

TSB Annual Report 2021



Kiwi Ranger Chris Dodd and TSB's Hana Klenner with Forrester the bird before he was transported to his new home.





Christchurch
Banking Hours

TSB

Monday - Friday	9am - 5pm
Saturday	10am - 5pm
Sunday	Closed

- Fast & easy online banking
- Free ATMs nationwide
- 24/7 mobile app banking
- Personalized banking solutions
- Free financial advice
- Specialist support available

Call us on 0800 872 216

Digital Hub



Unleashing our
unparalleled
customer care for
community good

Highlights

01



PEOPLE'S CHOICE

Won the Consumer New Zealand People's Choice Award for banking for the fifth year in a row, with a satisfaction score of 90%.

02



CUSTOMER SERVICE

Achieved an annual Net Promoter Score of 66*. This means 66% of our customers would recommend TSB to someone. Any score over 50 is considered excellent.

03



PROFIT FOR PURPOSE

The Bank reported net profit before tax of \$59.6 million. For the year ending 31 March 2021, a dividend of \$7.5 million was paid to our shareholder Toi Foundation to support its philanthropic work in the Taranaki community.

04



TSB GOOD STUFF

Launched TSB Good Stuff – a \$250,000 grants programme supporting Kiwis with great ideas to make a difference in New Zealand communities.

05



KIWI COURIERS

TSB Kiwi Couriers helped more than 70 birds get a better start in life by transporting eggs and chicks to safe incubation facilities.

06



TSB FOR GOOD

Our TSB for Good volunteer leave programme has supported communities across New Zealand by enabling our people to take a day out of work to volunteer.

07



BANKING HUBS

Proud to be one of six major banks delivering a world-first trial of Regional Banking Hubs.

08



VIRTUAL BANKING

Launched TSB Virtual Bank – giving people anywhere in New Zealand an online branch where they can discuss their home lending needs via video call, join the Bank and apply for products to suit their needs.

09



HAPPY BIRTHDAY

TSB celebrated its 170th birthday.

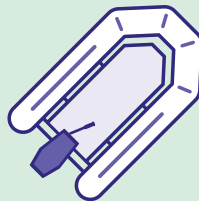
10



BRANCH OPENING

Opened a new state of the art branch in central Christchurch - designed based on customer and employee feedback.

11



SURF LIFE SAVING

\$115,000 in grants given to New Zealand Surf Life Saving Clubs to help keep Kiwis safe in the water.

12



LIVING WAGE

TSB became an officially accredited Living Wage employer after implementing in 2018.



John, Chair

Donna, CEO

Kia ora,

One word perfectly summarises how we feel about TSB's performance over the last year – proud.

In a global pandemic and an ever-changing operating environment where we constantly had to pivot to ensure we served our customers effectively, while also taking our business forward for the future – the TSB whānau has truly lived to our purpose of *unleashing our unparalleled customer care for community good.*

The way our people stepped up and lived our values to get the best outcomes for our customers, communities and each other through adversity, blew us away. Our collective pride in this special bank has never been stronger.

Despite the ongoing uncertainty Covid-19 has provided this year, TSB has delivered an annual net profit before tax of \$59.6 million, up from \$41.5 million in FY20 largely due to the impact of Covid related credit loss provisions on last year's profit. The Bank's funding and liquidity positions remain good, and our capital levels are well above those required by our regulator. This result shows TSB is in a strong position to help our customers and communities as we continue the economic recovery.

Pandemic proves strategic vision for TSB

In the year of our 170th birthday, the proud legacy our bank has built of doing what's right and putting people first, has resonated with New Zealanders more than ever. The challenge of Covid-19 has confirmed that TSB's purpose and strategy launched in 2019, which focuses on playing to our strengths to build robust foundations and deliver better banking, still holds true in our new operating environment.

The way our people have used our purpose to unleash our unparalleled customer care for community good to guide them to take initiative and accountability for making decisions right for our customers, communities and business, is a clear indicator we're on the right path to future success as an organisation.

When we headed into lockdown, our team culture shone. People went above and beyond to ensure the Bank could continue to help our customers with almost all our employees working from home and our branches closed. Our recent significant investment in embedding capability, capacity and collaboration at TSB, meant we were responsive and decisive in our actions as a team and that played a huge part in the success of our response.

Our work community came alive virtually with our people collaborating to identify where we could do more for our customers and stand-up responses quickly and effectively. For example, over just a couple of days our technology team leveraged our partnerships to launch new tools and systems to set people up with at-home workstations and reprogrammed our customer management platform, so we could share phone and secure messaging enquiries - which tripled over lockdown - more easily across different teams.

Our people also worked together to identify our customers needing extra care and built out comprehensive plans for personally contacting all customers who'd missed a payment, as well as all customers over 70-years-old, to check in and see if we could support them. Throughout lockdown we were so proud to regularly have customer feedback like this turn up in our inboxes: "A huge thanks TSB for making the decision to make calls to us to check if we're ok, never in my life has that happened before and I'm so very grateful. This is what makes TSB a wonderful bank."

Our people taking initiative for our customers needs like this, supported by effective collaboration, strong leadership and crisis management, enabled us to go above and beyond in response to Covid-19, all while still progressing our key work projects to move TSB forward. That's all credit to the dedication our people have for supporting our customers and setting our bank up for the future. On pages 10-13 we share more about what we delivered over this period

Unleashing better banking

This year TSB won the Consumer New Zealand People's Choice Award for banking for the fifth time in a row. We topped the annual survey with what Consumer New Zealand labelled an "impressive 90%" of customers very satisfied with the service they're getting.

This is a phenomenal achievement which is truly testament to the extra mile our people go to care for our customers in the moments that matter, so we'd like to extend a special thank you to our frontline teams who bring this magic to life day to day.



Providing that level of service is the TSB way, and that will never change. In fact, over the last year we've used this as inspiration to make changes to further enhance our customer experience model. To do this we've invested approximately \$17 million into technology, people and property to make our services more specialised, so customers receive proactive, fast, consistent and quality support for all of their banking needs.

For example, we've reworked how we help people with home lending, launching a dedicated, larger specialist lending team to support people with more complex needs. We've also created a team to support small to medium sized businesses and have grown our number of specialists ensuring wraparound care for customers impacted by Covid-19.



We're improving and expanding our digital offering, while still making sure we keep the personalised care our customers expect from us. A great example of this is the launch of TSB Virtual Bank, a part of our website where you can open an account, apply for TSB products and instantly book a video call to discuss your home loan needs. Our people have also been hard at work behind the scenes to develop a new online and mobile banking platform and other exciting new products, which will go live this year and provide a stronger, more modern customer experience for people who choose TSB.



As well as these things, TSB has returned to the heart of the city in Christchurch with a brand-new branch after relocating to a temporary site following the earthquakes. Our modern branch trials a new style of in-person banking for TSB, focused on having quality conversations and a modern approach to transactional support services. We'll look to use this as the blueprint for future branch enhancements across TSB, as well as for our exciting new Customer Lending Hub which we're opening in New Plymouth later this year.

We've also made the strategic decision to focus on what TSB does best, so we can deliver the high standards of customer care we win awards for, to all our customers. We acknowledge that due to our size, we can't be everything to everyone, so we've chosen to direct our focus on residential customers and home lending, because this is where our strengths lie and where we're set up to get the best outcomes for customers. As a result, we're now taking a more conservative approach to agribusiness and commercial lending and made the decision to sell TSB Real Estate to a company with the industry expertise needed to take it forward.

We're committed to making deliberate choices like this, about where we invest and focus, to make the biggest difference for our customers and our business and give more New Zealanders reasons to choose TSB.

Strengthening our foundations

TSB like every organisation, has things we need to improve on and we're committed as part of our strategy to identifying any areas needing attention and building stronger foundations, so we can implement the best systems and processes for our bank going forward.

Over the last year, a priority focus for us has been uplifting our risk and compliance maturity. We've made significant progress in this space and will always continue our focus here, because we're dedicated to achieving good outcomes for our customers.

As part of our journey to achieve our strategic vision for TSB, we've also made significant investment in our leadership and wider capability at our bank, including at Board level. Kevin McDonald has recently joined the Bank as a director after working in an advisory role on our risk maturity programme for the last 18 months. He brings to the Board and Risk Committee strong expertise from

his impressive 40-year international banking career focused on risk management and his governance input will be invaluable for us, as we continue to raise the bar in our foundations at TSB.

For people and community

Giving back is a cornerstone for TSB thanks to our profit for purpose ownership structure.

We're 100% New Zealand-owned by a philanthropic organisation, Toi Foundation (formerly TSB Community Trust), via its group company structure. For the year ending 31 March 2021, TSB paid a dividend of \$7.5 million to support its work in the community. The success of the Bank has helped Toi Foundation contribute more than \$153 million in the last 34 years to supporting communities to build an inclusive, equitable and thriving Taranaki.

