TSB Bank Limited

Disclosure Statement

For the six months ended 30 September 2018

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For the six months ended 30 September 2018

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Disclosure Statement

For the six months ended 30 September 2018

This Disclosure Statement contains information as required by the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) ('the Order').

Name and Registered Office of Registered Bank

TSB Bank Limited is a registered bank (elsewhere in this statement referred to as the "Bank").
Registered Office: Level Five, TSB Centre, 120 Devon Street East, New Plymouth.

Corporate Information

The Bank was established in 1850, incorporated under the provisions of the Trustee Bank Restructuring Act 1988 and the Companies Act 1955 on 30 August 1988 and reregistered under the Companies Act 1993 in May 1997.

Ownership

The Bank is wholly owned by the TSB Community Trust (an independent body), through the Trust's fully owned subsidiary, TSB Group Limited, and is domiciled in New Zealand. TSB Community Trust appoints the Board of Directors. Address for Service is 21 Dawson Street, PO Box 667, New Plymouth 4340.

Guarantee Arrangements

No material obligations of the Bank are guaranteed.

Auditor

KPMG, 10 Customhouse Quay, Wellington 6011

Conditions of Registration

No changes have been made to the Bank's Conditions of Registration since the last Disclosure Statement issued for the year ended 31 March 2018.

Pending Proceedings or Arbitration

This Bank has no proceedings or arbitration pending in New Zealand or elsewhere which may have a material adverse effect on the Bank.

Credit Rating

As at the signing date of this Disclosure Statement, the Bank's credit rating remains unchanged of A-/Stable/a- since it was assigned by Fitch Ratings on 30 June 2014. This credit rating is applicable to its long term senior unsecured obligations payable in New Zealand, in New Zealand dollars and was affirmed by Fitch Ratings on 14 August 2018.

Directorate

The following changes to the composition of the Board of Directors (the "Board") have occurred since the Bank's previous full year Disclosure Statement and Annual Report for the year ended 31 March 2018.

- Kelly Marriner and Hayden Wano resigned from the Board on 1 July 2018
- Harvey Dunlop and Peter Dalziel were appointed as a non-executive director of the Bank on 1 July 2018.

There have been no other changes in the Board since 31 March 2018.

Disclosure Statement

For the six months ended 30 September 2018

Director's Statements

The Directors believe, after due enquiry, that as at the date of this Disclosure Statement:

(a) The Disclosure Statement contains all the information required by the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order");

(b) The Disclosure Statement is not false or misleading.

The Directors believe, after due enquiry, that over the financial period to 30 September 2018:

(a) The Bank has complied with the Conditions of Registration;

(b) Credit Exposures to Connected Persons were not contrary to the interests of the Bank; and

(c) Subject to the comment in note 12. Risk Management policies, the Bank has systems in place to monitor and control adequately the Bank's material risks including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risks and other business risks, and that these systems are being properly applied.

J. J. Kelly
(Chair – Board of Directors)

22 November 2018

M .I. Bain
(Deputy - Board of Directors)

22 November 2018

M. A. Blackburn

22 November 2018

N. Pearce

22 November 2018

P. M. Schuyt

22 November 2018

D. J. Tuuta

22 November 2018

P. S. Dalziel

22 November 2018

H. F. Dunlop

22 November 2018

Statement of Comprehensive Income

For the six months ended 30 September 2018

All in NZD $000's

Profit or loss:	Note	Sep 2018 6 Months Unaudited	Sep 2017 6 Months Unaudited	Mar 2018 12 Months Audited
Interest income		155,340	146,377	296,270
Interest expense		87,062	83,555	169,465
Net interest income	2	**68,278**	**62,822**	**126,805**
Other operating income	3	11,811	18,294	36,518
Net operating income		**80,089**	**81,116**	**163,323**
Operating expenses	4	41,884	41,194	87,340
Profit before impairment and tax		**38,205**	**39,922**	**75,983**
Credit impairment losses / (reversal of credit impairment losses)	13.(c)	1,249	1,663	3,918
Profit before tax		**36,956**	**38,259**	**72,065**
Tax expense		10,052	10,783	20,192
Net profit after tax		**26,904**	**27,476**	**51,873**
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Movements in the fair value of debt instruments		(533)	(3,679)	(7,690)
Movement in effective portion of changes in fair value of cash flow hedges		438	(2,200)	(2,007)
Income tax on items that may be reclassified to profit or loss		27	1,646	2,715
Other comprehensive income for the period (net of tax)		**(68)**	**(4,233)**	**(6,982)**
Total comprehensive income for the period		**26,836**	**23,243**	**44,891**

Total comprehensive income for the six months is attributable to shareholder.

From 1 April 2018, the Bank has adopted and applied NZ IFRS 9 in the preparation of the Statement of Comprehensive Income. Comparative balances have not been restated. Refer to note 1. Statement of Accounting Policies for further information.

These financial statements are to be read in conjunction with the notes on pages 9 - 29.

Statement of Financial Position

As at 30 September 2018

All in NZD $000's

	Note	Sep 2018 6 Months Unaudited	Sep 2017 6 Months Unaudited	Mar 2018 12 Months Audited
Assets				
Cash and cash equivalents		113,839	122,327	138,123
Derivative financial instruments	7	2,145	35	839
Investment securities	6	1,819,448	1,919,081	1,933,466
Loans and advances to customers	5	5,553,065	4,996,560	5,309,357
Property, plant and equipment		21,146	17,320	19,650
Intangible assets		7,463	9,244	8,299
Deferred tax asset		5,991	4,913	5,137
Other assets		3,541	2,036	1,406
Total assets		**7,526,638**	**7,071,516**	**7,416,277**
Liabilities				
Deposits	8	6,842,121	6,420,192	6,740,890
Derivative financial instruments	7	9,596	8,507	8,196
Current tax liability		4,132	4,554	6,919
Other liabilities	9	34,153	39,553	47,257
Total liabilities		**6,890,002**	**6,472,806**	**6,803,262**
Shareholder's Equity				
Share capital	11	10,000	10,000	10,000
Fair value reserve		8,163	11,434	8,546
Cash flow hedge reserve		(2,972)	(3,426)	(3,287)
Retained earnings		621,445	580,702	597,756
Total shareholder's equity		**636,636**	**598,710**	**613,015**
Total liabilities and shareholder's equity		**7,526,638**	**7,071,516**	**7,416,277**
Total interest earning and discount bearing assets		7,447,056	6,987,371	7,338,448
Total interest and discount bearing liabilities		6,467,609	6,073,746	6,382,688

From 1 April 2018, the Bank has adopted and applied NZ IFRS 9 in the preparation of the Statement of Financial Position. Comparative balances have not been restated. Refer to note 1. Statement of Accounting Policies for further information.

For and on behalf of the Board of Directors:

J.J. Kelly
(Chair - Board of Directors)

22 November 2018

Murray Bain
(Deputy Chair - Board of Directors)

22 November 2018

These financial statements are to be read in conjunction with the notes on pages 9 - 29.

Statement of Changes in Equity

For the six months ended 30 September 2018

All in NZD $000's

For the six months ended September 2018 (unaudited)	Note	Share capital	Fair value reserve	Cash flow hedge reserve	Retained earnings	Total Equity
Balance at 1 April 2018		**10,000**	**8,546**	**(3,287)**	**597,756**	**613,015**
Balance adjusted for adoption of NZ IFRS 9	1(ii)	-	-	-	(715)	(715)
Balance at 1 April 2018 (as restated)		**10,000**	**8,546**	**(3,287)**	**597,041**	**612,300**
Total comprehensive income for the period:						
Net profit after tax		-	-	-	26,904	26,904
Other comprehensive income:						
Movement in effective portion of changes in fair value of cash flow hedges (net of tax)		-	-	315	-	315
Movement in fair value of investments securities (net of tax)		-	(383)	-	-	(383)
Total other comprehensive income		-	(383)	315	-	(68)
Total comprehensive income for the period		**-**	**(383)**	**315**	**26,904**	**26,836**
Transactions with owner recorded directly in equity:						
Dividends to equity holder	11	-	-	-	(2,500)	(2,500)
Total transactions with owner		**-**	**-**	**-**	**(2,500)**	**(2,500)**
Balance at 30 September 2018		**10,000**	**8,163**	**(2,972)**	**621,445**	**636,636**
For the six months ended September 2017 (unaudited)						
Balance at 1 April 2017		**10,000**	**14,083**	**(1,842)**	**565,883**	**588,124**
Total comprehensive Income for the period						
Net profit after tax		-	-	-	27,476	27,476
Other comprehensive income:						
Movement in effective portion of changes in fair value of cash flow hedges (net of tax)		-	-	(1,584)	-	(1,584)
Movement in fair value of investments securities (net of tax)		-	(2,649)	-	-	(2,649)
Total other comprehensive income		-	(2,649)	(1,584)	-	(4,233)
Total comprehensive income for the period		**-**	**(2,649)**	**(1,584)**	**27,476**	**23,243**
Transactions with owner recorded directly in equity:						
Dividends to equity holder	11	-	-	-	(12,657)	(12,657)
Total transactions with owner		**-**	**-**	**-**	**(12,657)**	**(12,657)**
Balance at 30 September 2017		**10,000**	**11,434**	**(3,426)**	**580,702**	**598,710**
For the year ended March 2018 (audited)						
Balance at 1 April 2017		**10,000**	**14,083**	**(1,842)**	**565,883**	**588,124**
Total comprehensive Income for the period						
Net profit after tax		-	-	-	51,873	51,873
Other comprehensive income:						
Movement in effective portion of changes in fair value of cash flow hedges (net of tax)		-	-	(1,445)	-	(1,445)
Movement in fair value of investments securities (net of tax)		-	(5,537)	-	-	(5,537)
Total other comprehensive income						(6,982)
Total comprehensive income for the period		**-**	**(5,537)**	**(1,445)**	**51,873**	**44,891**
Transactions with owner recorded directly in equity:						
Dividends to equity holder	11	-	-	-	(20,000)	(20,000)
Total transactions with owner		**-**	**-**	**-**	**(20,000)**	**(20,000)**
Balance at 31 March 2018		**10,000**	**8,546**	**(3,287)**	**597,756**	**613,015**

From 1 April 2018, the Bank has adopted and applied NZ IFRS 9 in the preparation of the Statement of Changes in Equity. Comparative balances have not been restated. Refer to note 1. Statement of Accounting Policies for further information.

