Disclosure Statement

For the six months ended 30 September 2022

Table of Contents

General Information

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 4310.

Principal Activity

The Bank continues to offer a full range of Retail Banking Services to its customers along with support areas of operation in Foreign Exchange. The Bank has no direct exposure to the funds management industry, though it promotes the sale of Fisher Funds products, a related party.

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 Toi Foundation (an independent body) via its subsidiary Toi Foundation Holdings Limited. The Foundation Holdings Limited appoints the Board of Directors and its address for service is 21 Dawson Street, PO Box 667, New Plymouth, 4340.

Guarantee Arrangements

No material obligations of the Bank are guaranteed.

Pending Proceedings or Arbitration

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

Other Material Matters

The Board of the Bank believes there are no other material matters relating to the business or affairs of the Bank or the Banking group that are not contained elsewhere in this Disclosure Statement which would, if disclosed, materially affect the decision of a person to subscribe for debt securities of which the registered bank or any members of the Bank's banking group is the issuer.

Auditor

KPMG, 10 Customhouse Quay, Wellington 6011

Conditions of Registration

The Reserve Bank of New Zealand ("RBNZ") has made following changes to the Bank's Conditions of Registration since the reporting date of the Bank's previous Disclosure Statement.

- Effective 23 June 2022, references to the BS11 Outsourcing Policy and BS17 Open Bank Resolution Policy in the Conditions of Registration were updated to reflect associated policy amendments in June 2022.
- Effective 1 July 2022, references to the BS13 Liquidity Policy and BS13A Liquid Policy Annex: Liquid Assets in the Conditions of Registration were updated to reflect associated policy amendments in July 2022. Additionally, the dividend restrictions (which were implemented in response to COVID-19) have been removed.

Credit Rating

As at the signing date of this Disclosure Statement, the Bank's credit rating was A- with outlook Stable by Fitch ratings ("Fitch"). This credit rating is applicable to the Bank's long term senior unsecured obligations payable in New Zealand, in New Zealand dollars and was reaffirmed by Fitch on 30 August 2022. The rating is not subject to any qualifications.

Directorate

There have been following changes to the composition of the Board of Directors (the "Board") since the Bank's previous full year Disclosure Statement and Annual Report for the year ended 31 March 2022.

- Murray Bain retired as a Director and Deputy Chair of the Board on 10 June 2022.
- Michael Schubert was appointed as the Deputy Chair of the Board from 10 June 2022.
- Melanie Templeton was appointed as a Director of the Board commencing 1 October 2022.

Directors' Statements

Each of 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.

Each of the Directors believe, after due enquiry, that over the financial period to 30 September 2022:

(a) The Bank has complied in all material respects with each Condition of Registration;

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

(c) Subject to the items outlined in note 11. Risk Management, note 14. Liquidity Risk Management and note 15. Capital Adequacy, 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 risk and other business risks, and that those systems were being properly applied.

Anne Blackburn

M.C. Darrow
(Chair – Board of Directors)
23 November 2022

M. Schubert
(Deputy Chair- Board of Directors)
23 November 2022

M.A. Blackburn
23 November 2022

Kevin McDonald

P.S. Dalziel
23 November 2022

H.F. Dunlop
23 November 2022

K.C. McDonald
23 November 2022

N Pearce

N. Pearce
23 November 2022

M.S. Templeton
23 November 2022

D.J. Tuuta
23 November 2022

Statement of Comprehensive Income

For the six months ended 30 September 2022

All in NZD $000's

Profit or loss:	Note	Sep 2022 6 Months Unaudited	Sep 2021 6 Months Unaudited	Mar 2022 12 Months Audited
Interest income calculated using the effective interest method		142,261	113,229	229,678
Interest expense		49,962	33,544	67,885
Net interest income	2	**92,299**	**79,685**	**161,793**
Other operating income	3	17,367	11,066	19,778
Net operating income		**109,666**	**90,751**	**181,571**
Operating expenses *	4	86,078	66,013	136,181
Profit before credit impairment and tax		**23,588**	**24,738**	**45,390**
Credit impairment losses / (reversal of credit impairment losses)	12(a)	(2,506)	(7,136)	(8,123)
Profit before tax		**26,094**	**31,874**	**53,513**
Tax expense *		5,860	8,925	15,427
Net profit after tax		**20,234**	**22,949**	**38,086**
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Movements in the fair value of debt instruments		(25,942)	(27,827)	(79,099)
Movement in effective portion of changes in fair value of cash flow hedges		27,790	15,665	60,717
Income tax on items that may be reclassified to profit or loss		(517)	3,406	5,148
Other comprehensive income for the period (net of tax)		**1,331**	**(8,756)**	**(13,234)**
Total comprehensive income for the period		**21,565**	**14,193**	**24,852**

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

* Comparative information has been restated to reflect the change in accounting policy applied retrospectively. Refer to note 1(i). Changes in accounting policy of the Bank's previous full year financial statements.

Statement of Changes in Equity

For the six months ended 30 September 2022

All in NZD $000's

For the six months ended September 2022 (unaudited)	Note	Share capital	Fair value reserve	Cash flow hedge reserve	Retained earnings	Total Equity
Balance at 1 April 2022		**10,000**	**(45,810)**	**44,950**	**714,120**	**723,260**
Total comprehensive income for the period:						
Net profit after tax		-	-	-	20,234	20,234
Other comprehensive income:						
Movement in cash flow hedge reserve		-	-	27,790	-	27,790
Movement in fair value reserve		-	(25,942)	-	-	(25,942)
Related tax			7,264	(7,781)		(517)
Total other comprehensive income		-	(18,678)	20,009	-	1,331
Total comprehensive income for the period		**-**	**(18,678)**	**20,009**	**20,234**	**21,565**
Transactions with owner recorded directly in equity:						
Dividends to equity holder	10	-	-	-	(5,000)	(5,000)
Total transactions with owner		**-**	**-**	**-**	**(5,000)**	**(5,000)**
Balance at 30 September 2022		**10,000**	**(64,488)**	**64,959**	**729,354**	**739,825**
For the six months ended September 2021 (unaudited)						
Balance at 31 March 2021 (previously reported)		10,000	11,141	1,233	703,290	725,664
Balance adjusted due to SaaS write-off *					(14,756)	(14,756)
Adjusted balance at 1 April 2021		**10,000**	**11,141**	**1,233**	**688,534**	**710,908**
Total comprehensive income for the period:						
Net profit after tax		-	-	-	22,949	22,949
Other comprehensive income:						
Movement in cash flow hedge reserve		-	-	15,665	-	15,665
Movement in fair value reserve		-	(27,827)	-	-	(27,827)
Related tax			7,792	(4,386)		3,406
Total other comprehensive income		-	(20,035)	11,279	-	(8,756)
Total comprehensive income for the period		**-**	**(20,035)**	**11,279**	**22,949**	**14,193**
Transactions with owner recorded directly in equity:						
Dividends to equity holder	10	-	-	-	(7,500)	(7,500)
Total transactions with owner		**-**	**-**	**-**	**(7,500)**	**(7,500)**
Balance at 30 September 2021		**10,000**	**(8,894)**	**12,512**	**703,983**	**717,601**
For the year ended March 2022 (audited)						
Adjusted balance at 1 April 2021		**10,000**	**11,141**	**1,233**	**688,534**	**710,908**
Total comprehensive income for the period:						
Net profit after tax		-	-	-	38,086	38,086
Other comprehensive income:						
Movement in cash flow hedge reserve		-	-	60,717	-	60,717
Movement in fair value reserve		-	(79,099)	-	-	(79,099)
Related tax			22,148	(17,000)	-	5,148
Total other comprehensive income		-	(56,951)	43,717	-	(13,234)
Total comprehensive income for the period		**-**	**(56,951)**	**43,717**	**38,086**	**24,852**
Transactions with owner recorded directly in equity:						
Dividends to equity holder	10	-	-	-	(12,500)	(12,500)
Total transactions with owner		**-**	**-**	**-**	**(12,500)**	**(12,500)**
Balance at 31 March 2022		**10,000**	**(45,810)**	**44,950**	**714,120**	**723,260**

* Comparative information has been restated to reflect the change in accounting policy applied retrospectively. Refer to note 1(i). Changes in accounting policy of the Bank's previous full year financial statements.

These financial statements are to be read in conjunction with the notes on pages 9 - 32.

