TSB Bank Annual Report and Disclosure Statement

for the year ended 31 March 2025

Contents

Annual Report

This annual report is prepared in accordance with the Companies Act 1993 (CA) and covers the activities of TSB for the period 1 April 2024 to 30 March 2025. With agreement of the shareholder, TSB has applied certain concessions available to it under section 211(3) of the CA. This Annual Report is dated 26 June 2025 and signed on behalf of the TSB Board by Mark Darrow, Chair and Michael Schubert, Deputy Chair.

Mark Darrow
Chair

Michael Schubert
Deputy Chair

Chair and CEO report

Pūronga ā te tiamana me te tumuaki

In the last year we've made significant advancements throughout TSB Bank. Guided by our vision of being the easiest bank to deal with, we've continued to enhance our digital products, integrating them with our renowned personalised care in the moments that matter.

Our financial results have improved again this year, testament to the hard mahi our team have put into delivering for our customers and communities.

Our results

This financial year we delivered an incresed Net Profit Before Tax of $57.6m, up $6.7m on the previous year. We are pleased to have paid $10m in dividends to our shareholder Toi Foundation Holdings Limited, the commercial arm for philanthropic organisation Toi Foundation.

Our improved performance was primarily driven by increased net operating income of $7.8m on prior year, and a further reduction in operating costs, down 1.7% on the prior year, as our strategy to simplify the business continued to have an impact.

We've delivered good balance sheet growth on lending and deposits, with commercial lending growth of $222m (+29%), and deposits up $185m (+2%). Our asset quality remains strong despite where we are in the credit cycle, with non-performing loans at 0.5% compared to an industry average of 0.7%.

We invested significantly into improving our product and service offering this year and were pleased to be recognised for this, with Canstar awarding us Bank of the Year for Credit Cards, for the third year in a row (2023-2025).

The increasing regulatory burden continues to put pressure on expenses and reduce the investment available for innovation. While regulation ensures safe banking, some requirements are disproportionate and reduce sector competitiveness and innovation. We're calling for policymakers to amend capital settings and introduce true proportionality in legislation to ensure New Zealand-owned banks like TSB are given a level playing field to better compete. This would enable us to more rapidly invest in customer products and services, in turn enabling us to grow and support more Kiwi with better banking.

Our customers

Significant work has gone into prevention and education to protect customers from fraud and scams. We have actively engaged in industry working groups to share information and work on measures that will make a collective impact for Kiwi. For example, we've introduced confirmation of payee across our online banking and mobile app, reducing the risk of customers sending payments to the wrong account by checking if the account name and number match.

We've also enhanced TSB's prevention, detection, and monitoring systems and practices to proactively safeguard customers, and educated our customers through regular communications and by hosting educational workshops in our local communities.

As well as this, in October we obtained our conduct license under the Financial Markets (Conduct of Institutions) Amendment Act 2022. This was the result of two years of mahi on our policies, processes, systems and controls to embed a Fair Conduct Programme that supports our compliance with the fair conduct principle, and our commitment to delivering fair and transparent customer outcomes.

Our communities

This year, we adopted our first Sustainability Strategy, which takes a long-term view on how we can support our people, customers and communities to navigate the transition to a low- emissions future, while ensuring we're minimising our own environmental footprint. The Board have also now approved a Climate Transition Plan. The insights we've gained from our climate-related disclosure work has given us a good understanding of what climate change means for our strategy and business model, to focus our work going forward.

TSB is focused on delivering meaningful outcomes for Māori - both internally and externally. This year the work we've carried out has been focused on setting the foundations, including gathering insights to better understand and uplift our organisation's cultural competence, so we know which direction to guide our strategy going forward.

We have reviewed credit policies, educated our people on Te Ao Māori, with a specific emphasis on our executive and senior leadership teams, and engaged in industry working groups to better understand the role we can play in supporting Māori to access funding. We look forward to progressing this with more momentum in the year ahead.

Our future

As TSB Bank celebrates its 175th birthday this year, we're reflecting on our rich history of putting people first and looking to the future with excitement.

As we transform into a digital-first bank that serves the needs of our consumers and businesses, our focus will continue to be on supporting our communities and fostering meaningful customer relationships with innovative solutions. This ambition will ultimately see us become New Zealand's digital bank of choice, for generations to come.

