Cash and cash equivalents comprise:			
Cash and liquid assets		**3,510**	1,880
Less: reverse repurchase agreements included in cash and liquid assets		**(466)**	(705)
Cash and cash equivalents at end of period		**3,044**	1,175
Additional operating cash flow information			
Interest received as cash		**1,913**	2,186
Interest paid as cash		**(802)**	(1,084)

These statements are to be read in conjunction with the notes on pages 8 to 37 and the Independent Review Report on pages 39 to 40.

Notes to the Financial Statements

For the six months ended 31 December 2020

1 Statement of Accounting Policies

The condensed interim financial statements of the Banking Group for the six months ended 31 December 2020 (the "financial statements") have been incorporated in this Disclosure Statement. These financial statements consolidate the financial statements of the Bank and its controlled entities. They have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") as appropriate for for-profit entities, NZ IAS 34 *Interim Financial Reporting* and the Order. These financial statements do not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the Banking Group's financial statements for the year ended 30 June 2020. These financial statements comply with both IAS 34 *Interim Financial Reporting* and NZ IAS 34.

The functional and presentation currency of the Bank is New Zealand dollars. All amounts contained in this Disclosure Statement are presented in millions, unless otherwise stated.

All policies have been applied on a basis consistent with that used in the financial year ended 30 June 2020.

Critical Accounting Estimates and Judgements

Information regarding the critical accounting estimates, assumptions and judgements is provided in the financial statements for the year ended 30 June 2020. These estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances. Actual results could differ from these estimates.

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

Changes to Comparatives

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

From 1 July 2020, the Banking Group presents provisions separately from other liabilities on the Balance Sheet. These provisions primarily relate to employee entitlements and customer remediation. Customer remediation relates to matters pertaining to the provision of services to our customers and include the expected refunds or payments to customers or other counterparties. The provision for customer remediation represents management's best estimate of remediating identified matters.

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

Notes to the Financial Statements

For the six months ended 31 December 2020

2 Other Income

Unaudited

$ millions **For the six months ended**	**Banking Group** **31-Dec-20**	 31-Dec-19
Revenue from contracts with customers	**257**	275
Trading income	**41**	50
Net fair value gain/(loss) from:		
Derivatives not qualifying for hedge accounting	**12**	2
Hedge ineffectiveness	**(7)**	-
Total net fair value gain	**5**	2
Other operating income	**3**	1
Total other income	**306**	328

The portion of Other income relating to revenue from contracts with customers is disaggregated across the following categories, consistent with the segment descriptions detailed in note 18:

$ millions			Banking Group			
For the six months ended 31 December 2020	**Retail Banking**	**Business Banking**	**Corporate Banking**	**Private Banking, Wealth and Insurance**	**Other**	**Total**
Revenue from contracts with customers						
Lending fees	**9**	**11**	**15**	**-**	**-**	**35**
Commission and other fees	**108**	**32**	**5**	**36**	**(32)**	**149**
Funds management income	**62**	**4**	**-**	**73**	**(66)**	**73**
Total revenue from contracts with customers	**179**	**47**	**20**	**109**	**(98)**	**257**

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

3 Financial Assets Pledged as Collateral for Liabilities

Unaudited

As at 31 December 2020, no securities were pledged as collateral under repurchase agreements.

The Bank has entered into credit support annexes in respect of certain credit exposures relating to derivative transactions. As at 31 December 2020, $287 million included in Due from financial institutions had been advanced as cash collateral to counterparties with whom the Banking Group has net derivative liability positions.

As noted in the General Disclosures, the Covered Bond Guarantor has guaranteed payments of interest and principal under the Covered Bonds pursuant to a guarantee which is secured over the Mortgage Loans, related security and other assets of the Covered Bond Trust. As at 31 December 2020, the Covered Bond Trust held Mortgage Loans with a carrying value of $4.5 billion and $117 million cash, which have been pledged in respect of the Covered Bonds.

Notes to the Financial Statements

For the six months ended 31 December 2020

4 Advances to Customers

$ millions	Banking Group		
	Unaudited	Unaudited	Audited
As at	**31-Dec-20**	31-Dec-19	30-Jun-20
Residential mortgages (refer to note 5(a))	**65,795**	58,870	61,674
Other retail (refer to note 5(b))	**3,532**	5,226	3,580
Corporate (refer to note 5(c))	**26,147**	25,603	25,559
Total gross carrying amount of advances to customers	**95,474**	89,699	90,813
Allowance for expected credit loss (refer to note 5(d))	**(604)**	(376)	(629)
Total advances to customers	**94,870**	89,323	90,184

5 Allowance for Expected Credit Loss

Unaudited

Information for the period ended 31 December 2020 is presented separately for the following categories of Advances to customers, as prescribed by the Order:

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

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

Section (e) provides a further explanation of how movements in gross carrying amounts and other factors have contributed to the movement in the Banking Group's allowance for Expected Credit Loss ("ECL").

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

Section (g) provides further information on contractual modifications.

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 COVID-19 management adjustments;
- The effect of any Stage 3 discount unwind is included within other changes in collective allowances and within new and increased individually assessed allowances. This discount unwind is presented in the Income Statement as a reduction in Interest income;
- Other changes in collective allowances includes the impact of changes in future forecast economic assumptions, other changes in models or assumptions, changes in the expected life of existing lending and other changes in the credit quality of existing lending (excluding those related to significant increases in credit risk ("SICR")). This includes the impact of COVID-19 on forecast economic assumptions (described further in section (f)) and management adjustments; and
- The impact of additions, deletions and transfers between stages on the allowance for ECL will be impacted by the credit quality of the underlying gross carrying amounts.

Movement in gross carrying amount

The movement in gross carrying amount tables set out on the following pages summarise changes in gross carrying amounts to explain changes in the Banking Group's allowance for ECL for the six months ended 31 December 2020.

They are presented on the following basis:

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

Notes to the Financial Statements

For the six months ended 31 December 2020

5 Allowance for Expected Credit Loss (continued)

Unaudited

(a) Residential Mortgages

$ millions	Banking Group				
Movement in Allowance for Expected Credit Loss	**Collective Allowances**			**Individually Assessed Allowances**	
As at 31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	56	51	33	4	144
(Credited against)/charged to the Income Statement					
Changes in collective allowances due to transfers between ECL stages					
Stage 1 to Stage 2	(4)	7	-	-	3
Stage 1 to Stage 3	-	-	4	-	4
Stage 2 to Stage 1	3	(5)	-	-	(2)
Stage 2 to Stage 3	-	(3)	17	-	14
Stage 3 to Stage 1	-	-	-	-	-
Stage 3 to Stage 2	-	3	(17)	-	(14)
Net transfers to Stage 3 individually assessed allowances	-	-	(1)	-	(1)
Changes in collective allowances due to transfers between ECL stages	(1)	2	3	-	4
Changes in collective allowances due to additions and deletions	5	(2)	(4)	-	(1)
Changes in collective allowances due to amounts written off	-	-	-	-	-
Total changes in collective allowances due to movements in gross carrying amounts	4	-	(1)	-	3
Other changes in collective allowances	(14)	2	4	-	(8)
Net transfers from collective allowances	-	-	-	1	1
New and increased individually assessed allowances	-	-	-	1	1
Write-back of individually assessed allowances no longer required	-	-	-	(4)	(4)
Total (credited against)/charged to the Income Statement	(10)	2	3	(2)	(7)
Amounts written off from individually assessed allowances	-	-	-	-	-
Balance at end of period	46	53	36	2	137

$ millions	Banking Group				
Movement in Gross Carrying Amounts	**Collectively Assessed**			**Individually Assessed**	
As at 31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	54,679	6,446	507	42	61,674
Changes due to transfers between ECL stages					
Stage 1 to Stage 2	(1,182)	1,182	-	-	-
Stage 1 to Stage 3	(92)	-	92	-	-
Stage 2 to Stage 1	1,187	(1,187)	-	-	-
Stage 2 to Stage 3	-	(210)	210	-	-
Stage 3 to Stage 1	3	-	(3)	-	-
Stage 3 to Stage 2	-	349	(349)	-	-
Net transfers (from)/to Stage 3 individually assessed	(2)	6	2	(6)	-
Total changes due to transfers between ECL stages	(86)	140	(48)	(6)	-
Additions and deletions					
Additions	11,055	292	7	-	11,354
Deletions (excluding amounts written off)	(6,463)	(684)	(78)	(8)	(7,233)
Net additions/(deletions)	4,592	(392)	(71)	(8)	4,121
Amounts written off	-	-	-	-	-
Balance at end of period	59,185	6,194	388	28	65,795