Statement of Financial Position

As at 30 September 2022

All in NZD $000's

	Note	Sep 2022 6 Months Unaudited	Sep 2021 6 Months Unaudited	Mar 2022 12 Months Audited
Assets				
Cash and cash equivalents		560,597	379,652	714,196
Derivative financial instruments		101,827	21,052	65,477
Investment securities	5	1,436,223	1,718,411	1,459,342
Loans and advances to customers	6	6,787,224	6,586,696	6,667,219
Property, plant and equipment		33,064	32,675	32,386
Intangible assets *		1,338	1,230	1,310
Deferred tax asset *		17,790	19,387	18,306
Other assets		4,590	4,759	2,244
Total assets		**8,942,653**	**8,763,862**	**8,960,480**
Liabilities				
Deposits	7	8,130,120	7,988,814	8,180,220
Derivative financial instruments		9,942	5,193	5,970
Current tax liability		980	3,239	1,510
Other liabilities	8	61,786	49,015	49,520
Total liabilities		**8,202,828**	**8,046,261**	**8,237,220**
Shareholder's Equity				
Share capital	10	10,000	10,000	10,000
Fair value reserve		(64,488)	(8,894)	(45,810)
Cash flow hedge reserve		64,959	12,512	44,950
Retained earnings		729,354	703,983	714,120
Total shareholder's equity		**739,825**	**717,601**	**723,260**
Total liabilities and shareholder's equity		**8,942,653**	**8,763,862**	**8,960,480**
Total interest earning and discount bearing assets		8,768,423	8,679,958	8,831,423
Total interest and discount bearing liabilities		7,410,406	7,269,710	7,413,203

* Comparative information has been restated to reflect the change in accounting policy applied retrospectively. Refer to note 1(i). Changes in accounting policy of the Bank's previous full year financial statements.

For and on behalf of the Board of Directors:

M.C. Darrow
(Chair - Board of Directors)

23 November 2022

M. Schubert
(Deputy Chair - Board of Directors)

23 November 2022

These financial statements are to be read in conjunction with the notes on pages 9 - 32.

Statement of Cash Flows

For the six months ended 30 September 2022

All in NZD $000's

	Sep 2022 6 Months Unaudited	Sep 2021 6 Months Unaudited	Mar 2022 12 Months Audited
Cash Flows from Operating Activities			
Cash provided from (applied to):			
Interest income received	138,583	116,860	226,438
Other income received	15,020	10,543	19,770
Interest paid	(35,167)	(35,943)	(70,257)
Operating expenditure	(70,207)	(68,610)	(139,338)
Taxes and subvention payments	(6,389)	(9,082)	(14,492)
Cash flows from operating profits before changes in operating assets and liabilities	**41,840**	**18,606**	**21,851**
Net changes in operating assets and liabilities:			
Increase in loans and advances to customers	(114,127)	(248,192)	(313,351)
Derivative financial instruments	(4,587)	926	2,330
Increase / (decrease) in deposits	(64,895)	(7,292)	184,930
Cash flows from operating assets and liabilities	**(183,609)**	**(254,558)**	**(126,091)**
Net cash flows from operating activities	**(141,769)**	**(235,952)**	**(104,240)**
Cash Flows from Investing Activities			
Cash provided from (applied to):			
Net (purchase) / maturity of investment securities	(1,790)	191,255	399,129
Property, plant and equipment sold / (purchased)	(3,277)	60	(3,137)
Intangible assets purchased	(220)	(123)	(247)
Net cash flows from investing activities	**(5,287)**	**186,354**	**395,745**
Cash Flows from Financing Activities			
Cash provided from (applied to):			
Dividends paid	(5,000)	(7,500)	(12,500)
Lease payments	(1,543)	(1,490)	(3,049)
Net cash flows from financing activities	**(6,543)**	**(8,990)**	**(15,549)**
Net increase in cash and cash equivalents	**(153,599)**	**(58,588)**	**275,956**
Add cash and cash equivalents at beginning of the period	714,196	438,240	438,240
Cash and cash equivalents at end of period	**560,597**	**379,652**	**714,196**

Reconciliation of cash and cash equivalents

Cash and cash at bank	21,111	20,738	21,154
Balances with Reserve Bank	539,486	358,914	693,042
Total cash and cash equivalents at end of period	**560,597**	**379,652**	**714,196**

These financial statements are to be read in conjunction with the notes on pages 9 - 32.

1. Statement of Accounting Policies

(a) 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 2022 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 and presentation currency of the Bank.

(b) Changes in Accounting policies

The accounting policies applied in the preparation of the interim financial statements are consistent with those of the Bank's annual financial statements for the year ended 31 March 2022.

To ensure consistency with the current period, comparative figures have been restated and disclosed within impacted notes where relevant.

(c) Implications of COVID-19 on allowance for expected credit loss ("ECL")

As New Zealand has moved its COVID-19 management strategy from eradication to endemic COVID the impact of Coronavirus pandemic ("COVID-19") on the economy has eased. At the same time, exceptionally high inflation and persistently low unemployment have put pressure on interest rates with RBNZ pursuing an aggressive monetary tightening policy the outcomes of which for the credit portfolio are highly uncertain. This uncertainty is incorporated in the Bank's assessment of expected credit losses ("ECL") from its credit portfolio which are subject to a number of management judgements and estimates. The Bank's accounting policy for the recognition and measurement of the allowance for ECL is set out in note 16. Credit Risk Management and Asset Quality of the Bank's annual financial statements for the year ended 31 March 2022.

The table below shows the Bank's allowance for expected credit loss.

	Sep 2022	Sep 2021	Mar 2022
	$m	$m	$m
Collectively assessed	28.5	30.7	30.2
Individually assessed	4.1	6.4	5.8
Total	**32.6**	**37.1**	**36.0**

Individually assessed (loans and advances to customers and lending commitments)
For the half year ended 30 September 2022, the individually assessed allowance for ECL decreased by $1.7m compared to 31 March 2022. In estimating individually assessed ECL for Stage 3 exposures, the Bank makes judgements and assumptions in relation to:

- expected repayments
- the realisable value of collateral
- the economic prospects for the customer
- competing claims; and
- the likely cost and duration of the work-out process.

Consideration has been given to the potential impact of COVID-19 which has been incorporated into the judgements and assumptions made regarding these matters.

Collectively assessed (loans and advances to customers and lending commitments)
For the half year ended 30 September 2022, the collectively assessed allowance for expected credit loss decreased by $1.7m.

In estimating collectively assessed ECL, the Bank makes judgements and assumptions in relation to:
- the development of a modelling methodology, noting that the modelling of the Bank's ECL estimates is complex; and
- the selection of inputs for those models, and the interdependencies between those inputs.

There is uncertainty around the consequences of rising interest rates and inflation on the New Zealand economy and how consumers will respond. As the interest rates continue their upward trajectory and inflation persists, New Zealand borrowers are likely to face loan affordability pressure not seen in over a decade. For the time being this is offset by a strong economy and unemployment levels at historical minimum. However, the medium term effect of the current monetary policy tightening cycle is highly uncertain and could lead to an adverse outcomes for the Bank's loan portfolio. This uncertainty is incorporated in the Bank's assessment of ECL from its credit portfolio which is subject to a number of management judgements and estimates.

The following table summarises the key judgements and assumptions in relation to the model inputs, the interdependencies between those inputs and highlights significant changes during the current period.

1. Statement of Accounting Policies

(c) Implications of COVID-19 on allowance for expected credit loss ("ECL") (continued)

Collectively assessed (continued)

Judgement/Assumption	Description	Changes and considerations during the reporting period.
Determining when a significant increase in credit risk (SICR) has occurred	In measuring ECL, judgement is required when setting the rules and trigger points used to determine when a SICR has occurred since the initial recognition of a loan. This is important in that it results in the financial asset moving from 'stage 1' to 'stage 2', and results in an increase in the ECL from an allowance based on the probability of default in the next 12 months, to an allowance for lifetime expected credit losses. Decrease in credit risk as a result of transitioning from stage 2 back to stage 1 can also result in a significant change to the ECL allowance. These examples highlight the importance and potential impact that setting these trigger points can have on the ECL allowance.	The Bank has carefully reviewed its loan portfolio and economic outlook. Consequently it was determined that the portfolio downgrades associated with COVID should be removed due to removal of COVID restrictions and robust portfolio performance and instead individual customers in the Commercial and Agricultural book whose business prospects have significantly deteriorated since origination have been designated as having a SICR status.
Measuring both 12-month and lifetime credit losses	ECL is a function of the probability of default ("PD"), the loss given default ("LGD") and the exposure at default ("EAD"). These are point-in-time measures reflecting the relevant forward looking information determined by management. Judgement is involved in determining which forward-looking information variables are relevant for particular lending portfolios and for determining the sensitivity of the parameters to movements in these forward looking variables.	The Bank has used probability weighted scenarios to determine the expected distribution of credit loss outcomes. The scenarios were developed based on external macroeconomic forecasts, including Treasury and RBNZ forecasts, the Bank's internal modelling and management judgement. A view was taken on the probability of the forecasts eventuating.
Management temporary adjustments	Management temporary adjustments to the ECL allowances are adjustments used when it is deemed that existing inputs, assumptions and model techniques do not capture all the risk factors relevant to our lending portfolios. The use of management temporary adjustments may impact the amount of ECL recognised.	The Bank implemented a temporary model overlay to address some input data and modelling technique shortcomings which rendered the Bank unable to capture all the risk factors relevant to the lending portfolio. As the Bank works to enhance the model and incorporates outstanding risk factors the need for the overlay will be reassessed.

ECL sensitivity analysis

Given the large amount of uncertainty in the current economic environment expected credit losses should be considered as a best estimate within a range of possible estimates. The Bank has elected to use a 65% base and 35% downside scenario in determining its ECL (31 March 2022: 100%/0%). The scenario probabilities were chosen as Management updated its economic base scenario using August 2022 financial and economic forecasts and monitored ongoing economic developments. It was determined that the rapidly increasing cost of living, driven by persistently high inflation, and cost of borrowing, driven by increasing interest rates, are putting strain on personal and family finances increasing the likelihood of a hard economic landing and a stagflationary economic downturn. After carefully weighing the current economic developments and a range of possible outcomes Management reached a conclusion that a 35% likelihood that its downside scenario materializes is appropriate.