This ownership structure genuinely makes a difference to the way TSB works. The Board encourages the executive leadership team to consider the impact on our customers and communities at every layer of the business, in every decision made. This means all TSB people are challenged to use this point of difference for our bank as inspiration to seek continuous improvement in all we do.

We were thrilled to take our community good a step further in June by launching TSB Good Stuff - an annual programme giving out \$250,000 in grants to Kiwis with great ideas to support New Zealand. We awarded nine grants of up to \$30,000 after we were inundated with applications of concepts aimed at solving problems and helping our communities. We're proud to be supporting solutions for tackling obesity, mental health and conservation, the creation of apps to help with patient triaging, disability access and boat safety, and science and technology education programmes. We can't wait to get behind more good causes in the coming year.

Being locally owned also means people who choose to bank with TSB can feel good knowing our profits stay right here to circulate in our local economy and benefit all New Zealanders. We're also proud to partner with organisations and events across the country like Surf Life Saving New Zealand, Kiwis for kiwi and TSB Festival of Lights, and to support our people to take a day out to help in their local communities via our TSB for Good volunteer leave programme. You can read more about our community good on pages 16-25.

These are the sort of values Kiwis are looking for in an organisation more than ever. The journey we're on at TSB is all about enhancing how we deliver for people and community as we move into the future, so with that focus at our core, we're confident our bank is on a path to great success.

We'd like to take this opportunity to say thank you to our TSB whānau – both the people who choose to bank with us and the people who make our organisation what it is. We value your ongoing support and commitment as we contribute to an even better New Zealand together.

Ngā mihi,

John Kelly and Donna Cooper
TSB Chair and CEO



Committed to caring for her customers

Jane Horne from our Customer Engagement Centre team took out a prestigious industry accolade in 2020 - the Customer Contact Network New Zealand Agent of the Year Award. To provide unparalleled customer care Jane aims to put herself in the shoes of the customers she serves every day, by considering what she'd want in an interaction with her bank and offering just that.

What do you come to work each day aiming to achieve?

I want our customers to feel welcomed, valued and cared for. We strive to do whatever we can to show our unparalleled customer care and I think that's what makes TSB so special.

I know myself that a great customer service experience is magical, and I love being able to provide that for others. Banking can sometimes be quite serious, so I like to connect with our customers, not just on a financial level, but a human level too. I like hearing about their life and what's important to them.

What did it mean to win a national award for customer service?

It was such a big accomplishment for me. It solidified my purpose. I love TSB and I love our values in terms of what we are providing and why. For me, it's about putting myself in other people's shoes. When I turn up to work every day, I put myself in the shoes of my customers and I like to think about things from their perspective. If I were calling the bank how would I like to be treated? How would I like my problems to be solved? That's the key to my success.

Do you have a recent customer interaction that stands out?

During lockdown I had a customer who called and needed to make a payment for a house purchase. It was a large amount of money to transfer, and she didn't use online banking, she was living by herself and was in a very vulnerable position.

I knew we'd have to make the transfers over a few days, and I was going on leave. I didn't want her to have the stress of dealing with multiple people, so I called her on some of my days off and I got the transfers done myself.

She was lovely, like catching up with your grandma. After, she sent in a handwritten letter to say thank you and she was so grateful. I didn't think I was doing anything extraordinary, but it was so nice to know I'd made a difference.

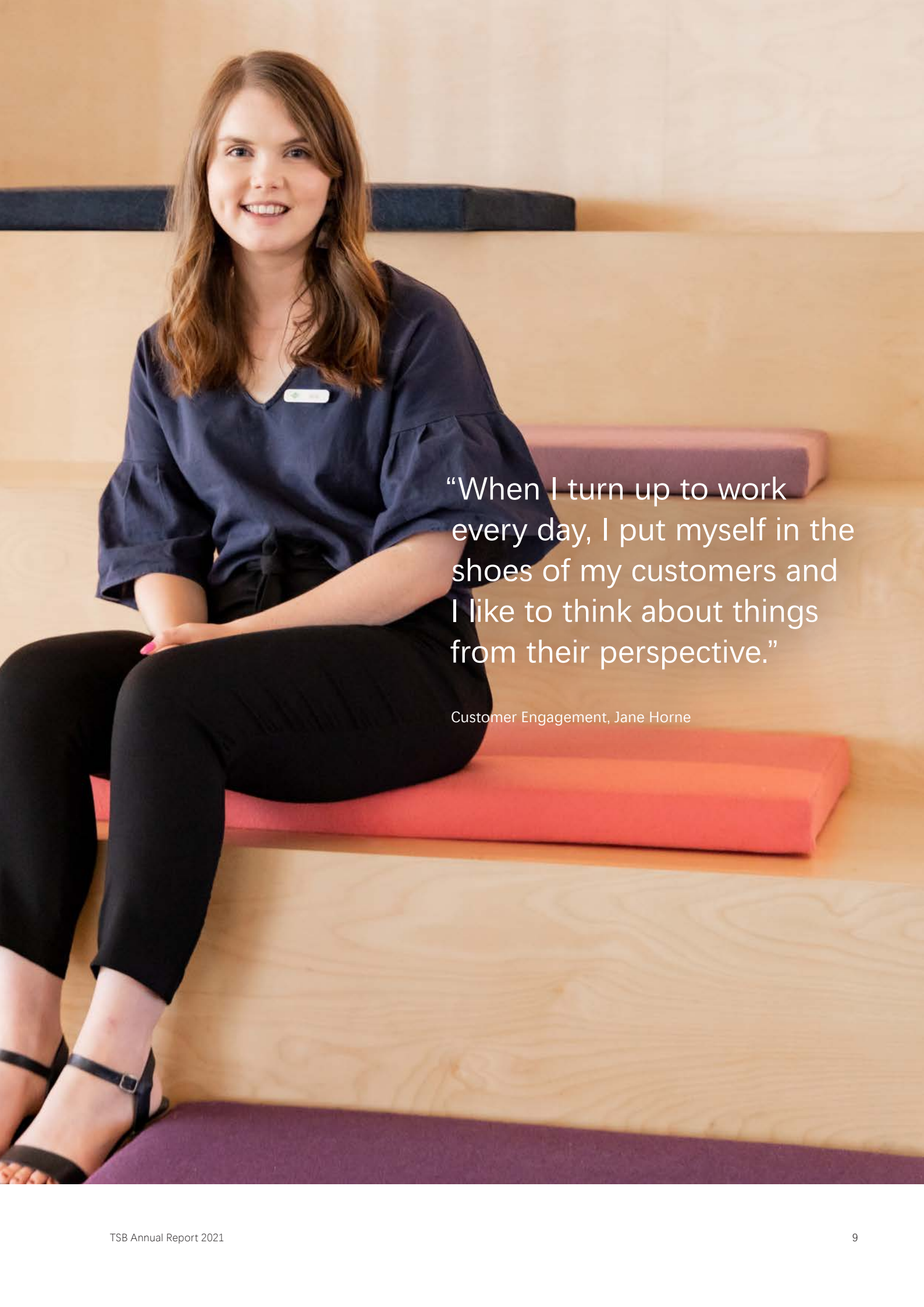
What are you most proud of in the last year?

When we went into lockdown and were working from home, there were all these things we had to learn quickly. I enjoyed how team-focused we were, and how we all worked towards one goal - helping our customers feel supported and cared for.

At TSB our purpose is to unleash our unparalleled customer care for community good. What part of that resonates with you?

The "unparalleled" really stands out for me. I love that we're aiming to be like no other, that we're leading the way in customer service.

"Community good" jumps out as well. I love the TSB Good Stuff campaign, I'm so proud of the fact TSB supports Kiwis who are starting projects that'll benefit New Zealand.



“When I turn up to work every day, I put myself in the shoes of my customers and I like to think about things from their perspective.”

Customer Engagement, Jane Horne

Going the extra mile for our customers and communities during Covid-19

Like all organisations, Covid-19 made a significant impact on our day-to-day operations. Our customers' needs changed, our branches were forced to close, and our people had to work from home for weeks on end.

This monumental shift required us to pivot and respond quickly to ensure we continued to effectively serve our customers, many of whom were facing unforeseen challenges, through this unprecedented time.

Covid-19 proved the value of TSB's connection and care for our customers and communities more than ever before.

Just some of our Covid-19 accomplishments:



Our people proactively contacted our customers over the age of 70 to check in with them and make sure they were doing okay during lockdown. Our customers were grateful to hear a friendly voice on the phone, and to have someone on hand who was ready to help.