5 Allowance for Expected Credit Loss (continued)

Unaudited

(b) Other Retail

$ millions **Movement in Allowance for Expected Credit Loss** **As at 31 December 2020**	**Banking Group** **Collective Allowances** **Stage 1**	**Stage 2**	**Stage 3**	**Individually Assessed Allowances** **Stage 3**	**Total**
Balance at beginning of period	40	68	40	6	154
(Credited against)/charged to the Income Statement					
Changes in collective allowances due to transfers between ECL stages					
Stage 1 to Stage 2	(6)	13	-	-	7
Stage 1 to Stage 3	-	-	2	-	2
Stage 2 to Stage 1	4	(8)	-	-	(4)
Stage 2 to Stage 3	-	(5)	17	-	12
Stage 3 to Stage 1	-	-	-	-	-
Stage 3 to Stage 2	-	4	(13)	-	(9)
Net transfers to Stage 3 individually assessed allowances	-	-	-	-	-
Changes in collective allowances due to transfers between ECL stages	(2)	4	6	-	8
Changes in collective allowances due to additions and deletions	-	(3)	(5)	-	(8)
Changes in collective allowances due to amounts written off	-	(1)	(9)	-	(10)
Total changes in collective allowances due to movements in gross carrying amounts	(2)	-	(8)	-	(10)
Other changes in collective allowances	4	(15)	4	-	(7)
Net transfers from collective allowances	-	-	-	-	-
New and increased individually assessed allowances	-	-	-	1	1
Write-back of individually assessed allowances no longer required	-	-	-	(2)	(2)
Total charged to/(credited against) the Income Statement	2	(15)	(4)	(1)	(18)
Amounts written off from individually assessed allowances	-	-	-	(1)	(1)
Balance at end of period	42	53	36	4	135

$ millions **Movement in Gross Carrying Amounts** **As at 31 December 2020**	**Banking Group** **Collectively Assessed** **Stage 1**	**Stage 2**	**Stage 3**	**Individually Assessed** **Stage 3**	**Total**
Balance at beginning of period	3,095	407	68	10	3,580
Changes due to transfers between ECL stages					
Stage 1 to Stage 2	(187)	187	-	-	-
Stage 1 to Stage 3	(7)	-	7	-	-
Stage 2 to Stage 1	137	(137)	-	-	-
Stage 2 to Stage 3	-	(35)	35	-	-
Stage 3 to Stage 1	4	-	(4)	-	-
Stage 3 to Stage 2	-	27	(27)	-	-
Net transfers to/(from) Stage 3 individually assessed	-	-	1	(1)	-
Total changes due to transfers between ECL stages	(53)	42	12	(1)	-
Additions and deletions					
Additions	1,778	48	12	-	1,838
Deletions (excluding amounts written off)	(1,770)	(66)	(21)	(1)	(1,858)
Net additions/(deletions)	8	(18)	(9)	(1)	(20)
Amounts written off	(3)	(9)	(15)	(1)	(28)
Balance at end of period	3,047	422	56	7	3,532

5 Allowance for Expected Credit Loss (continued)

Unaudited

(c) Corporate

$ millions	Banking Group				
Movement in Allowance for Expected Credit Loss	**Collective Allowances**			**Individually Assessed Allowances**	
As at 31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	57	147	2	125	331
(Credited against)/charged to the Income Statement					
Changes in collective allowances due to transfers between ECL stages					
Stage 1 to Stage 2	(7)	10	-	-	3
Stage 1 to Stage 3	-	-	-	-	-
Stage 2 to Stage 1	2	(6)	-	-	(4)
Stage 2 to Stage 3	-	-	-	-	-
Stage 3 to Stage 1	-	-	-	-	-
Stage 3 to Stage 2	-	-	-	-	-
Net transfers from Stage 3 individually assessed allowances	-	5	-	-	5
Changes in collective allowances due to transfers between ECL stages	(5)	9	-	-	4
Changes in collective allowances due to additions and deletions	4	(5)	5	-	4
Changes in collective allowances due to amounts written off	-	-	-	-	-
Total changes in collective allowances due to movements in gross carrying amounts	(1)	4	5	-	8
Other changes in collective allowances	(4)	49	-	-	45
Net transfers to collective allowances	-	-	-	(5)	(5)
New and increased individually assessed allowances	-	-	-	7	7
Write-back of individually assessed allowances no longer required	-	-	-	(24)	(24)
Total (credited against)/charged to the Income Statement	(5)	53	5	(22)	31
Amounts written off from individually assessed allowances	-	-	-	(30)	(30)
Balance at end of period	52	200	7	73	332

$ millions	Banking Group				
Movement in Gross Carrying Amounts	**Collectively Assessed**			**Individually Assessed**	
As at 31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	10,449	14,730	26	354	25,559
Changes due to transfers between ECL stages					
Stage 1 to Stage 2	(2,318)	2,318	-	-	-
Stage 1 to Stage 3	(1)	-	1	-	-
Stage 2 to Stage 1	1,331	(1,331)	-	-	-
Stage 2 to Stage 3	-	-	-	-	-
Stage 3 to Stage 1	-	-	-	-	-
Stage 3 to Stage 2	-	-	-	-	-
Net transfers (from)/to Stage 3 individually assessed	(1)	39	(2)	(36)	-
Total changes due to transfers between ECL stages	(989)	1,026	(1)	(36)	-
Additions and deletions					
Additions	3,394	2,440	37	-	5,871
Deletions (excluding amounts written off)	(2,526)	(2,664)	(11)	(52)	(5,253)
Net additions/(deletions)	868	(224)	26	(52)	618
Amounts written off	-	-	-	(30)	(30)
Balance at end of period	10,328	15,532	51	236	26,147

5 Allowance for Expected Credit Loss (continued)

Unaudited

(d) Total Advances to Customers

$ millions	Banking Group				
Movement in Allowance for Expected Credit Loss	**Collective Allowances**			**Individually Assessed Allowances**	
As at 31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	153	266	75	135	629
(Credited against)/charged to the Income Statement					
Changes in collective allowances due to transfers between ECL stages					
Stage 1 to Stage 2	(17)	30	-	-	13
Stage 1 to Stage 3	-	-	6	-	6
Stage 2 to Stage 1	9	(19)	-	-	(10)
Stage 2 to Stage 3	-	(8)	34	-	26
Stage 3 to Stage 1	-	-	-	-	-
Stage 3 to Stage 2	-	7	(30)	-	(23)
Net transfers from/(to) Stage 3 individually assessed allowances	-	5	(1)	-	4
Changes in collective allowances due to transfers between ECL stages	(8)	15	9	-	16
Changes in collective allowances due to additions and deletions	9	(10)	(4)	-	(5)
Changes in collective allowances due to amounts written off	-	(1)	(9)	-	(10)
Total changes in collective allowances due to movements in gross carrying amounts	1	4	(4)	-	1
Other changes in collective allowances	(14)	36	8	-	30
Net transfers to collective allowances	-	-	-	(4)	(4)
New and increased individually assessed allowances	-	-	-	9	9
Write-back of individually assessed allowances no longer required	-	-	-	(30)	(30)
Total (credited against)/charged to the Income Statement	(13)	40	4	(25)	6
Amounts written off from individually assessed allowances	-	-	-	(31)	(31)
Balance at end of period	140	306	79	79	604

$ millions	Banking Group				
Movement in Gross Carrying Amounts	**Collectively Assessed**			**Individually Assessed**	
As at 31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Balance at beginning of period	68,223	21,583	601	406	90,813
Changes due to transfers between ECL stages					
Stage 1 to Stage 2	(3,687)	3,687	-	-	-
Stage 1 to Stage 3	(100)	-	100	-	-
Stage 2 to Stage 1	2,655	(2,655)	-	-	-
Stage 2 to Stage 3	-	(245)	245	-	-
Stage 3 to Stage 1	7	-	(7)	-	-
Stage 3 to Stage 2	-	376	(376)	-	-
Net transfers (from)/to Stage 3 individually assessed	(3)	45	1	(43)	-
Total changes due to transfers between ECL stages	(1,128)	1,208	(37)	(43)	-
Additions and deletions					
Additions	16,227	2,780	56	-	19,063
Deletions (excluding amounts written off)	(10,759)	(3,414)	(110)	(61)	(14,344)
Net additions/(deletions)	5,468	(634)	(54)	(61)	4,719
Amounts written off	(3)	(9)	(15)	(31)	(58)
Balance at end of period	72,560	22,148	495	271	95,474

5 Allowance for Expected Credit Loss (continued)

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

COVID-19 continues to have a significant impact on both domestic and global economies, with some of the Banking Group's customers being financially affected by the pandemic.