These financial statements are to be read in conjunction with the notes on pages 9 - 29.

Statement of Cash Flows

For the six months ended 30 September 2018

All in NZD $000's

	Sep 2018 6 Months Unaudited	Sep 2017 6 Months Unaudited	Mar 2018 12 Months Audited
Cash Flows from Operating Activities			
Cash provided from (applied to):			
Interest income received	158,068	145,682	294,582
Other income received	9,676	17,476	36,328
Interest paid	(79,095)	(69,622)	(164,707)
Operating expenditure	(47,435)	(42,106)	(82,989)
Taxes and subvention payments	(13,388)	(8,699)	(14,899)
Cash flows from operating profits before changes in operating assets and liabilities	**27,826**	**42,731**	**68,315**
Net changes in operating assets and liabilities:			
Increase in loans and advances to customers	(246,676)	(338,667)	(651,956)
Derivative financial instruments	532	(1,663)	(2,585)
Increase in deposits	93,263	249,449	579,323
Cash flows from operating assets and liabilities	**(152,881)**	**(90,881)**	**(75,218)**
Net cash flows from operating activities	**(125,055)**	**(48,150)**	**(6,903)**
Cash Flows from Investing Activities			
Cash provided from (applied to):			
Net (purchase) / maturity of investment securities	111,482	46,042	26,878
Property, plant and equipment purchased	(3,061)	(1,246)	(4,991)
Intangible assets purchased	(306)	(1,691)	(1,577)
Net cash flows from investing activities	**108,115**	**43,105**	**20,310**
Cash Flows from Financing Activities			
Cash provided from (applied to):			
Dividends paid	(7,344)	(16,828)	(19,484)
Net cash flows from financing activities	**(7,344)**	**(16,828)**	**(19,484)**
Net increase in cash and cash equivalents	**(24,284)**	**(21,873)**	**(6,077)**
Add cash and cash equivalents at beginning of the year	138,123	144,200	144,200
Cash and cash equivalents at end of year	**113,839**	**122,327**	**138,123**

Reconciliation of cash and cash equivalents to the statement of financial position

Cash and cash at bank	24,026	29,927	22,858
Balances with Reserve Bank	89,813	92,400	115,265
Total cash and cash equivalents at end of Year	**113,839**	**122,327**	**138,123**

Application of NZ IFRS 9 has no impact on the Bank's Statement of Cash Flow. Refer to note 1. Statement of Accounting Policies for further information.

These financial statements are to be read in conjunction with the notes on pages 9 - 29.

All in NZD $000's

1. Statement of Accounting Policies

(i) Basis of preparation

The Financial Statements of the Bank incorporated in this Disclosure Statement have been prepared in accordance with the requirements of NZ IAS 34 Interim Financial Reporting and should be read in conjunction with the 31 March 2018 Annual Report. The Bank's Financial Statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), as appropriate for profit-oriented entities.

The amounts contained in this disclosure statement and the financial statements are presented in New Zealand dollars and are rounded to the nearest thousand dollars. New Zealand dollars is the functional currency of the Bank.

To ensure consistency with the current period, comparative figures have been restated where appropriate except for the impact of adoption of NZ IFRS 9.

NZ IFRS 9 Financial Instruments and NZ IFRS 15 Revenue from Contracts with Customers have become effective for the Bank from 1 April 2018 and have been applied in the preparation of the interim financial statements. The initial application of these standards resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out below. All other accounting policies are consistent with those used in previous periods.

(ii) Changes in accounting policies

Impact of NZ IFRS 9 - classification and measurement

Initial measurement of financial instruments under NZ IFRS 9 is largely consistent with NZ IAS 39. With respect to the subsequent measurement, NZ IFRS 9 contains three principal classification categories for financial assets based on contractual cash flow characteristics and business model:

- Amortised cost - applies to financial assets recognised and initially measured at fair value plus transaction cost that are managed within the business model whose objective is to hold to collect the contractual cash flows and their contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI). The carrying value of these assets is adjusted for provision for doubtful debts as described in the note below and note 13. Credit Risk Management and Asset Quality;
- Fair value through other comprehensive income (FVTOCI) - applies to financial assets recognised and initially measured at fair value plus transaction cost that are held in a dual business model whose objective is achieved by both collecting contractual SPPI cash flows and selling the assets. The fair value gains or losses accumulated are reported in other comprehensive income as changes of 'fair value reserve'. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss; and
- Fair value through profit or loss (FVTPL) - includes the groups of trading assets or the assets managed on a fair value basis that failed to meet the requirements to be classified as amortised cost or FVTOCI. The Bank may designate financial assets at FVTPL when doing so eliminate or significantly reduce measurement or recognition inconsistencies. Financial assets designated at FVTPL cannot subsequently change their designation and therefore are not subject to the reclassification requirements of NZ IFRS 9.

The Bank has assessed the contractual cash flow characteristics and a business model test of its financial instruments to determine any changes in classification and measurement and the changes in accordance with NZ IAS 39 and NZ IFRS 9 at 1 April 2018 are compared as follows:

	NZ IAS 39 (prior to 1 April 2018)		NZ IFRS 9 (applicable from 1 April 2018)	
Financial assets	**Category**	**Amount**	**Category**	**Amount**
Cash and cash equivalents	Loans and receivables	131,303	Amortised cost	131,303
	Amortised cost	6,820	Amortised cost	6,820
Derivative financial instruments				
Economic hedges	Fair value (hedging instrument)	-	Fair value (hedging instrument)	-
Cash flow hedges [1]	Fair value (hedging instrument)	839	Fair value (hedging instrument)	839
Fair value hedges	Fair value (hedging instrument)	-	Fair value (hedging instrument)	-
Investment securities [2]	Available for sale	1,933,466	FVTOCI	1,933,466
Loans and advances to customers	Loans and receivables	5,309,357	Amortised Cost	5,308,364
Other assets	Loans and receivables	1,406	Amortised Cost [3]	1,684
Total financial assets		**7,383,191**		**7,382,476**
Financial liabilities				
Deposits	Amortised cost	6,740,890	Amortised cost	6,740,890
Derivative financial instruments				
Economic hedges	Fair value (hedging instrument)	1,108	Fair value (hedging instrument)	1,108
Cash flow hedges [1]	Fair value (hedging instrument)	6,948	Fair value (hedging instrument)	6,948
Fair value hedges	Fair value (hedging instrument)	140	Fair value (hedging instrument)	140
Other financial liabilities	Amortised cost	53,512	Amortised cost	53,512
Total financial liabilities		**6,802,598**		**6,802,598**

[1] Derivatives designated in cash flow hedging relationships where to the extent that the hedge is effective, changes in the fair value are taken to the cash flow hedge reserve through other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other operating income.

[2] Included is a portfolio of debt instruments originated with a mixed objective that is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI .

[3] Includes the deferred tax ($278k) of the balance adjusted for adoption of NZ IFRS 9 in opening retained earnings as at 1 April 2018.

All in NZD $000's

1. Statement of Accounting Policies (continued)

(ii) Changes in accounting policies (continued)

Applying hedge accounting requirements of NZ IFRS 9 has not had a significant effect on the Bank as the purpose and type of hedging relationships remain the same as that under NZ IAS 39. The Bank's risk management strategies and hedge documentation are aligned with the requirements of NZ IFRS 9 and these relationships are therefore treated as continuing hedges.

Other changes include the terms retired upon the adoption of NZ IFRS 9 and that include investment securities (available-for-sale), held for trading and loans and receivables. These instruments have been reclassified to new categories under NZ IFRS 9 with no changes to their measurement basis. Classification and measurement of financial liabilities remained largely unchanged for the Bank.

The Bank has taken advantage of the exemption in NZ IFRS 9 from restating prior periods in respect of NZ IFRS 9's classification and measurements (including impairment) requirements. Therefore the reclassifications and the adjustments arising from the new impairment rules are not reflected in the restated balance as at 31 March 2018. Opening balance of equity as at 1 April 2018 was adjusted for the adoption of NZ IFRS 9.

Impact of NZ IFRS 9 - credit impairment allowances

Application of NZ IFRS 9 has resulted in changes in the Bank's impairment methodology. The provision for doubtful debts are measured based on the standard's expected credit loss (ECL) model, as opposed to an incurred credit loss model under NZ IAS 39. The Bank applies a three-stage model in accordance with NZ IFRS 9 to measure the expected credit losses associated with its debt instruments measured at amortised cost or FVTOCI with the exposure arising from loan commitments and financial guarantee contracts and to assess the changes in credit quality of those financial instruments since initial recognition.