Ngā mihi nui,

Mark Darrow
Chair

Kerry Boielle
CEO

Ngā kaupapa nui

Highlights

NPBT
(Net Profit Before Tax)

$57.6m

up 13%

Deposits

$8.7bn

up 2%

RoE
(Return on Equity)

from 4.6%

to 5.2%

Loans

$7.7bn

up 3%

Commercial
net lending growth

$222m

up 29%

Emissions
Scope 1 & 2 GHG Emissions

161 tCO^2

down 13%

$10m
in dividends to philanthropic shareholder Toi Foundation

48%
of eligible customers enabled with Apple Pay within six months of launch

51
Average Net Promoter Score

Canstar
Bank of the Year Credit Cards 2023-25

CoP
Confirmation of Payee Anti-fraud initiative launch

Climate
Sustainability Strategy and Climate Transition Plan

Our Board and Leadership team

Te pōari me te roopu whakahaere

Board of Directors

MARK DARROW

CHAIR

MICHAEL SCHUBERT

DEPUTY CHAIR

KATE ARMSTRONG

DIRECTOR

DARREN LINTON

DIRECTOR

NATALIE PEARCE

DIRECTOR

LIANA POUTU

DIRECTOR

MELANIE TEMPLETON

DIRECTOR

Executive Leadership Team

KERRY BOIELLE

CEO

LARISSA VAUGHAN

GM REGULATORY AFFAIRS AND GENERAL COUNSEL

GORDON DAVIDSON

CHIEF FINANCIAL OFFICER

ROXANNE SALTON

CHIEF DIGITAL OFFICER

MOLLY AUVA'A-O'BRIEN

GM OPERATIONAL EXCELLENCE

CHRIS BOGGS

GM PEOPLE AND STRATEGY

GRAEME SCRIVENER

CHIEF RISK OFFICER

PENNY BURGESS

GM CUSTOMER DELIVERY

NICK HERBERT

GM PRODUCT AND MARKETING

Disclosure Statement

For the year ended 31 March 2025.

Disclosure Statement
For the year ended 31 March 2025

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Disclosure Statement
For the year ended 31 March 2025

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 a support area of operation in Foreign Exchange. The Bank has no direct exposure to the funds management industry, though it markets the sale of Fisher Funds products, a related party.

Details of Incorporation

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 ("CA") 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 (the "Board") and its address for service is 21 Dawson Street, PO Box 667, New Plymouth 4340. Refer to Note 21 - Related Party Transactions and Balances for further information.

Results and Distributions	$000
Net profit after tax	41,169
Dividends	(10,000)
Retained profit for the Year	31,169

Financial and Supplementary Disclosures

This Disclosure Statement is inclusive of the Bank’s audited financial statements for the year ended 31 March 2025. All necessary additional financial and supplementary disclosures are included in the notes attached to the financial statements.

Guarantee Arrangements

No material obligations of the Bank are guaranteed.

Pending Proceedings or Arbitration

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

Donation

The Bank made donations totaling $42.2k for the year ended 31 March 2025 (2024: nil).

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 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.

General Information (continued)

Items Excluded by Shareholder Agreement

The Disclosure Statement has been prepared so as to include all information required to be disclosed under the Companies Act 1993 except employee remuneration disclosed by band under section 211(1)(g) CA.

Auditor

Ernst & Young, 2 Takutai Square, Britomart, Auckland, 1010, New Zealand

Climate Statement

The Bank is a climate reporting entity for the purposes of the Financial Markets Conduct Act 2013 (FMC) and is required to produce climate statements under New Zealand's mandatory climate related disclosure legislation.

The Bank will issue its Climate Statement under the FMC and the Aotearoa New Zealand Climate Standards (NZ CS) by 31 July 2025 for the financial year ended 31 March 2025.

Once issued, the Climate Statement will be available at www.tsb.co.nz/about/financial-information.

Credit Rating

As at the signing date of this Disclosure Statement, the Bank's credit rating is 'BBB+' with stable outlook by Fitch ratings ("Fitch"). The credit rating is applicable to the Bank's long-term senior unsecured obligations payable in New Zealand, in New Zealand dollars.

Following changes were made to the Bank's rating in the two years immediately before the signing date:

- On 23rd July 2024, the Bank's credit rating was downgraded from A- (stable outlook) to BBB+ (stable outlook) by Fitch ratings ("Fitch").