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

$ millions **For the six months ended 31 December 2020**	**Banking Group**
Updates to multiple macroeconomic scenarios and weightings (refer section (f))	**40**
COVID-19 management adjustments	**8**
Charged to the Income Statement for collective allowances due to COVID-19 model adjustments	**48**
Other amounts credited against the Income Statement for collective allowances	**(17)**
Credited against the Income Statement for individually assessed allowances	**(25)**
Total charged to the Income Statement for allowance for ECL	**6**

The ultimate duration and impact of the COVID-19 pandemic on customers and the mitigating effect of government stimulus packages remains uncertain, resulting in continued estimation uncertainty in the current period. Actual credit losses may differ from the Banking Group's current estimate.

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

Residential Mortgages

The Banking Group's Residential mortgages allowance for ECL has decreased by $7 million during the period, with decreases in both the collective allowances of $5 million and the individually assessed allowances of $2 million.

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

- Improvements in quality throughout the period resulting in a decrease of $12 million, following better than expected economic conditions presented within Other changes in collective allowances; partially offset by
- Minor portfolio movements of $4 million, presented within changes in stages;
- Additional COVID-19 management adjustments with a net increase of $3 million, reflecting updates to the portion of the book continuing to receive some form of COVID support, presented within Other changes in collective allowances; and
- Updates or adjustments to multiple macroeconomic scenarios, overlays and scenario weightings with a net increase of $1 million, within Other changes in collective allowances.

Other Retail

The Banking Group's Other retail allowance for ECL has decreased $19 million during the period, with decreases in the collective allowances of $17 million and the individually assessed allowances of $2 million.

With respect to the collective allowances for ECL, the majority of the movements reflect:

- Changes in portfolio quality and size throughout the period resulting in a decrease of $10 million, presented within changes in stages, additions and deletions and amounts written off;
- Minor changes to model adjustments for the purposes of simplification, combined with portfolio movements, presented as a decrease of $8 million within Other changes in collective allowances; partially offset by
- The refresh of multiple macroeconomic scenarios, weightings and adjustments resulting in a net increase of $1 million, presented within Other changes in collective allowances.

Corporate

The Banking Group's Corporate allowances for ECL remained stable at $332 million during the period, with increases in the collective allowances of $53 million being offset by a reduction in the individually assessed allowances of $52 million.

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

- Updates to multiple macroeconomic scenarios and weightings resulting in an increase of $39 million, within Other changes in collective allowances; and
- An increase to the COVID-19 management adjustments of $5 million for the sectors within the Corporate portfolio identified as having potentially worse or lagged prospects than the general economy, including commercial property, retail trade (discretionary), entertainment, leisure and tourism. The gross carrying amount of transfers from Stage 1 to Stage 2 of $2.3 billion in this period reflect the impact of these adjustments, together with movements in quality. These adjustments are presented within Transfers between ECL stages and Other changes in collective allowances.

With respect to the individually assessed allowances there has been a net reduction in gross carrying amount of $118 million during the period, which has resulted in a $52 million decrease in these allowances, including amounts written off, and the write-back of any allowance for ECL no longer required.

5 Allowance for Expected Credit Loss (continued)

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

The methodology used to estimate expected credit losses is consistent with that applied at 30 June 2020. The sections below detail the forward looking information the Banking Group has utilised in determining its allowance for ECL at 31 December 2020.

Multiple Macroeconomic Scenarios

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

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

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

The Banking Group's assessment of SICR also incorporates the impact of multiple probability-weighted future forecast 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	**31-Dec-20**	31-Dec-19	30-Jun-20
Upside	**5%**	5%	15%
Central	**55%**	40%	55%
Downside	**35%**	40%	25%
Severe downside	**5%**	15%	5%

The weighting applied to each scenario has been updated to reflect the revised macroeconomic conditions included in each scenario, together with a refresh of credit risk factors reflecting the continued impact of the COVID-19 pandemic. These updates over the period have improved the Central scenario's macroeconomic outlook, which is offset by the ongoing uncertainty regarding the long-term economic impact, both within New Zealand and globally, resulting in updated scenario weightings. The updated weightings, movements in credit risk factors and general portfolio movements have resulted in a $25 million decrease in ECL. This comprises a $56 million decrease in individually assessed provisions due to improvements or other resolution of the underlying assets, partially offset by a $31 million increase in collective provisions.

Macroeconomic Credit Risk Factors

The central/base 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 economic scenarios, and probability weights those scenarios to calculate the Banking Group's estimated ECL.

Central/base case credit risk factors have been refreshed during the period to reflect the ongoing changes in economic outlook due to the COVID-19 pandemic. Other scenarios reflect a distribution of losses relative to this central/base 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 series of scenarios. A summary of the assumptions for each scenario is as follows:

- Central (55%): The outlook for the next twelve months reflects a combination of increasing unemployment (reaching 6.5%) due to the ongoing impacts of COVID-19, positive house price growth (12%) reflecting a strong housing market, positive business investment (4%) and a continued supportive low OCR (0.25%). This scenario represents a short to medium term economic impact with continued improvement from 2021 onwards.
- Upside (5%): Reflects a more positive outlook, with unemployment rising to 5.5% and then recovering. House prices continue to grow at rates of 14% per annum and 10% per annum over the longer term, business investment is positive at 8%, and an increase in OCR towards the end of 2021 before stabilising after 2022.
- Downside (35%): Reflects a sharper but still relatively short to medium term economic shock with unemployment rising to 9.5%, house price contraction of 15% and business investment outlook negative (-10%) during the next twelve months. Again, this is offset by a supportive low OCR (-0.25%). Over the following 24 months this scenario sees the economic recovery beginning, although unemployment remains high (falling to 7%), further house price reductions of 5% and relatively stable business investment (1.2%).

5 Allowance for Expected Credit Loss (continued)

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

- Severe downside (5%): Reflects the sharpest economic shock, which continues over the longer term. Unemployment rises to a peak of 12%, house prices fall (-20%) and business investment contracts (-17.5%) in the next twelve months. Again, this is offset by a supportive low OCR (-0.25%). This negative trend continues through the following 24 months, with house prices retracting a further 10%, unemployment remaining at high levels (9%), further contraction in business investment (-21%) and the OCR dropping to -0.50%, with only moderate improvement in these credit risk factors expected over the longer term.

Sensitivity to Macroeconomic Scenarios

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

$ millions	Banking Group	
As at	**31-Dec-20**	31-Dec-19
Upside	**(190)**	(127)
Central	**(137)**	(110)
Downside	**174**	(1)
Severe downside	**479**	329

Sensitivity to SICR Assessment

If an additional 1% of Stage 1 financial assets were assessed as having a SICR at 31 December 2020, with the scenario weightings applied at 31 December 2020 held constant, the Banking Group's allowance for ECL would increase by $9 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.

(g) Contractual Modifications

In response to the potentially widespread economic impact of the New Zealand COVID-19 lock-down, the Banking Group acted quickly to make a number of relief packages available to customers. For example, in certain circumstances customers could/can temporarily defer payments on existing advances for 3-6 months, or access limited additional financing at concessionary interest rates. Effective 30 September 2020, the relief was conditional on the customer experiencing difficulty in meeting their repayment obligations.

Where customers took the opportunity to defer payments, this represents a modification under accounting standards. During the period ended 31 December 2020, payments were deferred on Advances to customers with a gross carrying amount of approximately $900 million (30 June 2020 $2.2 billion) in stage 2 or 3. There was no material loss to the Banking Group from these modifications, because the Banking Group continues to earn interest during the deferral period.

Advances to customers with a gross carrying amount of $615 million (30 June 2020 $141 million) that were subject to payment deferrals have since returned to stage 1 as at 31 December 2020 (or been repaid or otherwise extinguished).

Notes to the Financial Statements

For the six months ended 31 December 2020

6 Credit Quality Information for Advances to Customers

Unaudited

$ millions	Banking Group			
As at 31 December 2020	**Residential Mortgages**	**Other Retail**	**Corporate**	**Total**
Past due assets not individually impaired				
1 to 7 days	1,089	100	208	1,397
8 to 29 days	506	68	19	593
1 to 29 days	1,595	168	227	1,990
30 to 59 days	142	32	4	178
60 to 89 days	62	18	-	80
90 days and over	124	24	1	149
Total past due assets not individually impaired	1,923	242	232	2,397
Other assets under administration	10	3	-	13
Undrawn lending commitments to customers with individually impaired assets	-	1	7	8

7 Impairment Losses on Financial Assets

Unaudited

$ millions	Banking Group			
For the six months ended 31 December 2020	**Residential Mortgages**	**Other Retail**	**Corporate**	**Total**
Impairment losses (credited against)/charged to the Income Statement for collective allowances	(6)	(19)	59	34
Impairment losses (credited against) the Income Statement for individually assessed allowances	(1)	(1)	(23)	(25)
Bad debts written off directly to the Income Statement	-	27	-	27
Recovery of amounts previously written off	-	(6)	-	(6)
Total impairment losses recognised in the Income Statement	(7)	1	36	30

Impairment losses on other financial assets for the period ended 31 December 2020 are not material to the Banking Group.