The table below illustrates the sensitivity of ECL to key macroeconomic factors used in determining it:

	Sep 2022 (unaudited)		Sep 2021 (unaudited)		Mar 2022 (audited)	
	65% base and 35% downside		100% base and 0% downside		100% base and 0% downside	
ECL sensitivity - Weightings applied to forecast scenarios	Total ECL $m	Impact $m	Total ECL $m	Impact $m	Total ECL $m	Impact $m
100% base scenario	23.7	(4.8)	30.7	-	30.2	-
65% base scenario/ 35% downside scenario	28.5	-	35.8	5.1	34.2	4.0
100% downside scenario	37.3	8.8	40.9	10.2	40.2	10.0

All in NZD $000's

2. Net Interest Income

Interest income	Financial assets measured at	Sep 2022 6 Months Unaudited	Sep 2021 6 Months Unaudited	Mar 2022 12 Months Audited
Cash and cash equivalents	Amortised cost	6,842	297	2,269
Loans and advances to customers [1]	Amortised Cost	121,499	98,711	199,891
Investment securities	FVOCI	13,920	14,221	27,518
Total interest income		**142,261**	**113,229**	**229,678**
Interest expense	**Financial liabilities measured at**			
Deposits from customers [2]	Amortised cost	49,190	33,124	66,922
Wholesale deposits	Amortised cost	503	131	390
Lease liability	Amortised cost	269	289	573
Total interest expense		**49,962**	**33,544**	**67,885**
Net interest income		**92,299**	**79,685**	**161,793**

[1] Includes interest income earned on the commercial loan due from Toi Foundation Holdings Limited (refer to note 18. Related Party Balances for further information).
[2] Includes interest expense on deposits from Toi Foundation (refer to note 18. Related Party Balances for further information).

3. Other Operating Income

	Sep 2022 6 Months Unaudited	Sep 2021 6 Months Unaudited	Mar 2022 12 Months Audited
Fee and commission income			
Account and card services	4,228	4,377	8,880
Foreign exchange services	881	949	1,815
Fund and insurance products distribution	1,352	1,811	3,615
Total fee and commission income	6,461	7,137	14,310
Gain / (loss) on financial instruments			
Hedge ineffectiveness on cash flow hedging	3,728	-	-
Cumulative gains transferred from fair value reserve (designated at FVOCI)	-	599	881
Total other gains / losses	3,728	599	881
Other income			
Gain / (loss) on sale of fixed assets	(8)	1,825	1,722
Sundry income	7,186	1,505	2,865
Total other operating income	**17,367**	**11,066**	**19,778**

All in NZD $000's

4. Operating Expenses

	Sep 2022 6 Months Unaudited	Sep 2021 6 Months Unaudited	Mar 2022 12 Months Audited
Fees paid to auditor:			
Audit and review of financial statements [1]	154	201	380
Other assurance services	90	84	181
Other services [2]	-	196	230
Total fees paid to auditor	244	481	791
Depreciation	3,061	3,174	6,424
Amortisation of intangible assets [3]	192	195	382
Directors' fees	495	501	1,035
Personnel	36,436	27,643	57,297
Defined contribution plan	1,117	747	1,605
Information technology [3]	16,823	12,075	25,552
Premises occupancy	1,616	1,413	3,366
Marketing	4,878	3,896	8,115
Debit / Credit card expenses	6,099	5,173	11,312
Professional and legal fees	8,119	3,195	7,894
Others	6,998	7,520	12,408
Total operating expenses	**86,078**	**66,013**	**136,181**

[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 include regulatory advisory and IT risk assessment services.
[3] Comparative information has been restated to reflect the IFRIC agenda decision regarding the treatment of costs associated with SaaS arrangements.

5. Investment Securities

	Sep 2022 6 Months Unaudited	Sep 2021 6 Months Unaudited	Mar 2022 12 Months Audited
Local authority securities	108,543	190,565	120,599
Government securities and Government-guaranteed securities	305,405	390,111	311,918
Registered bank securities	261,846	401,107	313,681
Multilateral development banks and other international organisations	523,002	420,402	455,225
Other investments*	237,427	316,226	257,919
Total investment securities	**1,436,223**	**1,718,411**	**1,459,342**

* Other investments relate to investments in utility companies, state enterprises, and other New Zealand corporates.

All in NZD $000's

6. Loans and Advances to Customers

	Note	Sep 2022 6 Months Unaudited	Sep 2021 6 Months Unaudited	Mar 2022 12 Months Audited
Residential	12(a)	5,961,543	5,757,001	5,852,327
Commercial [1]		564,018	530,609	537,771
Agricultural		248,413	291,907	268,075
Personal [2]		18,741	23,115	20,866
Others [3]		23,317	18,040	21,173
Total gross loans and advances to customers		**6,816,032**	**6,620,672**	**6,700,212**
Less provision for doubtful debts	12(a)	(28,808)	(33,976)	(32,993)
Total loans and advances to customers		**6,787,224**	**6,586,696**	**6,667,219**

[1] Commercial includes a loan to Toi Foundation Holdings Limited (refer to note 18. Related Party Balances for more information).
[2] Personal is inclusive of other retail lending and credit card balances.
[3] Others include lending accruals and deferred acquisition costs.

7. Deposits

	Sep 2022 6 Months Unaudited	Sep 2021 6 Months Unaudited	Mar 2022 12 Months Audited
Retail term deposits	3,723,221	3,301,953	3,452,075
On call deposits bearing interest	3,633,359	3,897,103	3,901,158
On call deposits not bearing interest	733,679	734,803	782,063
Wholesale deposits bearing interest	39,861	54,955	44,924
Total deposits	**8,130,120**	**7,988,814**	**8,180,220**

Concentrations of funding

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

	Sep 2022 6 Months Unaudited	Sep 2021 6 Months Unaudited	Mar 2022 12 Months Audited
Taranaki	3,771,731	3,675,118	3,737,985
Rest of New Zealand	4,162,142	4,117,306	4,245,499
Outside New Zealand	196,247	196,390	196,736
Total funding by geographic region	**8,130,120**	**7,988,814**	**8,180,220**
Government and public authorities	4,191	5,996	4,082
Finance (wholesale deposits)	39,861	54,955	44,924
Households	7,870,254	7,723,252	7,937,736
Community	91,499	74,522	72,670
Commercial	124,315	130,089	120,808
Total funding by industry sector	**8,130,120**	**7,988,814**	**8,180,220**

8. Other Liabilities

	Sep 2022 6 Months Unaudited	Sep 2021 6 Months Unaudited	Mar 2022 12 Months Audited
Employee entitlements	6,928	5,604	6,442
Trade and other payables	26,986	18,330	18,190
Lease liabilities	13,965	15,699	15,046
Other provisions*	11,834	7,382	8,009
Other non-financial liabilities	2,073	2,000	1,833
Total other liabilities	**61,786**	**49,015**	**49,520**

* Included are $3.7m (30 September 2021: $3.1m; 31 March 2022: $3.0m) of provision for the loss allowance on undrawn commitment which can be separately identified from the financial instrument component (refer to note 12. Credit Risk Management and Asset Quality for further information).

All creditors and depositors are ranked equally.

All in NZD $000's

9. Fair Value of Financial Instruments

The following table summarises the carrying amounts and fair values of financial assets and financial liabilities.

As at 30 September 2022 (unaudited)	Note	At amortised cost	At FVTOCI	AT FVTPL	Fair value - hedging instruments	Total carrying amount	Fair value
Financial assets:							
Cash and cash equivalents		560,597	-	-	-	560,597	560,597
Derivative financial instruments		-	-	-	101,827	101,827	101,827
Investment securities	5	-	1,436,223	-	-	1,436,223	1,436,223
Loans and advances to customers	6	6,787,224	-	-	-	6,787,224	6,701,639
Other assets		4,590	-	-	-	4,590	4,590
Total financial assets		**7,352,411**	**1,436,223**	**-**	**101,827**	**8,890,461**	**8,804,876**
Financial liabilities:							
Deposits	7	8,130,120	-	-	-	8,130,120	8,118,998
Derivative financial instruments		-	-	-	9,942	9,942	9,942
Other liabilities		59,713	-	-	-	59,713	59,713
Total financial liabilities		**8,189,833**	**-**	**-**	**9,942**	**8,199,775**	**8,188,653**
As at 30 September 2021 (unaudited)							
Financial assets:							
Cash and cash equivalents		379,652	-	-	-	379,652	379,652
Derivative financial instruments		-	-	-	21,052	21,052	21,052
Investment securities	5	-	1,718,411	-	-	1,718,411	1,718,411
Loans and advances to customers	6	6,586,696	-	-	-	6,586,696	6,560,333
Other assets		4,759	-	-	-	4,759	4,759
Total financial assets		**6,971,107**	**1,718,411**	**-**	**21,052**	**8,710,570**	**8,684,207**
Financial liabilities:							
Deposits	7	7,988,814	-	-	-	7,988,814	8,001,188
Derivative financial instruments		-	-	-	5,193	5,193	5,193
Other liabilities		47,015	-	-	-	47,015	47,015
Total financial liabilities		**8,035,829**	**-**	**-**	**5,193**	**8,041,022**	**8,053,396**
As at 31 March 2022 (audited)							
Financial assets:							
Cash and cash equivalents		714,196	-	-	-	714,196	714,196
Derivative financial instruments		-	-	-	65,477	65,477	65,477
Investment securities	5	-	1,459,342	-	-	1,459,342	1,459,342
Loans and advances to customers	6	6,667,219	-	-	-	6,667,219	6,589,684
Other assets		2,244	-	-	-	2,244	2,244
Total financial assets		**7,383,659**	**1,459,342**	**-**	**65,477**	**8,908,478**	**8,830,943**
Financial liabilities:							
Deposits	7	8,180,220	-	-	-	8,180,220	8,179,203
Derivative financial instruments		-	-	-	5,970	5,970	5,970
Other liabilities		47,687	-	-	-	47,687	47,687
Total financial liabilities		**8,227,907**	**-**	**-**	**5,970**	**8,233,877**	**8,231,860**