Fitch	Standard & Poor's	Moody's	AM Best	Descriptions of credit rating scales
AAA	AAA	Aaa	aaa	Extremely strong capacity to pay interest and repay principal in a timely manner. Highest rating.
AA	AA	Aa	aa	Very strong capacity to pay interest and repay principal in a timely manner.
A	A	A	a	Strong capacity to pay interest and repay principal in a timely manner but may be more susceptible to adverse effects of changes in circumstances and economic conditions than higher rated entities.
BBB	BBB	Baa	bbb	Adequate capacity to pay interest and repay principal in a timely manner but are more likely to be weakened by adverse changes in circumstances and economic conditions than higher rated entities.
BB	BB	Ba	bb	Less vulnerable in the near term but a degree of speculation exists with respect to the ability of an entity with this credit rating to pay interest and repay principal in a timely manner. Adverse business, financial or economic conditions could impair the borrower's capacity or willingness to meet debt service commitments in a timely manner.
B	B	B	b	More vulnerable to adverse business, financial or economic conditions than entities in higher rated categories. Adverse business, financial or economic conditions will likely impair the borrower's capacity or willingness to meet debt service commitments in a timely manner.
CCC	CCC	Caa	ccc	Vulnerable to default and are dependent on favourable business, financial or economic conditions to meet debt service commitments in a timely manner. In the event of adverse business, financial or economic conditions the entity is likely to default.
CC - C	CC - C	Ca	cc - c	Highest risk of default.
D	D	C		Obligations currently in default. This is assigned when interest or principal payments are not made on the date due or when an insolvency petition or a request to appoint a receiver is filed.

Plus (+) or Minus (-): The ratings from 'AA' to 'CCC' may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Disclosure Statement
For the year ended 31 March 2025

Directorate

All Directors of the Bank reside in New Zealand.

M.C. (Mark) Darrow, FCA, B Bus, CFInstD, JP Independent non-executive Director (Chair – Board of Directors) Primary occupation: Independent Board Chair	External Directorship: Armstrong's Group, Armstrong No 3 Trustee Limited, Armstrong No 4 Trustee Limited, Armstrong No 5 Trustee Limited, Auction Online Limited, Drive Holidays Limited, Eastside Holdings Limited, Inland Revenue NZ, MCD Capital Limited, Motor Trade Finance Limited, MTF Direct Limited, MTF Finance Limited, MTF Leasing Limited, MTF Limited, MTF Securities Limited, MTF Treasury Limited, MTFS Holdings Limited, Riverton Dairies Limited, Riverton Farm Limited, The Lending People Limited, Tudor Park Trustees Limited, Auckland University of Technology, Civil Aviation Authority.
M. (Michael) Schubert, Bcom, MInstD Independent non-executive Director (Deputy Chair - Board of Directors) Primary occupation: Company Director	External Directorship: AIG Insurance New Zealand Limited, Procare Network Limited, Procare Health (LP) Limited, Procare Trust Board, Resolution Life New Zealand Limited, Whakarongorau Aotearoa New Zealand Telehealth Services (GP) Limited.
N. (Natalie) Pearce, BCom Independent non-executive Director Primary occupation: Company Director	External Directorship: Tax Management New Zealand Limited.
M.S. (Melanie) Templeton, B BuS**,** MInstD Independent non-executive Director Primary occupation: Company Director	External Directorship: Inland Revenue NZ, Booster Investment Management Limited, Holmes Group Trustee Limited, MTFS Holdings Limited, MTF Direct Limited, MTF Finance Limited, MTF Leasing Limited, MTF Limited, MTF Treasury Limited, MTF Securities Limited, Motor Trade Finance Limited, The Lending People Limited, Xerra Earth Observation Institute Limited.
D.J. (Darren) Linton, BCom Independent non-executive Director Primary occupation: Chief Executive Officer	External Directorship: Chic Retreats Limited, Koru Ventures Limited.
L.H. (Liana) Poutu, LLB, BA Non-executive Director Primary occupation: Company Director	External Directorship: Edward Rongomai Ira Tamati Whānau Trust, Kaipakopako 2C2 Ahu Whenua Trust, Parininihi Ki Waitōtara Incorporation, Parininihi Ki Waitōtara Trust, Te Atiawa (Taranaki) Holdings Limited, Te Atiawa Iwi Corporate Trustee Limited, Te Atiawa Iwi Holdings Management Limited, Te Kotahitanga o Te Atiawa Trust, Te Kāhui Raraunga Charitable Trust, Te Reo o Taranaki Charitable Trust, Te Tōpuni Ngārahu Trust, Toi Foundation, Toi Foundation Holdings Limited, Toi Foundation Investments Limited, Taranaki Whanganui Conservation Board.
K.A. (Kate) Armstrong, LLB, BA**,** MInstD Independent non-executive Director Primary occupation: Company Director	External Directorship: Vero Insurance New Zealand Limited, Vero Liability Insurance Limited, New Zealand Housing Foundation, Housing Foundation Limited, Housing Foundation No. 1 Limited, HF3 PHO Limited, Salt Funds Management Limited, Salt Investment Funds Limited, Anglesea Trust, Jarman Trust, Armstrong Family Trust.