8 Concentrations of Credit Exposures

Unaudited

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

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

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

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

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

$ millions	Banking Group			
As at 31 December 2020	**Financial Assets at Amortised Cost**	**Financial Assets at Fair Value**	**Other Credit Exposures**	**Total Credit Exposures**
Concentration by industry				
Agriculture	10,197	19	797	11,013
Forestry and Fishing, Agriculture Services	550	4	65	619
Manufacturing	852	30	418	1,300
Electricity, Gas, Water and Waste Services	382	97	166	645
Construction	596	-	382	978
Wholesale Trade	627	31	575	1,233
Retail Trade and Accommodation	1,565	5	506	2,076
Transport, Postal and Warehousing	826	4	353	1,183
Financial and Insurance Services	4,715	4,388	200	9,303
Rental, Hiring and Real Estate Services	33,147	64	1,507	34,718
Professional, Scientific, Technical, Administrative and Support Services	567	2	448	1,017
Public Administration and Safety	21	4,468	74	4,563
Education and Training	218	1	130	349
Health Care and Social Assistance	934	-	327	1,261
Arts, Recreation and Other Services	331	1	128	460
Households	43,359	-	10,028	53,387
All Other	44	-	35	79
Total credit exposures by industry	98,931	9,114	16,139	124,184
Concentration by geographic region				
Auckland	47,034	1,839	9,174	58,047
Rest of New Zealand	50,575	4,414	6,819	61,808
Overseas	1,322	2,861	146	4,329
Total credit exposures by geographic region	98,931	9,114	16,139	124,184

9 Concentration of Credit Exposures to Individual Counterparties

Unaudited

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

The peak end-of-day aggregate concentration of credit exposure to individual counterparties has been calculated by determining the maximum end-of-day aggregate amount of credit exposure over the relevant six-month period and then dividing that amount by the Banking Group's common equity tier one capital as at 31 December 2020.

	Banking Group	
Number of exposures that equals or exceeds 10% of common equity tier one capital	**Exposure as at 31-Dec-20**	**Peak end-of-day exposure over six months to 31-Dec-20**
Exposures to banks		
With a long-term credit rating of A- or A3 or above, or its equivalent		
10% to less than 15% of common equity tier one capital	**1**	**2**
15% to less than 20% of common equity tier one capital	**-**	**2**
With a long-term credit rating of at least BBB- or Baa3, or its equivalent, and at most BBB+ or Baa1, or its equivalent	**-**	**-**
10% but less than 15% of common equity tier one capital	**-**	**1**
Exposures to non-banks		
With a long-term credit rating of A- or A3 or above, or its equivalent	**-**	**-**
With a long-term credit rating of at least BBB- or Baa3, or its equivalent, and at most BBB+ or Baa1, or its equivalent	**-**	**-**

10 Deposits and Other Borrowings

$ millions	Banking Group		
As at	**Unaudited 31-Dec-20**	Unaudited 31-Dec-19	Audited 30-Jun-20
Certificates of deposit	**3,722**	3,368	4,023
Term deposits	**27,914**	33,829	32,885
On demand and short term deposits	**34,273**	24,547	29,357
Deposits not bearing interest	**10,470**	6,585	8,123
Repurchase agreements	**-**	397	100
Total deposits and other borrowings	**76,379**	68,726	74,488

Notes to the Financial Statements

For the six months ended 31 December 2020

11 Debt Issues

$ millions	Banking Group		
	Unaudited	Unaudited	Audited
As at	**31-Dec-20**	31-Dec-19	30-Jun-20
Debt issues at fair value through Income Statement	**4,593**	584	545
Debt issues at amortised cost	**17,058**	20,632	18,863
Total debt issues	**21,651**	21,216	19,408
Movement in debt issues			
Balance at beginning of period	**19,408**	21,556	21,556
Issuances during the period	**5,282**	2,190	3,340
Repayments during the period	**(1,881)**	(2,346)	(6,553)
Fair value movements	**(90)**	(90)	262
Foreign exchange and other movements	**(1,068)**	(94)	803
Balance at the end of period	**21,651**	21,216	19,408

12 Credit and Capital Commitments, and Contingent Liabilities

$ millions	Banking Group Notional Amount		
	Unaudited	Unaudited	Audited
As at	**31-Dec-20**	31-Dec-19	30-Jun-20
Credit and Capital Commitments			
Lending commitments approved but not yet advanced (1)	**15,384**	13,958	14,579
Capital expenditure commitments	**4**	9	5
Total credit and capital commitments	**15,388**	13,967	14,584
Credit related contingent liabilities			
Financial guarantees	**192**	187	187
Letters of credit	**83**	108	100
Other credit facilities	**480**	395	445
Total credit related contingent liabilities	**755**	690	732

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

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

The Banking Group has identified a number of matters where it is undertaking reviews relating to products and services provided to customers which may require remediation and, in some cases, engagement with regulators. Specific provisions have been made where possible in relation to these matters. However there are instances where the potential liability to the Banking Group, if any, cannot be accurately assessed until such matters are further progressed or because the application of the law is uncertain.

The Banking Group has other contingent liabilities in respect of actual and potential claims and proceedings. An assessment of the Banking Group's likely loss in respect of these matters has been made on a case-by-case basis and provision made in the financial statements where required by NZ GAAP.

Notes to the Financial Statements

For the six months ended 31 December 2020

13 Related Party Transactions and Balances

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

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

During the six months ended 31 December 2020 the Banking Group has entered into, or had in place, various financial transactions with members of the Commonwealth Bank Group and other related parties. The Bank provides administrative functions to some related companies and entities for which no compensation has been received. In all other cases, arrangements with related parties were conducted on an arm's length basis and on normal commercial terms, and within the Bank's approved policies. Loans to and borrowings from related parties are unsecured.

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

$ millions		**Banking Group**	
As at	**Unaudited 31-Dec-20**	Unaudited 31-Dec-19	Audited 30-Jun-20
Commonwealth Bank Group	**708**	833	1,089
Superannuation schemes and managed investment schemes managed by ASB Group Investments Limited	**19**	18	17
Trade Window Limited	**3**	-	3
Total amounts due from related parties	**730**	851	1,109
Commonwealth Bank Group	**1,123**	1,038	1,293
ASB Holdings Limited	**23**	47	8
Superannuation schemes and managed investment schemes managed by ASB Group Investments Limited	**2,045**	1,046	1,510
Trade Window Limited	**3**	-	1
Total amounts due to related parties	**3,194**	2,131	2,812

For the six months ended 31 December 2020, significant related party transactions included interest expense paid to the Commonwealth Bank Group of $34 million (31 December 2019 $63 million) and management and administration fees received from schemes managed by ASB Group Investments Limited of $64 million (31 December 2019 $59 million). Dividends paid to the shareholder are disclosed in the Statement of Changes in Equity.

14 Fair Value of Financial Instruments

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

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

The Banking Group categorises financial assets and financial liabilities at fair value into the fair value hierarchy as required by NZ IFRS 13 *Fair Value Measurement* based on the observability of inputs used to measure fair values:

- Level 1 – fair values are based on quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities that the Banking Group can access;
- Level 2 – where quoted market prices are not available, fair values have been estimated using present value or other valuation techniques using inputs that are observable for the financial asset or financial liability, either directly or indirectly; or
- Level 3 – fair values are estimated using 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.

There were no transfers between levels for recurring fair value measurements for the period ended 31 December 2020.

14 Fair Value of Financial Instruments (continued)

(a) Fair Value Hierarchy of Financial Instruments Measured at Fair Value

The following tables present an analysis by level in the fair value hierarchy of the financial instruments that are recognised and measured at fair value on a recurring basis.