Three-stage model is as follows :

- 12 month ECL (Stage 1): applies to all items resulting from possible default events within 12 months after reporting date.
- Lifetime ECL (Stage 2 and 3): represents the ECL that result from all possible default events over the expected life of a financial instrument. If a financial instrument experiences a significant increase in credit risk since initial recognition then is moved to Stage 2 but is not yet deemed to be credit-impaired. When objective evidence of credit-impairment emerges with one or more events that have a detrimental impact on the estimated future cash flows of the financial assets then the asset is moved to Stage 3.

The change in the credit quality of a financial asset results in movements between the three stages.

Refer to note 13 Credit Risk Management and Asset Quality for recognition and measurement of ECL along with the assumptions and significant judgement exercised.

Credit impairment allowance for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables (loans and advances to customers) are presented as credit impairment losses in the statement of profit and loss.

For debt securities at fair value through other comprehensive income (FVTOCI), the credit impairment allowance is recognised in the statement of other comprehensive income instead of reducing the carrying amount of the asset. The Bank has assessed the deterioration of credit quality for investment securities as at 1 April 2018 and determined that there is no material impact on the level of provisions for these under NZ IFRS 9.

The key changes in the Bank's accounting policy for credit impairment allowances are listed below.

	Collective provision balance As at 1 April 2018		Transferred to retained earning
	NZ IAS 39	**NZ IFRS 9**	
Loans and advances to customers:			
Residential mortgage loans	19,570	6,823	(12,747)
Commercial	2,995	7,599	4,604
Agricultural	1,847	4,924	3,077
Other	340	6,399	6,059
Total	**24,752**	**25,745**	**993**
Deferred tax	(6,931)	(7,209)	(278)
Total (net of deferred tax)	**17,821**	**18,536**	**715**

Impact of NZ IFRS 15 Revenue from Contracts with Customer

The adoption of NZ IFRS 15 Revenue from Contracts with Customers did not result in any material changes to the accounting policies in relation to the recognition of revenues within the scope of NZ IFRS 15.

All in NZD $000's

2. Net Interest Income

Interest income	Sep 2018 6 Months Unaudited	Sep 2017 6 Months Unaudited	Mar 2018 12 Months Audited
Cash and cash equivalents	803	756	1,530
Investment securities	26,431	32,131	60,239
Loans and advances to customers [1]	128,106	113,490	234,501
Total interest income	**155,340**	**146,377**	**296,270**
Interest expense			
Deposits from customers [2]	86,618	83,261	168,780
Wholesale deposits	444	294	685
Total interest expense	**87,062**	**83,555**	**169,465**
Net interest income	**68,278**	**62,822**	**126,805**

[1] Includes interest income earned on the commercial loan due from TSB Group Limited (refer to note 19. Related Party Transactions and Balances for further information). Interest earned on impaired assets is $0.120m (30 September 2017: $0.191m; 31 March 2018: $0.538m).

[2] Includes interest expense on deposits from TSB Community Trust. Refer to note 19. Related Party Transactions and Balances for further information.

3. Other Operating Income

	Sep 2018 6 Months Unaudited	Sep 2017 6 Months Unaudited	Mar 2018 12 Months Audited
Lending and credit facility related income	1,447	1,470	2,889
Commission and other trading income	6,562	6,088	12,634
Cumulative gain transferred from fair value reserve	1,118	9,096	18,480
Gain / (loss) on derivative financial instruments at fair value	86	(105)	235
Gain on sale of fixed assets	5	9	25
Other income	2,593	1,736	2,255
Total other operating income	**11,811**	**18,294**	**36,518**

4. Operating Expenses

	Sep 2018 6 Months Unaudited	Sep 2017 6 Months Unaudited	Mar 2018 12 Months Audited
Fees paid to auditor:			
Audit and review of financial statements [1]	74	81	148
Audit of TSB Realty Trust	5	-	5
Other services [2]	43	62	236
Total fees paid to auditor	122	143	389
Depreciation	1,565	1,588	3,003
Amortisation of intangible assets	1,142	786	1,618
Directors' fees	332	278	595
Personnel	19,356	20,398	40,261
Defined contribution plan	732	800	1,735
Information technology	5,512	3,538	8,913
Premises occupancy	2,342	2,686	5,345
Marketing	4,106	3,919	10,956
Debit / Credit card expenses	2,645	2,201	4,639
Other	4,030	4,857	9,886
Total operating expenses	**41,884**	**41,194**	**87,340**

[1] The audit fee includes the audit fees for both the annual audit of the financial statements and the review of the interim financial statements.
[2] Other services relate to regulatory and risk advisory services.

Notes to the Interim Financial Statements

All in NZD $000's

5. Loans and Advances to Customers

	Note	Sep 2018 6 Months Unaudited	Sep 2017 6 Months Unaudited	Mar 2018 12 Months Audited
Residential	16.(d)	4,597,307	4,126,408	4,389,811
Commercial [1]		552,349	472,135	522,012
Community		3,261	4,124	3,472
Agricultural		323,139	312,386	307,538
Personal [2]		82,006	85,247	89,335
Others [3]		21,290	20,131	22,246
Total gross loans and advances to customers		**5,579,352**	**5,020,431**	**5,334,414**
Less provision for doubtful debts	13.(c)	(26,287)	(23,871)	(25,057)
Total loans and advances to customers		**5,553,065**	**4,996,560**	**5,309,357**

[1] Commercial includes a loan to TSB Group Limited (refer to note 19. Related Party Transactions and Balances for more information).
[2] Personal is inclusive of lending through Harmoney platform, other retail lending and credit card balances.
[3] Others include lending accruals and deferred acquisition costs.

6. Investment Securities

	Sep 2018 6 Months Unaudited	Sep 2017 6 Months Unaudited	Mar 2018 12 Months Audited
Local authority securities	344,782	458,923	366,733
Government securities	373,364	414,110	437,744
Registered bank securities	476,601	513,371	520,650
Registered bank term investments	-	15,018	-
Other investments*	624,701	517,659	608,339
Total investment securities	**1,819,448**	**1,919,081**	**1,933,466**

* Other investments relate to investments in utility companies, SOE's and commercial paper, and Bonds of New Zealand corporates. Included in this amount are $nil (30 September 2017: $2.800m; 31 March 2018: $nil) for Solid Energy (SENZ) restructured asset.

7. Derivative Financial Instruments

The Bank has the following derivative financial instruments:

	As At 30 Sep 2018 (unaudited)		
	Notional Amount	Fair Values Assets	Fair Values Liabilities
Interest rate swaps			
Economic hedges	83,657	-	1,027
Cash flow hedges	1,028,000	2,145	8,569
Fair value hedges	-	-	-
Total interest rate swaps	**1,111,657**	**2,145**	**9,596**
FX forward exchange currency assets	-	-	-
Total derivative financial instruments	**1,111,657**	**2,145**	**9,596**

The notional amount, recorded gross, represents the quantity of the derivative contracts' underlying instruments.

All in NZD $000's

8. Deposits

	Sep 2018 6 Months Unaudited	Sep 2017 6 Months Unaudited	Mar 2018 12 Months Audited
Retail term deposits	3,727,816	3,418,982	3,599,488
On call deposits bearing interest	2,699,912	2,629,823	2,748,779
On call deposits not bearing interest	374,512	346,446	358,201
Wholesale deposits bearing interest	39,881	24,941	34,422
Total deposits	**6,842,121**	**6,420,192**	**6,740,890**

Concentrations of funding

Concentrations of funding by geographic region and industry sector at balance date are as follows:

	Sep 2018 6 Months Unaudited	Sep 2017 6 Months Unaudited	Mar 2018 12 Months Audited
Retail deposits			
Taranaki	3,069,323	2,959,963	3,004,941
Rest of New Zealand	3,585,528	3,288,080	3,558,219
Outside New Zealand	187,270	172,149	177,730
Total funding by geographic region	**6,842,121**	**6,420,192**	**6,740,890**
Government and public authorities	11,875	3,585	4,984
Finance (wholesale deposits)	39,881	24,941	34,422
Households	6,656,268	6,276,246	6,573,197
Community	50,233	42,879	43,755
Commercial	83,864	72,541	84,532
Total funding by industry sector	**6,842,121**	**6,420,192**	**6,740,890**

9. Other Liabilities

	Sep 2018 6 Months Unaudited	Sep 2017 6 Months Unaudited	Mar 2018 12 Months Audited
Employee entitlements	7,878	11,411	9,150
Dividend payable	2,500	2,657	7,344
Trade and other payables	23,235	24,793	30,099
Other non-financial liabilities	540	692	664
Total other liabilities	**34,153**	**39,553**	**47,257**

All creditors and depositors are ranked equally.

All in NZD $000's

10. Fair Value of Financial Instruments

The Bank has adopted NZ IFRS 9 in the preparation of the following table which summarises the carrying amounts and fair values of financial assets and financial liabilities grouped on the basis of subsequent measurement categories. Comparatives have not been restated and there are no changes apart from the classification of the financial instruments. Refer to note 1. Statement of Accounting Policies for further information.