Changes in Board of Directors

There have been no changes to the composition of the Board since the Bank's previous full year Disclosure Statement and Annual Report for the year ended 31 March 2024.

Directorate (continued)

Board Audit Committee

There is a Board Audit Committee that covers audit matters. As at the reporting date, the Committee is comprised of four Board members (three independent non-executive Directors and one non-executive Director).

Communication to Directors

Any communications addressed to the Directors may be sent to the address below.
TSB Bank Limited
PO Box 240
New Plymouth 4310

Policy on Directors' Conflicts of Interest

The Bank maintains a Schedule of Directors Disclosures of Interest which is reviewed and updated regularly and disclosed in Board meetings. Pursuant to the Bank's Board Charter, Directors are required to disclose to the Board all actual, potential or perceived conflicts of interest as soon as the director becomes aware of the matter and are required to abstain from any vote on relevant matters unless the other Directors have passed a resolution that those directors are satisfied that the interest should not disqualify the director from being present or voting. Conflicts are managed by either controlling, disclosing or avoiding them or a combination of these methods.

Directors maintain personal banking relationships with the Bank and these are undertaken fulfilling normal bank criteria. There were no transactions between the Bank and any Director, or any immediate relative or close business associate, of any Director which either has been entered into on terms other than those which would in the ordinary course of business of the Bank be given to any other person of the like circumstances or means; or which could be reasonably likely to influence materially the exercise of the Director's duties.

Directors' Fees

Directors' fees received by the Directors for the year ended 31 March 2025.

In NZD	Board Fee	Audit Committee	Risk Committee	Other Committees	Total
Name of Director					
M.C. Darrow	(Chair) 205,000	-	-	-	205,000
M. Schubert	(Deputy Chair) 100,250	(Chair) 20,000	7,410	1,927	129,587
N. Pearce *	91,000	-	-	18,570	109,570
M.S. Templeton	91,000	7,410	7,410	3,918	109,738
D.J. Linton	91,000	-	7,410	9,363	107,773
L.H. Poutu	91,000	7,410	-	9,195	107,605
K. Armstrong	91,000	7,410	(Chair) 20,000	5,696	124,106
GST on Directors' fees	58,050	1,112	-	4,164	63,326
Total **	**818,300**	**43,342**	**42,230**	**52,833**	**956,705**

* A fee of $15,000 was paid to N. Pearce for serving as Chair of the People and Remuneration Committee during the year ended 31 March 2025.
** Fees paid to Directors of the Bank for the year totalled $956,705 (2024: $972,567) inclusive of GST.

Directors' and Officers' Liability Insurance

The Bank has effected insurance for Directors and Officers in respect of liability and costs that may arise from their positions in accordance with section 162 CA. The insurance does not cover liabilities arising from criminal actions or otherwise restricted by law.

Disclosure Statement

For the year ended 31 March 2025

Directors' Statement

Each Director believes, 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);

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

The Directors believe, after due enquiry, that over the financial year to 31 March 2025:

(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 15 - Risk Governance, Note 18 - Liquidity and Funding Risk Management, Note 19 - Capital Adequacy and Note 22 - Commitments and Contingent Liabilities, 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 these systems were being properly applied.

