



Disclosure Statement

For the six months ended 30 September 2023



Disclosure Statement

For the six months ended 30 September 2023



Table of Contents

Disclosure Statement

General Information	3
Auditor	3
Conditions of Registration	3
Credit Rating	4
Directorate	4
Directors' Statements	4
Statement of Comprehensive Income	5
Statement of Changes in Equity	6
Statement of Financial Position	7
Statement of Cash Flows	8
Notes to the Interim Financial Statements	
1. Statement of Accounting Policies	9
2. Net Interest Income	9
3. Other Operating Income	10
4. Operating Expenses	10
5. Loans and Advances to Customers	10
6. Investment Securities	11
7. Deposits	11
8. Other Liabilities	11
9. Fair Value of Financial Instruments	12
10. Share Capital, Retained Earnings and Dividend Paid	13
11. Risk Management	14
12. Credit Risk Management and Asset Quality	14
13. Market Risk Management	23
14. Liquidity Risk Management	24
15. Capital Adequacy	25
16. Securitisation, Funds Management, Other Fiduciary Activities and Marketing and Distribution of Insurance Products	28
17. Related Party Balances	28
18. Commitments and Contingent Liabilities	28
19. Subsequent Events	29
Independent Review Report	30
Independent Limited Assurance Report	33
Directory	36

Disclosure Statement

For the six months ended 30 September 2023



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. Toi 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 1 June 2023, changes have been implemented to Loan-to-Value restrictions (LVRs) on qualifying new mortgage loans.
 - From: 10% limit for loans with LVR above 80% for owner occupiers, and 5% limit for loans with LVR above 60% for investors;
 - To: 15% limit for loans with LVR above 80% for owner occupiers, and 5% limit for loans with LVR above 65% for investors.
- Effective 1 June 2023, the Bank's implicit risk capital requirement (formerly referenced in conditions 1C and 1D) has been removed, following RBNZ approval.

Disclosure Statement

For the six months ended 30 September 2023



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 1 August 2023. 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 2023.

- Dion Tuuta retired as a Director of the Board on 18 May 2023;
- Harvey Dunlop retired as a Non-Executive Director on 30 June 2023;
- Darren Linton was appointed as a Non-Executive Director of the Board on 1 July 2023;
- Peter Dalziel retired as a Non-Executive Director on 17 July 2023;
- Anne Blackburn retired as a Non-Executive Director on 28 July 2023; and
- Liana Poutu was appointed as a Non-Executive Director of the Board on 1 September 2023.

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 2023:

- (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.

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

22 November 2023

M. Schubert
(Deputy Chair- Board of Directors)

22 November 2023

D.J. Linton
22 November 2023

K.C. McDonald
22 November 2023

N. Pearce
22 November 2023

L.H. Poutu
22 November 2023

M.S. Templeton
22 November 2023

Statement of Comprehensive Income

For the six months ended 30 September 2023



All in NZD \$000's

	Note	Sep 2023 6 Months Unaudited	Sep 2022 6 Months Unaudited	Mar 2023 12 Months Audited
Profit or loss:				
Interest income calculated using the effective interest method		215,593	142,261	321,063
Interest expense		125,519	49,962	133,484
Net interest income	2	90,074	92,299	187,579
Other operating income	3	7,544	17,367	25,342
Net operating income		97,618	109,666	212,921
Operating expenses	4	77,836	86,078	189,311
Profit before credit impairment and tax		19,782	23,588	23,610
Credit impairment losses / (reversal of credit impairment losses)	12(a)	1,407	(2,506)	(5,281)
Profit before tax		18,375	26,094	28,891
Tax expense		5,145	5,860	8,943
Net profit after tax		13,230	20,234	19,948
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Movements in the fair value of debt instruments		(1,478)	(25,942)	(12,031)
Movement in effective portion of changes in fair value of cash flow hedges		(8,943)	27,790	8,435
Income tax on items that may be reclassified to profit or loss		2,918	(517)	1,006
Other comprehensive income for the period (net of tax)		(7,503)	1,331	(2,590)
Total comprehensive income for the period		5,727	21,565	17,358

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

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 2023



All in NZD \$000's

For the six months ended September 2023 (unaudited)	Note	Share capital	Fair value reserve	Cash flow hedge reserve	Retained earnings	Total Equity
Balance at 1 April 2023		10,000	(54,472)	51,022	724,068	730,618
Total comprehensive income for the period:						
Net profit after tax		-	-	-	13,230	13,230
Other comprehensive income:						
Movement in cash flow hedge reserve		-	-	(8,943)	-	(8,943)
Movement in fair value reserve		-	(1,478)	-	-	(1,478)
Related tax		-	414	2,504	-	2,918
Total other comprehensive income		-	(1,064)	(6,439)	-	(7,503)
Total comprehensive income for the period		-	(1,064)	(6,439)	13,230	5,727
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 2023		10,000	(55,536)	44,583	732,298	731,345
For the six months ended September 2022 (unaudited)						
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 year ended March 2023 (audited)						
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		-	-	-	19,948	19,948
Other comprehensive income:						
Movement in cash flow hedge reserve		-	-	8,435	-	8,435
Movement in fair value reserve		-	(12,031)	-	-	(12,031)
Related tax		-	3,369	(2,363)	-	1,006
Total other comprehensive income		-	(8,662)	6,072	-	(2,590)
Total comprehensive income for the period		-	(8,662)	6,072	19,948	17,358
Transactions with owner recorded directly in equity:						
Dividends to equity holder	10	-	-	-	(10,000)	(10,000)
Total transactions with owner		-	-	-	(10,000)	(10,000)
Balance at 31 March 2023		10,000	(54,472)	51,022	724,068	730,618

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

Statement of Financial Position

As at 30 September 2023

All in NZD \$000's



	Note	Sep 2023 6 Months Unaudited	Sep 2022 6 Months Unaudited	Mar 2023 12 Months Audited
Assets				
Cash and cash equivalents		510,618	560,597	560,428
Derivative financial instruments		79,025	101,827	86,113
Investment securities	6	1,415,853	1,436,223	1,366,241
Loans and advances to customers	5	7,284,737	6,787,224	7,078,141
Property, plant and equipment		29,754	33,064	32,122
Intangible assets		974	1,338	1,244
Deferred tax asset		25,208	17,790	22,290
Other assets		8,644	4,590	3,399
Total assets		9,354,813	8,942,653	9,149,978
Liabilities				
Due to other financial institutions		57,517	-	-
Deposits	7	8,463,272	8,130,120	8,314,193
Derivative financial instruments		11,049	9,942	11,467
Current tax liability		703	980	978
Other liabilities	8	90,927	61,786	92,722
Total liabilities		8,623,468	8,202,828	8,419,360
Shareholder's Equity				
Share capital	10	10,000	10,000	10,000
Fair value reserve		(55,536)	(64,488)	(54,472)
Cash flow hedge reserve		44,583	64,959	51,022
Retained earnings		732,298	729,354	724,068
Total shareholder's equity		731,345	739,825	730,618
Total liabilities and shareholder's equity		9,354,813	8,942,653	9,149,978
Total interest earning and discount bearing assets		9,185,793	8,768,423	8,982,123
Total interest and discount bearing liabilities		7,861,365	7,410,406	7,686,818

For and on behalf of the Board of Directors:

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

22 November 2023

M. Schubert
(Deputy Chair - Board of Directors)

22 November 2023

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 2023

All in NZD \$000's



	Sep 2023 6 Months Unaudited	Sep 2022 6 Months Unaudited	Mar 2023 12 Months Audited
Cash Flows from Operating Activities			
Cash provided from (applied to):			
Interest income received	209,959	138,583	319,525
Other income received	2,299	15,020	24,835
Interest paid	(90,170)	(35,167)	(132,851)
Operating expenditure	(73,278)	(70,207)	(139,891)
Taxes and subvention payments	(5,420)	(6,389)	(12,451)
Cash flows from operating profits before changes in operating assets and liabilities	43,390	41,840	59,167
Net (increase) / decrease in operating assets:			
Net change in loans and advances to customers	(203,411)	(114,127)	(404,837)
Net change in derivative financial instruments	(2,273)	(4,587)	(6,705)
Net increase / (decrease) in operating liabilities:			
Net change in due to other financial institutions	57,517	-	-
Net change in deposits	113,731	(64,895)	133,972
Cash flows from operating assets and liabilities	(34,436)	(183,609)	(277,570)
Net cash flows from operating activities	8,954	(141,769)	(218,403)
Cash Flows from Investing Activities			
Cash provided from (applied to):			
Net (purchase) / maturity of investment securities	(50,472)	(1,790)	82,636
Property, plant and equipment sold / (purchased)	(1,693)	(3,277)	(4,559)
Intangible assets purchased	-	(220)	(331)
Net cash flows from investing activities	(52,165)	(5,287)	77,746
Cash Flows from Financing Activities			
Cash provided from (applied to):			
Dividends paid	(5,000)	(5,000)	(10,000)
Lease payments	(1,599)	(1,543)	(3,111)
Net cash flows from financing activities	(6,599)	(6,543)	(13,111)
Net increase in cash and cash equivalents	(49,810)	(153,599)	(153,768)
Add cash and cash equivalents at beginning of the period	560,428	714,196	714,196
Cash and cash equivalents at end of period	510,618	560,597	560,428
Reconciliation of cash and cash equivalents			
Cash and cash at bank	16,945	21,111	20,098
Balances with Reserve Bank	493,673	539,486	540,330
Total cash and cash equivalents at end of period	510,618	560,597	560,428

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

Notes to the Interim Financial Statements

For the six months ended 30 September 2023



All in NZD \$000's

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 2023 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

Variation margin on derivatives

During the reporting period, the Bank implemented the daily posting of variation margin on specific non-centrally cleared derivatives by executing a Credit Support Annex ("CSA") in conjunction with the International Swaps and Derivatives Association ("ISDA") agreement. The variation margin is calculated and exchanged on a daily basis to reflect the current market value of the portfolio to minimise the counterparty credit risk.

As of 30 September 2023, the Bank has received \$57m of cash collateral, and the corresponding obligation has been recorded in 'Due to other financial institutions'. Cash collateral received/paid is initially measured at fair value minus incremental direct transaction costs, and subsequently measured at amortised cost using the effective interest method.

There have been no other changes in accounting policies since the reporting date for the previous disclosure statement.

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

2. Net Interest Income

		Sep 2023 6 Months Unaudited	Sep 2022 6 Months Unaudited	Mar 2023 12 Months Audited
Interest income	Financial assets measured at			
Cash and cash equivalents	Amortised cost	14,535	6,842	17,109
Loans and advances to customers ¹	Amortised Cost	187,098	121,499	276,728
Investment securities	FVOCI	13,960	13,920	27,226
Total interest income		215,593	142,261	321,063
Interest expense	Financial liabilities measured at			
Due to other financial institutions	Amortised cost	265	-	-
Deposits from customers ²	Amortised cost	123,440	49,190	131,246
Wholesale deposits	Amortised cost	1,548	503	1,604
Lease liability	Amortised cost	266	269	634
Total interest expense		125,519	49,962	133,484
Net interest income		90,074	92,299	187,579

¹ Includes interest income earned on the commercial loan due from Toi Foundation Holdings Limited (refer to note 17. Related Party Balances for further information).

² Includes interest expense on deposits from Toi Foundation (refer to note 17. Related Party Balances for further information).

Notes to the Interim Financial Statements

For the six months ended 30 September 2023



All in NZD \$'000's

3. Other Operating Income

	Sep 2023 6 Months Unaudited	Sep 2022 6 Months Unaudited	Mar 2023 12 Months Audited
Fee and commission income			
Account and card services	4,611	4,228	8,497
Foreign exchange services	842	881	1,748
Fund and insurance products distribution	901	1,352	2,200
Total fee and commission income	6,354	6,461	12,445
Gain / (loss) on financial instruments			
Gain / (loss) on derivative financial instruments at fair value	(3)	-	-
Hedge ineffectiveness on cash flow hedging	(686)	3,728	4,372
Total other gains / (losses)	(689)	3,728	4,372
Other income			
Gain / (loss) on sale of fixed assets	(280)	(8)	(418)
Sundry income	2,159	7,186	8,943
Total other operating income	7,544	17,367	25,342

4. Operating Expenses

	Sep 2023 6 Months Unaudited	Sep 2022 6 Months Unaudited	Mar 2023 12 Months Audited
Fees paid to auditor:			
Audit and review of financial statements ¹	206	154	410
Audit of TSB PIE Unit Trust	-	-	5
Other assurance services ²	143	90	204
Other services	59	-	60
Total fees paid to auditor	408	244	679
Depreciation	3,185	3,061	6,712
Amortisation of intangible assets	269	192	397
Directors' fees	494	495	1,027
Personnel	37,353	36,436	75,442
Defined contribution plan	1,201	1,117	2,163
Information technology	13,153	16,823	33,310
Premises occupancy	1,986	1,616	3,210
Marketing	4,305	4,878	10,826
Debit / Credit card expenses	5,825	6,099	9,399
Professional and legal fees	5,593	8,119	15,663
Others	4,064	6,998	30,483
Total operating expenses	77,836	86,078	189,311

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 assurance services include repayment calculator review work.

³ Other services include work related to remediation model validation.

5. Loans and Advances to Customers

	Note	Sep 2023 6 Months Unaudited	Sep 2022 6 Months Unaudited	Mar 2023 12 Months Audited
Residential	12(a)	6,363,399	5,961,543	6,218,637
Commercial ¹		655,446	564,018	593,271
Agricultural		235,043	248,413	243,941
Personal ²		22,379	18,741	19,703
Others ³		36,150	23,317	28,511
Total gross loans and advances to customers		7,312,417	6,816,032	7,104,063
Less provision for doubtful debts	12(a)	(27,680)	(28,808)	(25,922)
Total loans and advances to customers		7,284,737	6,787,224	7,078,141

¹ Commercial includes a loan to Toi Foundation Holdings Limited (refer to note 17. 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.