As At 30 September 2018 (unaudited)	Note	At amortised cost	At FVTOCI	AT FVTPL	Fair value - hedging instruments	Total carrying amount	Fair value
Financial assets:							
Cash and cash equivalents		113,839	-	-	-	113,839	113,839
Derivative financial instruments	7	-	-	-	2,145	2,145	2,145
Investment securities	6	-	1,819,448	-	-	1,819,448	1,819,448
Loans and advances to customers	5	5,553,065	-	-	-	5,553,065	5,546,180
Other assets		3,541	-	-	-	3,541	3,541
Total financial assets		**5,670,445**	**1,819,448**	**-**	**2,145**	**7,492,038**	**7,485,153**
Financial liabilities:							
Deposits	8	6,842,121	-	-	-	6,842,121	6,813,830
Derivative financial instruments	7	-	-	-	9,596	9,596	9,596
Other liabilities		37,745	-		-	37,745	37,745
Total financial liabilities		**6,879,866**	**-**	**-**	**9,596**	**6,889,462**	**6,861,171**
As At 30 September 2017 (unaudited)							
Financial assets:							
Cash and cash equivalents		122,327	-	-	-	122,327	122,327
Derivative financial instruments		-	-	-	35	35	35
Investment securities	6	-	1,919,081	-	-	1,919,081	1,919,081
Loans and advances to customers	5	4,996,560	-	-	-	4,996,560	4,969,509
Other assets		2,036	-	-	-	2,036	2,036
Total financial assets		**5,120,923**	**1,919,081**	**-**	**35**	**7,040,039**	**7,012,988**
Financial liabilities:							
Deposits	8	6,420,192	-	-	-	6,420,192	6,433,346
Derivative financial instruments		-	-	-	8,507	8,507	8,507
Other liabilities		43,415	-	-	-	43,415	43,415
Total financial liabilities		**6,463,607**	**-**	**-**	**8,507**	**6,472,114**	**6,485,268**
As At 31 March 2018 (audited)							
Financial assets:							
Cash and cash equivalents		138,123	-	-	-	138,123	138,123
Derivative financial instruments		-	-	-	839	839	839
Investment securities	6	-	1,933,466	-		1,933,466	1,933,466
Loans and advances to customers	5	5,309,357	-	-	-	5,309,357	5,289,415
Other assets		1,406	-	-	-	1,406	1,406
Total financial assets		**5,448,886**	**1,933,466**	**-**	**839**	**7,383,191**	**7,363,249**
Financial liabilities:							
Deposits	8	6,740,890	-	-	-	6,740,890	6,705,303
Derivative financial instruments		-	-	-	8,196	8,196	8,196
Other liabilities		53,512	-	-	-	53,512	53,512
Total financial liabilities		**6,794,402**	**-**	**-**	**8,196**	**6,802,598**	**6,767,011**

All of the Bank's financial instruments that are recognised and measured at fair value on a recurring basis sit within Level 2.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the reporting period.

Abbreviations used

FVTOCI: Fair value through other comprehensive income

FVTPL: Fair value through profit or loss

All in NZD $000's

11. Share Capital, Retained Earnings and Dividend Paid

All ordinary shares have equal voting rights and share equally in dividends and assets on winding up. All shares are held by the TSB Community Trust through the Trust's fully owned subsidiary, TSB Group Limited. Dividends are recognised in the financial year in which they are authorised and approved by the Board of Directors.

Share capital:	Sep 2018 6 Months Unaudited	Sep 2017 6 Months Unaudited	Mar 2018 12 Months Audited
Issued and fully paid up capital:			
20,000,000 ordinary shares	10,000	10,000	10,000
Total share capital	**10,000**	**10,000**	**10,000**
Retained earnings:			
Opening balance	597,756	565,883	565,883
Balance adjusted for adoption of NZ IFRS 9	(715)	-	-
Net profit after taxation (NPAT)	26,904	27,476	51,873
Retained earnings after NPAT	623,945	593,359	617,756
Dividends	(2,500)	(12,657)	(20,000)
Retained earnings at end of period	**621,445**	**580,702**	**597,756**

	30 Sep 2018 Unaudited		30 Sep 2017 Unaudited		31 Mar 2018 Audited	
Dividend	$000	$ per share	$000	$ per share	$000	$ per share
Interim	2,500	0.125	2,657	0.133	2,657	0.133
Special	-	-	7,500	0.375	10,000	0.500
Final	-	-	2,500	0.125	7,343	0.367
Total	**2,500**	**0.125**	**12,657**	**0.633**	**20,000**	**1.000**

12. Risk Management Policies

The Bank is committed to appropriately managing all the risks that arise from its activities. The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk appetite settings, governance and risk management frameworks. The Bank has management structures, policies, information systems and reporting to manage individual risks with regular reviews, either annually or bi-annually, undertaken to ensure these are consistent with the stated risk appetite settings.

There have been no material changes to the risk management policies, or material exposures to any new types of risk since publication of the previous Disclosure Statement. The changes below are either refinements to existing policies or centralisation of existing risk management processes to reflect the Bank's Enterprise Risk Management Framework (ERMF) and changes in the overall Board risk appetite in these areas:

Conduct Risk appetite updated from 'Medium' to 'Low'
Retail Credit Policy annual review completed
Commercial Credit Policy annual review completed

A prior internal audit report found that, while the Bank has a regulatory compliance policy and framework; a register of key legislative and regulatory mandates and sub-mandates; as well as a core obligation training programme, the various frameworks to monitor the performance of the obligations against the mandates and sub-mandates are still under development. On-going development continues to enable this finding to be addressed.

13. Credit Risk Management and Asset Quality

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial losses to the Bank. The Bank measures credit risk of a portfolio of assets using its internal credit risk model whose key inputs are probability of default (PD), loss given default (LGD), and exposure at default (ED). This is supplemented with forward-looking information on macroeconomic factors such as forecast gross domestic product (GDP), interest rate and unemployment rate in measuring the provisions for expected credit losses (ECL) on groups of financial assets that share similar credit risk characteristics. Refer to note 1(ii) for further information on ECL model.

The Bank has following groups of financial assets that are subject to impairment requirements of NZ IFRS 9.

Types of financial assets	Measured at	Estimated gross carrying amount at reporting date
Cash and cash equivalent	amortised cost	113,839
Investment securities	FVTOCI	1,819,448
Loans and advances to customers	amortised cost	5,553,065
Other assets	amortised cost	3,541

The Bank has assessed the impairment requirements for cash and cash equivalents, investment securities and other assets. However, the identified impairment loss for the groups of assets was immaterial.

Investment securities carried at FVTOCI
The Bank has reviewed its holdings of investment securities in terms of its counterparty credit policy and based on this review, and other information on hand, does not believe there is any evidence to indicate impairment in this portfolio. The collective provision against this portfolio is assessed at each reporting date and whenever there is a significant change in the portfolio mix or change in the macro-economic factors and credit ratings. Furthermore, no specific provisions are being held against possible non-performance by any investment in this portfolio.

Loans and advances to customers carried at amortised cost
The majority of the Bank’s provisions for impairment for lending assets are made on a collective basis. The loan portfolio is predominantly (82%) residential mortgages which are secured by a first registered mortgage over freehold dwellings. For overdrafts and credit card balances, some are unsecured while others are secured by an all obligation mortgage, which cover all undertakings with the Bank.

All in NZD $000's

13. Credit Risk Management and Asset Quality (continued)

Loans and advances to customers carried at amortised cost (continued)

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. At the origination of loans and advances to customers, loans are risk graded based on debt servicing ability and loan-to-valuation (LVR) ratios. These risk grades are 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 ECL 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 as follows:

Category	Basis	Description	Recognition of interest revenue
Stage 1 - 12month ECL	Collective	Customers with a low risk of default that have a strong capacity to meet contractual cash flows (interest and/or principal repayments).	Effective interest rate to the gross carrying amount
Stage 2 - Lifetime ECL	Collective	Significant increase in credit risk is presumed if the loans and advances are more than 30 days past due in making a contractual payment or when there is reasonable and / or supportable information that there is a increase in the risk of a default occurring on the asset as at the reporting date.	Effective interest rate to the gross carrying amount
Stage 3 - Lifetime ECL	Collective	Loans and advances are deemed credit impaired when they are over 90 days past due in making a contractual payment and / or when there is objective evidence of the events that indicate the borrower is in significant financial difficulty.	Effective interest rate to the amortised cost (net of collective provision)
Impaired	Specific (individual)	Loans and advances are deemed 'impaired' when the Bank exhausted all options to rehabilitate a mortgage debt and expects to incur a loss. Impaired assets are specifically provided for on an individual basis.	Effective interest rate to amortised cost (net of specific provision)
Write-off		Financial assets are written off when there is no reasonable expectation of recovery and customers fail to engage in a repayment plan with the Bank.	None

Significant estimates and judgements
The provision for doubtful debts are based on assumptions about risk of default and expected loss rates. The Bank uses judgement in making these assumptions and selecting the inputs to the calculation of impairment, based on the Bank's past history, existing market conditions and forward-looking estimates at each reporting date.