Unaudited $ millions **As at 31 December 2020**	**Banking Group** **Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Securities at fair value through other comprehensive income	**6,587**	**1,709**	**-**	**8,296**
Derivative assets	**-**	**818**	**-**	**818**
Total financial assets measured at fair value	**6,587**	**2,527**	**-**	**9,114**
Financial liabilities				
Derivative liabilities	**-**	**772**	**-**	**772**
Debt issues at fair value through Income Statement	**-**	**4,593**	**-**	**4,593**
Total financial liabilities measured at fair value	**-**	**5,365**	**-**	**5,365**

Unaudited $ millions **As at 31 December 2019**	**Banking Group** **Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Securities at fair value through other comprehensive income	5,489	1,107	-	6,596
Derivative assets	-	940	-	940
Total financial assets measured at fair value	5,489	2,047	-	7,536
Financial liabilities				
Derivative liabilities	1	506	-	507
Debt issues at fair value through Income Statement	-	584	-	584
Total financial liabilities measured at fair value	1	1,090	-	1,091

Audited $ millions **As at 30 June 2020**	**Banking Group** **Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Securities at fair value through other comprehensive income	6,012	1,397	-	7,409
Derivative assets	-	1,644	-	1,644
Total financial assets measured at fair value	6,012	3,041	-	9,053
Financial liabilities				
Derivative liabilities	-	265	-	265
Debt issues at fair value through Income Statement	-	545	-	545
Total financial liabilities measured at fair value	-	810	-	810

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

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

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

14 Fair Value of Financial Instruments (continued)

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

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

$ millions	Banking Group					
	Unaudited		Unaudited		Audited	
	31-Dec-20		31-Dec-19[1]		30-Jun-20	
As at	**Fair Value**	**Carrying Value**	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets						
Cash and liquid assets	**3,510**	**3,510**	1,880	1,880	4,217	4,217
Due from financial institutions	**551**	**551**	666	666	532	532
Advances to customers	**95,097**	**94,870**	89,546	89,323	90,647	90,184
Other financial assets	**251**	**251**	279	279	274	274
Total	**99,409**	**99,182**	92,371	92,148	95,670	95,207
Financial liabilities						
Deposits and other borrowings	**76,526**	**76,379**	68,841	68,726	74,692	74,488
Due to financial institutions	**760**	**760**	814	814	1,640	1,640
Other financial liabilities[2]	**363**	**363**	512	512	644	644
Debt issues at amortised cost	**17,177**	**17,058**	20,724	20,632	18,835	18,863
Loan capital	**414**	**407**	420	407	415	411
Total	**95,240**	**94,967**	91,311	91,091	96,226	96,046

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

(2) Other financial liabilities exclude the lease liability of $233m as no fair value disclosure is required in respect of lease liabilities.

15 Capital Adequacy

Unaudited

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

The Banking Group must comply with RBNZ minimum capital adequacy ratios under the Bank's Conditions of Registration. These Conditions of Registration require capital adequacy ratios for the Banking Group to be calculated in accordance with the RBNZ document *Capital Adequacy Framework (Internal Models Based Approach)* ("BS2B") dated November 2015. The Banking Group is accredited by the RBNZ to adopt the internal ratings based ("IRB") approach for calculating regulatory capital requirements.

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

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

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

To support availability of credit while impacts from COVID-19 remain uncertain, the RBNZ has further delayed the start date of the increased capital requirements for banks to 1 July 2022. Should conditions warrant it next year, the RBNZ will consider whether further delays are necessary.

The derecognition of non-qualifying Additional Tier one and Tier two instruments commences on 1 July 2021, and these instruments must be fully derecognised by 1 July 2028. The RBNZ has also commenced consultation on the details for implementing the final capital review decisions. The consultation runs from 17 November 2020 until 31 March 2021.

15 Capital Adequacy (continued)

Unaudited

$ millions As at 31 December 2020	Banking Group
Capital under Basel III IRB approach	
Tier one capital	
Common equity tier one capital	
Issued and fully paid-up ordinary share capital	**5,173**
Retained earnings	**2,382**
Accumulated other comprehensive income and other disclosed reserves	**(91)**
Deductions from common equity tier one capital:	
Goodwill and other intangible assets	**(207)**
Deferred tax assets	**(264)**
Cash flow hedge reserve	**126**
Total common equity tier one capital	**7,119**
Additional tier one capital	
Perpetual fully paid-up non-cumulative preference shares - classified as equity	**1,000**
Total additional tier one capital	**1,000**
Total tier one capital	**8,119**
Tier two capital	
Loan capital	**400**
Asset revaluation reserve	**33**
Total tier two capital	**433**
Total capital	**8,552**

	Banking Group		Bank	
As at	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Capital ratios				
Common equity tier one capital ratio	**12.2%**	11.7%	**12.2%**	11.7%
Tier one capital ratio	**13.9%**	13.5%	**13.9%**	13.5%
Total capital ratio	**14.6%**	14.2%	**14.6%**	14.2%
Buffer ratio	**6.6%**	6.2%	**6.6%**	6.2%
Minimum ratio requirement				
Common equity tier one capital ratio	**4.5%**	4.5%	**4.5%**	4.5%
Tier one capital ratio	**6.0%**	6.0%	**6.0%**	6.0%
Total capital ratio	**8.0%**	8.0%	**8.0%**	8.0%
Buffer ratio	**2.5%**	2.5%	**2.5%**	2.5%

$ millions	Banking Group		
As at 31 December 2020	Total Exposure[1]	RWE[2]	Capital Requirement
Capital requirements			
Total credit risk	**127,078**	**49,641**	**3,971**
Operational risk	**N/A**	**5,307**	**425**
Market risk	**N/A**	**3,429**	**274**
Total capital requirement		**58,377**	**4,670**

As at 31 December 2020, the Banking Group held $3,882m of capital in excess of its regulatory capital requirements.

(1) Total exposure is after credit risk mitigation.

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

15 Capital Adequacy (continued)

Capital Structure

Ordinary Shares

The total number of ordinary shares issued by the Bank as at 31 December 2020 was 5,148,121,300. All ordinary shares have equal voting rights and share equally in dividends and any profit on winding up, after the obligations to holders of ASB perpetual preference shares ("PPS") are satisfied. Dividends are declared, subject in all cases, to the applicable Directors' resolutions being passed. Ordinary shares qualify as common equity tier one capital under the RBNZ's regulatory capital standards.

The RBNZ amended locally incorporated banks (including the Banking Group) Conditions of Registration on 2 April 2020, to include restricting the payment of dividends on ordinary shares and the redemption of non-CET1 capital instruments as a measure to further support the stability of the financial system during the current period of economic stress and uncertainty as a result of the impacts of the COVID-19 pandemic. The RBNZ has advised that the restrictions will remain in place until at least 31 March 2021.

Perpetual Preference Shares

On 16 March 2015, the Bank issued 6,000,000 PPS to ASB Holdings Limited and raised $600 million from the issuance. On 31 March 2016, the Bank issued a further 4,000,000 PPS to ASB Holdings Limited and raised $400 million from the issuance. Both PPS issuances currently qualify as additional tier one capital under the RBNZ's existing regulatory capital standards, but will be phased out over the 7 year transition period starting 1 July 2021 under the RBNZ's new capital criteria.

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

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

The total number of issued PPS as at 31 December 2020 was 10,000,000.

Loan Capital

On 30 November 2016, the Bank issued subordinated and unsecured debt securities ("ABB050 Notes") with a face value of $400 million. The ABB050 Notes meet the existing criteria for tier two capital designation under the Bank's and CBA's regulatory capital requirements and are classified as financial liabilities under NZ IAS 32. Under the RBNZ's new capital criteria, the ABB050 Notes will be phased out over the 7 year transition period starting 1 July 2021.

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

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

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

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

Reserves

Accumulated other comprehensive income and other disclosed reserves in common equity tier one capital includes the Fair value through other comprehensive income reserve of $35 million. The Fair value through other comprehensive income reserve includes the cumulative net change in the fair value of Securities at fair value through other comprehensive income until the investment is derecognised or impaired. When fair value hedge accounting is applied, only fair value changes relating to movements in credit spreads are included in the reserve.

The Asset revaluation reserve of $33 million included in tier two capital relates to revaluation gains on land and buildings carried at valuation, except that to the extent the gain reverses a revaluation loss on the same asset previously recognised in the Income Statement, that gain is recognised in the Income Statement.