Abbreviations used

FVTOCI: Fair value through other comprehensive income

FVTPL: Fair value through profit or loss

All in NZD $000's

9. Fair Value of Financial Instruments (continued)

The table below shows the fair value of the Bank's financial instruments measured at fair value on a recurring basis according to the fair value hierarchy described above.

As at 30 September 2022 (unaudited)	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments	-	101,827	-	101,827
Investment securities	160,415	1,275,808	-	1,436,223
Total financial assets measured at fair value	**160,415**	**1,377,635**	**-**	**1,538,050**
Financial liabilities:				
Derivative financial instruments	-	9,942	-	9,942
Total financial liabilities measured at fair value	**-**	**9,942**	**-**	**9,942**
As at 30 September 2021 (unaudited)				
Financial assets:				
Derivative financial instruments	-	21,052	-	21,052
Investment securities	171,185	1,547,226	-	1,718,411
Total financial assets measured at fair value	**171,185**	**1,568,278**	**-**	**1,739,463**
Financial liabilities:				
Derivative financial instruments	-	5,193	-	5,193
Total financial liabilities measured at fair value	**-**	**5,193**	**-**	**5,193**
As at 31 March 2022 (audited)				
Financial assets:				
Derivative financial instruments	-	65,477	-	65,477
Investment securities	163,727	1,295,615	-	1,459,342
Total financial assets measured at fair value	**163,727**	**1,361,092**	**-**	**1,524,819**
Financial liabilities:				
Derivative financial instruments	-	5,970	-	5,970
Total financial liabilities measured at fair value	**-**	**5,970**	**-**	**5,970**

10. 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 Toi Foundation through the Trust's fully owned subsidiary, Toi Foundation Holdings Limited.

Share capital:	Sep 2022 6 Months Unaudited	Sep 2021 6 Months Unaudited	Mar 2022 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	714,120	688,534	688,534
Net profit after taxation ("NPAT")	20,234	22,949	38,086
Retained earnings after NPAT	734,354	711,483	726,620
Dividends	(5,000)	(7,500)	(12,500)
Retained earnings at end of period	**729,354**	**703,983**	**714,120**

	Sep 2022 Unaudited		Sep 2021 Unaudited		31 Mar 2022 Audited	
Dividends:	$000	$ per share	$000	$ per share	$000	$ per share
Paid to Toi Foundation Holdings Limited	5,000	0.250	7,500	0.375	12,500	0.625
Total	**5,000**	**0.250**	**7,500**	**0.375**	**12,500**	**0.625**

All in NZD $000's

11. Risk Management

The Board of Directors has overall responsibility for ensuring that management establishes a framework for assessing the various risks and sets up a method for monitoring compliance with internal 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.

Whilst 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 Bank has previously disclosed the need to deliver improvements in its risk management policies and processes, including the control environment, monitoring, reporting and assurance around material risks. Progress on that risk uplift work has continued unabated over the last 6 months. Key focus areas include, uplifting internal policies and standards, refining risk governance practices, strengthening compliance programmes, creation and/or enhancement of obligation and control registers, reinforcing risk culture aligned to the three lines of accountability model, and embedding the operating model supporting the risk department following a restructure and expansion last year. The Bank has also undertaken a reassessment of its Top Risks, and for those risks deemed to be out of appetite, has developed plans to bring them within appetite. The Bank remains committed to taking appropriate steps to continue maturing its risk environment and this is reinforced by its business plan.

The Bank has identified a need for improved technology and data governance management policies and processes, including the control environment. While that technology and data governance environment matures there is a higher degree of uncertainty regarding any unknown risks than would be the case in a fully mature technology and data risk environment. The Bank is committed to taking appropriate steps to mature the technology and data risk environment as soon as practicable.

As part of the risk strengthening the Bank remains focused on uplifting key areas of regulatory compliance. In that regard, the Bank has continued to undertake a review of the Credit Contracts and Consumer Finance Act 2003 ("CCCFA") and the underlying systems, processes and controls in so far as it relates to Bank lending products and services. A broad programme of work is underway.

12. Credit Risk Management and Asset Quality

(a) Asset Quality

Credit impairment losses/(reversal) recognised in the Statement of Comprehensive Income

For the six months ended 30 September 2022	Loans and advances	Lending commitments	Investment securities	Total
Individual impairment expenses	973	-	-	**973**
Collective provision	(2,435)	729	(24)	**(1,730)**
Specific provision	(1,749)	-	-	**(1,749)**
Credit impairment losses to profit or loss	**(3,211)**	**729**	**(24)**	**(2,506)**
For the six months ended 30 September 2021				
Individual impairment expenses	78	-	-	**78**
Collective provision	(9,376)	3,082	-	**(6,294)**
Specific provision	(920)	-	-	**(920)**
Credit impairment losses to profit or loss	**(10,218)**	**3,082**	**-**	**(7,136)**
For the year ended 31 March 2022				
Individual impairment expenses	85	-	-	**85**
Collective provision	(9,752)	3,009	63	**(6,680)**
Specific provision	(1,528)	-	-	**(1,528)**
Credit impairment losses to profit or loss	**(11,195)**	**3,009**	**63**	**(8,123)**

- Loans and advances: amortised cost of the loans and advances is reduced by credit impairment losses (refer to note 6. Loans and Advances to Customers).
- Investment securities: credit impairment losses are charged to the profit or loss with the corresponding amount in other comprehensive income ("OCI") with no reduction of the carrying value of the investment securities (refer to note 5. Investment Securities).
- Lending commitments: provision for credit related lending commitments is recognised in other liabilities (refer to note 8. Other Liabilities).

All in NZD $000's

12. Credit Risk Management and Asset Quality (continued)

(a) Asset Quality (continued)

Credit impairment losses/(reversal) recognised in the Statement of Financial Position

As at 30 September 2022	Note	Stage 1 Collectively assessed 12 month ECL	Stage 2 Collectively assessed Lifetime ECL	Stage 3 Collectively assessed Lifetime ECL	Stage 3 Individually assessed Lifetime ECL	Total provision
Loans and advances to customers	6	21,249	1,622	1,884	4,053	**28,808**
Lending commitments	8	3,700	36	-	-	**3,736**
Investment securities		39	-	-	-	**39**
As at 30 September 2021						
Loans and advances to customers	6	25,236	1,391	939	6,410	**33,976**
Lending commitments	8	2,939	143	-	-	**3,082**
Investment securities		-	-	-	-	**-**
As at 31 March 2022						
Loans and advances to customers	6	24,757	1,083	1,351	5,802	**32,993**
Lending commitments	8	2,843	166	-	-	**3,009**
Investment securities		63	-	-	-	**63**

The following table provides a reconciliation from the opening balance to the closing balance of the loss allowance for loans and advances to customers and show movement between stages during the reporting period.

Movements in credit impairment allowances - total

Net loans and advances to customers	Stage 1 Collectively assessed 12 month ECL	Stage 2 Collectively assessed Lifetime ECL	Stage 3 Collectively assessed Lifetime ECL	Stage 3 Individually assessed Lifetime ECL	Total provision
Balance as at 1 April 2022	24,757	1,083	1,351	5,802	32,993
Transfers between stages	(746)	(425)	1,179	(8)	-
Charged / (credited) to profit or loss	5,106	1,165	287	1,852	8,410
Amounts written off	(7,868)	(201)	(933)	(3,593)	(12,595)
Recovery	-	-	-	-	-
Balance as at 30 September 2022	**21,249**	**1,622**	**1,884**	**4,053**	**28,808**
Off-balance sheet credit related commitments - total					
Balance as at 1 April 2022	2,843	166	-	-	3,009
Transfers between stages	45	(45)	-	-	-
Charged / (credited) to profit or loss	1,311	13	-	-	1,324
Amounts written off	(499)	(98)	-	-	(597)
Recovery	-	-	-	-	-
Balance as at 30 September 2022	**3,700**	**36**	**-**	**-**	**3,736**

Impact of changes in gross carrying amount and credit related commitments - total

Gross loans and advances to customers					
Balance as at 1 April 2022	6,609,121	68,477	5,680	16,934	6,700,212
Transfers between stages					
Additions	803,323	4,489	1,340	567	809,719
Deletions and repayments	(683,021)	(5,130)	(3,078)	(1,656)	(692,885)
Amounts (written off) / recovered	(12)	-	(2)	(1,000)	(1,014)
Balance as at 30 September 2022	**6,721,124**	**74,640**	**8,069**	**12,199**	**6,816,032**
Off-balance sheet credit related commitments - total					
Balance as at 1 April 2022	869,003	7,903	123	2,401	879,430
Transfers between stages	6,589	(6,629)	40	-	-
Additions	183,687	469	30	40	184,226
Deletions and repayments	(217,699)	(602)	(11)	(279)	(218,591)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 30 September 2022	**841,580**	**1,141**	**182**	**2,162**	**845,065**

Overall the loss allowance is 0.48% of gross loan balances as at 30 Sep 2022, down from 0.54% as at 31 March 2022. The $3.5m (9.6%) decrease in loss allowance, despite a net $115.8m (1.7%) growth in gross loan balances, was driven by successful management of impaired customers and change in management assumptions around long-term impact of COVID which was offset by portfolio growth and an increased probability of a downside economic scenario.