M.C. Darrow
(Chair – Board of Directors)
26 June 2025

M.Schubert
(Deputy Chair- Board of Directors)
26 June 2025

D.J. Linton
26 June 2025

K. Armstrong
26 June 2025

N. Pearce
26 June 2025

L.H. Poutu
26 June 2025

M.S. Templeton
26 June 2025

Disclosure Statement
For the year ended 31 March 2025

All in $000's

Historical Summary of Financial Statements

Financial Performance	2025	2024	2023	2022	2021
Total Interest income	540,420	465,258	321,063	229,678	255,961
Interest expense	348,184	279,488	133,484	67,885	112,328
Net interest income	**192,236**	**185,770**	**187,579**	**161,793**	**143,633**
Other income	16,747	15,395	25,342	19,778	18,269
Net operating income	**208,983**	**201,165**	**212,921**	**181,571**	**161,902**
Operating expenses	149,671	152,317	189,311	136,181	114,554
Impairment losses / (reversal of impairment losses)	1,746	(2,022)	(5,281)	(8,123)	(2,202)
Profit before tax	**57,566**	**50,870**	**28,891**	**53,513**	**49,550**
Tax expense	16,397	16,830	8,943	15,427	13,914
Net profit attributable to shareholder	**41,169**	**34,040**	**19,948**	**38,086**	**35,636**
Dividend	10,000	15,000	10,000	12,500	-
Retained profit for the year	**31,169**	**19,040**	**9,948**	**25,586**	**35,636**
Financial Position					
Total assets	9,635,212	9,477,508	9,149,978	8,960,480	8,778,474
Total impaired assets - loans and advances	77,108	48,206	34,218	16,728	23,312
Deposits	8,735,489	8,550,655	8,314,193	8,180,220	7,998,505
Total liabilities	8,847,452	8,732,468	8,419,360	8,237,220	8,067,566
Shareholder's Equity					
Retained profit for the year	31,169	19,040	9,948	25,586	35,636
Total shareholder's equity	787,760	745,040	730,618	723,260	710,908
Performance					
Return on average shareholder's equity	5.4%	4.6%	2.7%	5.3%	5.1%
Return on average total assets	0.4%	0.4%	0.2%	0.4%	0.4%
Growth in total assets	1.7%	3.6%	2.1%	2.1%	7.3%
Growth in depositors' funds	2.2%	2.8%	1.6%	2.3%	7.8%
Residential lending	6,456,339	6,404,759	6,218,637	5,852,327	5,481,169
Total lending	7,697,982	7,448,772	7,078,141	6,667,219	6,338,291
Operating expenses to net operating income	72%	76%	89%	75%	71%
Prudential					
Shareholder's equity as a % of total assets	8.18%	7.86%	7.98%	8.07%	8.10%
Common equity Tier 1 capital ratio	15.28%	14.43%	12.93%	13.54%	14.47%
Total capital ratio	15.28%	14.43%	12.93%	13.54%	14.47%

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

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2025

All in $000's

	Note	2025	2024
Interest income calculated using the effective interest method		540,420	465,258
Interest expense		348,184	279,488
Net interest income	2	**192,236**	**185,770**
Other operating income	3	16,747	15,395
Net operating income		**208,983**	**201,165**
Operating expenses	4	149,671	152,317
Profit before credit impairment and tax		**59,312**	**48,848**
Credit impairment losses / (reversal of credit impairment losses)	16(f)	1,746	(2,022)
Profit before tax		**57,566**	**50,870**
Tax expense	5	16,397	16,830
Net profit after tax		**41,169**	**34,040**
Net profit after tax		**41,169**	**34,040**
Items that may be reclassified subsequently to profit or loss:			
Movement in fair value reserve (debt instruments)		42,647	37,443
Movement in effective portion of changes in fair value of cash flow hedges		(26,604)	(43,857)
Income tax on items that may be reclassified to profit or loss	5	(4,492)	1,796
Other comprehensive income for the year (net of tax)		**11,551**	**(4,618)**
Total comprehensive income for the year		**52,720**	**29,422**

Total comprehensive income for the year is attributable to the shareholder of the Bank.

These financial statements are to be read in conjunction with the notes on pages 22 - 71.

Statement of Changes in Equity

For the year ended 31 March 2025

All in $000's

For the year ended March 2025	Note	Share capital	Fair value reserve	Cash flow hedge reserve	Retained earnings	Total Equity
Balance at 1 April 2024		**10,000**	**(27,513)**	**19,445**	**743,108**	**745,040**
Total comprehensive income for the period:						
Net profit after tax		-	-	-	41,169	41,169
Other comprehensive income:						
Movement in cash flow hedge reserve		-	-	(26,604)	-	(26,604)
Movement in fair value reserve		-	42,647	-	-	42,647
Related tax			(11,941)	7,449	-	(4,492)
Total other comprehensive income/(expense)	14	-	30,706	(19,155)	-	11,551
Total comprehensive income for the period		**-**	**30,706**	**(19,155)**	**41,169**	**52,720**
Transactions with owner, recorded directly in equity:						
Dividends to equity holder	13	-	-	-	(10,000)	(10,000)
Total transactions with owner		**-**	**-**	**-**	**(10,000)**	**(10,000)**
Balance at 31 March 2025		**10,000**	**3,193**	**290**	**774,277**	**787,760**

For the year ended March 2024	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		-	-	-	34,040	34,040
Other comprehensive income:						
Movement in cash flow hedge reverse		-	-	(43,857)	-	(43,857)
Movement in fair value reserve		-	37,443	-	-	37,443
Related tax		-	(10,484)	12,280	-	1,796
Total other comprehensive income/(expense)	14	-	26,959	(31,577)	-	(4,618)
Total comprehensive income for the period		**-**	**26,959**	**(31,577)**	**34,040**	**29,422**
Transactions with owner, recorded directly in equity:						
Dividends to equity holder	13	-	-	-	(15,000)	(15,000)
Total transactions with owner		**-**	**-**	**-**	**(15,000)**	**(15,000)**
Balance at 31 March 2024		**10,000**	**(27,513)**	**19,445**	**743,108**	**745,040**

These financial statements are to be read in conjunction with the notes on pages 22 - 71.