Notes to the Interim Financial Statements

For the six months ended 30 September 2023



All in NZD \$'000's

6. Investment Securities

	Sep 2023 6 Months Unaudited	Sep 2022 6 Months Unaudited	Mar 2023 12 Months Audited
Local authority securities	125,721	108,543	109,447
Government and multilateral development bank securities	768,202	828,407	758,532
Registered bank securities	292,899	261,846	284,253
Other investments*	229,031	237,427	214,009
Total investment securities	1,415,853	1,436,223	1,366,241

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

7. Deposits

	Sep 2023 6 Months Unaudited	Sep 2022 6 Months Unaudited	Mar 2023 12 Months Audited
Retail term deposits	4,489,294	3,723,221	4,186,534
On call deposits bearing interest	3,295,036	3,633,359	3,436,708
On call deposits not bearing interest	614,478	733,679	641,259
Wholesale deposits bearing interest	64,464	39,861	49,692
Total deposits	8,463,272	8,130,120	8,314,193

Concentrations of funding

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

Taranaki	3,980,461	3,771,731	3,857,982
Rest of New Zealand	4,290,055	4,162,142	4,263,455
Outside New Zealand	192,756	196,247	192,756
Total funding by geographic region	8,463,272	8,130,120	8,314,193
Government and public authorities	5,387	4,191	27,850
Finance (wholesale deposits)	64,464	39,861	49,692
Households	8,195,624	7,870,254	8,043,173
Community	83,831	91,499	72,670
Commercial	113,966	124,315	120,808
Total funding by industry sector	8,463,272	8,130,120	8,314,193

8. Other Liabilities

	Sep 2023 6 Months Unaudited	Sep 2022 6 Months Unaudited	Mar 2023 12 Months Audited
Employee entitlements	6,617	6,928	7,657
Trade and other payables	43,905	26,986	37,692
Lease liabilities	12,571	13,965	13,884
Other provisions	26,191	11,834	31,704
Other non-financial liabilities	1,643	2,073	1,785
Total other liabilities	90,927	61,786	92,722

All creditors and depositors are ranked equally.

Notes to the Interim Financial Statements

For the six months ended 30 September 2023



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 2023 (unaudited)	Note	At amortised cost	At FVTOCI	AT FVTPL	Fair value - hedging instruments	Total carrying amount	Fair value
Financial assets:							
Cash and cash equivalents		510,618	-	-	-	510,618	510,618
Derivative financial instruments		-	-	-	79,025	79,025	79,025
Investment securities	6	-	1,415,853	-	-	1,415,853	1,415,853
Loans and advances to customers	5	7,284,737	-	-	-	7,284,737	7,179,198
Other assets		8,644	-	-	-	8,644	8,644
Total financial assets		7,803,999	1,415,853	-	79,025	9,298,877	9,193,338
Financial liabilities:							
Due to other financial institutions		57,517	-	-	-	57,517	57,517
Deposits	7	8,463,272	-	-	-	8,463,272	8,459,073
Derivative financial instruments		-	-	-	11,049	11,049	11,049
Other liabilities		89,284	-	-	-	89,284	89,284
Total financial liabilities		8,610,073	-	-	11,049	8,621,122	8,616,923
As at 30 September 2022 (unaudited)							
Financial assets:							
Cash and cash equivalents		560,597	-	-	-	560,597	560,597
Derivative financial instruments		-	-	-	101,827	101,827	101,827
Investment securities	6	-	1,436,223	-	-	1,436,223	1,436,223
Loans and advances to customers	5	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 31 March 2023 (audited)							
Financial assets:							
Cash and cash equivalents		560,428	-	-	-	560,428	560,428
Derivative financial instruments		-	-	-	86,113	86,113	86,113
Investment securities	6	-	1,366,241	-	-	1,366,241	1,366,241
Loans and advances to customers	5	7,078,141	-	-	-	7,078,141	6,953,749
Other assets		3,399	-	-	-	3,399	3,399
Total financial assets		7,641,968	1,366,241	-	86,113	9,094,322	8,969,930
Financial liabilities:							
Deposits	7	8,314,193	-	-	-	8,314,193	8,301,814
Derivative financial instruments		-	-	-	11,467	11,467	11,467
Other liabilities		90,937	-	-	-	90,937	90,937
Total financial liabilities		8,405,130	-	-	11,467	8,416,597	8,404,218

Abbreviations used

FVTOCI: Fair value through other comprehensive income

FVTPL: Fair value through profit or loss

Notes to the Interim Financial Statements

For the six months ended 30 September 2023



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.

As at 30 September 2023 (unaudited)	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments	-	79,025	-	79,025
Investment securities	140,971	1,274,882	-	1,415,853
Total financial assets measured at fair value	140,971	1,353,907	-	1,494,878
Financial liabilities:				
Derivative financial instruments	-	11,049	-	11,049
Total financial liabilities measured at fair value	-	11,049	-	11,049
As at 30 September 2022 (unaudited)				
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 31 March 2023 (audited)				
Financial assets:				
Derivative financial instruments	-	86,113	-	86,113
Investment securities	161,217	1,205,024	-	1,366,241
Total financial assets measured at fair value	161,217	1,291,137	-	1,452,354
Financial liabilities:				
Derivative financial instruments	-	11,467	-	11,467
Total financial liabilities measured at fair value	-	11,467	-	11,467

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.

	Sep 2023 6 Months Unaudited	Sep 2022 6 Months Unaudited	Mar 2023 12 Months Audited
Share capital:			
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	724,068	714,120	714,120
Net profit after taxation ("NPAT")	13,230	20,234	19,948
Retained earnings after NPAT	737,298	734,354	734,068
Dividends	(5,000)	(5,000)	(10,000)
Retained earnings at end of period	732,298	729,354	724,068

	Sep 2023 Unaudited		Sep 2022 Unaudited		31 Mar 2023 Audited	
Dividends:	\$000	\$ per share	\$000	\$ per share	\$000	\$ per share
Paid to Toi Foundation Holdings Limited	5,000	0.250	5,000	0.250	10,000	0.500
Total	5,000	0.250	5,000	0.250	10,000	0.500

Notes to the Interim Financial Statements

For the six months ended 30 September 2023



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 over the last six months. Key focus areas include uplifting internal policies and standards, refining risk governance practices, developing new compliance programmes and strengthening existing ones, creation and enhancement of obligation and control registers, reinforcing risk culture aligned to the three lines of accountability model. The operating model has been uplifted, embedding a better enabled line one risk function back into the business. The Bank remains committed to taking appropriate steps to continue maturing its risk environment and this is reinforced by the Bank's strategy and business plan.

The Bank continues to address a need for improved management policies and procedures concerning its technology and data governance, 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. In relation to third-party risk, the Bank is in the process of maturing its outsourcing model, including the uplift of necessary controls. The Bank remains focused on uplifting key areas of regulatory compliance, including compliance with the Credit Contracts and Consumer Finance Act 2003 ("CCCFA"). Progress has been made in the implementation and testing of key controls and reporting designed to assist the Bank with meeting its regulatory obligations. Until these are fully embedded there will remain a degree of uncertainty regarding related risks.

The banking industry relies heavily on the knowledge, skills, and expertise of its workforce to effectively manage operations and deliver value to customers. The recent tightening of the labour market has begun to ease; however, some specialist roles remain unfilled at the Bank as the economic environment settles. The Bank is undertaking an assessment of the potential risks and the implementation of appropriate measures to mitigate them. The Bank remains committed to attracting and retaining skilled employees through, for example, employee training and development, engagement, and well-being policies and practices.