We proactively contacted all customers who we thought might need extra financial support by identifying when someone missed a payment or stopped receiving regular income. Then when needed, we provided a range of options to support these people through their challenge every step of the way.



From April to June last year when New Zealand was in lockdown, our Net Promoter Score was 70. This scorecard reflects how likely our customers are to recommend TSB to someone. The worldwide industry average is 35, so with 70% of our customers rating us 9 or 10 out of 10 through this period, we knew we'd made a real difference for them.



In June we launched a new way of connecting with our customers - TSB Virtual Bank. Inspired by the rise in video calling Covid-19 prompted, the innovative portal means customers across the country can visit our online branch to join the Bank, discuss their home lending needs via video call and apply for products, in a fast and convenient way, from wherever, whenever suits them best.



During lockdown our customer call volume increased by 200% and secure messages by 300%. So, in just a couple of days our tech team created APIs to expand the capacity of our customer systems and enable our branch teams to join our call centre staff in supporting customers via these channels. This meant we could get to customers faster and spend more time supporting them.



Head of Integration & Data, Justin Taylor

Banking on tech to enhance our customer care during Covid-19

When Covid-19 hit, almost overnight we had to set up our business to run remotely so we could continue supporting customers with their needs in the moments that matter. TSB was able to quickly adapt and stand-up new tech solutions to enable the Bank to not only survive, but thrive, during this crisis. Our Head of Integration and Data Justin Taylor talks to how we did it.

How important was tech during TSB's response to Covid-19?

I think tech played a key role in enabling TSB to meet the changing needs of our customers in this new environment. We had to ensure 600 people could work from home and continue to provide unparalleled care to our customers.

Fortunately, tech was well placed because of our ongoing focus on building strong foundations. Having our customer management system Dynamics in play was pivotal to our success, because this meant our people had all the information they needed at their fingertips to provide a comprehensive level of support to our customers in these trying times.

We had also already adopted some great cloud solutions and had a few more plans in the pipeline that we managed to fast track to support our response.

What sorts of things did you fast track before lockdown that enabled the Bank's success?

In just a couple of days we enabled our people to use their home computers, log on securely and be virtually at the office, all while on a secure network a bank

needs to operate safely. Before Covid-19 we'd been putting in place that capability, so when it became clear lockdowns were a possibility, it meant we could ramp that work up quickly and get everything up and running in no time.

We were also already in the process of establishing a cloud-based call centre platform, and when Covid hit, with the help of our partners we managed to rapidly stand up that platform in the space of just ten days, when typically that would have taken months.

from mobile banking started to get flooded with customer requests. In fact, use of this secure channel tripled when we went into lockdown, with this big increase our old, manual system and process couldn't keep up.

We quickly responded to this and in a matter of days created an API that integrated the customer secure messages from our mobile app into our customer case management system Dynamics.

“It’s really promising to see the benefits of our digital strategy playing out, we used our size, partnerships and the strong foundations that we have been building, to quickly adapt to the changing needs of our customers. It made me really proud to see how well it worked for us.”

This rollout meant our people didn't have to physically be in the call centre, they could connect to the platform securely over the internet and provide great customer experiences from home. That was really significant. It also enabled us to launch a callback service so when the wait times were longer because of Covid, customers could opt to be called back rather than wait in a queue.

And lastly with everyone going into lockdown we really benefited from already being on Office 365, it was amazing to see people using Microsoft Teams so effectively for communicating and collaborating with each other with tech like video calls and chats in such a short space of time. 365 also enabled us to quickly build an app that helped our people let us know where they were working from each day, so we could identify if anyone needed support.

What are some things your team stood up during lockdown that helped the business respond?

One of the things we quickly noticed was because our branches were closed, our secure messaging channels

This meant we could redistribute these requests to branch teams who were working from home to respond to. This relieved some of the pressure in the call centre, meant more customers could be supported faster and we could take more time to deliver quality care, because we were using our comprehensive customer systems where we couldn't with this channel before.

What are you most proud of that tech delivered during the Covid-19 response?

I would say hands down the team's speed and ability in getting our workforce enabled so that we could carry on supporting our customers through this difficult time.

It's really promising to see the benefits of our digital strategy playing out, we used our size, partnerships and the strong foundations that we have been building on to quickly adapt to the changing needs of our customers. It made me really proud to see how well it worked for us.

No looking back after lockdown

inspired move to online banking



As the Covid-19 pandemic plunged our country into lockdown, many New Zealanders turned to digital banking for the first time. Lots of these customers learned how to use digital banking from our amazing customer team, who wouldn't hesitate to spend an hour on the phone helping someone feel confident with a new technology. TSB customer Shirley Rowe from Paraparaumu Beach shares her experience of this support.

When New Zealand went into lockdown last year, what did that mean for how you did your banking?

I needed to transfer some money over to my family's account. Usually, I would have gone into a branch to transfer money, so I phoned the Bank. I was transferred to Jaspreet (Kaur) and she was amazing. She went through how to do everything online step-by-step, and she explained it all so well. In the end I was just able to flick the button on the computer and it was done. I couldn't believe how easy it was.

Later I had to have some renovations done on my house, and I spoke to Jane (Horne) for help and she was equally as good and very thorough and very clear. It was all done so quickly. I was amazed.

What did that mean to you, to have the ability to transfer money yourself, from the comfort of your home?

I was really impressed with just how easy it was. I was bemoaning the fact I didn't have access to any of the branches anymore, but this is far better because I don't have to go outside. I'm 83 and I don't want to catch any bugs.

I always felt well cared for in the branches and now Jaspreet and Jane have been wonderful to me too. They are brilliant, and they've done such a great job teaching me to use online banking.

So, even though lockdown is over, you don't have to go into the branches often?

No, I don't. I'm confident using online banking if I have to. I can't see the need to go into a branch now. All my accounts are with TSB and I know what to do now if I do need some money.

Have you told your friends about online banking?

I have, and they have started using online banking now too. I've been trying to get them to change banks and come to TSB because I've been so impressed. I've told them they can even transfer their mortgages.

I've been with TSB since I left high school in Waitara. My parents were with TSB, my sister in Auckland is with TSB, my brother in New Plymouth is with TSB, and the rest of our family is too. I'm just so happy with the treatment I get from the lovely people at TSB. I will always be with TSB. No one can talk me out of it.

New vision of customer care launched in Christchurch

TSB is proud to have opened a new, state-of-the-art branch in the heart of Christchurch in 2020.

Canterbury is a key focus for TSB, so after temporarily relocating following the earthquakes, we're thrilled to launch our new vision of customer care in the beautiful new Riverside Market CBD development, and build further on our Christchurch Foundation contribution to the revitalisation of the city.

The design for our new branch is based on customer and employee feedback. It trials an innovative style of in-person banking focused on having quality, personalised customer conversations and a friendlier approach to transactional banking services.

In our new Christchurch space, every customer feels like they're being welcomed into the TSB home. Instead of lining up at a teller queue, they're greeted at the door and guided to a custom-designed space that best supports their specific needs.

We're using this branch as the blueprint for enhancing our face-to-face customer experiences across TSB in the coming years.

For example, later this year we'll be opening a new Customer Lending Hub at TSB Centre in New Plymouth which will build on our Christchurch design to improve our lending customer experience in the Taranaki region. Watch this space!

Below

Chris and Glenys' first trip to the Christchurch branch. They loved the new look and thought it was "very welcoming and beautiful - very relaxing and great colours"





We're using this branch as the blueprint for enhancing our face-to-face customer experiences across TSB in the coming years.

TSB Christchurch branch



good stuff!

Championing good for New Zealand communities

Positive change is happening around New Zealand thanks to our TSB Good Stuff grants programme.

As a bank that exists to use our profit for purpose, we launched the \$250,000 kickstarter fund in June to help communities get back on their feet after the Covid-19 lockdown.

We were thrilled to be pitched thousands of concepts aimed at solving problems and generating good for New Zealand.

In September we awarded grants of up to \$30,000 to nine ingenious ideas, helping turn lightbulb moments into tangible projects, which are already having an impact.

Our grants have helped create community cooking workshops aimed at fighting obesity, ensured children in lower decile areas are given STEM learning kits, and supported the rollout of a new predator trap.

We've also funded several innovative apps that will help the safety of boaties, improve the wellbeing of children, enhance emergency service responses, support people caring for loved ones with mental distress and allow people with disabilities to easily find accessibility information.



Grant gives obesity programme a fighting chance

Former professional boxer Dave Letele used to weigh in at 210 kilograms. He's now 100kgs lighter and working hard to tip the scales for South Auckland families also trying to free themselves from obesity.

It's a heavy task, but thanks to a TSB Good Stuff grant he's now building on his well-known fitness classes to also help Māori and Pasifika whānau make better choices when it comes to food.