Statement of Financial Position

As at 31 March 2025

All in $000's

	Note	2025	2024
Assets			
Cash and cash equivalents		563,278	502,020
Collateral paid to other financial institutions		9,632	-
Derivative financial instruments	9	16,728	42,816
Investment securities	8	1,299,697	1,424,105
Loans and advances to customers	7	7,697,982	7,448,772
Deferred tax asset	5	11,233	18,779
Intangible assets		477	662
Property, plant and equipment		26,863	27,167
Other assets		9,322	13,187
Total assets		**9,635,212**	**9,477,508**
Liabilities			
Collateral received from other financial institutions		2,197	27,479
Deposits	10	8,735,489	8,550,655
Derivative financial instruments	9	22,966	16,777
Current tax liability		2,926	2,164
Other liabilities	11	83,874	135,393
Total liabilities		**8,847,452**	**8,732,468**
Shareholder's Equity			
Share capital	13	10,000	10,000
Fair value reserve	14	3,193	(27,513)
Cash flow hedge reserve	14	290	19,445
Retained earnings	13	774,277	743,108
Total shareholder's equity		**787,760**	**745,040**
Total liabilities and shareholder's equity		**9,635,212**	**9,477,508**
Total interest earning and discount bearing assets		9,546,402	9,347,148
Total interest and discount bearing liabilities		7,707,911	7,999,579

For and on behalf of the Board of Directors:

M.C. Darrow
(Chair - Board of Directors)
26 June 2025

M. Schubert
(Deputy Chair - Board of Directors)
26 June 2025

These financial statements are to be read in conjunction with the notes on pages 22 - 71.

Statement of Cash Flows

For the year ended 31 March 2025

All in $000's

	Note	2025	2024
Cash Flows from Operating Activities			
Cash provided from (applied to):			
Interest income received		542,921	465,042
Other income received		17,013	9,236
Interest paid		(346,637)	(277,560)
Operating expenditure		(157,729)	(140,023)
Taxes and subvention payments		(12,582)	(10,335)
Cash flows from operating profits before changes in operating assets and liabilities		**42,986**	**46,360**
Net (increase) / decrease in operating assets:			
Net change in collateral paid to other financial institutions		(9,632)	-
Net change in loans and advances to customers		(254,218)	(369,520)
Net change in derivative financial instruments		6,195	8,695
Net increase / (decrease) in operating liabilities:			
Net change in collateral received from other financial institutions		(25,282)	26,095
Net change in deposits from customers		186,695	236,462
Net cash used in operating assets and liabilities		**(96,242)**	**(98,268)**
Net cash used in operating activities	6	**(53,256)**	**(51,908)**
Cash Flows from Investing Activities			
Cash provided from (applied to):			
Purchase of investment securities		(377,795)	(414,457)
Maturity of investment securities		506,800	433,250
Purchase of property, plant and equipment		(1,922)	(1,680)
Proceeds from sales of property, plant and equipment		705	3,472
Purchase of intangible assets		(310)	(492)
Net cash flows from investing activities		**127,478**	**20,093**
Cash Flows from Financing Activities			
Cash provided from (applied to):			
Dividends paid		(10,000)	(15,000)
Lease payments		(2,964)	(3,207)
Net cash used in financing activities		**(12,964)**	**(18,207)**
Net increase in cash and cash equivalents		**61,258**	**(50,022)**
Add cash and cash equivalents at beginning of the year		502,020	552,042
Cash and cash equivalents at end of year		**563,278**	**502,020**

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

Cash and cash at bank	1,404	10,451
Balances with Reserve Bank	561,874	491,569
Total cash and cash equivalents at end of Year	**563,278**	**502,020**

These financial statements are to be read in conjunction with the notes on pages 22 - 71.

Notes to the Financial Statements for the year ended 31 March 2025

Basis of Preparation

1. Statement of Compliance and General Accounting Policies

(a) Statement of compliance

TSB Bank Limited (the "Bank") is a profit-oriented company registered under the Companies Act 1993 and incorporated in New Zealand. The Bank's principal business activity is retail banking in New Zealand. These financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 2013, and the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended). The financial statements also comply with the requirements of the Financial Markets Conduct Act 2013 and the Order.

The Bank's financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements were approved by the Board of Directors on 26 June 2025.

(b) Basis of measurement

The financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value as required by relevant accounting standards.

(c) Presentation currency and rounding

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

(d) Comparative information

Comparative information has been revised where appropriate to conform to changes in presentation in the current year and to enhance comparability. There has been no material restatements in current year.