All in NZD $000's

12. Credit Risk Management and Asset Quality (continued)

(a) Asset Quality (continued)

Movements in credit impairment allowances - residential

Net loans and advances to customers	Stage 1 Collectively assessed 12 month ECL	Stage 2 Collectively assessed Lifetime ECL	Stage 3 Collectively assessed Lifetime ECL	Stage 3 Individually assessed Lifetime ECL	Total provision
Balance as at 1 April 2022	12,315	221	1,196	276	14,008
Transfers between stages	(381)	(682)	1,071	(8)	-
Charged / (credited) to profit or loss	1,848	883	268	1	3,000
Amounts written off	(1,359)	(92)	(918)	(28)	(2,397)
Recovery	-	-	-	-	-
Balance as at 30 September 2022	**12,423**	**330**	**1,617**	**241**	**14,611**
Off-balance sheet credit related commitments					
Balance as at 1 April 2022	841	2	-	-	843
Transfers between stages	-	-	-	-	-
Charged / (credited) to profit or loss	211	1	-	-	212
Amounts written off	(244)	(1)	-	-	(245)
Recovery	-	-	-	-	-
Balance as at 30 September 2022	**808**	**2**	**-**	**-**	**810**

Impact of changes in gross carrying amount and credit related commitments - residential

Gross loans and advances to customers	Stage 1 Collectively assessed 12 month ECL	Stage 2 Collectively assessed Lifetime ECL	Stage 3 Collectively assessed Lifetime ECL	Stage 3 Individually assessed Lifetime ECL	Total provision
Balance as at 1 April 2022	5,808,529	28,491	5,486	9,821	5,852,327
Transfers between stages	(2,409)	1,191	3,864	(2,646)	-
Additions	699,905	4,039	1,314	557	705,815
Deletions and repayments	(589,128)	(4,390)	(3,069)	-	(596,587)
Amounts (written off) / recovered	(12)	-	-	-	(12)
Balance as at 30 September 2022	**5,916,885**	**29,331**	**7,595**	**7,732**	**5,961,543**
Off-balance sheet credit related commitments					
Balance as at 1 April 2022	526,394	547	6	-	526,947
Transfers between stages	421	(461)	40	-	-
Additions	136,735	370	30	-	137,135
Deletions and repayments	(149,836)	(182)	(6)	-	(150,024)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 30 September 2022	**513,714**	**274**	**70**	**-**	**514,058**

Residential gross loan balances and lending commitments increased by $96.3m (1.5%) over the period which together with the change in economic outlook and portfolio performance led to a net provision increase of $0.6m (3.8%).

All in NZD $000's

12. Credit Risk Management and Asset Quality (continued)

(a) Asset Quality (continued)

Movements in credit impairment allowances - commercial

Net loans and advances to customers	Stage 1 Collectively assessed 12 month ECL	Stage 2 Collectively assessed Lifetime ECL	Stage 3 Collectively assessed Lifetime ECL	Stage 3 Individually assessed Lifetime ECL	Total provision
Balance as at 1 April 2022	7,792	95	-	5,526	13,413
Transfers between stages	(38)	(49)	87	-	-
Charged / (credited) to profit or loss	2,828	1	-	1,851	4,680
Amounts written off	(5,314)	(45)	-	(3,565)	(8,924)
Recovery	-	-	-	-	-
Balance as at 30 September 2022	**5,268**	**2**	**87**	**3,812**	**9,169**
Off-balance sheet credit related commitments					
Balance as at 1 April 2022	952	140	-	-	1,092
Transfers between stages	45	(45)	-	-	-
Charged / (credited) to profit or loss	807	-	-	-	807
Amounts written off	(188)	(96)	-	-	(284)
Recovery	-	-	-	-	-
Balance as at 30 September 2022	**1,616**	**(1)**	**-**	**-**	**1,615**

Impact of changes in gross carrying amount and credit related commitments - commercial

Gross loans and advances to customers					
Balance as at 1 April 2022	524,192	6,469	-	7,110	537,771
Transfers between stages	6,350	(6,599)	249	-	-
Additions	93,597	351	-	10	93,958
Deletions and repayments	(64,892)	(166)	-	(1,653)	(66,711)
Amounts (written off) / recovered	-	-	-	(1,000)	(1,000)
Balance as at 30 September 2022	**559,247**	**55**	**249**	**4,467**	**564,018**
Off-balance sheet credit related commitments					
Balance as at 1 April 2022	235,489	6,546	-	2,401	244,436
Transfers between stages	6,168	(6,168)	-	-	-
Additions	44,877	47	-	40	44,964
Deletions and repayments	(62,242)	(419)	-	(279)	(62,940)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 30 September 2022	**224,292**	**6**	**-**	**2,162**	**226,460**

Commercial gross loan balances and lending commitments increased by $8.3m (1.1%) over the period; however, successful management of a large impaired exposure and update to modelling assumptions around future economic losses led to a provision release of $3.7m (25.6%).

All in NZD $000's

12. Credit Risk Management and Asset Quality (continued)

(a) Asset Quality (continued)

Movements in credit impairment allowances - agricultural

Net loans and advances to customers	Stage 1 Collectively assessed 12 month ECL	Stage 2 Collectively assessed Lifetime ECL	Stage 3 Collectively assessed Lifetime ECL	Stage 3 Individually assessed Lifetime ECL	Total provision
Balance as at 1 April 2022	4,384	743	-	-	5,127
Transfers between stages	(319)	319	-	-	-
Charged / (credited) to profit or loss	368	252	-	-	620
Amounts written off	(1,181)	(63)	-	-	(1,244)
Recovery	-	-	-	-	-
Balance as at 30 September 2022	**3,252**	**1,251**	**-**	**-**	**4,503**
Off-balance sheet credit related commitments					
Balance as at 1 April 2022	152	2	-	-	154
Transfers between stages	-	-	-	-	-
Charged / (credited) to profit or loss	22	1	-	-	23
Amounts written off	(65)	-	-	-	(65)
Recovery	-	-	-	-	-
Balance as at 30 September 2022	**109**	**3**	**-**	**-**	**112**

Impact of changes in gross carrying amount and credit related commitments - agricultural

Gross loans and advances to customers	Stage 1 Collectively assessed 12 month ECL	Stage 2 Collectively assessed Lifetime ECL	Stage 3 Collectively assessed Lifetime ECL	Stage 3 Individually assessed Lifetime ECL	Total
Balance as at 1 April 2022	235,199	32,876	-	-	268,075
Transfers between stages	(12,268)	12,268	-	-	-
Additions	7,677	-	-	-	7,677
Deletions and repayments	(26,785)	(554)	-	-	(27,339)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 30 September 2022	**203,823**	**44,590**	**-**	**-**	**248,413**
Off-balance sheet credit related commitments					
Balance as at 1 April 2022	10,401	144	-	-	10,545
Transfers between stages	-	-	-	-	-
Additions	1,940	16	-	-	1,956
Deletions and repayments	(3,269)	(1)	-	-	(3,270)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 30 September 2022	**9,072**	**159**	**-**	**-**	**9,231**

Agricultural gross loan balances and lending commitments decreased by $21.0m (7.5%) which together with a downgrade of a number of customers to Stage 2 (Significant increase in Credit Risk) of the Collective Provision model led to a net provision release of $0.7m (12.6%).