(b) Provision for doubtful debts

As at 30 September 2018 (unaudited)	Stage 1 collective provision 12 month ECL	Stage 2 collective provision Lifetime ECL	Stage 3 collective provision Lifetime ECL	Specific provision Lifetime ECL	Total provision
Residential mortgage loans (Gross)	4,568,684	19,644	8,650	329	**4,597,307**
Residential mortgage loans (net of provision)	4,563,906	19,571	4,926	249	**4,588,652**
Expected credit loss rate	0.1%	0.4%	43.1%	24.3%	0.2%
Commercial mortgage loans (Gross)	542,363	10,750	2,497	-	**555,610**
Commercial mortgage loans (net of provision)	538,668	10,465	549	-	**549,682**
Expected credit loss rate	0.7%	2.7%	78.0%	0.0%	1.1%
Agricultural exposures (Gross)	282,531	37,195	-	3,413	**323,139**
Agricultural exposures (net of provision)	279,284	35,740	-	3,313	**318,337**
Expected credit loss rate	1.1%	3.9%	0.0%	2.9%	1.5%
Other exposures (Gross)	99,439	2,299	1,558	-	**103,296**
Other (net of provision)	94,588	1,767	39	-	**96,394**
Expected credit loss rate	4.9%	23.1%	97.5%	0.0%	6.7%

All in NZD $000's

13. Credit Risk Management and Asset Quality (continued)

(b) Provision for doubtful debts (continued)

The following table provides a reconciliation from the opening balance to the closing balance of provision for doubtful debts and show movement between stages during the reporting period. Opening balances have been restated for the adoption of NZ IFRS 9.

	Collective provision	Stage 1 collective provision 12 month ECL	Stage 2 collective provision Lifetime ECL	Stage 3 collective provision Lifetime ECL	Specific provision Lifetime ECL	Total provision
Movements in provisions for doubtful debts						
Opening provision balance	24,752	-	-	-	305	25,057
Restated for adoption of NZ IFRS 9	(24,752)	16,314	2,171	7,260	-	993
Adjusted opening provision balance	**-**	**16,314**	**2,171**	**7,260**	**305**	**26,050**
Transfers with no impact on profit or loss:						
Transferred to Stage 1		3,324	(114)	(3,210)	-	-
Transferred to Stage 2		(262)	560	(298)	-	-
Transferred to Stage 3		(18)	(7)	25	-	-
Charged / (credited) to profit or loss		(2,787)	(265)	3,414	(124)	238
Amounts written off		-	-	-	(1)	(1)
Recovery		-	-	-	-	-
Closing provision balance (unaudited)	**-**	**16,571**	**2,345**	**7,191**	**180**	**26,287**

(c) Movement in balances of credit impairment allowances

As at 30 September 2018 (unaudited)	Residential mortgage loans	Commercial exposures	Agricultural exposures	Other exposures	Total Credit exposures
Specific provision for doubtful debts					
Balance at beginning of period	205	-	100	-	305
Add new provisions	35	-	-	-	35
Current year amounts written off	(159)	-	-	-	(159)
Reversal of previously recognised provision	(1)	-	-	-	(1)
Specific provision balance at end of period	**80**	**-**	**100**	**-**	**180**
Collective provision for doubtful debts					
Balance at beginning of period	19,570	2,995	1,847	340	24,752
Adjustment for adoption of NZ IFRS 9	(12,747)	4,604	3,077	6,059	993
Recognised in profit or loss	1,752	(1,671)	(222)	503	362
Collective provision balance at end of period	**8,575**	**5,928**	**4,702**	**6,902**	**26,107**
Total provision for impairment loss	**8,655**	**5,928**	**4,802**	**6,902**	**26,287**

Impairment losses recognised in profit or loss

	Sep 2018 6 Months Unaudited	Sep 2017 6 Months Unaudited	Mar 2018 12 Months Audited
Individual impairment expenses	1,012	1,561	2,109
Movement in specific provision	(125)	(938)	(833)
Movement in collective provision	362	1,040	2,642
Impairment losses – loans and advances	**1,249**	**1,663**	**3,918**

The estimated fair value of collateral and other charges related to financial assets that are individually impaired is $3.935m (30 September 2017: $3.268m; 31 March 2018: $4.627m).

All in NZD $000's

13. Credit Risk Management and Asset Quality (continued)

(d) Lending commitments and guarantees

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. The Bank however cannot separately identify the ECL on the undrawn commitment component from those on the loan component and thus they are recognised together with the loss allowance for the loan.

(e) Credit quality information

The majority of the Bank's provisions for impairment are made on a collective basis. The lending portfolio is predominantly residential mortgages secured by a first mortgage over freehold dwellings. For overdrafts and credit card balances, some are unsecured as well as secured by obligation mortgages, which cover all undertakings with the Bank.

The table below shows the credit quality information for loans and advances to customers.

As at 30 September 2018 (unaudited)	Note	Residential mortgage loans	Commercial exposures	Agricultural exposures	Other exposures	Total credit exposures
Neither past due or impaired		**4,530,384**	**547,762**	**317,105**	**101,073**	**5,496,324**
Past due assets not impaired:						
Less than 30 days		51,829	1,779	2,621	1,727	57,956
30 to 59 days		5,413	311	-	1,782	7,506
60 to 89 days		2,047	-	-	521	2,568
90 days and over		7,306	2,497	-	1,454	11,257
Balance of past due but not impaired assets at end of period		**66,595**	**4,587**	**2,621**	**5,484**	**79,287**
Movements in individually impaired assets:						
Balance at beginning of period		968	-	3,432	-	4,400
Additions		333	-	-	-	333
Amounts written off / loans closed out		-	-	-	-	-
Transfer back to loans and advances to customers		(973)	-	(19)	-	(992)
Balance of impaired assets at end of period		**328**	**-**	**3,413**	**-**	**3,741**
Total gross loans and advances to customers	5	**4,597,307**	**552,349**	**323,139**	**106,557**	**5,579,352**
Less provision for doubtful debts	13.(c)	8,655	5,928	4,802	6,902	26,287
Total loans and advances to customers		**4,588,652**	**546,421**	**318,337**	**99,655**	**5,553,065**

Undrawn balances on lending commitments to counterparties
Undrawn balances on lending commitments to counterparties for whom drawn balances are classified as individually impaired total $9k at reporting date (30 September 2017: $28k; 31 March 2018: $8k).

Restructured asset
At 30 September 2018, the Bank had no lending restructured assets (30 September 2017: $nil; 31 March 2018: $553k).

Other assets under administration
The Bank does not have any assets under administration or material assets acquired through the enforcement of security at reporting date (30 September 2017: $nil; 31 March 2018: $nil).

(f) Concentrations of credit exposures

Concentrations of credit exposures arise where the Bank is exposed to risk in activities or industries of a similar nature. Credit exposure is calculated on the basis of selected items on and off-balance sheet.

(i) On and off- balance sheet	Note	Sep 2018 6 Months Unaudited	Sep 2017 6 Months Unaudited	Mar 2018 12 Months Audited
On balance sheet:				
Cash and cash equivalents		113,839	122,327	138,123
Investment securities	6	1,819,448	1,919,081	1,933,466
Loans and advances to customers	5	5,553,065	4,996,560	5,309,357
Off balance sheet:				
Lending commitments	18	730,198	714,212	735,991
Total Credit Exposures		**8,216,550**	**7,752,180**	**8,116,937**

All in NZD $000's

13. Credit Risk Management and Asset Quality (continued)

(f) Concentrations of credit exposures (continued)

Australian and New Zealand Standard Industrial Classification ("ANZSIC") codes have been used as the basis for disclosing customer industry sectors. An analysis of financial assets by geographic region and industry sector as at balance date is as follows:

(ii) Concentration of credit exposure by geographic region

As at 30 September 2018 (unaudited)	Note	Cash and cash equivalent	Investment securities	Loans and advances to customers	off-balance sheet	Total credit exposure
New Zealand total		113,839	1,428,100	5,579,352	730,198	7,851,489
Outside New Zealand		-	391,348	-	-	391,348
Provision for impairment	13.(c)	-	-	(26,287)	-	(26,287)
Total credit exposure		**113,839**	**1,819,448**	**5,553,065**	**730,198**	**8,216,550**
As at 30 September 2017 (unaudited)						
New Zealand total		122,327	1,557,924	5,020,431	714,212	7,414,894
Outside New Zealand		-	361,157	-	-	361,157
Provision for impairment		-	-	(23,871)	-	(23,871)
Total credit exposure		**122,327**	**1,919,081**	**4,996,560**	**714,212**	**7,752,180**
As at 31 March 2018 (audited)						
New Zealand total		138,123	1,495,082	5,334,414	735,991	7,703,610
Outside New Zealand		-	438,384	-	-	438,384
Provision for impairment		-	-	(25,057)	-	(25,057)
Total credit exposure		**138,123**	**1,933,466**	**5,309,357**	**735,991**	**8,116,937**

(iii) Concentration of credit exposure by industry sector

	Note	Sep 2018 6 Months Unaudited	Sep 2017 6 Months Unaudited	Mar 2018 12 Months Audited
Cash on hand		24,026	29,927	22,858
Local government lending and investments		394,782	525,483	425,292
New Zealand registered banks		476,601	528,389	520,650
Multilateral development banks and other international institutions		329,574	255,147	322,097
Other financial institutions		58,634	5,009	44,099
Sovereigns and Central Bank		463,177	506,510	553,009
Food product and beverages		18,677	19,556	19,422
Utilities		157,503	174,150	162,016
Mining		-	2,800	-
Transport, postal and warehousing		32,198	32,382	32,339
Information media and telecommunications		28,115	28,615	28,367
Agricultural lending		339,367	324,677	323,994
Residential lending		5,075,702	4,593,584	4,888,434
Personal and other lending		217,834	225,193	222,076
Community lending		5,856	6,476	5,964
Commercial lending		620,791	518,153	571,377
Provision for impairment loss	13.(c)	(26,287)	(23,871)	(25,057)
Total credit exposure		**8,216,550**	**7,752,180**	**8,116,937**

13. Credit Risk Management and Asset Quality (continued)

(g) Concentration of credit exposures to individual counterparties

The following disclosures show the number of individual counterparties or groups of closely related counterparties where the period end and peak end-of-day credit exposures equalled or exceeded 10% of the Bank's Common Equity Tier 1 (CET1) capital as at balance date (excluding exposures to connected persons, central government 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). The peak aggregate end of day credit exposure is the largest daily actual credit exposure for the most recent quarter. Credit exposures disclosed are based on actual exposures. The credit rating is applicable to an entity's long term senior unsecured obligations payable in New Zealand, in New Zealand dollars.