TSB awarded BBM Kai \$30,000, enabling it to run free six-week programmes for people on how to cook healthy meals and ensure a better future for their families.

"BBM Kai teaches people how to shop, how to read food labels and how to plan and cook healthy meals on a budget," Dave says. "The amazing people at TSB have come to the party and with their help we've been able to deliver this programme so it's great to get this support."

A life saving idea inspired by tragedy

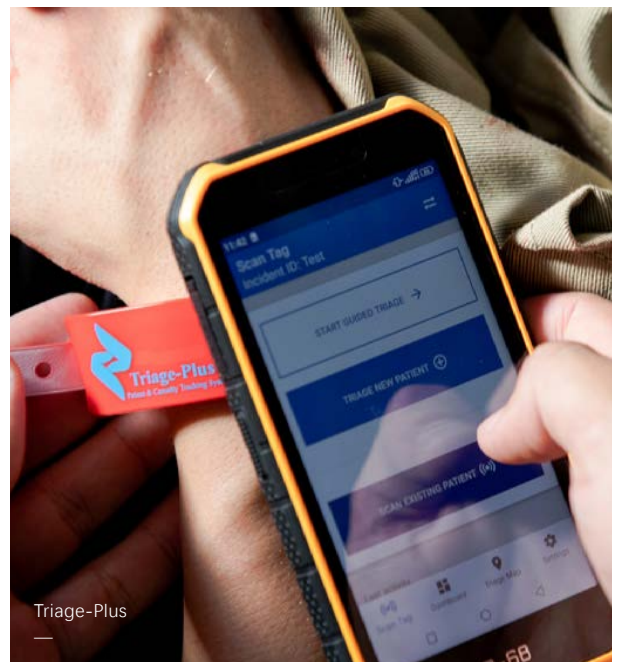
As an intensive care paramedic in Christchurch, Dean Brown has faced some of the most complex and tragic events in New Zealand's history.

He was the first paramedic on the scene of the harrowing mosque shootings in 2019 and was on the frontlines during the 2011 Canterbury earthquake.

His grim experiences exposed the shortfalls that exist when triaging and tracking patients during a mass casualty emergency.

Dean's life saving solution to this, the Triage-Plus app, was the \$30,000 winner of the People's Choice Award for TSB Good Stuff. It provides a centralised system for hospitals and emergency services to triage and monitor patients.

"The grant has allowed us to fast-track our app development, run our phase one trials and get us very close to releasing Triage-Plus into the market. We believe Triage-Plus will help save lives in New Zealand and that would not be possible without the amazing support from TSB."



We're committed to using our profit for purpose

Doing good in New Zealand communities has always been at the heart of everything we do at TSB.

TSB is owned by a philanthropic organisation, Toi Foundation (formerly TSB Community Trust), and the success of the Bank has helped it contribute more than \$153 million into Taranaki communities in the last 34 years.

For the year ending 31 March 2021, TSB paid a dividend of \$7.5 million to support Toi Foundations work.

With giving back to community at the core of our business, the Bank is also proud to partner with organisations, events and people committed to making beneficial change right across the country.

As a New Zealand-owned bank we also keep our profits here, where they can boost our local economy and create better outcomes for Kiwis.

We're proud to be a bank with such an important point of difference.

The peak of partnership – Supporting Taranaki Mounga to create positive change

Taranaki Mounga is one of the many invaluable initiatives our shareholder Toi Foundation helps fund with its strategic grant making. The nationally significant conservation project is set to transform the mountain, ranges and islands of the Taranaki region. Co-Project Manager Sean Zieltjes talks to the work of Taranaki Mounga and what the support from Toi Foundation and TSB has enabled it to achieve.

What's the vision for Taranaki Mounga?

This project was set up as an intervention on our mounga, to change the prospects for biodiversity over the next 10 to 20 years. It was designed to come in and do some heavy lifting in relation to predator control and returning some species that'd been lost on the mounga. The vision of Taranaki Mounga is He Kawa Ora - to sustain the health and wellbeing of Te Kāhui Tupua and their people.

We quickly realised you can't do any of that without community and without people, so our approach is to knit people in and give them the opportunity to be a part of the solution.

What has helped you connect to your community?

Nearly 70% of traplines are managed by volunteers and we're extremely grateful for their time, their efforts are keeping predator numbers down and enabling nature to thrive on the Mounga. Community have also supported us through our citizen science platforms Zooniverse and iNaturalist. It's about creating more depth in the relationship we as a community have with our mountain. Toi Foundation has also been vital in connecting us to other great organisations in Taranaki. That's been crucial because it's this collaboration and strength in numbers that's the fuel we need to get the long-term outcomes we're after.

One of our most rewarding connections through the Toi Foundation has been with START Taranaki, a youth programme based in Kaponga which is also supported by them. Their Early Start programme works with young men and looks to have short-term intervention in their lives and set them off on a new trajectory that's more positive for them and their families, sort of like what we do with the mounga.



Above
Sean Zieltjes, Taranaki Mounga



Above
TSB team members Mathew Peters, Scottie Henderson and Jonathan Le Leu helping Taranaki Mounga lay traps on their volunteer day.

Our role in that has been providing a place for these young people to come while they're figuring it all out. It's been a very rewarding reciprocal relationship, and three of the young men now work for us.

How has Toi Foundation contributed to your success?

Everything we've achieved is because the Toi Foundation back us, support us, connect us, and create the opportunity for us to do this work. As a foundation partner Toi Foundation has continually provided us with a lot more than just money. Taranaki Mounga wouldn't be half of what it is without the Foundation or the Bank that supports the opportunity for Toi Foundation to invest in our community.

You've had some of our TSB people lend a helping hand up the mounnga. What's that enabled?

It's been fantastic having TSB people help us as we strive for He Kawa Ora. The TSB for Good community volunteer programme has a direct impact on what we're trying to achieve. Helping us set up trap lines is enabling us to release kiwi into that area over the next few months. It's a great opportunity for them to spend time in the bush and to see first-hand how our collective restoration efforts are helping.

We're looking forward to having more staff join us on the Mounga. TSB is genuinely helping assist long-term change on our mountain and having more organisations create opportunities for their employees to give back like this would be massive. It enables us to keep knitting more people into the solution. TSB is an example for us to point to for others who are wondering what they can do to help. The Bank has shown the way.

"I huffed my way up that mountain, waddled my way through the vegetation, and sweated through the drizzle - loving every moment on that mountain learning about vegetation, birdlife and how the traps work. Thank you TSB for this annual volunteer day opportunity and the chance to do good for our community."

- Angela Schutte TSB for Good Volunteer



Above
TSB team members Mikyla Mills, Calle Swanepoel, Angela Schutte and Rachel Broadmore exhilarated after a great day volunteering with Taranaki Mounga.



TSB community volunteer days helping hatch the next generation of kiwi

We're pleased to be using our community volunteer leave programme to improve the plight of our national bird by carefully transporting eggs and chicks to safety.

In 2020 we began a new partnership with Kiwis for kiwi, and on top of that our people have taken on the role of TSB Kiwi Couriers - using their TSB for Good volunteer days to gently drive eggs and chicks from breeding pairs in the wild, to incubation facilities across the country.

We're also planting trees for every trip taken to offset carbon emissions.

Kiwi chicks that hatch in the wild where there is no predator control only have a 5% chance of survival if they're left to fend for themselves, but when they're taken out of the wild and away from predators, that jumps to 65%.

So our TSB Kiwi Couriers play a vital role in supporting Kiwis for kiwi in its mission to take kiwi from endangered to everywhere.

“We’re part of an organisation that cares about doing good and creating positive change in New Zealand.”

Business Analyst, Amberlie Hernandez



Taking our national bird under her wing as a TSB Kiwi Courier

Meeting a newly hatched kiwi chick and transporting it to safety was a once in a lifetime opportunity for Amberlie Hernandez. The Business Analyst used her TSB for Good volunteer day to collect a cute chick and two eggs from the wild in Taranaki, and carefully drive them to an incubation facility in Taupō. Her TSB Kiwi Courier experience, made possible by our partnership with Kiwis for kiwi, was a day she will never forget.

How did your day as a TSB Kiwi Courier begin?

We started by picking up a very cute kiwi chick and two kiwi eggs from Stratford. The baby chick was adorable, and it was so cool to see such a fuzzy little thing. Then we drove to Urenui to pick up another two eggs.

How did you look after your precious cargo?

We drove very slowly and very cautiously. It was quite nerve wracking because the roads were a bit bumpy. Every time we hit a bump I would cringe and turn around like a protective mama to make sure the babies were okay.

Also, we didn't talk for nearly the whole drive, and if we did it was whispers because we had a chick onboard, and they're sensitive to noise. The chick slept for most of the car ride, but you could hear rustling as we were driving. It was cute.