All in NZD $000's

12. Credit Risk Management and Asset Quality (continued)

(a) Asset Quality (continued)

Movements in credit impairment allowances - other

Net loans and advances to customers	Stage 1 Collectively assessed 12 month ECL	Stage 2 Collectively assessed Lifetime ECL	Stage 3 Collectively assessed Lifetime ECL	Stage 3 Individually assessed Lifetime ECL	Total provision
Balance as at 1 April 2022	266	24	155	-	445
Transfers between stages	(8)	(13)	21	-	-
Charged / (credited) to profit or loss	62	29	19	-	110
Amounts written off	(14)	(1)	(15)	-	(30)
Recovery	-	-	-	-	-
Balance as at 30 September 2022	**306**	**39**	**180**	**-**	**525**
Off-balance sheet credit related commitments					
Balance as at 1 April 2022	898	22	-	-	920
Transfers between stages	-	-	-	-	-
Charged / (credited) to profit or loss	271	11	-	-	282
Amounts written off	(2)	(1)	-	-	(3)
Recovery	-	-	-	-	-
Balance as at 30 September 2022	**1,167**	**32**	**-**	**-**	**1,199**

Impact of changes in gross carrying amount and credit related commitments - other

Gross loans and advances to customers					
Balance as at 1 April 2022	41,201	641	194	3	42,039
Transfers between stages	40	(56)	16	-	-
Additions	2,144	99	26	-	2,269
Deletions and repayments	(2,216)	(20)	(9)	(3)	(2,248)
Amounts (written off) / recovered	-	-	(2)	-	(2)
Balance as at 30 September 2022	**41,169**	**664**	**225**	**-**	**42,058**
Off-balance sheet credit related commitments					
Balance as at 1 April 2022	96,719	666	117	-	97,502
Transfers between stages	-	-	-	-	-
Additions	135	36	-	-	171
Deletions and repayments	(2,352)	-	(5)	-	(2,357)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 30 September 2022	**94,502**	**702**	**112**	**-**	**95,316**

Other portfolio saw a reduction of $2.2m (1.6%) in gross loan balances and lending commitments, however due to deteriorating expectations of future portfolio performance off the back of an increased probability of an economic downturn the portfolio saw a provision increase of $0.3m (25.5%)

All in NZD $000's

12. Credit Risk Management and Asset Quality (continued)

(b) Past due assets and other asset 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 all 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 2022 (unaudited)	Note	Residential mortgage loans	Commercial exposures	Agricultural exposures	Other exposures	Total credit exposures
Neither past due or impaired		**5,953,812**	**559,551**	**248,413**	**42,058**	**6,803,834**
Past due assets not impaired:						
Less than 30 days		(1)	-	-	-	(1)
30 to 59 days		-	-	-	-	-
60 to 89 days		-	-	-	-	-
90 days and over		-	-	-	-	-
Balance of past due but not impaired assets at end of period		**(1)**	**-**	**-**	**-**	**(1)**
Movements in individually impaired assets:						
Balance at beginning of period		9,821	7,110	-	3	16,934
Additions		557	10	-	-	567
Amounts written off / loans closed out		-	(2,653)	-	(3)	(2,656)
Transfer back to loans and advances to customers		(2,646)	-	-	-	(2,646)
Balance of impaired assets at end of period		**7,732**	**4,467**	**-**	**-**	**12,199**
Total gross loans and advances to customers	6	**5,961,543**	**564,018**	**248,413**	**42,058**	**6,816,032**
Less provision for doubtful debts	12(a)	14,611	9,169	4,503	525	28,808
Total loans and advances to customers		**5,946,932**	**554,849**	**243,910**	**41,533**	**6,787,224**

Undrawn balances on lending commitments to counterparties
Undrawn balances on lending commitments to counterparties for whom drawn balances are classified as individually impaired total $2.06m at reporting date (30 September 2021: $2.77m; 31 March 2022: $2.39m).

Other assets under administration
As at 30 September 2022, the Bank had $0.27m (30 September 2021: $nil; 31 March 2022: $0.32m) of other assets under administration.

(c) Concentrations of credit exposures

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial losses to the Bank. Credit exposure is calculated on the basis of selected items on and off-balance sheet. The exposures shown below are carrying amounts that best represent the Bank's maximum exposure to credit risk without taking account of any collateral held.

(i) Maximum credit risk exposure On and off- balance sheet	Note	Sep 2022 6 Months Unaudited	Sep 2021 6 Months Unaudited	Mar 2022 12 Months Audited
On balance sheet:				
Cash and cash equivalents		560,597	379,652	714,196
Derivative financial instruments		101,827	21,052	65,477
Investment securities	5	1,436,223	1,718,411	1,459,342
Loans and advances to customers	6	6,787,224	6,586,696	6,667,219
Other assets		4,590	4,759	2,244
Total on-balance sheet exposure		**8,890,461**	**8,710,570**	**8,908,478**
Off balance sheet:				
Lending commitments (net of provision) *	17	841,329	918,218	876,421
Total off-balance sheet exposure		**841,329**	**918,218**	**876,421**
Total maximum credit risk exposure		**9,731,790**	**9,628,788**	**9,784,899**

* Excludes market-related contracts.

All in NZD $000's

12. Credit Risk Management and Asset Quality (continued)

(c) 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 reporting date is as follows:

(ii) Concentration of credit exposure by geographic region

As at 30 September 2022 (unaudited)	Cash and cash equivalent	Investment securities	Loans and advances to customers	Other exposure	Lending commitments	Total credit exposure
New Zealand total	560,597	768,232	6,816,032	106,417	845,065	9,096,343
Outside New Zealand	-	667,991	-	-	-	667,991
Provision for impairment	-	-	(28,808)	-	(3,736)	(32,544)
Total credit exposure	**560,597**	**1,436,223**	**6,787,224**	**106,417**	**841,329**	**9,731,790**
As at 30 September 2021 (unaudited)						
New Zealand total	379,652	1,169,069	6,620,672	25,811	921,300	9,116,504
Outside New Zealand	-	549,342	-	-	-	549,342
Provision for impairment	-	-	(33,976)	-	(3,082)	(37,058)
Total credit exposure	**379,652**	**1,718,411**	**6,586,696**	**25,811**	**918,218**	**9,628,788**
As at 31 March 2022 (audited)						
New Zealand total	714,196	855,925	6,657,642	67,721	879,430	9,174,914
Outside New Zealand	-	603,417	42,570	-	-	645,987
Provision for impairment	-	-	(32,993)	-	(3,009)	(36,002)
Total credit exposure	**714,196**	**1,459,342**	**6,667,219**	**67,721**	**876,421**	**9,784,899**

(iii) Concentration of credit exposure by industry sector

	Sep 2022 6 Months Unaudited	Sep 2021 6 Months Unaudited	Mar 2022 12 Months Audited
Cash on hand	21,111	20,738	21,154
Local government lending and investments	139,643	258,378	170,606
New Zealand registered banks	261,846	401,107	313,681
Multilateral development banks and other international institutions	523,002	420,402	455,225
Other financial institutions	180,331	209,428	154,093
Sovereigns and Central Bank	844,891	749,025	1,004,960
Utilities	57,095	106,798	103,826
Agricultural lending	257,643	302,251	278,620
Residential lending	6,475,601	6,322,041	6,379,275
Personal and other lending	140,022	143,545	141,979
Commercial lending	756,732	706,322	729,761
Provision for impairment loss *	(32,544)	(37,058)	(36,002)
Other exposure	106,417	25,811	67,721
Total credit exposure	**9,731,790**	**9,628,788**	**9,784,899**

* Includes the loss allowance for credit related commitments.

All in NZD $000's

12. Credit Risk Management and Asset Quality (continued)

(d) 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 CET1	Number of bank counterparties			Number of non bank counterparties		
As at 30 September 2022	"A" Rated	"B" Rated	Total	"A" Rated	"B" Rated	Total
10% - 15%	3	-	3	-	-	-
15% - 20%	-	-	-	2	-	2
Total	**3**	**-**	**3**	**2**	**-**	**2**
Peak exposure						
10% - 15%	2	-	2	-	-	-
15% - 20%	1	-	1	2	-	2
Total	**3**	**-**	**3**	**2**	**-**	**2**
As at 30 September 2021	"A" Rated	"B" Rated	Total	"A" Rated	"B" Rated	Total
10% - 15%	4	-	4	-	-	-
15% - 20%	-	-	-	2	-	2
Total	**4**	**-**	**4**	**2**	**-**	**2**
Peak exposure						
10% - 15%	3	-	3	-	-	-
15% - 20%	1	-	1	2	-	2
Total	**4**	**-**	**4**	**2**	**-**	**2**
As at 31 March 2022	"A" Rated	"B" Rated	Total	"A" Rated	"B" Rated	Total
10% - 15%	1	-	1	1	-	1
15% - 20%	1	-	1	1	-	1
Total	**2**	**-**	**2**	**2**	**-**	**2**
Peak exposure						
10% - 15%	1	-	1	1	-	1
15% - 20%	2	-	2	1	-	1
Total	**3**	**-**	**3**	**2**	**-**	**2**

"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.

All in NZD $000's

12. Credit Risk Management and Asset Quality (continued)

(e) Credit risk mitigation, collateral and other credit enhancements

The Bank determines whether it requires security to mitigate credit risk associated with the loans and investments that it makes in the course of its business.

The Bank's loan portfolio comprises predominantly of residential mortgages (88%) which are secured by first-ranking registered mortgages over residential property. As at 30 September 2022, $42m of these loans are underwritten by Housing New Zealand Corporation, a Statutory Crown Corporation, as part of its Welcome Home Loan programme.

Other lending, in the form of overdrafts and credit cards, is unsecured.