12. Credit Risk Management and Asset Quality

(a) Asset Quality

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

	Loans and advances	Lending commitments	Investment securities	Total
For the six months ended 30 September 2023				
Individual impairment expenses	80	-	-	80
Collective provision	1,414	(424)	(7)	983
Specific provision	344	-	-	344
Credit impairment losses to profit or loss	1,838	(424)	(7)	1,407
For the six months ended 30 September 2022				
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 year ended 31 March 2023				
Individual impairment expenses	984	-	-	984
Collective provision	(1,655)	833	(27)	(849)
Specific provision	(5,416)	-	-	(5,416)
Credit impairment losses to profit or loss	(6,087)	833	(27)	(5,281)

- Loans and advances: amortised cost of the loans and advances is reduced by credit impairment losses (refer to note 5. 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 6. Investment Securities).
- Lending commitments: provision for credit related lending commitments is recognised in other liabilities (refer to note 8. Other Liabilities).

Notes to the Interim Financial Statements

For the six months ended 30 September 2023



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

	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
As at 30 September 2023						
Loans and advances to customers	5	22,324	2,607	2,019	730	27,680
Lending commitments	8	3,350	67	-	-	3,417
Investment securities		(34)	-	-	-	(34)
As at 30 September 2022						
Loans and advances to customers	5	21,249	1,622	1,884	4,053	28,808
Lending commitments	8	3,700	36	-	-	3,736
Investment securities		39	-	-	-	39
As at 31 March 2023						
Loans and advances to customers	5	21,705	2,147	1,684	386	25,922
Lending commitments	8	3,800	42	-	-	3,842
Investment securities		(27)	-	-	-	(27)

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

	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
Net loans and advances to customers					
Balance as at 1 April 2023	21,705	2,147	1,684	386	25,922
Transfers between stages	170	306	(1,213)	737	-
Charged / (credited) to profit or loss	449	154	1,641	(393)	1,851
Amounts written off	-	-	(93)	-	(93)
Recovery	-	(1)	(7)	-	(8)
Add back recovery of amounts previously written off	-	1	7	-	8
Balance as at 30 September 2023	22,324	2,607	2,019	730	27,680
Off-balance sheet credit related commitments - total					
Balance as at 1 April 2023	3,800	42	-	-	3,842
Transfers between stages	4	(5)	-	1	-
Charged / (credited) to profit or loss	(454)	30	-	(1)	(425)
Amounts written off	-	-	-	-	-
Recovery	-	-	-	-	-
Balance as at 30 September 2023	3,350	67	-	-	3,417

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

Gross loans and advances to customers

Balance as at 1 April 2023	6,931,135	131,738	6,972	34,218	7,104,063
Transfers between stages	(25,007)	22,509	580	1,918	-
Additions	725,050	27,242	2,261	35	754,588
Deletions and repayments	(506,571)	(34,840)	(1,018)	(3,805)	(546,234)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 30 September 2023	7,124,607	146,649	8,795	32,366	7,312,417
Off-balance sheet credit related commitments - total					
Balance as at 1 April 2023	845,271	2,515	145	1,358	849,289
Transfers between stages	105	(285)	(6)	186	-
Additions	129,543	1,460	425	2	131,430
Deletions and repayments	(161,158)	(670)	(15)	(254)	(162,097)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 30 September 2023	813,761	3,020	549	1,292	818,622

Overall the loss allowance is 0.43% of gross loan balances as at 30 Sep 2023, up from 0.42% as at 31 Mar 23. The \$1.3m (4.5%) increase in loss allowance was driven by \$208.4 (2.9%) portfolio growth and modest deterioration in portfolio performance and was offset by a decreased probability of a downside economic scenario.

Notes to the Interim Financial Statements

For the six months ended 30 September 2023



All in NZD \$000's

12. Credit Risk Management and Asset Quality (continued)

(a) Asset Quality (continued)

Movements in credit impairment allowances - residential

	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
Net loans and advances to customers					
Balance as at 1 April 2023	12,751	919	1,356	225	15,251
Transfers between stages	364	-	(1,037)	673	-
Charged / (credited) to profit or loss	(27)	(254)	1,421	(272)	868
Amounts written off	-	-	-	-	-
Recovery	-	-	-	-	-
Balance as at 30 September 2023	13,088	665	1,740	626	16,119
Off-balance sheet credit related commitments					
Balance as at 1 April 2023	780	13	-	-	793
Transfers between stages	6	(7)	-	1	-
Charged / (credited) to profit or loss	(3)	3	-	(1)	(1)
Amounts written off	-	-	-	-	-
Recovery	-	-	-	-	-
Balance as at 30 September 2023	783	9	-	-	792

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

Gross loans and advances to customers

Balance as at 1 April 2023	6,112,103	81,334	6,331	18,869	6,218,637
Transfers between stages	(7,381)	(6,448)	580	13,249	-
Additions	617,406	1,776	2,256	-	621,438
Deletions and repayments	(464,268)	(7,672)	(965)	(3,771)	(476,676)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 30 September 2023	6,257,860	68,990	8,202	28,347	6,363,399
Off-balance sheet credit related commitments					
Balance as at 1 April 2023	496,596	1,853	12	1,358	499,819
Transfers between stages	438	(618)	(6)	186	-
Additions	106,250	656	-	-	106,906
Deletions and repayments	(103,808)	(629)	-	(254)	(104,691)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 30 September 2023	499,476	1,262	6	1,290	502,034

Residential portfolio saw a net provision increase of \$0.9m (5.4%) over the last 6 months. This was driven by residential gross loan balances growth of \$144.8m (2.3%) and modest deterioration in portfolio performance which saw non-performing loans increase from 0.40% to 0.57% of gross loan balances over the period. This was offset by an improvement in economic outlook.

Notes to the Interim Financial Statements

For the six months ended 30 September 2023



All in NZD \$000's

12. Credit Risk Management and Asset Quality (continued)

(a) Asset Quality (continued)

Movements in credit impairment allowances - commercial

	Stage 1 Collectively assessed	Stage 2 Collectively assessed	Stage 3 Collectively assessed	Stage 3 Individually assessed	Total provision
	12 month ECL	Lifetime ECL	Lifetime ECL	Lifetime ECL	
Net loans and advances to customers					
Balance as at 1 April 2023	5,472	140	142	161	5,915
Transfers between stages	(111)	257	(136)	(10)	-
Charged / (credited) to profit or loss	(195)	319	148	(149)	123
Amounts written off	-	-	-	-	-
Recovery	-	-	-	-	-
Balance as at 30 September 2023	5,166	716	154	2	6,038
Off-balance sheet credit related commitments					
Balance as at 1 April 2023	1,731	-	-	-	1,731
Transfers between stages	(2)	2	-	-	-
Charged / (credited) to profit or loss	(457)	30	-	-	(427)
Amounts written off	-	-	-	-	-
Recovery	-	-	-	-	-
Balance as at 30 September 2023	1,272	32	-	-	1,304

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

Gross loans and advances to customers

Balance as at 1 April 2023	572,164	5,351	407	15,349	593,271
Transfers between stages	(11,512)	26,356	28	(14,872)	-
Additions	91,881	14,950	5	-	106,836
Deletions and repayments	(30,106)	(14,521)	-	(34)	(44,661)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 30 September 2023	622,427	32,136	440	443	655,446
Off-balance sheet credit related commitments					
Balance as at 1 April 2023	244,254	-	-	-	244,254
Transfers between stages	(332)	332	-	-	-
Additions	16,192	783	425	2	17,402
Deletions and repayments	(56,203)	-	-	-	(56,203)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 30 September 2023	203,911	1,115	425	2	205,453

Commercial gross loan balances increased by \$62.2m (10.3%) over the period. The provision impact of the balance growth was offset by portfolio performance and improved economic outlook.