What happened at the incubation facility in Taupō?

We did the safety procedures first and then the kiwi keepers 'candled' the eggs where they held a light close to them, so they could see inside and determine how old they were. That was fascinating to watch. The keepers also showed us how they use old eggshells to gently patch damaged kiwi eggs until they're ready to hatch.



After that we took our chick to the brooder room. There were four other chicks in there and we were lucky enough to see them as well. The keepers also sexed our kiwi while we were there, and our little chick was a female.

How did you feel about the day?

It was a beautiful experience and a once in a lifetime opportunity. I'm originally from the States and I know many people live here their whole life and never see a kiwi. I'm extremely proud to play a small part in helping our national bird go from endangered to everywhere.

What does it mean for you to work for an organisation that supports and encourages you to do something like this?

It's extremely important to me that TSB gives us the time to volunteer in our communities. Not only do we get a day to help a worthy cause, but we also feel like we're part of an organisation that cares about doing good and creating positive change in New Zealand. I believe initiatives like this tell us a lot about a company.



TSB supports lifeguards to stay buoyant with partnership and club grants

Generations of New Zealanders have grown up with sand between their toes and the joy of summer days spent at the beach.

Helping those beachgoers stay safe are hundreds of volunteers from Surf Life Saving New Zealand (SLSNZ) who provide a critical rescue service during our long, hot summers.

As a bank that cares about people and communities, TSB is proud to be in our fifth year as a major partner supporting SLSNZ and its tireless work keeping Kiwis safe at the beach.

As well as this, we're pleased to have provided additional funding for essential equipment and resources to local clubs throughout New Zealand, via our yearly grants programme.

This has enabled clubs to run volunteer education and buy crucial equipment like all-terrain vehicles, rescue boards, floating radios and portable defibrillators.

"Our Surf Lifeguards do an extraordinary job conducting hundreds of rescues and thousands of preventative actions on our beaches every year. For some clubs, purchasing vital lifesaving equipment or upgrading facilities to meet their community's needs, is financially challenging, so we're hugely grateful to TSB for their ongoing support of them, as well as our wider organisation," says SLSNZ CEO Paul Dalton.


TSB helps summer festival shine bright for thousands

Our team are delighted to give back to our community by sponsoring the world-class TSB Festival of Lights.

Taranaki's largest summer festival lights up the lives of more than 120,000 people across New Zealand every year.

The award-winning event evokes a feeling of wonder for visitors as Pukekura Park is transformed with dazzling installations and six weeks of entertainment.

We're pleased to get behind an event which attracts thousands of people to New Plymouth each year and showcases the best our home region has to offer.



Mountain of Light installation by Angus Muir.
Photo: Charlotte Curd

Executive Leadership Team



DONNA COOPER

CEO



GRAEME SCRIVENER

CHIEF RISK OFFICER



TRACEY BERRY

GM REGULATORY
COMPLIANCE UPLIFT
OFFICE



RODDY BENNETT

GM FINANCE
(Retired 28 May)



JUSTINE ST JOHN

GM MARKETING &
CUSTOMER EXPERIENCE



CHRIS BOGGS

GM PEOPLE & STRATEGY



LARISSA VAUGHAN

GM REGULATORY
AFFAIRS & GENERAL
COUNSEL



SEAN EDWARDS

GM CUSTOMER
SOLUTIONS & SERVICE



LIZ MAGUIRE

ACTING GM
TECHNOLOGY



HERMAN VISAGIE

CHIEF OF STAFF

Board of Directors



JOHN KELLY

CHAIR



MURRAY BAIN, ONZM

DEPUTY CHAIR



ANNE BLACKBURN

DIRECTOR



PETER SCHUYT

DIRECTOR



DION TUUTA

DIRECTOR



NATALIE PEARCE

DIRECTOR



HARVEY DUNLOP

DIRECTOR



PETER DALZIEL

DIRECTOR



KEVIN MCDONALD

DIRECTOR

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Directorate

All Directors of the Bank reside in New Zealand.

J. J. (John) Kelly Independent and non-executive Director (Chair — Board of Directors) Company Director	External Directorship: John Kelly Livestock Limited, Te Tapu Lands Limited, Taranaki Veterinary Centre Limited, J & M Kelly Trustees Limited, JJ Kelly Family Trust, Neurological Foundation of New Zealand.
M. I. (Murray) Bain , MCom (Hons), BSc, C.F.Inst.D Independent and non-executive Director (Deputy Chair — Board of Directors) Company Director	External Directorship: Oryx Technologies Limited, M.I. Bain & Associates Limited, Central Region's Technical Advisory Services Limited, ESA Publications (NZ) Limited, Optimum Services Limited, Northland Polytechnic Limited, Southern Institute of Technology Limited, Ara Institute of Canterbury Limited.
M. A. (Anne) Blackburn , MA, BA, C.F.Inst.D Independent and non-executive Director Company Director	External Directorship: Ten Gracie Square Limited, Committee for Auckland Limited, Fisher Funds Management Limited, Resolution Life New Zealand Limited, Government Superannuation Fund Authority, Ponga Silva Limited, Annuitas Management Limited.
N. (Natalie) Pearce , BCom Independent and non-executive Director Company Director	External Directorship: Home of the Brave.
P. M. (Peter) Schuyt , BCom, C.F.Inst.D Independent and non-executive Director Company Director	External Directorship: Tax Management New Zealand Limited, Dairy NZ Inc. (DairyNZ Limited), The Tatua Co-operative Dairy Company Limited, Foodstuffs North Island Limited, Ahikouka Holdings Limited, Alliance Group Limited, Dairy Investment Fund Limited, Greenleaf Fresh Limited, Schuyt Investments Limited.
D. J. (Dion) Tuuta Independent and non-executive Director Company Director	External Directorship: Port Nicholson Fisheries General Partner Limited, Koura Inc General Partner Limited, Te Ohu Kaimoana Custodian Limited, Tuuta Waetford Tapui Limited, Parininihi ki Waitotara Incorporation, Parininihi ki Waitotara Trust, Te Kotahitanga o Te Atiawa Trust.
H. F. (Harvey) Dunlop , BCom (Ag) Non-executive Director Company Director	External Directorship: Taradise Holdings 2004 Limited, Taradise Holdings 2006 Limited, Taradise Property Management Limited, Renaissance Holdings Limited, Toi Foundation Holdings Limited, Toi Foundation, H & K Dunlop Family Trust.
P.S. (Peter) Dalziel , MBA, C.M.Inst.D Non-executive Director Company Director	External Directorship: Dolly's Milk Limited, Barberry Hill Farm Limited, PS & ME Dalziel Partnership, Stratford District Council, Toi Foundation, Tutaki Youth Trust, Raw Drinking Milk Association NZ.
K.C. (Kevin) McDonald , MBA Non-executive Director Company Director	External Directorship: Power Group Holdings Limited, Macca's Fam Bam Family Trust

The following changes to the composition of the Board of Directors have occurred since the publication of the Bank's disclosure statement and annual report for the year ended 31 March 2020.

- Kevin McDonald was appointed as a non-executive director of the Bank on 13 January 2021.

There have been no transactions between the Bank and any Director or immediate relative or close business associate of any Director which either, has been entered into on terms other than those which would in the ordinary course of business of the Bank be given to any other person of the like circumstances or means or, which could be reasonably likely to influence materially the exercise of the Director's duties.

The Address to which any communication to the Directors may be sent is: TSB Bank Limited, PO Box 240, New Plymouth 4310.

Directorate (continued)

Policy on Directors' Conflicts of Interest

As per Clause 22 of the Constitution of the Bank a Director who is in any way, whether directly or indirectly interested in a contract or proposed contract with the company shall declare the nature of his or her interest at a meeting of the Directors in accordance with section 140 of the Companies Act 1993 as amended, but failure to do so shall not disqualify the Director or invalidate the contract or proposed contract or render him or her liable to account. A general notice by a Director that he or she is a member of a specific firm or company and is to be regarded as interested in all transactions with that firm or company shall be sufficient disclosure under this Clause as regards such Director and any such transaction and after such general notice it shall not be necessary for such Director to give a special notice relating to any particular transaction with that firm or company. All declarations and notices given by Directors pursuant to this Clause shall be recorded in the minutes.

Directors Fees

Directors Fees received by the Directors for the year ended 31 March 2021.