As at 30 Sep 2022, the Bank has total core liquid assets of $2.0 billion for the liquidity management purpose. These securities have been issued by the New Zealand Government and other Crown entities, domestic banks, multilateral development banks, supranational organisations and domestic corporate entities on the basis of their high financial standing and credit ratings. The Bank holds no guarantees or credit derivatives against them.

The Bank does not hold collateral in the form of cash or other securities to mitigate credit risk relating to the derivatives it has entered into for the purpose of interest rate risk management.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

13. 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.

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 2022 (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	539,486	-	-	-	-	21,111	560,597
Derivative financial instruments	-	-	-	-	-	101,827	101,827
Investment securities	134,130	115,189	108,850	321,550	756,504	-	1,436,223
Loans and advances to customers	1,694,162	564,156	1,659,654	1,679,675	1,195,068	(5,491)	6,787,224
Other financial assets	-	-	-	-	-	4,590	4,590
Total financial assets	**2,367,778**	**679,345**	**1,768,504**	**2,001,225**	**1,951,572**	**122,037**	**8,890,461**
Liabilities							
Deposits	4,694,061	973,737	1,302,722	289,983	135,938	733,679	8,130,120
Derivative financial instruments	-	-	-	-	-	9,942	9,942
Lease liabilities	601	604	1,200	2,126	9,434	-	13,965
Other financial liabilities *	-	-	-	-	-	39,510	39,510
Total financial liabilities	**4,694,662**	**974,341**	**1,303,922**	**292,109**	**145,372**	**783,131**	**8,193,537**
Derivative notional principals (net)	**2,479,000**	**(190,000)**	**(445,000)**	**(1,175,000)**	**(669,000)**	**-**	**-**
Interest sensitivity gap	**152,116**	**(484,996)**	**19,582**	**534,116**	**1,137,200**	**(661,094)**	**696,924**

* Other financial liabilities include employee entitlements and other payables.

All in NZD $000's

14. Liquidity Risk Management

The Bank has provided a remediation plan to RBNZ to address the findings raised relevant to the Bank from its industry thematic review of compliance with its liquidity policy. The Bank has not identified any material non-compliance with the conditions of registration.

(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 2022 6 Months Unaudited	Sep 2021 6 Months Unaudited	Mar 2022 12 Months Audited
Cash and cash equivalents	**560,597**	**379,652**	**714,196**
Liquid investment securities:			
Local authority securities	108,543	190,565	120,599
Government securities	305,405	390,111	311,918
Registered bank securities	261,846	401,107	313,681
Other investments	760,429	736,628	713,144
Total investment securities	**1,436,223**	**1,718,411**	**1,459,342**
Total core liquid assets	**1,996,820**	**2,098,063**	**2,173,538**

(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 2022 (unaudited)	On demand	0-1 Months	1-3 Months	3-12 Months	1-5 Year	Over 5 Years	Total
Liabilities:							
Deposits	4,342,051	383,540	686,339	2,343,163	456,826	-	8,211,919
Lease liabilities	-	244	488	2,177	6,572	9,927	19,408
Derivative financial instruments							
Inflows from derivatives	-	(6,838)	(18,725)	(95,236)	(123,757)	-	(244,556)
Outflows from derivatives	-	2,874	14,451	50,978	78,849	-	147,152
Other financial liabilities	-	27,692	5,791	2,300	3,727	-	39,510
Total financial liabilities	**4,342,051**	**407,512**	**688,344**	**2,303,382**	**422,217**	**9,927**	**8,173,433**
Lending commitments (off-balance sheet)	841,329	-	-	-	-	-	841,329

(c) 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 2022 Unaudited	Three month period ending on 30 June 2022 Unaudited
One-week mismatch ratio	16.7%	17.1%
One-month mismatch ratio	20.0%	20.6%
Core funding ratio	117.3%	117.3%

All in NZD $000's

15. 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 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.

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 discrepancies.

The Bank has identified the scope to resolve these matters but calculations are yet to be reperformed. The Bank currently holds approximately $243 million of capital in excess of the minimum capital requirement. The initial assessment of the impact of these corrections will result in an increase to the Bank’s minimum capital requirement of up to $6 million.

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 2022.

(a) Capital Adequacy Ratios

	RBNZ Minimum ratio requirement	Sep 2022 Unaudited Basel III	Sep 2021 Unaudited Basel III	Mar 2022 Unaudited Basel III
Common Equity Tier 1 ("CET1") capital ratio	4.50%	13.43%	14.09%	13.54%
Tier 1 capital ratio	6.00%	13.43%	14.09%	13.54%
Total capital ratio	8.00%	13.43%	14.09%	13.54%
Prudential capital buffer	2.50%	5.43%	6.09%	5.54%

(b) Regulatory Capital

	Sep 2022 6 Months Unaudited	Sep 2021 6 Months Unaudited	Mar 2022 12 Months Audited
Tier 1 capital			
Common Equity Tier 1 ("CET1") capital			
Issued and fully paid up share capital	10,000	10,000	10,000
Retained earnings	729,354	703,983	714,120
Fair value reserve	(64,488)	(8,894)	(45,810)
Cash flow hedge reserve	64,959	12,512	44,950
	739,825	**717,601**	**723,260**
Less Deductions from CET1 Capital			
Intangible assets	1,338	1,230	1,310
Cash flow hedge reserve	64,959	12,512	44,950
Deferred tax assets	17,790	19,387	18,306
Implicit risk adjustment*	57,000	57,000	57,000
	141,087	**90,129**	**121,566**
Total CET 1 capital	**598,738**	**627,472**	**601,694**
Additional Tier 1 ("AT1") Capital	-	-	-
Total Tier 1 capital	**598,738**	**627,472**	**601,694**
Tier 2 capital	-	-	-
Total capital	**598,738**	**627,472**	**601,694**

*Implicit risk adjustment has been made in accordance with Condition 1C of the Bank's Conditions of Registration.

All in NZD $000's

15. Capital Adequacy (continued)

(c) Credit risk

(i) On-balance sheet exposures

As at 30 September 2022 (unaudited)	Total exposure	Risk weighting	Risk weighted exposure	Minimum Pillar one capital requirement
Cash	10,251	0%	-	-
Sovereigns & RBNZ	844,891	0%	-	-
Multilateral development banks	523,002	0%	-	-
Multilateral development banks	-	20%	-	-
Public sector entities	115,894	20%	23,179	1,854
Banks	43,213	20%	8,643	691
Banks	229,494	50%	114,747	9,180
Corporate	188,555	20%	37,711	3,017
Corporate	48,872	50%	24,436	1,955
Corporate	790,590	100%	790,590	63,247
Residential mortgages not past due:				
Non-property investment <80% LVR*	3,920,416	35%	1,372,146	109,772
Non-property investment 80%<90% LVR*	353,632	50%	176,816	14,145
Non-property investment 90%<100% LVR*	40,583	75%	30,437	2,435
Non-property investment >100% LVR*	2,575	100%	2,575	206
Property investment <80% LVR*	1,563,025	40%	625,210	50,017
Property investment 80%<90% LVR*	6,930	70%	4,851	388
Property investment 90%<100% LVR*	254	90%	228	18
Property investment >100% LVR*	130	100%	130	10
Welcome home <80% LVR*	1,136	35%	397	32
Welcome home 80%<90% LVR*	20,521	35%	7,182	575
Welcome home 90%<100% LVR*	19,451	50%	9,725	778
Welcome home >100% LVR*	917	100%	917	73
Reverse mortgages <60% LVR*	7,543	50%	3,772	302
Reverse mortgages 60%<80% LVR*	-	80%	-	-
Reverse mortgages >80% LVR*	-	100%	-	-
Past due residential mortgages*	9,819	100%	9,819	785
Other past due assets	473	100%	473	38
Other past due assets	388	150%	582	47
Other lending	41,489	100%	41,489	3,319
Other assets	37,655	100%	37,655	3,012
Non-risk weighted assets	120,954	0%	-	-
Total on-balance sheet exposures	**8,942,653**		**3,323,710**	**265,896**

* Total exposure of residential mortgages is $5,946,932.

(ii) Off-balance sheet exposures

As at 30 September 2022 (unaudited)	Exposure after credit risk mitigation	Credit conversion factor	Credit equivalent amount	Average risk weight	Risk weighted exposure	Minimum Pillar one capital requirement
Commitments that can be cancelled unconditionally	92,602	0%	-	N/A	-	-
Commitment with certain drawdown	157,214	100%	157,214	43%	67,674	5,414
Commitment with uncertain drawdown	539,254	50%	269,626	53%	143,790	11,503
Other commitment where original maturity is less than or equal to 1 year	49,451	20%	9,890	91%	9,039	723
Performance related contingency	2,808	50%	1,404	100%	1,404	112
Market related contracts:						
Interest rate contracts*	3,194,000	Various	112,497	42%	47,539	3,803
Credit valuation adjustment (CVA)	-		-	0%	29,007	2,321
Total off-balance sheet exposures	**4,035,329**		**550,631**		**298,453**	**23,876**

* 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

15. Capital Adequacy (continued)

(d) Residential mortgages

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

LVR Range as at 30 Sep 2022	On-balance sheet	Off-balance sheet	Total
LVR does not exceed 80%	5,498,499	503,891	6,002,390
LVR exceeds 80% and not 90%	384,122	8,183	392,305
LVR exceed 90%	64,311	1,174	65,485
Total residential mortgages	**5,946,932**	**513,248**	**6,460,180**

(ii) Reconciliation of residential mortgage related amounts

	Note	Sep 2022
Gross residential mortgage loans (on balance sheet exposures)	6, 12(a)	5,961,543
Provision for credit impairment (on balance sheet exposures)	12(a)	(14,611)
Residential mortgage loans net of provision for credit impairment (on balance sheet exposures)	15(d)(i)	5,946,932
Undrawn commitments (off balance sheet exposures)	12(a)	514,058
Provision for credit impairment (off balance sheet exposures)	12(a)	(810)
Residential mortgage loans net of provision for credit impairment (off balance sheet exposures)	15(d)(i)	513,248
Total residential mortgage loans net of provision for credit impairment		**6,460,180**

(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 BPR140: Market risk exposure of the RBNZ's Capital Adequacy Framework.