Notes to the Interim Financial Statements

For the six months ended 30 September 2023



All in NZD \$'000's

12. Credit Risk Management and Asset Quality (continued)

(a) Asset Quality (continued)

Movements in credit impairment allowances - agricultural

	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
Net loans and advances to customers					
Balance as at 1 April 2023	3,174	1,048	-	-	4,222
Transfers between stages	(82)	43	-	39	-
Charged / (credited) to profit or loss	644	102	-	61	807
Amounts written off	-	-	-	-	-
Recovery	-	-	-	-	-
Balance as at 30 September 2023	3,736	1,193	-	100	5,029
Off-balance sheet credit related commitments					
Balance as at 1 April 2023	100	-	-	-	100
Transfers between stages	-	-	-	-	-
Charged / (credited) to profit or loss	13	-	-	-	13
Amounts written off	-	-	-	-	-
Recovery	-	-	-	-	-
Balance as at 30 September 2023	113	-	-	-	113

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

Gross loans and advances to customers

Balance as at 1 April 2023	199,615	44,326	-	-	243,941
Transfers between stages	(6,088)	2,608	-	3,480	-
Additions	5,286	10,516	-	33	15,835
Deletions and repayments	(12,198)	(12,535)	-	-	(24,733)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 30 September 2023	186,615	44,915	-	3,513	235,043
Off-balance sheet credit related commitments					
Balance as at 1 April 2023	8,085	41	-	-	8,126
Transfers between stages	-	-	-	-	-
Additions	497	21	-	-	518
Deletions and repayments	(1,147)	-	-	-	(1,147)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 30 September 2023	7,435	62	-	-	7,497

Agricultural gross loan balances decreased by \$8.9m (3.6%), however the deterioration in the Dairy Industry outlook resulted in an overall net increase in provisions across the portfolio by \$0.8m (19%).

Notes to the Interim Financial Statements

For the six months ended 30 September 2023



All in NZD \$000's

12. Credit Risk Management and Asset Quality (continued)

(a) Asset Quality (continued)

Movements in credit impairment allowances - other

	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
Net loans and advances to customers					
Balance as at 1 April 2023	308	40	186	-	534
Transfers between stages	(1)	6	(40)	35	-
Charged / (credited) to profit or loss	27	(13)	72	(33)	53
Amounts written off	-	-	(93)	-	(93)
Recovery	-	(1)	(7)	-	(8)
Add back recovery of amounts previously written off	-	1	7	-	8
Balance as at 30 September 2023	334	33	125	2	494
Off-balance sheet credit related commitments					
Balance as at 1 April 2023	1,189	29	-	-	1,218
Transfers between stages	-	-	-	-	-
Charged / (credited) to profit or loss	(7)	(3)	-	-	(10)
Amounts written off	-	-	-	-	-
Recovery	-	-	-	-	-
Balance as at 30 September 2023	1,182	26	-	-	1,208

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

Gross loans and advances to customers

Balance as at 1 April 2023	47,253	727	234	-	48,214
Transfers between stages	(26)	(7)	(28)	61	-
Additions	10,477	-	-	2	10,479
Deletions and repayments	1	(112)	(53)	-	(164)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 30 September 2023	57,705	608	153	63	58,529
Off-balance sheet credit related commitments					
Balance as at 1 April 2023	96,336	621	133	-	97,090
Transfers between stages	(1)	1	-	-	-
Additions	6,604	-	-	-	6,604
Deletions and repayments	-	(41)	(15)	-	(56)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 30 September 2023	102,939	581	118	-	103,638

Other portfolio saw an increase in gross loan balances of \$10.3m (21.4%), this was accompanied by a provision decrease of \$0.05m (-2.9%). The provision decrease was driven by portfolio performance.

Notes to the Interim Financial Statements

For the six months ended 30 September 2023



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.

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

As at 30 September 2023 (unaudited)	Note	Residential mortgage loans	Commercial exposures	Agricultural exposures	Other exposures	Total credit exposures
Neither past due or impaired		6,256,067	639,567	231,519	57,700	7,184,853
Past due assets not impaired:						
Less than 30 days		68,032	14,692	11	30	82,765
30 to 59 days		6,437	304	-	568	7,309
60 to 89 days		728	-	-	17	745
90 days and over		3,788	440	-	151	4,379
Balance of past due but not impaired assets at end of period		78,985	15,436	11	766	95,198
Movements in individually impaired assets:						
Balance at beginning of period		18,869	15,349	-	-	34,218
Additions		-	-	33	2	35
Amounts written off / loans closed out		(3,771)	(34)	-	-	(3,805)
Transfer back to loans and advances to customers		13,249	(14,872)	3,480	61	1,918
Balance of impaired assets at end of period		28,347	443	3,513	63	32,366
Total gross loans and advances to customers	5	6,363,399	655,446	235,043	58,529	7,312,417
Less provision for doubtful debts	12(a)	16,119	6,038	5,029	494	27,680
Total loans and advances to customers		6,347,280	649,408	230,014	58,035	7,284,737

Undrawn balances on lending commitments to counterparties

Undrawn balances on lending commitments to counterparties for whom drawn balances are classified as individually impaired total \$0.26m at reporting date (30 September 2022: \$2.06m; 31 March 2023: \$1.36m).

Other assets under administration

As at 30 September 2023, the Bank had \$0.26m (30 September 2022: \$0.27m; 31 March 2023: \$nil) 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.

Maximum credit risk exposure	Note	Sep 2023 6 Months Unaudited	Sep 2022 6 Months Unaudited	Mar 2023 12 Months Audited
(i) On and off- balance sheet				
On balance sheet:				
Cash and cash equivalents		510,618	560,597	560,428
Derivative financial instruments		79,025	101,827	86,113
Investment securities	6	1,415,853	1,436,223	1,366,241
Loans and advances to customers (net of provision)	5	7,284,737	6,787,224	7,078,141
Other assets		8,644	4,590	3,399
Total on-balance sheet exposure		9,298,877	8,890,461	9,094,322
Off balance sheet:				
Lending commitments (net of provision) *	18	815,205	841,329	845,447
Total off-balance sheet exposure		815,205	841,329	845,447
Total maximum credit risk exposure		10,114,082	9,731,790	9,939,769

* Excludes market-related contracts.