% of Shareholder's equity	Six months ended 30 September 2018 (unaudited)							
	Number of bank counterparties				Number of non bank counterparties			
As at Balance date	"A" Rated	"B" Rated	Unrated	Total	"A" Rated	"B" Rated	Unrated	Total
11% - 15%	1	-	-	1	1	-	-	1
16% - 20%	2	-	-	2	-	-	-	-
Total	**3**	**-**	**-**	**3**	**1**	**-**	**-**	**1**
Peak exposure								
11% - 15%	1	-	-	1	2	-	-	2
16% - 20%	2	-	-	2	-	-	-	-
21% - 25%	-	-	-	-	-	-	-	-
Total	**3**	**-**	**-**	**3**	**2**	**-**	**-**	**2**

% of Shareholder's equity	Six month ended 30 September 2017 (unaudited)							
	Number of bank counterparties				Number of non bank counterparties			
As at Balance date	"A" Rated	"B" Rated	Unrated	Total	"A" Rated	"B" Rated	Unrated	Total
11% - 15%	2	-	-	2	5	-	-	5
16% - 20%	2	-	-	2	-	-	-	-
Total	**4**	**-**	**-**	**4**	**5**	**-**	**-**	**5**
Peak exposure								
11% - 15%	-	-	-	-	4	-	-	4
16% - 20%	2	-	-	2	1	-	-	1
21% - 25%	1	-	-	1	-	-	-	-
26% - 30%	1	-	-	1	-	-	-	-
Total	**4**	**-**	**-**	**4**	**5**	**-**	**-**	**5**

% of Shareholder's equity	Year ended 31 March 2018 (audited)							
	Number of bank counterparties				Number of non bank counterparties			
As at Balance date	"A" Rated	"B" Rated	Unrated	Total	"A" Rated	"B" Rated	Unrated	Total
11% - 15%	3	-	-	3	2	-	-	2
16% - 20%	2	-	-	2	-	-	-	-
Total	**5**	**-**	**-**	**5**	**2**	**-**	**-**	**2**
Peak exposure								
11% - 15%	3	-	-	3	3	-	-	3
16% - 20%	1	-	-	1	-	-	-	-
21% - 25%	1	-	-	1	-	-	-	-
Total	**5**	**-**	**-**	**5**	**3**	**-**	**-**	**3**

"A" Rated - those counterparties that have a long-term credit rating of A- or A3 or above, or its equivalent.

"B" Rated – those counterparties that have a long-term credit rating of at least BBB- or Baa3, or its equivalent, and at most BBB+ or Baa1, or its equivalent.

Unrated – those counterparties that do not have a long-term credit rating.

All in NZD $000's

13. Credit Risk Management and Asset Quality (continued)

(h) Maximum exposure to credit risk

The Bank does not have any material exposures on which balances have been netted. As such, the carrying amount of loans and advances (gross of provisions), investment securities, plus commitments is as set out in note 18. Commitments and Contingent Liabilities represent the Bank's maximum exposure to credit risk for on and off-balance sheet financial instruments.

14. Market Risk Management

Market risk is the risk that movements in the level or volatility of market rates and prices will affect the Bank's income or the value of its holdings of financial instruments.

(a) Interest rate repricing schedule

The interest rate repricing schedule of on-balance sheet financial assets and financial liabilities has been prepared on the basis of contractual maturity or next repricing date, whichever is earlier.

As at 30 September 2018 (unaudited)	0-3 Months	3-6 Months	6-12 Months	1-2 Years	Over 2 Years	Non-Interest sensitive	Total
Assets							
Cash and cash equivalents	89,813	-	-	-	-	24,026	113,839
Investment securities	936,218	194,402	69,364	275,297	323,900	20,267	1,819,448
Loans and advances to customers	1,853,554	413,877	1,170,011	1,580,059	540,562	(4,998)	5,553,065
Other financial assets [1]	-	-	-	-	-	5,686	5,686
Total financial assets	**2,879,585**	**608,279**	**1,239,375**	**1,855,356**	**864,462**	**44,981**	**7,492,038**
Liabilities							
Deposits	3,575,849	688,452	1,279,683	598,308	325,317	374,512	6,842,121
Other financial liabilities [2]	-	-	-	-	-	47,341	47,341
Total financial liabilities	**3,575,849**	**688,452**	**1,279,683**	**598,308**	**325,317**	**421,853**	**6,889,462**
Lending commitments	**730,198**	**-**	**-**	**-**	**-**	**-**	**730,198**
Derivative notional principals (net)	**657,082**	**(286,482)**	**(154,000)**	**(303,600)**	**87,000**	**-**	**-**
Interest sensitivity gap	**691,016**	**(366,655)**	**(194,308)**	**953,448**	**626,145**	**(376,872)**	**1,332,774**

[1] Other financial assets include receivables and derivative financial instruments.

[2] Other financial liabilities include accounts payable, current tax liability, provision for dividend, and derivative financial instruments.

All in NZD $000's

14. Market Risk Management (continued)

(b) Sensitivity analysis

In accordance with NZ IFRS 7, an assessment has been undertaken of the market risk sensitivity of net interest income and shareholder's equity based on fluctuations in interest rates.

The primary objective of the Bank's framework for the management of interest rate risk is to minimise the impact of changes in wholesale interest rates on the Bank's earnings. The Risk Framework includes limits for both earnings at risk and economic value, as well as re-pricing gap analysis.

Next 12 months net interest earnings

The figures in the table below indicate the outcome of the earnings at risk measure for the current period.

Scenarios	Change in net Interest Earnings ($m)		
	Sep 2018 Unaudited	**Sep 2017 Unaudited**	**Mar 2018 Audited**
-2.0%	(3.3)	1.1	3.6
-1.0%	(1.9)	0.4	1.7
1.0%	0.9	(1.4)	(2.4)
2.0%	1.8	(2.7)	(4.7)

The earnings at risk measure looks at the sensitivity of net interest earnings over the next twelve months to potential changes in interest rates and is measured on a monthly basis.

Earnings at risk is measured assuming immediate one percent and two percent parallel movement in interest rates across the yield curve. Sensitivity of net interest earnings is measured using a model that takes into account current and projected future changes in terms of asset and liability levels as well as product mix.

Economic value of shareholder's equity (EVE)

The figures in the table below indicate the outcome of the EVE measure for the current period.

Scenarios	Change in EVE ($m)		
	Sep 2018 Unaudited	**Sep 2017 Unaudited**	**Mar 2018 Audited**
-2.0%	22.1	22.8	21.9
-1.0%	10.5	10.6	10.5
1.0%	(12.4)	(12.7)	(11.8)
2.0%	(24.8)	(25.1)	(23.2)

The economic value of shareholders equity (EVE) risk measure looks at the sensitivity of the economic value of the Bank to changes in wholesale interest rates and is measured on a monthly basis.

The current economic value for both on and off-balance sheet assets and liabilities is derived from their contractual cash flows, which are discounted to reflect current market rates. The sensitivity of the EVE is measured assuming immediate one percent and two percent parallel movements in interest rates across the yield curve.

15. Liquidity Risk Management

(a) Core liquid assets

The Bank maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The table below lists the Bank's core liquid assets.

	Sep 2018 6 Months Unaudited	**Sep 2017 6 Months Unaudited**	**Mar 2018 12 Months Audited**
Cash and cash equivalents	**113,839**	**122,327**	**138,123**
Liquid investment securities:			
Local authority securities	344,085	453,181	366,024
Government securities	373,364	414,110	437,744
Registered bank securities	476,601	460,396	492,979
Registered bank term investments	-	15,018	-
Other investments	413,610	261,943	367,953
Total investment securities	**1,607,660**	**1,604,648**	**1,664,700**
Total core liquid assets	**1,721,499**	**1,726,975**	**1,802,823**

All in NZD $000's

15. Liquidity Risk Management (continued)

(b) Contractual cash flows

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 30 September 2018 (unaudited)	On demand	0-1 Months	1-3 Months	3-12 Months	1-5 Year	Over 5 Years	Total
Liabilities:							
Deposits	3,114,304	114,651	592,796	2,209,582	948,235	-	6,979,568
Other financial liabilities *	-	24,604	9,910	4,384	7,928	515	47,341
Total financial liabilities	**3,114,304**	**139,255**	**602,706**	**2,213,966**	**956,163**	**515**	**7,026,909**
Lending commitments (off-balance sheet)	**730,198**	**-**	**-**	**-**	**-**	**-**	**730,198**

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

(c) Current and non-current assets and liabilities

	As at 30 September 2018 (unaudited)		
	Current	Non-current	Total
Assets			
Cash and cash equivalents	113,839	-	113,839
Derivative financial instruments	2,145	-	2,145
Investment securities	722,901	1,096,547	1,819,448
Loans and advances to customers	2,313,357	3,239,708	5,553,065
Current tax asset	-	-	-
Deferred tax asset	-	5,991	5,991
Property, plant and equipment	-	21,146	21,146
Intangible assets	-	7,463	7,463
Other assets *	3,541	-	3,541
Total assets	**3,155,783**	**4,370,855**	**7,526,638**
Liabilities			
Deposits	5,913,528	928,593	6,842,121
Derivative financial instruments	9,596		9,596
Current tax liability	4,132	-	4,132
Other liabilities	28,672	5,481	34,153
Total liabilities	**5,955,928**	**934,074**	**6,890,002**

* Other assets include receivables, prepayments and sundry debtors.