In NZD	Board Fee	Audit Committee	Risk Committee	People, Culture and Capability Committee	Total
Name of Director					
J. J. Kelly	(Chair) 153,000	-	-	-	153,000
M. I. Bain	(Deputy Chair) 91,800	7,140	(Chair) 7,140	7,140	113,220
P. M. Schuyt	77,520	(Chair) 7,140	7,140	-	91,800
M. A. Blackburn	77,520	7,140	7,140	-	91,800
D. J. Tuuta	77,520	-	-	7,140	84,660
N. Pearce	77,520	7,140	7,140	(Chair) 7,140	98,940
P. S. Dalziel	77,520	7,140	-	7,140	91,800
H. F. Dunlop	77,520	-	7,140	-	84,660
K. McDonald	17,889	-	-	-	17,889
Total	727,809	35,700	35,700	28,560	827,769

Fees paid to Directors of the Bank for the year totalled \$827,769 (31 March 2020: \$808,170).

Directors' and Officers' Liability Insurance

The Bank has effected insurance for Directors and Officers in respect of liability and costs that may arise from their positions in accordance with Section 162 of the Companies Act 1993. The insurance does not cover liabilities arising from criminal actions.

Directors' Interests

Directors maintain personal banking relationships with the Bank and these are undertaken fulfilling normal bank criteria. Directors are required to table all possible conflicts of interest at the Board of Directors' meetings and are required to abstain from any vote on those proceedings. The Bank complies with all the requirements of the Companies Act 1993 in terms of registers and notices for Directors' conflict of interest.

Audit Fees

	2021	2020
Fees paid to auditor:		
Audit and review of financial statements ¹	426	201
Audit of TSB Realty Trust	-	5
Other services ²	107	292
Total fees paid to auditor	533	498

¹ Included are fees for the audit of annual financial statements and review of interim financial statements.

² Other services includes regulatory advisory & IT risk assessment services totalling to \$107k (2020: \$292k).

Historical Summary of Financial Statements

For the year ended 31 March 2021
All in \$'000's

	2021	2020	2019	2018	2017
Financial performance					
Total interest income	255,961	307,137	312,614	296,270	290,385
Interest expense	112,328	164,549	174,591	169,465	158,850
Net interest income	143,633	142,588	138,023	126,805	131,535
Other income	18,269	21,909	23,746	36,518	17,224
Net operating income	161,902	164,497	161,769	163,323	148,759
Operating expenses	104,475	102,678	94,955	87,340	80,241
Impairment losses / (reversal of impairment losses)	(2,202)	20,362	4,236	3,918	4,010
Profit before tax	59,629	41,457	62,578	72,065	64,508
Tax expense	16,736	10,640	17,539	20,192	18,168
Net profit attributable to shareholder	42,893	30,817	45,039	51,873	46,340
Dividend	-	2,500	10,000	20,000	10,000
Retained profit for the year	42,893	28,317	35,039	31,873	36,340
Financial Position					
Total assets	8,788,658	8,179,275	7,819,045	7,416,277	6,802,680
Total impaired assets - loans and advances	23,312	17,637	3,814	4,400	8,919
Deposits	7,998,505	7,420,524	7,093,017	6,740,890	6,156,809
Total liabilities	8,062,994	7,499,323	7,165,920	6,803,262	6,214,556
Shareholder's Equity					
Retained profit for the year	42,893	28,317	35,039	31,873	36,340
Total shareholder's equity	725,664	679,952	653,125	613,015	588,124
Performance					
Return on average shareholder's equity	6.1%	4.6%	7.1%	8.6%	8.1%
Return on average total assets	0.5%	0.4%	0.6%	0.7%	0.7%
Growth in total assets	7.5%	4.6%	5.4%	9.0%	5.8%
Growth in depositors' funds	7.8%	4.6%	5.2%	9.5%	5.9%
Residential lending	5,481,169	5,222,565	4,844,453	4,389,811	3,851,176
Total lending	6,333,719	6,126,597	5,792,049	5,309,357	4,657,668
Operating expenses to net operating income	64.53%	62.42%	58.70%	53.48%	53.94%
Prudential					
Shareholder's equity as a % of total assets	8.26%	8.31%	8.35%	8.27%	8.65%
Common equity Tier 1 capital ratio*	14.47%	13.88%	14.57%	14.28%	14.60%
Total capital*	14.47%	13.88%	14.57%	14.28%	14.60%

* The 2021 Capital Adequacy Ratio reflects new adjustments to the Bank's credit conversion factors on off-balance sheet exposures. The 2020 ratio has also been restated to reflect this change, a reduction of 44 bps. Prior years have not been restated.

The amounts set out in the financial summary have been prepared from audited financial statements of the Bank. The Bank has no non-controlling interest.

Summary Statement of Comprehensive Income

For the year ended 31 March 2021
All in \$000's

	2021	2020
Interest income calculated using the effective interest method	224,848	266,041
Other interest income	31,113	41,096
Interest expense	112,328	163,871
Net interest income	143,633	142,588
Other operating income	18,269	21,909
Net operating income	161,902	164,497
Operating expenses	104,475	102,678
Profit before credit impairment and tax	57,427	61,819
Credit impairment losses / (reversal of credit impairment losses)	(2,202)	20,362
Profit before tax	59,629	41,457
Tax expense	16,736	10,640
Net profit after tax	42,893	30,817
Dividends to equity holder	-	(2,500)
Retained profit for the year	42,893	28,317
Other comprehensive income:		
Net profit after tax	42,893	30,817
Items that may be reclassified subsequently to profit or loss:		
Movement in fair value reserve (debt instruments)	371	(3,254)
Movement in effective portion of changes in fair value of cash flow hedges	3,545	1,184
Income tax on items that may be reclassified to profit or loss	(1,097)	580
Other comprehensive income for the year (net of tax)	2,819	(1,490)
Total comprehensive income for the year	45,712	29,327

Summary Statement of Changes in Equity

	2021	2020
Opening balance	679,952	653,125
Net profit after tax	42,893	30,817
Other comprehensive income:	2,819	(1,490)
Total comprehensive income for the period:	45,712	29,327
Dividends to equity holder	-	(2,500)
Closing balance	725,664	679,952
Equity represented by:		
Share capital	10,000	10,000
Fair value reserve	11,141	10,874
Cash flow hedge reserve	1,233	(1,319)
Retained earnings	703,290	660,397
Closing balance	725,664	679,952

Summary Statement of Financial Position

For the year ended 31 March 2021
All in \$000's

	Note	2021	2020
Assets			
Cash and cash equivalents		438,240	232,588
Derivative financial instruments		10,724	13,942
Investment securities	4	1,938,774	1,741,504
Loans and advances to customers	5	6,333,719	6,126,597
Property, plant and equipment		33,484	34,150
Intangible assets		21,938	15,404
Deferred tax asset		9,543	12,650
Other assets		2,236	2,440
Total assets		8,788,658	8,179,275
Liabilities			
Deposits	7	7,998,505	7,420,524
Derivative financial instruments		9,605	17,799
Current tax liability		2,696	5,600
Other liabilities		52,188	55,400
Total liabilities		8,062,994	7,499,323
Equity			
Total shareholder's equity		725,664	679,952
Total liabilities and shareholder's equity		8,788,658	8,179,275

Summary Statement of Cash Flows

	2021	2020
Net cash flows from operating activities	415,101	34,657
Net cash flows from investing activities	(206,508)	61,085
Net cash flows from financing activities	(2,941)	(12,219)
Net increase in cash and cash equivalents	205,652	83,523
Add cash and cash equivalents at beginning of the year	232,588	149,065
Cash and cash equivalents at end of year	438,240	232,588

For and on behalf of the Board of Directors:



J.J. Kelly
(Chair — Board of Directors)
28 June 2021



M.I. Bain
(Deputy — Board of Directors)
28 June 2021

1. Statement of Compliance

TSB Bank Limited is a profit-oriented company registered under the Companies Act 1993 and incorporated in New Zealand. The Bank's principal business activity is retail banking in New Zealand.

These summary financial statements have been prepared in compliance with FRS-43: Summary Financial Statements and comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP) as it relates to summary financial statements. The specific disclosures included in the summary financial statements have been extracted from the full financial statements for the year ended 31 March 2021. The full financial statements from which the summary financial statements have been produced have been audited by KPMG, who expressed an unmodified opinion in relation to those statements at 28 June 2021. These summary financial statements have been reviewed by KPMG for consistency with the full financial statements.

Users should note that reading the summary financial statements is not a substitute for reading the full financial statements and the auditor's report thereon. A copy of the full financial statements can be obtained on the Bank's website at www.tsbbank.co.nz.

The full financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013 and NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities; as well as with the requirements of the Financial Markets Conduct Act 2013 and the Order. The full financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

The amounts contained in these summary financial statements are presented in New Zealand dollars and are rounded to the nearest thousand dollars. Accounting policies adopted are consistent with those used in previous periods.

The financial statements were approved by the Board of Directors on 28 June 2021.

2. Critical Accounting Estimates, Assumptions and Judgements

The preparation of the full financial statements, on which these summary financial statements are based, requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Bank's accounting policies. Some areas involve a high degree of judgement or complexity and there are areas where assumptions and estimates are significant.