Notes to the Interim Financial Statements

For the six months ended 30 September 2023



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

	Cash and cash equivalent	Investment securities	Loans and advances to customers	Other exposure	Lending commitments	Total credit exposure
As at 30 September 2023 (unaudited)						
New Zealand total	510,618	788,623	7,312,417	87,669	818,622	9,517,949
Outside New Zealand	-	627,230	-	-	-	627,230
Provision for impairment	-	-	(27,680)	-	(3,417)	(31,097)
Total credit exposure	510,618	1,415,853	7,284,737	87,669	815,205	10,114,082
As at 30 September 2022 (unaudited)						
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 31 March 2023 (audited)						
New Zealand total	560,428	768,927	7,061,015	89,512	849,289	9,329,171
Outside New Zealand	-	597,314	43,048	-	-	640,362
Provision for impairment	-	-	(25,922)	-	(3,842)	(29,764)
Total credit exposure	560,428	1,366,241	7,078,141	89,512	845,447	9,939,769

(iii) Concentration of credit exposure by industry sector

	Sep 2023 6 Months Unaudited	Sep 2022 6 Months Unaudited	Mar 2023 12 Months Audited
Cash on hand	16,945	21,111	20,098
Local government lending and investments	136,721	139,643	164,132
New Zealand registered banks	292,899	261,846	284,253
Multilateral development banks and other international institutions	627,231	523,002	471,391
Other financial institutions	163,970	180,331	156,468
Sovereigns and Central Bank	634,644	844,891	827,471
Utilities	65,061	57,095	57,541
Agricultural lending	242,540	257,643	252,067
Residential lending	6,865,433	6,475,601	6,718,456
Personal and other lending	162,167	140,022	145,304
Commercial lending	849,899	756,732	782,840
Provision for impairment loss *	(31,097)	(32,544)	(29,764)
Other exposure	87,669	106,417	89,512
Total credit exposure	10,114,082	9,731,790	9,939,769

* Includes the loss allowance for credit related commitments.

Notes to the Interim Financial Statements

For the six months ended 30 September 2023



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		
	"A" Rated	"B" Rated	Total	"A" Rated	"B" Rated	Total
As at 30 September 2023						
10% - 15%	2	-	2	1	-	1
15% - 20%	-	-	-	1	-	1
Total	2	-	2	2	-	2
Peak exposure						
10% - 15%	3	-	3	1	-	1
15% - 20%	-	-	-	1	-	1
Total	3	-	3	2	-	2
As at 30 September 2022						
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 31 March 2023						
10% - 15%	3	-	3	-	-	-
15% - 20%	-	-	-	2	-	2
Total	3	-	3	2	-	2
Peak exposure						
10% - 15%	3	-	3	-	-	-
15% - 20%	-	-	-	2	-	2
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.

Notes to the Interim Financial Statements

For the six months ended 30 September 2023



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 (87%) which are secured by first-ranking registered mortgages over residential property. As at 30 September 2023, \$33m of these loans are underwritten by Housing New Zealand Corporation, a Statutory Crown Corporation, as part of its Welcome Home Loan programme.

Personal lending includes credit card balances and overdrafts which are predominantly unsecured.

As at 30 Sep 2023, the Bank has total core liquid assets of \$1.9 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'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 2023 (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	493,673	-	-	-	-	16,945	510,618
Derivative financial instruments	-	-	-	-	-	79,025	79,025
Investment securities	182,673	66,700	202,651	309,739	654,090	-	1,415,853
Loans and advances to customers	1,990,310	744,309	1,825,586	1,918,338	797,724	8,470	7,284,737
Other financial assets	-	-	-	-	-	8,644	8,644
Total financial assets	2,666,656	811,009	2,028,237	2,228,077	1,451,814	113,084	9,298,877
Liabilities							
Due to other financial institutions	57,517	-	-	-	-	-	57,517
Deposits	4,598,803	1,044,691	1,867,422	196,435	141,443	614,478	8,463,272
Derivative financial instruments	-	-	-	-	-	11,049	11,049
Lease liabilities	644	623	1,164	2,047	8,093	-	12,571
Other financial liabilities *	-	-	-	-	-	56,118	56,118
Total financial liabilities	4,656,964	1,045,314	1,868,586	198,482	149,536	681,645	8,600,527
Derivative notional principals (net)	1,929,000	(115,000)	(245,000)	(1,263,000)	(306,000)	-	-
Interest sensitivity gap	(61,308)	(349,305)	(85,349)	766,595	996,278	(568,561)	698,350

* Other financial liabilities include employee entitlements and other payables.

Notes to the Interim Financial Statements

For the six months ended 30 September 2023



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 2023 6 Months Unaudited	Sep 2022 6 Months Unaudited	Mar 2023 12 Months Audited
Cash and cash equivalents	510,618	560,597	560,428
<i>Liquid investment securities:</i>			
Local authority securities	125,721	108,543	109,447
Government securities	140,971	305,405	287,141
Registered bank securities	292,899	261,846	284,253
Other investments	856,262	760,429	685,400
Total investment securities	1,415,853	1,436,223	1,366,241
Total core liquid assets	1,926,471	1,996,820	1,926,669

(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 2023 (unaudited)	On demand	0-1 Months	1-3 Months	3-12 Months	1-5 Year	Over 5 Years	Total
Liabilities:							
Deposits	3,845,037	442,393	887,739	3,076,365	378,158	-	8,629,692
Lease liabilities	-	264	506	2,139	5,244	9,568	17,721
Derivative financial instruments							
Inflows from derivatives	-	(17,182)	(35,578)	(144,264)	(112,258)	-	(309,282)
Outflows from derivatives	587	9,710	26,899	104,597	97,479	-	239,272
Other financial liabilities	-	44,646	5,473	2,300	3,699	-	56,118
Total financial liabilities	3,845,624	479,831	885,039	3,041,137	372,322	9,568	8,633,521
Lending commitments (off-balance sheet)	815,205	-	-	-	-	-	815,205

(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 2023 Unaudited	Three month period ending on 30 June 2023 Unaudited
One-week mismatch ratio	15.6%	15.3%
One-month mismatch ratio	18.7%	18.1%
Core funding ratio	113.7%	112.3%

Notes to the Interim Financial Statements

For the six months ended 30 September 2023



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 (superseded by Banking Prudential Requirements "BPR" on 1 October 2021) 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 \$276 million of capital in excess of the minimum capital requirement.

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 2023.

(a) Capital Adequacy Ratios

	RBNZ Minimum ratio requirement	Sep 2023 Unaudited Basel III	Sep 2022 Unaudited Basel III	Mar 2023 Unaudited Basel III
Common Equity Tier 1 ("CET1") capital ratio	4.50%	13.75%	13.43%	12.93%
Tier 1 capital ratio	6.00%	13.75%	13.43%	12.93%
Total capital ratio	8.00%	13.75%	13.43%	12.93%
Prudential capital buffer	2.50%	5.75%	5.43%	4.93%

(b) Regulatory Capital

	Sep 2023 6 Months Unaudited	Sep 2022 6 Months Unaudited	Mar 2023 12 Months Unaudited
Tier 1 capital			
Common Equity Tier 1 ("CET1") capital			
Issued and fully paid up share capital	10,000	10,000	10,000
Retained earnings	732,298	729,354	724,068
Fair value reserve	(55,536)	(64,488)	(54,472)
Cash flow hedge reserve	44,583	64,959	51,022
	731,345	739,825	730,618
Less Deductions from CET1 Capital			
Intangible assets	974	1,338	1,244
Cash flow hedge reserve	44,583	64,959	51,022
Deferred tax assets	25,208	17,790	22,290
Implicit risk adjustment*	-	57,000	57,000
	70,765	141,087	131,556
Total CET 1 capital	660,580	598,738	599,062
Additional Tier 1 ("AT1") Capital	-	-	-
Total Tier 1 capital	660,580	598,738	599,062
Tier 2 capital	-	-	-
Total capital	660,580	598,738	599,062

*Implicit risk adjustment has been made in accordance with Condition 1C of the Bank's Conditions of Registration. These conditions have been removed on 1 June 2023 (refer to changes made to the Bank's Conditions of Registration on page 3).