15 Capital Adequacy (continued)

Unaudited

Credit risk exposures subject to the IRB approach by exposure class

As at 31 December 2020	Banking Group					
PD Grade	Exposure Weighted PD	Exposure Amount $ millions	Exposure Weighted LGD	Exposure Weighted Risk Weight	Risk Weighted Exposures[1] $ millions	Minimum Capital Requirement $ millions
Sovereign exposures						
Less than and including 0.03%	0.02%	8,240	5%	1%	98	8
Over 0.03% up to and including 0.05%	-	-	-	-	-	-
Over 0.05% up to and including 0.07%	-	-	-	-	-	-
Over 0.07% up to and including 0.26%	-	-	-	-	-	-
Over 0.26% up to and including 99.99%	-	-	-	-	-	-
Default PD grade	-	-	-	-	-	-
Total sovereign exposures	0.02%	8,240	5%	1%	98	8
Bank exposures						
Less than and including 0.03%	0.03%	1,120	60%	24%	286	23
Over 0.03% up to and including 0.05%	0.04%	2,443	61%	26%	681	54
Over 0.05% up to and including 0.07%	0.07%	34	61%	55%	20	2
Over 0.07% up to and including 0.26%	0.18%	6	61%	101%	6	-
Over 0.26% up to and including 99.99%	1.90%	-	59%	123%	-	-
Default PD grade	-	-	-	-	-	-
Total bank exposures	0.04%	3,603	61%	26%	993	79
Exposures secured by residential mortgages						
Less than and including 0.50%	0.27%	23,467	17%	10%	2,457	197
Over 0.50% up to and including 0.85%	0.66%	24,313	21%	23%	5,834	467
Over 0.85% up to and including 3.26%	1.25%	21,203	23%	39%	8,792	703
Over 3.26% up to and including 7.76%	3.58%	2,428	26%	81%	2,091	167
Over 7.76% up to and including 99.99%	12.51%	1,402	19%	99%	1,473	118
Default PD grade	100.00%	445	23%	202%	951	76
Total exposures secured by residential mortgages	1.63%	73,258	20%	28%	21,598	1,728
Other retail exposures						
Less than and including 0.50%	-	-	-	-	-	-
Over 0.50% up to and including 0.85%	0.83%	475	95%	89%	447	36
Over 0.85% up to and including 3.26%	1.59%	2,156	95%	112%	2,552	204
Over 3.26% up to and including 7.76%	3.77%	351	93%	134%	498	40
Over 7.76% up to and including 99.99%	26.96%	32	94%	234%	80	6
Default PD grade	100.00%	20	94%	620%	132	11
Total other retail exposures	2.64%	3,034	94%	115%	3,709	297
Corporate exposures - small and medium enterprises						
Less than and including 0.20%	0.15%	819	31%	18%	160	13
Over 0.20% up to and including 0.50%	0.34%	4,764	25%	27%	1,347	108
Over 0.50% up to and including 1.00%	0.68%	10,525	31%	48%	5,372	430
Over 1.00% up to and including 2.30%	1.48%	6,756	31%	63%	4,516	361
Over 2.30% up to and including 99.99%	7.93%	2,106	32%	107%	2,379	190
Default PD grade	100.00%	257	44%	285%	775	62
Total corporate exposures - small and medium enterprises	2.43%	25,227	30%	54%	14,549	1,164
Other corporate exposures						
Less than and including 0.20%	0.10%	1,082	48%	29%	330	26
Over 0.20% up to and including 0.50%	0.30%	2,267	39%	44%	1,060	85
Over 0.50% up to and including 1.00%	0.63%	1,884	39%	61%	1,210	97
Over 1.00% up to and including 2.30%	1.52%	821	46%	98%	849	68
Over 2.30% up to and including 99.99%	3.82%	261	36%	100%	278	22
Default PD grade	100.00%	8	59%	2%	-	-
Total other corporate exposures	0.79%	6,323	41%	56%	3,727	298

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

15 Capital Adequacy (continued)

Unaudited

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

$ millions	Banking Group			
	Undrawn Commitments and Other Off Balance Sheet Amounts		Market Related Contracts	
As at 31 December 2020	Value	EAD	Principal Amount	EAD
Sovereign exposures	2	2	-	-
Bank exposures	86	85	206,200	1,614
Exposures secured by residential mortgages	9,116	8,433	-	-
Other retail exposures	2,067	2,028	-	-
Corporate exposures - small and medium enterprises	3,336	3,329	2,023	105
Other corporate exposures	2,014	2,014	2,695	102
	16,621	15,891	210,918	1,821

$ millions LVR Range As at 31 December 2020	Banking Group 0%-60%	60.1%-70%	70.1%-80%	80.1%-90%	>90%	Total
Residential mortgages by loan-to-valuation ratio ("LVR")						
On balance sheet exposures	28,053	13,948	18,061	4,699	1,419	66,180
Off balance sheet exposures	5,204	1,333	1,513	193	195	8,438
Total value of exposures	33,257	15,281	19,574	4,892	1,614	74,618
Expressed as a percentage of total exposures	44.6%	20.5%	26.2%	6.5%	2.2%	100.0%

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

Unaudited $ millions As at 31 December 2020	Banking Group
Reconciliation of mortgage-related amounts	
Residential mortgages in Advances to customers (refer to note 4)	65,795
Add/(less):	
Off balance sheet exposures	8,438
Exposure at default adjustments	608
Unamortised loan establishment fees and expenses	(223)
Residential mortgages in LVR disclosure	74,618
Add/(less):	
Residential mortgages subject to the Standardised Approach	(1,360)
Residential mortgages subject to the IRB approach	73,258

15 Capital Adequacy (continued)

Unaudited

As at 31 December 2020 Balance Sheet Exposures Subject to the Slotting Approach	Banking Group Total Exposure after Credit Risk Mitigation $ millions	Risk Weight	Risk Weighted Exposures[1] $ millions	Minimum Pillar One Capital Requirement $ millions
Specialised lending				
Strong	259	70%	192	15
Good	79	90%	75	6
Satisfactory	16	115%	20	2
Weak	1	250%	2	-
	355		289	23

As at 31 December 2020 Off Balance Sheet Exposures Subject to the Slotting Approach	Banking Group EAD $ millions	Average Risk Weight	Risk Weighted Exposures[1] $ millions	Minimum Pillar One Capital Requirement $ millions
Undrawn commitments	12	201%	26	2
	12		26	2

As at 31 December 2020 Balance Sheet Exposures Subject to the Standardised Approach	Banking Group Total Exposure after Credit Risk Mitigation $ millions	Average Risk Weight	Risk Weighted Exposures[1] $ millions	Minimum Pillar One Capital Requirement $ millions
Cash	134	-	-	-
Residential mortgages	1,355	40%	576	46
Other assets	4,124	81%	3,559	285
Total balance sheet exposures	5,613		4,135	331

As at 31 December 2020 Off Balance Sheet Exposures and Market Related Contracts Subject to the Standardised Approach	Banking Group Total Exposure or Principal Amount $ millions	Average Credit Conversion Factor	Credit Equivalent Amount $ millions	Average Risk Weight	Risk Weighted Exposures[1] $ millions	Minimum Pillar One Capital Requirement $ millions
Market related contracts						
Foreign exchange contracts	91	N/A	4	100%	4	-
Interest rate contracts[2]	167,053	N/A	1,204	2%	26	2
Undrawn commitments	1,186	8%	90	97%	93	7
Other off balance sheet exposures	113	100%	113	100%	120	10
Total off balance sheet exposures and market related contracts subject to the standardised approach	168,443		1,411		243	19

As at 31 December 2020 Equity Exposures Subject to the Standardised Approach	Banking Group Total Exposure $ millions	Risk Weight	Risk Weighted Exposures[1] $ millions	Minimum Pillar One Capital Requirement $ millions
All equity holdings not deducted from capital	2	400%	8	1

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

(2) The total exposure or principal amount reflects the gross notional value of contracts transacted through a qualifying central counterparty.

15 Capital Adequacy (continued)

Unaudited

$ millions	Banking Group		
As at 31 December 2020	**Total Exposure after Credit Risk Mitigation**	**Total Risk Weighted Exposures**	**Capital Requirement**
Total credit risk			
Exposures subject to the IRB approach	**119,685**	**44,674**	**3,574**
Specialised lending subject to the slotting approach	**367**	**315**	**25**
Exposures subject to the standardised approach	**7,026**	**4,386**	**351**
Credit valuation adjustment	**-**	**266**	**21**
Total credit risk	**127,078**	**49,641**	**3,971**

Exposures Subject to the IRB Approach	
Sovereign exposures	Exposures to the Crown; RBNZ; specified multilateral development banks; any other sovereign or its central bank.
Bank exposures	Exposures to banks and local authorities.
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	Project finance; income-producing real estate.

Exposures Subject to the Standardised Approach	
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.

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 40% of small business loans are generally secured against real estate, whilst credit cards, personal loans and overdrafts are generally unsecured.

As at 31 December 2020, none of the credit risk exposures subject to the standardised approach are covered by eligible financial collateral (i.e. cash, debt securities or equity securities). Across all portfolios, no exposures are covered by credit derivatives. Information on the total value of exposures covered by financial guarantees is not disclosed, as the effect of these guarantees on the underlying credit risk exposures is not considered to be material.

Operational Risk

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

The implied risk-weighted exposure for operational risk as at 31 December 2020 was $5,307 million.

The total operational risk capital requirement as at 31 December 2020 was $425 million.

15 Capital Adequacy (continued)

Unaudited

Market Risk Capital Charges

The Banking Group's aggregate market risk exposure is derived in accordance with BS2B and the RBNZ document *Market Risk Guidance Notes* (BS6). The peak end-of-day exposure is derived by taking the highest market exposure over the six months ended 31 December 2020.