3. Risk Management Policies

The Bank is committed to the appropriate management of all risks arising from its activities, in accordance with the stated risk appetite approved by the Board of Directors. The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework, including the material risk domains and the associated risk appetite for each of the material risk domains.

As part of risk strengthening the Bank has continued to focus on key areas of regulatory compliance. In that regard, the Bank is undertaking a review of the Credit Contracts and Consumer Finance Act 2003 in so far as it relates to Bank products and services. The outcomes and total costs that could be associated with this review, including relating to customer remediations, are not known at this stage of the review.

The Bank's Directors are of the opinion that there are no other matters relating to the business or affairs of the Bank which would, if disclosed in this Summary Financial Statements and accompanying notes, 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.

The Bank's risk management framework embeds risk management accountability and responsibility throughout the Bank. The Bank's risk management framework is comprised of the following elements:

- A three lines of accountability model that clearly defines the roles and responsibilities of individuals in relation to the effective management of risk;
- Material risk domains and associated risk appetite statements and measurement mechanisms;
- Policies and procedures covering risk identification, assessment, controls, treatment, monitoring, measurement and reporting; and
- Mechanisms for the on-going review of systems, policies, and procedures, including independent review by Internal and External Audit.

Internal audit's role is to evaluate and suggest improvements to the effectiveness of governance, risk management and control processes. The internal audit function is co-sourced to PWC, and reports directly to the Chairperson of the Audit Committee.

3. Risk Management Policies (continued)

A number of Standing Committees of the Board and Executive Management assist in the management of risk, as follows: Audit Committee (Board Committee); Risk Committee (Board Committee); People, Culture and Capability Committee (Board Committee); Asset and Liability Committee (Executive Committee); Management Operational Risk Committee (Executive Committee); and Credit Committee (Executive Committee).

The Bank's principal risk areas are as follows:

Credit Risk: the potential risk for loss arising from failure of a debtor or counterparty to meet their contractual obligations. This arises within the Bank from its core business of providing lending facilities.

Interest Rate Risk: refers to the risk to the Bank's economic value or earnings arising from adverse movements in interest rates.

Liquidity Risk: the inability of the bank to access the funds that it needs to meet its obligations when they become due, which arises largely through the Bank's role in the maturity transformation between its assets (loans and investments) and its liabilities (deposits and other funding).

Operational Risk: the risk of loss resulting from inadequate or failed internal processes and methodologies, people, systems or external events.

4. Investment Securities

	2021	2020
Local authority securities	197,827	128,719
Government securities	506,637	513,032
Registered bank securities	396,864	473,779
Other investments*	837,446	625,974
Total investment securities	1,938,774	1,741,504

* Other investments relate to investments in utility companies, state enterprises, and commercial paper and Bonds of New Zealand corporates.

5. Loans and Advances to Customers

This covers all forms of lending to customers, and include mortgages, overdrafts, personal loans and credit card balances.

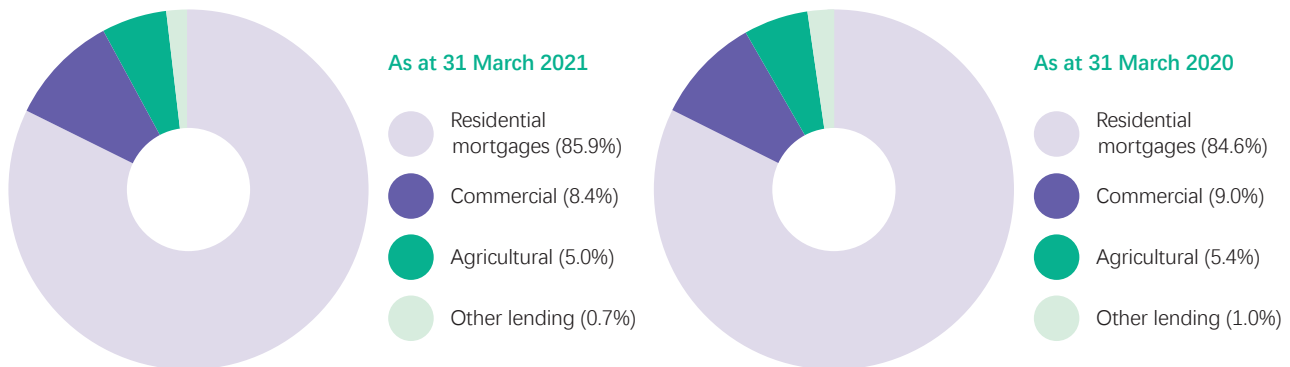
	2021	2020
Residential mortgages	5,481,169	5,222,565
Commercial ¹	536,063	558,665
Agricultural	316,367	331,038
Personal ²	27,602	43,338
Others ³	16,791	18,720
Total gross loans and advances to customers	6,377,992	6,174,326
Less provision for doubtful debts	(44,273)	(47,729)
Total loans and advances to customers	6,333,719	6,126,597

¹ Commercial includes a loan to Toi Foundation Holdings Limited (formerly known as TSB Group Limited) of \$35.44m (31 March 2020: \$52.80m) on normal customer terms and conditions.

² Personal is inclusive of other retail lending and credit card balances. In March 2021, TSB sold its Harmony loan portfolio which had a carrying value of \$6.6m as at the time of sale.

³ Others include lending accruals and deferred acquisition costs.

Charts below show the percentage (%) breakdown of the loans and advances to customers.



6. Credit Risk Management and Asset Quality

The accounting policies in the full financial statements set out all technical definitions in compliance with accounting standards. The following definitions are for guidance purposes in order to provide a general understanding.

The Bank's loan portfolio comprises predominantly of residential mortgages (86%) which are secured by first-ranking registered mortgages over residential property. As at 31 March 2021, \$69m of these loans are underwritten by Housing New Zealand Corporation, a Statutory Crown Corporation, as part of its Welcome Home Loan programme.

The credit quality of loans and advances to customers are continuously monitored since initial recognition and those that are neither past due or impaired can be assessed by reference to the Bank's internal credit risk rating system. Loans and advances to customers are risk graded at the origination and reviewed periodically for adverse changes during the life of the loan.

Over the term of the loans and advances to customers, the Bank accounts for its credit risk by appropriately providing for expected credit loss allowance on a timely basis. In calculating the expected credit loss rates, the Bank considers historical loss rates for each category of customers that share similar risk characteristics, and adjusts for forward looking macroeconomic data. The Bank provides for credit losses against loans and advances to customers on both an individual and collective basis.

The Bank employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Bank has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

Gross loans and advances to customers by credit quality	2021	2020
Neither past due or impaired	6,306,616	6,076,745
Past due assets not impaired	48,064	79,944
Impaired assets	23,312	17,637
Total gross loans and advances to customers	6,377,992	6,174,326
Movement in balances of credit impairment allowances		
Specific provision for impairment:		
Balance at beginning of period	9,623	405
Movement in specific provision	(2,293)	9,218
Balance at end of period	7,330	9,623
Collective provision for impairment:		
Balance at beginning of period	38,106	28,194
Movement in collective provision	(1,163)	9,912
Balance at end of period	36,943	38,106
Total provision for impairment loss	44,273	47,729
Credit impairment losses recognised in profit or loss		
Individual impairment expenses	1,254	1,232
Movement in specific provision	(2,293)	9,218
Movement in collective provision	(1,163)	9,912
Impairment losses – loans and advances	(2,202)	20,362

7. Deposits

	2021	2020
Retail term deposits*	3,634,927	3,940,007
On call deposits bearing interest	3,645,708	2,948,945
On call deposits not bearing interest	682,890	451,707
Wholesale deposits bearing interest	34,980	79,865
Total deposits	7,998,505	7,420,524

*Includes term deposits of \$4.92m (31 March 2020: \$7.60m) from Toi Foundation (formerly known as TSB Community Trust).

8. Liquidity Risk Management

The following tables analyse the Bank's financial liabilities into relevant maturity groupings based on the remaining period as at balance date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows and include principal and future interest cash flows, and therefore will not agree to the carrying values on the statement of financial position.

As at 31 March 2021	On demand	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities:							
Deposits	4,315,196	421,924	951,355	1,838,713	517,140	-	8,044,328
Lease liabilities	-	225	450	1,862	7,779	11,247	21,563
Other financial liabilities*	81	30,969	7,500	7,937	14,390	-	60,877
Total financial liabilities	4,315,277	455,247	957,177	1,848,512	539,309	11,247	8,126,768
Lending commitments (off-balance sheet)	860,942	-	-	-	-	-	860,942

As at 31 March 2020

Liabilities:							
Deposits	3,480,517	590,196	826,764	1,822,497	803,990	-	7,523,964
Lease liabilities	-	243	486	2,166	8,230	11,426	22,551
Other financial liabilities	-	30,945	17,642	2,932	5,331	210	57,060
Total financial liabilities	3,480,517	621,384	844,892	1,827,595	817,551	11,636	7,603,575
Lending commitments (off-balance sheet)	764,042	-	-	-	-	-	764,042

* Other financial liabilities include accounts payable, provision for dividend and derivative financial instruments.