Notes to the Interim Financial Statements

For the six months ended 30 September 2023



All in NZD \$'000's

15. Capital Adequacy (continued)

(c) Credit risk

(i) On-balance sheet exposures

As at 30 September 2023 (unaudited)	Total exposure	Risk weighting	Risk weighted exposure	Minimum Pillar one capital requirement
Cash	8,339	0%	-	-
Sovereigns & RBNZ	634,644	0%	-	-
Multilateral development banks	500,696	0%	-	-
Multilateral development banks	126,534	20%	25,307	2,025
Public sector entities	125,721	20%	25,144	2,012
Banks	41,279	20%	8,256	660
Banks	260,226	50%	130,113	10,409
Corporate	181,879	20%	36,376	2,910
Corporate	47,153	50%	23,576	1,886
Corporate	875,311	100%	875,311	70,025
Residential mortgages not past due:				
Non-property investment <80% LVR*	4,290,278	35%	1,501,598	120,128
Non-property investment 80%<90% LVR*	370,415	50%	185,208	14,817
Non-property investment 90%<100% LVR*	37,660	75%	28,245	2,260
Non-property investment >100% LVR*	3,899	100%	3,899	312
Property investment <80% LVR*	1,567,498	40%	626,999	50,160
Property investment 80%<90% LVR*	7,091	70%	4,964	397
Property investment 90%<100% LVR*	208	90%	187	15
Property investment >100% LVR*	124	100%	124	10
Welcome home <80% LVR*	826	35%	289	23
Welcome home 80%<90% LVR*	15,988	35%	5,596	448
Welcome home 90%<100% LVR*	15,811	50%	7,905	632
Welcome home >100% LVR*	724	100%	724	58
Reverse mortgages <60% LVR*	6,047	50%	3,024	242
Reverse mortgages 60%<80% LVR*	-	80%	-	-
Reverse mortgages >80% LVR*	-	100%	-	-
Past due residential mortgages*	30,711	100%	30,711	2,457
Other past due assets	316	100%	316	25
Other past due assets	3,915	150%	5,873	470
Other lending	57,915	100%	57,915	4,633
Other assets	38,398	100%	38,398	3,072
Non-risk weighted assets	105,207	0%	-	-
Total on-balance sheet exposures	9,354,813		3,626,058	290,086

* Total exposure of residential mortgages is \$6,347,280.

(ii) Off-balance sheet exposures

As at 30 September 2023 (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	101,041	0%	-	N/A	-	-
Commitment with certain drawdown	144,774	100%	144,774	46%	67,175	5,374
Commitment with uncertain drawdown	565,068	50%	282,534	56%	157,574	12,606
Other commitment where original maturity is less than or equal to 1 year	1,598	20%	320	70%	223	18
Performance related contingency	2,724	50%	1,362	100%	1,362	109
Market related contracts:						
Interest rate contracts*	3,934,000	Various	89,044	44%	39,482	3,159
Credit valuation adjustment ("CVA")	-		-	0%	19,888	1,591
Total off-balance sheet exposures	4,749,205		518,034		285,704	22,857

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

Notes to the Interim Financial Statements

For the six months ended 30 September 2023



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 2023	On-balance sheet	Off-balance sheet	Total
LVR does not exceed 80%	5,891,316	493,580	6,384,896
LVR exceeds 80% and not 90%	396,299	6,707	403,006
LVR exceed 90%	59,665	955	60,620
Total residential mortgages	6,347,280	501,242	6,848,522

(ii) Reconciliation of residential mortgage related amounts

	Note	Sep 2023
Gross residential mortgage loans (on balance sheet exposures)	5, 12(a)	6,363,399
Provision for credit impairment (on balance sheet exposures)	12(a)	(16,119)
Residential mortgage loans net of provision for credit impairment (on balance sheet exposures)	15(d)(i)	6,347,280
Undrawn commitments (off balance sheet exposures)	12(a)	502,034
Provision for credit impairment (off balance sheet exposures)	12(a)	(792)
Residential mortgage loans net of provision for credit impairment (off balance sheet exposures)	15(d)(i)	501,242
Total residential mortgage loans net of provision for credit impairment		6,848,522

(e) Market risk

The aggregate market risk exposures have been derived in accordance with RBNZ BPR140: *Market Risk* and Schedule 9 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014. The peak end-of-day capital charge is derived by determining the highest end of month capital charge over the reporting period.

As at 30 September 2023 (unaudited)		Implied risk weighted exposure	Aggregate capital charge
End of period capital charge	Interest risk	297,622	23,810
Peak end-of-day capital charge	Interest risk	298,988	23,919

(f) Risk weighted exposure and total capital requirements

As at 30 September 2023 (unaudited)	Total Exposure after credit risk mitigation	Risk weighted exposure or Implied RWE	Capital requirement
Total credit risk	9,767,640	3,911,760	312,941
Operational risk	N/A	593,141	47,451
Market risk	N/A	297,622	23,810
Total	9,767,640	4,802,523	384,202

* 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 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 material risk not covered or fully covered by Pillar 1 (credit risk, market risk, and operational risk) and assigned a level of capital to them. The risks included within the Pillar 2 requirement are interest rate risk, cyber risk, regulatory and compliance risk, legacy and proprietary system, control environment and strategic risk.

The Bank has made an internal capital allocation of \$64.2m (30 September 2022: \$58.5m; 31 March 2023: \$58.5m) to cover these identified risks.

(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.

Notes to the Interim Financial Statements

For the six months ended 30 September 2023



All in NZD \$000's

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 17. Related Party Balances in regards to the related party loan to Toi Foundation Holdings Limited and commission income from Fisher Funds Management Limited ("FFML").

17. 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 Investments Limited holds 66.01% (30 September 2022: 66.01%; 31 March 2023: 66.01%) effective shareholding of FFML via FFML TopCo 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 2023 6 Months Unaudited	Sep 2022 6 Months Unaudited	Mar 2023 12 Months Audited
Statement of Financial Position				
Loans to Toi Foundation Holdings Limited	5	7,587	208	272
Total due from related parties		7,587	208	272
Deposits from Toi Foundation		2,007	2,427	2,128
Deposits from Toi Foundation Holdings Limited		118	5,844	4,024
Deposits from Toi Foundation Investments Limited		2,473	12	19
Total due to related parties		4,598	8,283	6,171
Statement of Changes in Equity				
Dividends paid to Toi Foundation Holdings Limited	10	5,000	5,000	10,000
Statement of Profit or Loss				
Interest income received from Toi Foundation Holdings Limited	2	138	1	2
Interest expense paid to Toi Foundation	2	10	66	95
Fee income received from Toi Foundation Holdings Limited		193	193	611
Commission income received from Fisher Funds Management Limited		1,051	525	1,051

During the reporting period, subvention payments were made to Toi Foundation Holdings Limited of \$0.817m (30 September 2022: \$nil; 31 March 2023: \$0.680m) and Toi Foundation Investments Limited of \$0.154m (30 September 2022: \$nil; 31 March 2023: \$0.383m). No other material payments were made to related parties.

18. 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 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.

Notes to the Interim Financial Statements

For the six months ended 30 September 2023



All in NZD \$000's

18. Commitments and Contingent Liabilities (continued)

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.