(d) Regulatory liquidity ratios

Liquidity ratios below were calculated at the close of each working day in the periods specified in accordance with the conditions of registration relating to liquidity-risk policy and management.

	Three month period ending on 30 September 2018 Unaudited	Three month period ending on 30 June 2018 Unaudited
One-week mismatch ratio	13.0%	13.2%
One-month mismatch ratio	22.5%	22.8%
Core funding ratio	124.6%	127.1%

All in NZD $000's

16. Capital Adequacy

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 has complied with all of the RBNZ capital requirements in accordance with its Conditions of Registrations during the period and the comparative shown in the tables below.

The Board of Directors has ultimate responsibility for Capital Adequacy, and approves capital policy and minimum capital levels and limits. These are typically at a higher level than required by the Regulator to reduce the risk of breaching Conditions of Registration. The Bank monitors its Capital Adequacy and reports this on a regular basis to the Board and on a monthly basis to the RBNZ.

The Capital Adequacy tables set out on the following pages summarise the composition of regulatory capital and the Capital Adequacy ratios for the Bank for the period ended 30 September 2018.

(a) Capital Adequacy Ratios

	RBNZ Minimum ratio requirement	2018 30 Sep Unaudited Basel III	2017 30 Sep Unaudited Basel III	2018 31 Mar Unaudited Basel III
Common Equity Tier 1 capital ratio	4.50%	14.50%	14.55%	14.28%
Tier 1 capital ratio	6.00%	14.50%	14.55%	14.28%
Total capital ratio	8.00%	14.50%	14.55%	14.28%
Buffer ratio	2.50%	6.50%	6.55%	6.28%

(b) Regulatory Capital

Tier 1 capital			
Common Equity Tier 1 ("CET1") capital			
Issued and fully paid up share capital	10,000	10,000	10,000
Retained earnings previously reported	597,756	553,226	565,883
Balance adjusted for adoption of NZ IFRS 9	(715)	-	-
Current period's unaudited retained earnings	24,404	27,476	31,873
Fair value reserve	8,163	11,434	8,546
Cash flow hedge reserve	(2,972)	(3,426)	(3,287)
	636,636	**598,710**	**613,015**
Less Deductions from CET1 Capital			
Intangible assets	7,463	9,244	8,299
Cash flow hedge reserve	(2,972)	(3,426)	(3,287)
Deferred tax assets	5,991	4,913	5,137
	10,482	**10,731**	**10,149**
Total CET 1 capital	**626,154**	**587,979**	**602,866**
Additional Tier 1 ("AT1") Capital	-	-	-
Total Tier 1 capital	**626,154**	**587,979**	**602,866**
Tier 2 capital			
Unrealised revaluation on security holdings at 45%	-	-	-
Total capital	**626,154**	**587,979**	**602,866**

All in NZD $000's

16. Capital Adequacy (continued)

(c) Credit risk

(i) On-balance sheet exposures

As at 30 September 2018 (unaudited)	Risk weighting	Total exposure	Risk weighted exposure	Minimum Pillar one capital requirement
Cash	0%	6,353	-	-
Sovereigns & RBNZ	0%	463,177	-	-
Multilateral development banks	0%	283,280	-	-
Multilateral development banks	20%	46,294	9,259	741
Public sector entities	20%	350,291	70,058	5,605
Banks	20%	120,014	24,003	1,920
Banks	50%	374,260	187,130	14,970
Corporate	20%	84,037	16,807	1,345
Corporate	50%	50,969	25,485	2,039
Corporate	100%	1,015,550	1,015,550	81,244
Residential mortgages not past due:				
Non-property investment <80% LVR *	35%	2,888,325	1,010,914	80,873
Non-property investment 80%<90% LVR *	50%	264,790	132,395	10,592
Non-property investment 90%<100% LVR *	75%	26,945	20,209	1,617
Non-property investment >100% LVR *	100%	914	914	73
Property investment <80% LVR *	40%	1,264,531	505,813	40,465
Property investment 80%<90% LVR *	70%	10,861	7,603	608
Property investment 90%<100% LVR *	90%	606	545	44
Property investment >100% LVR *	100%	36	36	3
Welcome home <80% LVR *	35%	3,606	1,262	101
Welcome home 80%<90% LVR *	35%	59,552	20,843	1,667
Welcome home 90%<100% LVR *	50%	50,157	25,079	2,006
Welcome home >100% LVR *	100%	4,150	4,150	332
Reverse mortgages <60% LVR *	50%	9,616	4,808	385
Reverse mortgages 60%<80% LVR *	80%	119	95	8
Reverse mortgages >80% LVR *	100%	23	23	2
Past due residential mortgages *	100%	4,421	4,421	354
Other past due assets	100%	-	-	-
Other past due assets	150%	3,797	5,696	456
Other lending	100%	99,678	99,677	7,974
Other assets	100%	26,832	26,832	2,147
Non-risk weighted assets	0%	13,454	-	-
Total on-balance sheet exposures		**7,526,638**	**3,219,607**	**257,571**

* Total exposure of residential mortgages is $4,588,652.

(ii) Off-balance sheet exposures

As at 30 September 2018 (unaudited)	Total exposure	Credit conversion factor	Credit equivalent amount	Average risk weight	Risk weighted exposure	Minimum Pillar one capital requirement
Commitments that can be cancelled unconditionally	599,748	0%	-	N/A	-	-
Commitment with certain drawdown	130,450	100%	130,450	50%	65,267	5,221
Market related contracts:						
Foreign exchange contracts	-	Various	-	50%	-	-
interest rate contracts*	1,111,657	Various	5,158	39%	2,025	162
Credit valuation adjustment (CVA)	-			-	1,345	108
Total off-balance sheet exposures	**1,841,855**		**135,608**		**68,637**	**5,491**

* The credit equivalent amount for market related contracts (which are all interest rate contracts) were calculated using the current exposure method.

All in NZD $000's

16. Capital Adequacy (continued)

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

As at 30 September 2018 (unaudited)	Note	0%-80%	80% - 90%	90% - 100%	> 100%	Total
On-balance sheet exposures		4,171,106	335,641	77,815	5,110	4,589,672
Past due and impaired		7,635	-	-	-	7,635
Total value of on-balance sheet exposures	5,13	**4,178,741**	**335,641**	**77,815**	**5,110**	**4,597,307**
Less provisions:						
Collective		8,044	416	106	9	8,575
Specific		80	-	-	-	80
Total residential mortgages		**4,170,617**	**335,225**	**77,709**	**5,101**	**4,588,652**
Off-balance sheet exposures		467,542	8,813	2,023	19	478,397
Total residential mortgages		**4,638,159**	**344,038**	**79,732**	**5,120**	**5,067,049**

(e) Market risk

In accordance with clause 9 of Schedule 9 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014, peak end-of-day aggregate capital charge and peak end-of-day aggregate capital charge as a percentage of the Bank's equity at the end of the period, are derived by following the risk methodology for measuring capital requirements within Part 10 of - Capital Adequacy Framework (Standardised Approach) (BS2A).

As at 30 September 2018 (unaudited)		Implied risk weighted exposure	Aggregate capital charge	Aggregate capital charge as % of Bank's equity	Banks equity
End of period capital charges	Interest risk	246,973	19,758	3.16%	626,154
Peak end of day capital charges	Interest risk	224,386	17,951	2.87%	626,154

(f) Risk weighted exposure and total capital requirements

As at 30 September 2018 (unaudited)	Total Exposure after credit risk mitigation	Risk weighted exposure or Implied RWE	Capital requirement
Total credit risk plus equity	7,662,247	3,288,244	263,059
Operational risk	N/A	464,900	37,192
Implicit risk*	N/A	317,125	25,370
Market risk	N/A	246,973	19,758
Total	**7,662,247**	**4,317,242**	**345,379**

* As per Condition 1C and 1D of Conditions of registration for TSB Bank Limited, that apply on and after 1 November 2015.

(g) Capital for other material risks (Pillar II)

Pillar 2 of Basel III is intended to ensure that banks have adequate capital to support all risks in their business, and includes the requirement on banks to have an “Internal Capital Adequacy Assessment Process (ICAAP)” for assessing their overall Capital Adequacy in relation to risk profile and a strategy for maintaining adequate capital to support risk. The Bank’s ICAAP has identified other areas of risk not covered by Pillar I (credit risk, market risk, and operational risk) and assigned a level of capital to them. These risks include but are not limited to strategic risk, reputational risk, environmental risk, liquidity risk, investment portfolio risk, sector and regional concentration risk, natural disaster risk, brand risk and ownership structure.