9. Capital Adequacy (Unaudited)

The Bank's objectives for the management of Capital Adequacy are to comply at all times with the regulatory capital requirements set by the Reserve Bank of New Zealand (RBNZ); to maintain a strong capital base to cover the inherent risks of the business in excess of that required by rating agencies to maintain an investment credit grading; and to support the future development and growth of the business to maximise shareholder's value.

The Bank is subject to regulation by the RBNZ. The RBNZ has set minimum regulatory capital requirements for banks that are consistent with the internationally agreed framework developed by the Basel Committee on Banking Supervision. These requirements define what is acceptable as capital and provide for methods of measuring the risks incurred by the Bank. The Bank must comply with RBNZ minimum capital adequacy ratios under its Conditions of Registration.

As a Condition of Registration, the Bank must comply with the following minimum requirements set by the RBNZ

- Total capital must not be less than 8% of risk weighted exposure.
- Tier 1 capital must not be less than 6% of risk weighted exposure.
- Common Equity Tier One Capital must not be less than 4.5% of risk weighted exposure.
- Capital must not be less than NZ\$30m.
- Buffer Ratio must be not less than 2.5%.

In November 2019, the Bank identified that it had incorrectly applied "Capital Adequacy Framework (Standardised Approach (BS2A))" when calculating its risk weighted assets and regulatory capital. The incorrect application of BS2A did not result in non-compliance with Condition of Registration 1 after 31 December 2018, as a new version of that condition took effect from 1 January 2019. The details of the incorrect application are as follows:

1. The Bank used loan-to-value ratios calculated at origination, as opposed to recalculating them for each reporting period.
2. The Bank also identified several credit data classification discrepancies.

Due to the size and complexity involved in implementing fixes for the identified issues, calculations are yet to be reperformed. It is anticipated the impact of these corrections will result in an increase to the Bank's minimum capital requirement of up to \$6 million. The Bank currently holds \$296 million of capital in excess of the minimum capital requirement. The impact equates to a reduction in the Banks regulatory capital ratios of up to 25 basis points.

A project has been established to resolve these issues and remediation is ongoing.

In June 2021, the Bank identified issues with its application of aspects of BS2A when assessing whether a credit conversion factor of 0% could apply to some undrawn commitments. The Bank has adjusted this in its Capital Adequacy calculation for the year ended 31 March 2021, and also restated its 31 March 2020 comparatives. The impact of the change was a reduction of 50bps to the 31 March 2021 ratio, and 44bps to the prior year's ratio. The Bank complied with its minimum regulatory capital ratios at all times.

	RBNZ Minimum ratio requirement	2021 31 Mar Unaudited Basel III	2020 31 Mar Unaudited Basel III
Total capital adequacy ratios for the Bank at balance date are:			
Common Equity Tier 1 capital ratio	4.50%	14.47%	13.88%
Tier 1 capital ratio	6.00%	14.47%	13.88%
Total capital ratio	8.00%	14.47%	13.88%
Buffer ratio	2.50%	6.47%	5.88%

10. Subsequent Events

Subsequent to 31 March 2021, the Bank's Conditions of Registration were modified by RBNZ. The amendments can be summarised as follows:

Effective 29 April 2021

- RBNZ has eased the dividend restriction by amending the Bank's Conditions of Registration that take effect on 29 April 2021 to allow distributions up to 50% of the Bank's earnings (net profit after tax) for the year ended 31 March 2021. The revised dividend restriction will remain in place until 1 July 2022.

On 28 June 2021, the Board of Directors declared a dividend of \$7.5 million.

As indicated in the Bank's September 2019, March 2020 and September 2020 Disclosure Statements, a review of the Bank's Anti Money Laundering and Countering Financing of Terrorism (AML/CFT) Programme had identified areas for improvement. The Bank is continuing to actively remediate the issues identified by the Reserve Bank and is providing regular updates to the Reserve Bank on its progress.

Further to this, the Bank has been in constructive discussions with the Reserve Bank regarding the alleged breaches and the civil proceedings that may result from them. On 27 May 2021 this culminated in the Reserve Bank filing a statement of claim in the High Court against the Bank for breaches of the AML/CFT Act 2009. It is not alleged that the Bank was involved in money laundering or the financing of terrorism. The Bank has been fully cooperating with the Reserve Bank in respect of the claim and has acknowledged liability. The Reserve Bank and the Bank have filed an agreed statement of facts with the High Court. The Reserve Bank is seeking civil pecuniary penalties in respect of four categories of non-compliance:

- The absence of adequate and effective procedures, policies and controls for monitoring and managing compliance with its AML/CFT programme;
- The failure to review and maintain the Bank's AML/CFT programme;
- The failure to conduct a risk assessment in respect of its realty operations; and
- The failure to have regard to certain countries it deals with when reviewing its 2017 risk assessment.

A provision in respect of a prospective liability has been made. Given the ongoing nature of the legal proceedings, further detail on this matter will be disclosed upon completion of the High Court proceeding.

There have been no other material events subsequent to the reporting date that require adjustments or disclosure in these financial statements.



Independent Auditor's Report

To the shareholder of TSB Bank Limited

Report on the summary financial statements

Opinion

In our opinion, the accompanying summary financial statements of TSB Bank Limited (the 'Bank') on pages 32 to 39:

- i. Has been correctly derived from the audited financial statements for the year ended on that date; and
- ii. Is a fair summary of the financial statements, in accordance with FRS 43 Summary Financial Statements.

The accompanying summary financial statements comprises:

- the summary statement of financial position as at 31 March 2021;
- the summary statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standard on Auditing (New Zealand) (ISA (NZ)) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

We are independent of the Bank in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our firm has also provided other services to the Bank in relation to regulatory advisory and IT risk assessment services. Subject to certain restrictions, partners and employees of our firm may also deal with the Bank on normal terms within the ordinary course of trading activities of the business of the Bank. These matters have not impaired our independence as auditor of the Bank. The firm has no other relationship with, or interest in, the Bank.



Use of this Independent Auditor's Report

This report is made solely to the shareholder as a body. Our audit work has been undertaken so that we might state to the shareholder those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholder as a body for our audit work, this report, or any of the opinions we have formed.



Responsibilities of the Directors for the summary Financial Statements

The Directors, on behalf of the Bank, are responsible for:

- the preparation and fair presentation of the summary financial statements in accordance with FRS 43 Summary Financial Statements; and
- implementing necessary internal control to enable the preparation of a summary set of financial statements that is correctly derived from the audited financial statements.



Auditor's Responsibilities for the summary Financial Statements

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with (or are a fair summary of) the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) (ISA (NZ)) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

We expressed an unmodified audit opinion on the financial statements in our audit report dated 28 June 2021.

The summary financial statements do not contain all the disclosures required for a full set of financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the.

KPMG
Wellington

28 June 2021

Directory

Directors

J.J. (John) Kelly, Chair
M.I. (Murray) Bain, MCom (Hons), BSc, C.F.Inst.D, Deputy Chair
M.A. (Anne) Blackburn, MA, BA, C.F.Inst.D
N. (Natalie) Pearce, BCom
P.M. (Peter) Schuyt, BCom, C.F.Inst.D
D.J. (Dion) Tuuta
H.F. (Harvey) Dunlop, BCom (Ag)
P.S. (Peter) Dalziel, MBA, C.M.Inst.D
K.C. (Kevin) McDonald, MBA

Executive Management

D. (Donna) Cooper, B.Bus, MA Int Bus, CEO
R.G. (Roddy) Bennett, BSc, CA, GM Finance (retired effective 28 May 2021)
B.J. (Brendon) Roche, BCom, Acting GM Finance
T. (Tracey) Berry, PGDPFP, GM Regulatory and Compliance Uplift Office
G. (Graeme) Scrivener, MA, BA(Hons), Chief Risk Officer
J.S. (Justine) St John, BCom, GM Marketing
L. (Liz) Maguire, BCom, Acting GM Technology
C. (Chris) Boggs, BCom, MBM, GM People & Culture
S. (Seán) Edwards, MBA, MHSc (Psych), Acting GM Customer Solutions and Service
H. (Herman) Visagie, BCom, LLB, Chief of Staff
L. (Larissa) Vaughan, LLB (Hons), GM Regulatory Affairs and General Counsel

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