	Sep 2023 6 Months Unaudited	Sep 2022 6 Months Unaudited	Mar 2023 12 Months Audited
Lending commitments (net of provision):			
Performance-related contingencies	2,724	2,808	3,018
Undrawn commitments*	812,481	838,521	842,429
Total lending commitments	815,205	841,329	845,447
Other commitments:			
Capital commitments	1,165	1,034	827
Total other commitments	1,165	1,034	827
Total commitments	816,370	842,363	846,274

* Includes \$76.0m (30 September 2022:\$83.4m; 31 March 2023: \$83.3m) related to the facility granted to Toi Foundation Holdings Limited, a related entity.

19. Subsequent Events

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

- In November 2023, the Board of Directors announced the appointment of Kerry Boielle as the Bank's new Chief Executive. Kerry will commence her role with the Bank from 8 January 2024.
- The Board of Directors declared an interim dividend of \$5.0 million and a special dividend of \$5.0 million on 22 November 2023.

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 29, nothing has come to our attention that causes us to believe that:

- i. the interim financial statements (excluding the supplementary information disclosed in accordance with Schedules 5, 7, 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");

Based upon our review of the supplementary information (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) that is required to be disclosed in accordance with Schedules 5, 7, 13, 16 and 18 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order") and is included within the notes of the interim financial statements, nothing has come to our attention that:

- ii. the supplementary information, does not present fairly, in all material respects, the matters to which it relates;
- iii. is not disclosed, in all material respects, in accordance with those schedules;
- iv. the supplementary information has not been prepared, in all material respects, in accordance with any condition of registration relating to disclosure requirements, imposed under section 74(4)(c) of the Banking (Prudential Supervision) Act 1989.

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 2023;
 - the statements of comprehensive income, changes in equity and cash flows for the 6-month period then ended; and
 - notes, including material accounting policy information and other explanatory information.
- the supplementary information prescribed in Schedules 5, 7, 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 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;
 - 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 2023 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 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
Wellington

22 November 2023

Independent Limited Assurance Report to the shareholder of TSB Bank Limited

Conclusion on the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements

Based on our limited assurance conclusion, which is not a reasonable assurance engagement or audit, nothing has come to our attention that would lead us to believe that the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements, disclosed in notes 14 and 15 to the disclosure statement, is not, in all material respects disclosed in accordance with Schedule 9 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the 'Order').

We have reviewed the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements, as disclosed in notes 14 and 15 of the disclosure statement for the 6-month period ended 30 September 2023. The supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements comprises the information that is required to be disclosed in accordance with Schedule 9 of the Order.

Standards we followed

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements other than audits or reviews of historical financial information* and Standard on Assurance Engagements SAE 3100 (Revised) *Assurance Engagements on Compliance*. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In accordance with those standards:

- used our professional judgement to plan and perform the engagement to obtain limited assurance that the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements is free from material misstatement and non-compliance, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on the effectiveness of these controls; and
- ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

How to interpret limited assurance and material misstatement and non-compliance

In a limited assurance engagement, the assurance practitioner performs procedures, primarily consisting of discussion and enquiries of management and others within the entity, as appropriate, and observation and walk-throughs, and evaluates the evidence obtained. The procedures selected depend on our judgement, including identifying areas where the risk of material misstatement and non-compliance with Schedule 9 of the Order is likely to arise.

The procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Misstatements, including omissions, within the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements and non-compliance are considered material if, individually or in the aggregate, they could reasonably be expected to influence the relevant decisions of the intended users taken on the basis of the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements.

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error or non-compliance with compliance requirements may occur and not be detected.

A limited assurance engagement for the 6-month period ended 30 September 2023 does not provide assurance on whether compliance with the with Schedule 9 of the Order will continue in the future.

Restriction of distribution and use

Our report is made solely for TSB Bank Limited. Our assurance work has been undertaken so that we might state to TSB Bank Limited those matters we are required to state to them in the assurance report and for no other purpose. We have also consented to the Reserve Bank of New Zealand (“RBNZ”) receiving a copy of our report on a reliance basis. No other third party is intended to receive our report.

Our report should not be regarded as suitable to be used or relied on by any third parties other than TSB Bank Limited, the RBNZ and the Intended Users (“Recipients”) for any purpose or in any context. Any other party who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk.

Our report is released to the Recipients on the basis that it shall not be copied, referred to or disclosed, in whole or in part, without our prior written consent.

To the fullest extent permitted by law, none of KPMG, any entities directly or indirectly controlled by KPMG, or any of their respective members or employees accept or assume any responsibility and deny all liability to any party other than TSB Bank Limited for our work, for this independent limited assurance report, and/or for the conclusions we have reached.

Director's responsibility for the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements

The Directors are responsible for the preparation of supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements that is required to be disclosed in accordance with Schedule 9 of the Order, which the Directors have determined to meet the needs of the recipients. This responsibility includes such internal control as the Directors determine is necessary to enable the preparation of the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements that is free from material misstatement and non-compliance whether due to fraud or error.

Our responsibility

Our responsibility is to express a conclusion to TSB Bank Limited on whether anything has come to our attention that the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements has not, in all material respects, been prepared in accordance with Schedule 9 of the Order for the 6-month period ended 30 September 2023.

Our independence and quality control

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our firm has also provided assessment of fees and loan calculation compliance services to TSB Bank Limited. Subject to certain restrictions, partners and employees of our firm may also deal with TSB Bank Limited on normal terms within the ordinary course of trading activities of the business of TSB Bank Limited. These matters have not impaired our independence as assurance providers of the TSB Bank Limited for this engagement. The firm has no other relationship with, or interest in, the TSB Bank Limited.



KPMG
Wellington

22 November 2023

Directors

M.C. (Mark) Darrow, FCA, BBus, CFInstD, JP, Chair
M. (Michael) Schubert, BCom, Deputy Chair
D.J. (Darren) Linton, BCom
K.C. (Kevin) McDonald, MBA
N. (Natalie) Pearce, BCom
L.H. (Liana) Poutu, LLB/BA
M.S. (Melanie) Templeton, BBusInf

Executive Management

G. (Gordon) Davidson, BA, CA, MBA, Acting Chief Executive Officer
M. (Molly) Auva'a-O'Brien, Dip Travel and Tourism, GM Operational Excellence
C. (Chris) Boggs, BCom, MBM, GM People & Strategy
P. (Penny) Burgess, BCom, GM Customer Delivery
P. (Peter) Chisnall, BCom, MSIM, Acting GM Product and Marketing
J. (Julian) Downs, BSc, GM Technology
M. (Matthew) Poulton, BSc (Hons), PhD, CFA, Acting Chief Financial Officer
G. (Graeme) Scrivener, MA, BA (Hons), Chief Risk Officer
L. (Larissa) Vaughan, LLB (Hons), GM Regulatory Affairs and General Counsel

Registered Office

Level 5, TSB Centre, 120 Devon St East, New Plymouth, 4310

Auditor

KPMG
10 Customhouse Quay
Wellington 6011

Contact Us

Postal Address: PO Box 240, Taranaki Mail Centre, New Plymouth, 4340
Phone Number: (06) 968 3700
Fax Number: (06) 968 3740
Web Address: <https://www.tsb.co.nz/contact>