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

$ millions	Banking Group			
Exposures as at 31 December 2020	**Interest Rate Risk**	**Foreign Currency Risk**	**Equity Risk**	**Total**
Implied risk-weighted exposure	**2,961**	**468**	**-**	**3,429**
Aggregate capital charge	**237**	**37**	**-**	**274**

$ millions	Banking Group			
Peak end-of-day Exposures for the six months ended 31 December 2020	**Interest Rate Risk**	**Foreign Currency Risk**	**Equity Risk**	**Total**
Implied risk-weighted exposure	**3,339**	**566**	**1**	**3,906**
Aggregate capital charge	**267**	**45**	**-**	**312**

Capital for Other Material Risks

The Banking Group has an internal capital adequacy assessment process ("ICAAP") which complies with the requirements set out in the RBNZ document *Guidelines on a Bank's Internal Capital Adequacy Assessment Process ("ICAAP")* (BS12) in accordance with the Bank's Conditions of Registration. The Board is responsible for ensuring that the Banking Group has adequate overall capital in relation to its risk profile.

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

The Banking Group's ICAAP includes an assessment of capital required to cover material risks not already captured in the measurement of regulatory capital. Other material risks considered by the Banking Group include strategic risk, liquidity risk, reputational risk, funding risk, concentration risk, information technology and cyber risk. As at 31 December 2020, internal capital allocations of $312 million (31 December 2019 $313 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 CBA and the various companies and other entities owned and controlled by CBA.

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

APRA prudential standards require the ultimate parent banking group to have a minimum CET1 ratio of 4.5%. An additional CET1 capital conservation buffer of 3.5%, inclusive of a domestic systemically important bank requirement of 1% and a countercyclical capital buffer of 0% brings the CET1 requirement to at least 8% as specified under Basel III.

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

As at 31 December 2020 the minimum capital requirements were met (31 December 2019 minimum capital requirements were met).

	Ultimate Parent Bank		Ultimate Parent Banking Group	
As at	**31-Dec-20**	31-Dec-19	**31-Dec-20**	31-Dec-19
Common equity tier one capital ratio	**12.8%**	12.1%	**12.6%**	11.7%
Tier one capital ratio	**15.3%**	14.6%	**15.0%**	14.1%
Total capital ratio	**19.3%**	18.0%	**18.9%**	17.4%

16 Insurance Business, Marketing and Distribution of Insurance Products

Unaudited

The Banking Group does not conduct any insurance business. However, certain general, travel and life insurance products are marketed and distributed by the Bank for the following entities: IAG New Zealand Limited, Cigna Life Insurance Limited and AIA New Zealand Limited (formerly Sovereign Assurance Company Limited). None of these are affiliated insurance entities.

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

Unaudited

There were no changes in the composition of the Banking Group for the six months ended 31 December 2020.

18 Financial Reporting by Operating Segments

Unaudited

	Banking Group					
$ millions	Retail Banking	Business Banking	Corporate Banking	Private Banking, Wealth and Insurance	Other	Total
Income Statement						
For the six months ended 31 December 2020						
Net interest income	567	437	53	35	18	1,110
Other income/(loss)	190	61	21	117	(83)	306
Total operating income/(loss)	757	498	74	152	(65)	1,416
Impairment (recoveries)/losses on financial assets	(3)	31	1	(1)	2	30
Segment operating expenses/(benefit) excluding impairment losses	309	162	29	66	(48)	518
Segment net profit/(loss) before tax	451	305	44	87	(19)	868
Tax expense/(benefit)	126	85	12	24	(4)	243
Segment net profit/(loss) after tax	325	220	32	63	(15)	625
Balance Sheet						
As at 31 December 2020						
Total assets	49,844	38,856	6,223	3,036	11,272	109,231
Total liabilities	40,433	17,893	7,460	5,200	29,748	100,734

Notes to the Financial Statements

For the six months ended 31 December 2020

18 Financial Reporting by Operating Segments (continued)

Unaudited

	Banking Group					
$ millions	Retail Banking	Business Banking	Corporate Banking	Private Banking, Wealth and Insurance	Other	Total
Income Statement (1)						
For the six months ended 31 December 2019						
Net interest income	547	415	59	32	17	1,070
Other income/(loss)	208	62	28	123	(93)	328
Total operating income/(loss)	755	477	87	155	(76)	1,398
Impairment losses/(recoveries) on financial assets	29	(10)	2	1	-	22
Segment operating expenses/(benefit) excluding impairment losses	289	156	27	67	(5)	534
Segment net profit/(loss) before tax	437	331	58	87	(71)	842
Tax expense/(benefit)	122	93	16	24	(12)	243
Segment net profit/(loss) after tax	315	238	42	63	(59)	599
Balance Sheet (1)						
As at 31 December 2019						
Total assets	46,023	37,255	5,675	2,686	8,908	100,547
Total liabilities	36,663	15,212	6,755	4,675	29,217	92,522

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

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

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

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

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

Other primarily includes:

- Business units that do not meet the definition of operating segments under NZ IFRS 8 *Operating Segments,* including the Bank's Treasury function and other functions that supply support and services to the segments;
- Elimination entries on consolidation of the results, assets and liabilities of the Banking Group's controlled entities in the preparation of the consolidated financial statements of the Banking Group; and
- Results of certain business units excluded for management reporting purposes, but included within the consolidated financial statements of the Banking Group for statutory reporting purposes.

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

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

19 Interest Rate Repricing Schedule

Unaudited

The following table represents a breakdown of the Banking Group's assets and liabilities by their contractual repricing. The carrying amounts of derivative financial instruments, which are principally used to reduce the Banking Group's exposure to interest rate movements, are included under the heading "Non-interest Bearing". The Banking Group does not manage its interest rate risk on the basis of the information below.

$ millions	Banking Group						
As at 31 December 2020	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	3,327	-	-	-	-	183	3,510
Due from financial institutions	551	-	-	-	-	-	551
Securities at fair value through other comprehensive income	703	276	-	321	6,996	-	8,296
Derivative assets	-	-	-	-	-	818	818
Advances to customers	38,586	10,403	27,523	15,128	3,628	(398)	94,870
Other financial assets	-	-	-	-	-	251	251
Total financial assets	43,167	10,679	27,523	15,449	10,624	854	108,296
Non-financial assets							935
Total assets							109,231
Liabilities							
Deposits and other borrowings	48,902	11,023	3,937	1,240	807	10,470	76,379
Due to financial institutions	724	-	-	-	-	36	760
Derivative liabilities	-	-	-	-	-	772	772
Other financial liabilities	-	-	-	-	-	596	596
Debt issues:							
At fair value through Income Statement	1,827	1,729	1,037	-	-	-	4,593
At amortised cost	3,200	1,499	943	1,132	9,764	520	17,058
Loan capital	-	-	400	-	-	7	407
Total financial liabilities	54,653	14,251	6,317	2,372	10,571	12,401	100,565
Non-financial liabilities							169
Total liabilities							100,734
Net derivative notionals	16,938	1,634	(20,534)	(8,046)	10,008		
Interest rate sensitivity gap	5,452	(1,938)	672	5,031	10,061		

20 Regulatory Liquidity Ratios

Unaudited

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

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

The Bank calculates liquidity ratios in accordance with BS13. The 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 core funding. As part of the response to COVID-19, on 2 April 2020 the RBNZ reduced the minimum core funding ratio from 75% to 50% of the Banking Group's total Advances to customers.

The average of these ratios for the quarters ended 31 December 2020 and 30 September 2020 are reflected in the table below.

	Banking Group	
Average for the three months ended	**31-Dec-20**	30-Sep-20
One-month mismatch ratio	**5.0%**	5.7%
One-week mismatch ratio	**4.2%**	5.2%
Core funding ratio	**87.2%**	88.9%

b) Additional RBNZ Facilities

As a result of COVID-19, on 16 March 2020 the RBNZ announced that it would provide term funding through a Term Auction Facility ("TAF") to give banks the ability to access term funding using repurchase agreements with qualifying collateral for a term of up to twelve months. The Banking Group had nothing outstanding with the RBNZ under this facility as at 31 December 2020.

From 26 May 2020, the RBNZ made available a Term Lending Facility ("TLF") to offer loans for a fixed term of three years at the rate of OCR, with access to the funds linked to banks' lending under the Business Finance Guarantee Scheme (BFGS). The TLF is available until 28 July 2021 in line with the BFGS and the term has been extended to five years. The Banking Group had not utilised this facility as at 31 December 2020.

On 11 November 2020, the RBNZ announced the Funding for Lending Programme ("FLP") which would be available from 7 December 2020. The FLP will provide 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 will include 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 will also be made available, subject to growth in eligible loans, for a total size of up to 6% of eligible loans. The facility will be available until 6 June 2022 for the initial allocation and until 6 December 2022 for the additional allocation. The Banking Group has not utilised this facility as at 31 December 2020.