(e) Segment reporting

The Bank operates as one segment, in the business of retail banking in New Zealand. The Bank has no debt or equity instruments trading in the public market. The Bank therefore falls outside the scope of NZ IFRS 8 Operating Segments. On this basis no detailed segment information is presented as it is not required.

(f) Foreign currency translation

The Bank trades foreign currency throughout its branch network. All foreign currency monetary assets and liabilities are converted at the rates of exchange ruling as at balance date. Unrealised gains and losses arising from these revaluations and gains and losses arising from foreign exchange dealings are recognised immediately in statement of profit and loss.

(g) Financial instruments

The Bank is a financial institution offering an extensive range of financial instruments. Financial instruments are transacted on a commercial basis to derive an interest yield / cost with terms and conditions having due regard to the nature of the transaction and the risks involved. All financial instruments are accounted for on a settlement date basis, except for derivatives and investment securities which are accounted for on trade date.

The Bank recognises and classifies its financial assets in accordance with NZ IFRS 9 which contains three principal classification categories for financial assets based on contractual cash flow characteristics and business model:

Business model: the business model reflects how the Bank manages the assets in order to generate cash flows. That is whether the Bank's objective is to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. Factors considered by the Bank in determining the business model for a group of assets include past experience on how cash flows for these assets were collected. For example, the Bank's business model for the mortgage loan book is to hold to collect contractual cash flows. Another example is the liquidity portfolio of assets, which is held by the Bank as part of liquidity management and is generally classified within the hold to collect and sell business model.

1. Statement of Compliance and General Accounting Policies (continued)

(g) Financial instruments (continued)

Solely payments of principal and interest on the principal amount outstanding ("SPPI"): where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending agreement i.e. interest primarily includes consideration for the time value of money and credit risk. Interest can also include consideration for administration and profit margin, consistently with a basic lending agreement.

Financial assets

- **Amortised cost** - applies to financial assets recognised and initially measured at fair value plus transaction cost that are managed within the business model whose objective is to hold to collect the contractual cash flows and their contractual terms give rise to cash flows that are SPPI.

  Included in this category are cash and cash equivalents, loans and advances to customers and other assets.
  - Cash and cash equivalents consist of cash, call deposits due from/to other banks and demand balances with the Reserve Bank. They are short-term, highly liquid instruments that are readily convertible to known amounts of cash and therefore subject to insignificant risk of changes in value. Cash and cash equivalents are used in the day-to-day cash management of the Bank.
  - Loans and advances to customers: Refer to Note 7 - Loans and Advances to Customers.
  - Collateral paid to other financial institutions: Refer to Note 16 - Credit Risk Management and Asset Quality
  - Other assets include the accrual of other service related income.

  These assets are subsequently measured at amortised cost using the effective interest methods and the carrying value of these assets is adjusted for provision for impairment as described in Note 16 Credit Risk Management and Asset Quality.

- **Fair value through other comprehensive income ("FVOCI")** - applies to financial assets recognised and initially measured at fair value that are held in a dual business model whose objective is achieved by both collecting contractual SPPI cash flows and selling the assets.

  This category includes investment securities (refer to Note 8 - Investment Securities for further information) and they are subsequently held at fair value. For debt instruments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

- **Fair value through profit or loss ("FVPL")** - includes the groups of trading assets or the assets managed on a fair value basis as the contractual cash flows are not SPPI on the principal amount outstanding. The Bank may designate financial assets at FVPL when doing so eliminates or significantly reduces measurement or recognition inconsistencies. Financial instruments at FVPL are recorded in the statement of financial position at fair value. Gains or losses arising from changes in fair value are recognised in other operating income. Included in the categories are derivative assets and derivative liabilities. Financial assets designated at FVPL cannot subsequently change their designation and therefore are not subject to the reclassification requirements of NZ IFRS 9.

Financial liabilities

- In accordance with NZ IFRS 9, the Bank records all financial liabilities initially at their fair value plus or minus transaction costs and classifies them as subsequently measured at amortised cost using the effective interest method, except for financial liabilities at FVPL, financial guarantee contracts and commitments. Financial liabilities measured at amortised costs include collateral received from other financial institutions, deposits and other financial liabilities (refer to Note 10 - Deposits and Note 11 - Other Liabilities for further information).

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Bank has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when its contractual obligations are discharged, cancelled or expire. The differences between the carrying amount of financial assets / liabilities measured at the date of derecognition and the consideration received / paid to the counterparty involved are recognised in profit or loss.

Offsetting financial assets and liabilities

The Bank offsets financial assets and financial liabilities and reports the net balance in the statement of financial position where there is a legally enforceable right to set-off and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Details on how the fair value of financial instruments is determined are disclosed in Note 12 - Fair Value of Financial Instruments.