As at 30 September 2022 (unaudited)		Implied risk weighted exposure	Aggregate capital charge
End of period capital charges	Interest risk	258,133	20,651
Peak end of day capital charges	Interest risk	267,123	21,370

(f) Risk weighted exposure and total capital requirements

As at 30 September 2022 (unaudited)	Total Exposure after credit risk mitigation	Risk weighted exposure or Implied RWE	Capital requirement
Total credit risk	9,372,330	3,622,165	289,773
Operational risk	N/A	577,122	46,170
Market risk	N/A	258,133	20,651
Total	**9,372,330**	**4,457,420**	**356,594**

* As per Condition 1C and 1D of Conditions of Registration for the Bank, 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 $58.5m (30 September 2021: $55.4m; 31 March 2022: $55.4m) to cover these identified risks.

All in NZD $000's

15. Capital Adequacy (continued)

(h) Credit risk mitigation

The Bank uses the simple method to measure the mitigating effects of collateral. However, the total value of exposures covered by guarantees or credit derivatives is not considered to be material and not taken into consideration for the calculation of Capital Adequacy. Refer to note 12(e). Credit risk mitigation, collateral and other credit enhancements for further information.

As at 30 September 2022	Total value of on- and off-balance sheet exposures covered by eligible collateral (after haircutting)	Total value of on- and off-balance sheet exposures covered by guarantees or credit derivatives
Sovereign or central bank	-	-
Multilateral development banks and other international organisations	-	-
Public sector entities	-	-
Bank	-	-
Corporate	-	-
Residential mortgage	-	-
Other	-	-
Total	**-**	**-**

16. 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 18. Related Party Balances in regards to the related party loan to Toi Foundation Holdings Limited and commission income from Fisher Funds Management Limited.

The Bank 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 2022, the TSB Bank PIE Unit Trust had $7.1m (30 September 2021: $8.3m; 31 March 2022: $7.9m) invested with the Bank.

17. Commitments and Contingent Liabilities

The Bank discloses a contingent liability when it has a possible obligation arising from past events that will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Bank's control. A contingent liability is disclosed when a present obligation is not recognised because it is not probable that an outflow of resources will be required to settle an obligation, or the amount of the obligation cannot be measured with sufficient reliability.

As part of risk strengthening the Bank continues to focus on key areas of regulatory compliance. In that regard, the Bank's review of the Credit Contracts and Consumer Finance Act 2003 ("CCCFA") in so far as it relates to Bank products and services remains underway. Where this review has identified any areas that may give rise to loss or liability, and where that can be reliably estimated, the Bank has provisioned for those. The final outcomes and total costs, losses or liabilities that could be associated with this review are complex to ascertain and will be subject to further work and consideration.

The Bank issues commitments to extend credit and other credit facilities. These financial instruments attract service charges in line with market process for similar arrangements. They are not sold or traded. The items generally do not involve cash payments other than in the event of default. The service charges are set as part of the broader customer credit process and reflects the probability of default. They are disclosed as commitments at their face value.

All in NZD $000's

17. Commitments and Contingent Liabilities (continued)

	Sep 2022 6 Months Unaudited	Sep 2021 6 Months Unaudited	Mar 2022 12 Months Audited
Lending commitments (net of provision):			
Performance-related contingencies	2,808	2,232	2,426
Undrawn commitments*	838,521	915,986	873,995
Total lending commitments	**841,329**	**918,218**	**876,421**
Other commitments:			
Rental / lease commitments less than one year	-	6	-
Rental / lease commitments greater than one year	-	14	-
Capital commitments	1,034	6,931	1,460
Total other commitments	**1,034**	**6,951**	**1,460**
Total commitments	**842,363**	**925,169**	**877,881**

* Includes $83.39m (30 September 2021: $83.6m; 31 March 2022: $83.6m) related to the facility granted to Toi Foundation Holdings Limited, a related entity.

The Bank operates in a complex and changing regulatory environment. In recent years there has been an increase in the number of regulatory developments, investigations, inquiries, reviews, private and public claims and enforcement action across the financial services industry. The Bank continues to monitor, assess and respond to these changes to the extent they are relevant to it. During this, the Bank may identify potential issues that requires changes and/or improvements to its products and services, its systems, remedial activity and/or engagement with regulators. Where this may give rise to future contingent liabilities and can be determined with sufficient certainty, they will be provisioned for on a case by case basis. However, in some situations any potential future liability cannot yet be determined with accuracy, this may occur because the relevant facts are not yet known, the application of law or the outcome is otherwise too uncertain.

18. Related Party Balances

The Bank is wholly owned by the Toi Foundation through its fully owned subsidiary, Toi Foundation Holdings Limited. During the period, the Foundation operated bank account facilities which were on normal customer terms and conditions.

The Bank markets Fisher Funds KiwiSaver products through the Bank's branch network and receives commission income in return. Toi Foundation Holdings Limited together with its subsidiary, Toi Foundation Investments Limited, hold 66.01% (30 September 2021: 66.01%) shareholding of Fisher Funds Management Limited.

The following table shows the outstanding balances and transactions between Toi group entities that arose from the ordinary course of business and carried out at market interest rates.

Recognised in	Note	Sep 2022 6 Months Unaudited	Sep 2021 6 Months Unaudited	Mar 2022 12 Months Audited
Statement of Financial Position				
Loans to Toi Foundation Holdings Limited	6	208	-	-
Total due from related parties		208	-	-
Deposits from Toi Foundation		2,427	5,364	4,606
Deposits from Toi Foundation Holdings Limited		5,844	10,319	7,859
Deposits from Toi Foundation Investments Limited		12	1,466	2,218
Total due to related parties		8,283	17,149	14,683
Statement of Changes in Equity				
Dividends paid to Toi Foundation Holdings Limited	10	5,000	7,500	12,500
Statement of Profit or Loss				
Interest income received from Toi Foundation Holdings Limited	2	1	309	309
Interest expense paid to Toi Foundation	2	66	22	175
Fee income received from Toi Foundation Holdings Limited		193	105	261
Commission income received from Fisher Funds Management Limited		525	237	1,037

During the reporting period, subvention payments were made to Toi Foundation Holdings Limited of $nil (30 September 2021: $0.803m) and Toi Foundation Investments Limited of $nil (30 September 2021: $0.635m). No other material payments were made to related parties.

19. Subsequent Events

The list of events occurred after the reporting period is as below:

- The Board of Directors declared an interim dividend of $5.0 million on 23 November 2022.

There have been no other material events subsequent to the reporting date that require adjustments or additional 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 the TSB Bank Limited (the "Registered Bank") on pages 5 to 32, 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 2022 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, has not been, in all material respects, 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 2022;
  - 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 Registered Bank in relation to independent assessments of fees and loan calculation compliance. Subject to certain restrictions, partners and employees of our firm may also deal with the Registered Bank on normal terms within the ordinary course of trading activities of the business of the Registered Bank. These matters have not impaired our independence as reviewer of the Registered Bank. The firm has no other relationship with, or interest in, the Registered 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 Registered 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 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 2022 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 disclosed, in all material respects, 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.

KPMG

KPMG
Wellington

23 November 2022

Directory

Directors

M.C. (Mark) Darrow, FCA, B Bus, CFInstD, JP, Chair
M. (Michael) Schubert, BCom, Deputy Chair
M.A. (Anne) Blackburn, MA, BA, CFInstD
P.S. (Peter) Dalziel, MBA, CMInstD
H.F. (Harvey) Dunlop, BCom (Ag)
K.C. (Kevin) McDonald, MBA
N. (Natalie) Pearce, BCom
M.S. (Melanie) Templeton, BCom
D.J. (Dion) Tuuta

Executive Management

D. (Donna) Cooper, B Bus, MA Int Bus, CEO
J. (Joe) Bishop, BA (Hons), GM Product and Marketing
C. (Chris) Boggs, BCom, MBM, GM People & Strategy
G. (Gordon) Davidson, BA, CA, MBA, Chief Financial Officer
J. (Julian) Downs, BSc, GM Technology
S. (Sean) Edwards, MBA, MHSc (Psych), GM Customer Solutions and Service
G. (Graeme) Scrivener, MA, BA(Hons), Chief Risk Officer
L. (Larissa) Vaughan, LLB (Hons), GM Regulatory Affairs and General Counsel

Registered Office

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