21 Qualifying Liquid Assets

Unaudited

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

If the Bank enters into a repurchase agreement with the RBNZ, the qualifying liquid assets sold under the agreement are subject to a reduction in value ("haircut") in accordance with the RBNZ's Operating Rules and Guidelines. This haircut can range from 1 to 19 percent, depending on the qualifying asset, and reduces the value of the qualifying liquid assets available for liquidity purposes. The table below does not adjust the qualifying liquid assets for this haircut.

$ millions			Banking Group			
As at 31 December 2020	**Cash and Liquid Assets**	**Securities at Fair Value through Other Comprehensive Income**	**Advances to Customers**	**Deposits and Other Borrowings [1]**	**Other Assets**	**Total**
Cash	**211**	**-**	**-**	**-**	**-**	**211**
Call deposits with the central bank	**2,833**	**-**	**-**	**-**	**-**	**2,833**
Local authority securities	**-**	**516**	**-**	**-**	**3**	**519**
New Zealand government securities	**466**	**3,591**	**-**	**-**	**19**	**4,076**
Corporate bonds	**-**	**220**	**-**	**-**	**1**	**221**
Bank bills	**-**	**440**	**-**	**-**	**-**	**440**
Kauri bonds	**-**	**2,325**	**-**	**-**	**17**	**2,342**
Bank bonds	**-**	**1,204**	**-**	**-**	**7**	**1,211**
Residential mortgage-backed securities[2]	**-**	**-**	**4,369**	**-**	**-**	**4,369**
Total qualifying liquid assets	**3,510**	**8,296**	**4,369**	**-**	**47**	**16,222**

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

(2) As at 31 December 2020, $4,284 million of the $4,369 million residential mortgage-backed securities held by the Banking Group were eligible for repurchase transactions with the RBNZ.

Notes to the Financial Statements

For the six months ended 31 December 2020

22 Maturity Analysis for Undiscounted Contractual Cash Flows

Unaudited

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

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

Deposits and other borrowings include customer savings and cheque deposits, which are at call. History demonstrates that such accounts provide a stable source of long term funding for the Banking Group. The Banking Group does not manage its liquidity risk on the basis of the information below.

$ millions	Banking Group							
As at 31 December 2020	**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	44,743	25,792	3,979	1,277	779	58	76,628	76,379
Due to financial institutions	736	24	-	-	-	-	760	760
Other financial liabilities	52	267	74	52	90	97	632	596
Debt issues:							-	
At fair value through Income Statement	-	3,563	1,038	-	-	-	4,601	4,593
At amortised cost	-	2,520	1,179	2,697	8,169	2,812	17,377	17,058
Loan capital	-	11	11	21	63	421	527	407
Total non-derivative financial liabilities	45,531	32,177	6,281	4,047	9,101	3,388	100,525	99,793
Derivative financial liabilities								
Inflows from derivatives	-	486	222	216	4,914	2,439	8,277	
Outflows from derivatives	-	(1,628)	(423)	(476)	(5,423)	(2,641)	(10,591)	
	-	(1,142)	(201)	(260)	(509)	(202)	(2,314)	
Off balance sheet items								
Lending commitments	13,381	2,003	-	-	-	-	15,384	
Financial guarantees	192	-	-	-	-	-	192	
Other credit related contingent liabilities	563	-	-	-	-	-	563	
Total off balance sheet items	14,136	2,003	-	-	-	-	16,139	

23 Concentrations of Funding

Unaudited

The following tables present the Banking Group's concentrations of funding, which are reported by industry and geographic region.

ANZSIC codes have been used as the basis for categorising industry sectors. The significant categories shown are in line with the NZSIOC.

$ millions **As at**	**Banking Group** **31-Dec-20**
Total funding comprises:	
Deposits and other borrowings	**76,379**
Due to financial institutions	**760**
Debt issues:	
At fair value through Income Statement	**4,593**
At amortised cost	**17,058**
Loan capital	**407**
Total funding	**99,197**
Concentration by industry	
Agricultural, Forestry and Fishing	**1,289**
Manufacturing	**1,103**
Construction	**1,310**
Wholesale Trade	**1,032**
Retail Trade and Accommodation	**1,399**
Transport, Postal and Warehousing	**652**
Information Media and Telecommunications	**420**
Financial and Insurance Services	**30,128**
Rental, Hiring and Real Estate Services	**4,690**
Professional, Scientific, Technical, Administrative and Support Services	**5,805**
Public Administration and Safety	**864**
Education and Training	**1,663**
Health Care and Social Assistance	**1,393**
Arts, Recreation and Other Services	**1,914**
Households	**45,062**
All Other	**473**
Total funding by industry	**99,197**
Concentration by geographic region	
New Zealand	**73,421**
Overseas	**25,776**
Total funding by geographic region	**99,197**

24 Events after the Reporting Period

Unaudited

On 3 February 2021, the Directors resolved to pay the following quarterly dividends on perpetual preference shares, subject to certain conditions being satisfied:

- $4 million on 15 March 2021, being 66.58 cents per share on 6 million 2015 perpetual preference shares; and
- $3 million on 15 March 2021, being 79.89 cents per share on 4 million 2016 perpetual preference shares.

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

Directors' Statement

After due enquiry by the Directors, it is each Director's opinion that for the six months ended 31 December 2020:

- The Bank complied with the Conditions of Registration imposed by the Reserve Bank of New Zealand under section 74 of the Reserve Bank of New Zealand Act 1989, except as disclosed on page 3 of this Disclosure Statement;
- Credit exposures to connected persons were not contrary to the interests of the Banking Group; and
- The Bank had systems in place to adequately monitor and control the material risks of the Banking Group including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks and that those systems are being properly applied.

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

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

The Disclosure Statement is signed by or on behalf of all the Directors.

G.R. Walker

Dame Therese Walsh

V.A.J. Shortt

as agent for
S.R.S. Blair

R.M. Carr

as agent for
D.A. Cohen

R.J.P. Buckley

10 February 2021

Independent auditor's review report

To the shareholder of ASB Bank Limited

Report on the ASB Disclosure Statement

Our conclusion

We have reviewed the ASB Disclosure Statement for the six months ended 31 December 2020 (the 'Disclosure Statement') of ASB Bank Limited (the 'Bank') and the entities it controlled at 31 December 2020 or from time to time during the period (the 'Banking Group'), which includes the condensed interim financial statements (the 'financial statements') required by Clause 25 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the 'Order') and the supplementary information required by Schedules 5, 7, 11, 13, 16 and 18 of the Order.

The financial statements comprise the balance sheet as at 31 December 2020, the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the six months then ended, and the notes to the financial statements that include the statement of accounting policies and other explanatory information.

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

a) the financial statements (excluding the supplementary information) have not been prepared, in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* (NZ IAS 34) and International Accounting Standard 34: *Interim Financial Reporting* (IAS 34);

b) the supplementary information that is required to be disclosed under Schedules 5, 7, 13, 16 and 18 of the Order, does not fairly state the matters to which it relates in accordance with those schedules; and

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

Basis for conclusion

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

We are independent of the Banking Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements. In addition to our role as auditor, our firm carries out other services for the Banking Group. These services are audit and assurance services in respect to funds managed by the Banking Group and other assurance and audit-related services. Other assurance and audit-related services include assurance over compliance with regulations, internal controls and audit related agreed upon procedure engagements. In addition, certain partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of trading activities of the Banking Group. These matters have not impaired our independence as auditor of the Banking Group.

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Directors' responsibility for the Disclosure Statement

The Directors of the Bank (the 'Directors') are responsible on behalf of the Bank for the preparation and fair presentation of the Disclosure Statement, which includes financial statements prepared in accordance with Clause 25 of the Order and for such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In addition, the Directors are responsible, on behalf of the Bank, for the preparation and fair presentation of supplementary information in the Disclosure Statement which complies with Schedules 3, 5, 7, 11, 13, 16 and 18 of the Order.

Auditor's responsibility for the review of the financial statements and supplementary information

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

- the financial statements (excluding the supplementary information), taken as a whole, have not been prepared, in all material respects, in accordance with NZ IAS 34 and IAS 34;
- the supplementary information (excluding the supplementary information relating to capital adequacy and regulatory liquidity requirements), taken as a whole, does not fairly state the matters to which it relates in accordance with Schedules 5, 7, 13, 16 and 18 of the Order; and
- the supplementary information relating to capital adequacy and regulatory liquidity requirements, taken as a whole, is not, in all material respects disclosed in accordance with Schedule 11 of the Order.

A review in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on the financial statements and the supplementary information.

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants Auckland
10 February 2021