The Bank has made an internal capital allocation of $171m (30 September 2017: $171m; 31 March 2018: $171m) to cover these identified risks.

All in NZD $000's

17. Securitisation, Funds Management, Other Fiduciary Activities and Marketing and Distribution of Insurance Products

The Bank has no involvement with any securitisation, custodial, or other fiduciary activities. The Bank does not conduct any insurance business, however general insurance, life insurance, and KiwiSaver products are marketed through the Bank's branch network. These have been provided at arm's length terms and conditions and measured at fair value. The Bank provides no funding to the entities on whose behalf the insurance products are marketed. External third party insurance companies underwrite these. The Bank markets Fisher Funds KiwiSaver products through the Bank's branch network. Refer to note 19. Related Party Transactions and Balances in regards to the related party loan to TSB Group Limited and commission income from Fisher Funds Management Limited.

TSB Bank Limited is the manager and promoter of the TSB Bank PIE Unit Trust, and the New Zealand Guardian Trust Company Limited is the trustee. Units in the fund do not directly represent deposits or other liabilities of the Bank. However, the Trust Deed stipulates that the TSB Bank PIE Unit Trust is invested exclusively in TSB Bank debt securities.

As at 30 September 2018, the TSB Bank PIE Unit Trust had $17.5m (30 September 2017: $22.2m; 31 March 2018: $19.2m) invested with the Bank.

18. Commitments and Contingent Liabilities

	Sep 2018 6 Months Unaudited	Sep 2017 6 Months Unaudited	Mar 2018 12 Months Audited
Lending commitments:			
Commitments approved to advance less than one year	107,782	107,892	107,178
Commitments approved to advance greater than one year *	622,416	606,320	628,813
Total lending commitments	**730,198**	**714,212**	**735,991**
Other commitments:			
Rental / lease commitments less than one year	2,804	2,624	3,058
Rental / lease commitments greater than one year	17,633	11,711	21,000
Capital commitments	2,001	1,318	707
Total other commitments	**22,438**	**15,653**	**24,765**
Total commitments	**752,636**	**729,865**	**760,756**

* Includes $9.13m (30 September 2017: $12.16m ; 31 March 2018:$12.56m) related to the facility granted to TSB Group Limited, a related entity.

There are no material contingent liabilities and outstanding claims known by the Directors as at 30 September 2018 that would impact on the financial statements.

All in NZD $000's

19. Related Party Transactions and Balances

The Bank is wholly owned by the TSB Community Trust (the Trust) through the Trust's fully owned subsidiary, TSB Group Limited. During the period the Trust operated bank account facilities which were on normal customer terms and conditions.

The outstanding balances shown below arose from the ordinary course of business and the corresponding interest rates charged to, and by, related parties are at normal commercial rates.

The Bank markets Fisher Funds KiwiSaver products through the Bank's branch network and receives commission income in return. TSB Group Limited holds 66% (30 September 2017: 49%; 31 March 2018: 75%) shareholding of Fisher Funds Management Limited via its wholly owned subsidiaries, TSB Group Investments Limited and TSB Group Capital Limited.

		Sep 2018 Unaudited			Sep 2017 Unaudited			Mar 2018 Audited		
Recognised in	**Note**	TSB Community Trust	TSB Group Limited	Fisher Funds	TSB Community Trust	TSB Group Limited	Fisher Funds	TSB Community Trust	TSB Group Limited	Fisher Funds
Statement of Financial Position										
Loan balance		-	74,466	-	-	71,444	-	-	71,045	-
Deposit balance		19,862		-	18,536	-	-	14,269	-	-
Statement of Changes in Equity										
Dividends	11	-	2,500	-	-	12,657	-	-	20,000	-
Statement of Profit or Loss										
Interest income		-	1,512	-	-	981	-	-	2,563	-
Interest expense		268	-	-	377	-	-	682	-	-
Commission income		-	-	260	-	-	230	-	-	476

During the reporting period, subvention payments were made to TSB Group Limited of $1.377m (30 September 2017: $1.122m), TSB Group Capital Limited of $0.164m (30 September 2017: $0.104m) and TSB Group Investments Limited of $1.328m (30 September 2017: $0.022m).

Transactions with directors and key management personnel

Key management personnel are defined as the directors and senior management of the Bank – those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Loans made to and deposits held by the key management personnel are made in the course of ordinary business on normal terms and conditions, other than some loans made to key management personnel, which are made with an interest rate at a slight discount to market.

	Sep 2018 6 Months Unaudited	Sep 2017 6 Months Unaudited	Mar 2018 12 Months Audited
Key management compensation:			
Short-term employee benefits	2,135	3,042	3,618
Other long-term benefits	(45)	145	(39)
Retirement benefits	-	-	1,020
Directors fees	-	278	-
Total key management compensation	**2,090**	**3,465**	**4,599**
Loans to directors and key management personnel:			
Balance at beginning of period	2,914	2,952	2,952
Net loans / (repaid) during the period	739	(9)	(38)
Balance at end of period	**3,653**	**2,943**	**2,914**
Deposits from directors and key management personnel:			
Balance at beginning of period	528	3,201	3,201
Net deposits received / (repaid) during the period	(18)	505	(2,673)
Balance at end of period	**510**	**3,706**	**528**

20. Subsequent Events

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

Independent Review Report

To the shareholder of TSB Bank Limited

Report on the half year disclosure statement

Conclusion

Based on our review of the interim financial statements and supplementary information of TSB Bank Limited (the "Registered Bank") on pages 5 to 29, nothing has come to our attention that causes us to believe that:

i. the interim financial statements do not present fairly, in all material respects, the Registered Bank's financial position as at 30 September 2018 and its financial performance and cash flows for the 6 month period ended on that date;

ii. the interim financial statements (excluding the supplementary information disclosed in accordance with Schedules 5, 7, 9, 13, 16 and 18 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order")), have not been prepared, in all material respects, with NZ IAS 34 Interim Financial Reporting ("NZ IAS 34");

iii. the supplementary information, does not fairly state, in all material respects, the matters to which it relates in accordance with Schedules 5, 7, 13, 16 and 18 of the Order; and

iv. the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements, have not been prepared, in all material respects, in accordance with the Registered Banks conditions of registration, Capital Adequacy Framework (Standardised Approach) (BS2A) and disclosed in accordance with Schedule 9 of the Order.

We have completed a review of the accompanying half year disclosure statement which comprises:

- the interim financial statements formed of:
  - the statement of financial position as at 30 September 2018;
  - the statements of comprehensive income, changes in equity and cash flows for the 6 month period then ended; and
  - notes, including a summary of significant accounting policies and other explanatory information.
- the supplementary information prescribed in Schedules 5, 7, 9, 13, 16 and 18 of the Order.

Basis for conclusion

A review of the half year disclosure statement in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410") is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

As the auditor of TSB Bank Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Our firm has also provided other services to the Bank in relation to risk advisory 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 reviewer of the Bank. The firm has no other relationship with, or interest in, the Bank.

Use of this independent review report

This independent review report is made solely to the shareholder as a body. Our review work has been undertaken so that we might state to the shareholder those matters we are required to state to them in the independent 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 shareholder as a body for our review work, this independent review report, or any of the opinions we have formed.

Responsibilities of the Directors for the half year disclosure statement

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

- the preparation and fair presentation of the half year disclosure statement in accordance with NZ IAS 34 and Schedules 3, 5, 7, 13, 16 and 18 of the Order;
- the preparation and fair presentation of the supplementary information in regards to Capital Adequacy and Regulatory Liquidity Requirements in accordance with the Registered Banks conditions of registration, Capital Adequacy Framework (Standardised Approach) (BS2A) and Schedule 9 of the Order;
- implementing necessary internal control to enable the preparation of a half year disclosure statement that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the review of the half year disclosure statement

Our responsibility is to express a conclusion on the half year disclosure statement based on our review. We conducted our review in accordance with NZ SRE 2410. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the:

- the interim financial statements do not present fairly in all material respects the Registered Bank's financial position as at 30 September 2018 and its financial performance and cash flows for the 6 month period ended on that date;

- the interim financial statements do not, in all material respects, comply with NZ IAS 34;
- the supplementary information does not, fairly state, in all material respects, 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 is not, prepared in all material respects, in accordance with the Registered Banks Conditions of Registration, Capital Adequacy Framework (Standardised Approach) (BS2A) and disclosed in accordance with Schedule 9 of the Order.

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). Accordingly we do not express an audit opinion on the half year disclosure statement.

This description forms part of our independent review report.

KPMG

KPMG
Wellington

22 November 2018

Directory

Directors

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

Executive Management

D. (Donna) Cooper, B.Com, MA, MIntBus
R.G. (Roddy) Bennett, B.Sci, CA, GM Finance
D.S. (David) Thomson, BA, GM Risk
J.S. (Justine) St John, B.Com, GM Marketing
S.L. (Steve) O'Shea, Dip Bank, MBA, FFin, GM Customer Sales & Service
M.D. (Marie) Collins, GM Technology & Support
A.A. (Audrey) Young, BSc (Hons), GM People & Culture

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