Notes to the Financial Statements for the year ended 31 March 2025

1. Statement of Compliance and General Accounting Policies (continued)

(h) Other assets

Other assets includes accounts receivables and prepayments.

(i) Changes in accounting policy

The changes in accounting policy and disclosure and the amendment to FRS 44 Disclosure of Fees for Audit Firms' Services are effective for the period ended 31 March 2025. Aside from this, 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.

(j) Critical accounting estimates, assumptions and judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the relevant accounting policy or in the relevant note (further information in Note 12 Fair Value of Financial Instruments and Note 16 Credit Risk Management and Asset Quality).

The estimates and associated assumptions are based on historical experience, forward looking assumptions and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(k) Standards and amendments issued but not yet effective

The following new standards or amendments have been issued but are not yet effective and have not been applied in the preparation of these financial statements:

NZ IFRS 18 - Presentation and Disclosure in Financial Statements

NZ IFRS 18 was issued in May 2024. The Bank expects the impact of the standard, which has been issued but will not take effect until 1 January 2027, on the financial statements will be immaterial.

All in $000's

Financial Performance

2. Net Interest Income

Interest income is measured using the effective interest rate ("EIR") method for all financial instruments measured at amortised cost. Interest income on interest earning financial assets measured at FVOCI under NZ IFRS 9 is also recorded by using the EIR method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of a financial asset, except for the financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired (refer to Note 16(b) - Credit risk assessment and measurement for further information), or to the amortised cost of a financial liability.

When calculating the EIR, the Bank estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. The interest income or expense is allocated through the life of the instruments and is measured for inclusion in profit or loss by applying the effective interest rate to the instrument's amortised cost.

Interest expense on deposits from customers relates to financial liabilities measured at amortised cost.

Interest income	Financial assets measured at	2025	2024
Cash and cash equivalents	Amortised cost	23,253	26,781
Due from other financial institutions	Amortised cost	283	8
Loans and advances to customers *	Amortised Cost	478,230	407,399
Investment securities	FVOCI	38,654	31,070
Total interest income		**540,420**	**465,258**
Interest expense	**Financial liabilities measured at**		
Due to other financial institutions	Amortised cost	675	1,384
Deposits from customers **	Amortised cost	342,878	274,008
Wholesale deposits	Amortised cost	4,108	3,553
Lease liability	Amortised cost	523	543
Total interest expense		**348,184**	**279,488**
Net interest income		**192,236**	**185,770**

* Includes interest income earned on the commercial loan due from Toi Foundation Holdings Limited (refer to Note 21 - Related Party Transactions and Balances for further information).

** Includes interest expense on deposits from Toi Foundation (refer to Note 21 - Related Party Transactions and Balances for further information).

3. Other Operating Income

Revenue is recognised to the extent that is probable that economic benefits will flow to the Bank and that revenue can be reliably measured. Included in other operating income are fee income, gains or losses on financial instruments and other income.

Fee income

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognises revenue when it transfers control over a service to a customer.

All in $000's

3. Other Operating Income (continued)

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers for fee and commission income.

Type of service / products	Nature and timing of satisfaction of performance obligations	Revenue recognition under NZ IFRS 15
Account and card services	The Bank provides account and card services including account management, provision of overdraft facilities and debit/credit cards. Fee income from account and card services represents the income arising from financial assets that are not at FVPL. It excludes amounts incorporated in determining the effective interest rate on such financial assets and financial liabilities. Fees for ongoing account management are charged to the customer's account on a monthly basis. Card fees are charged on a periodic basis. Transaction-based fees for interchange, and overdrafts are charged to the customer's account when the transaction takes place.	Revenue from account and card service fees is recognised when received given the short-term duration of the related performance obligations. Revenue related to these transactions is recognised at the point in time when the transaction takes place.
Foreign exchange services	The Bank provides foreign currency transactions services. Transaction-based fees for foreign currency transactions are charged to the customer's account when the transaction takes place.	Revenue related to these transactions is recognised at the point in time when the transaction takes place.
Fund and insurance products distribution	The Bank markets different products through its network, namely through sale of asset management services provided by Fisher Funds (refer to Note 21 - Related Party Transactions and Balances for more information) and insurance products are not issued as stated in Note 20. The Bank receives income in return.	Ongoing marketing and promotional activities performed by the Bank means that there are ongoing performance obligations and the revenue should be recognised over the period the service is provided. Revenue related to insurance products is transaction based and recognised at the point in time when the transaction takes place.

Gains or losses on financial instruments

Included are net gains or losses from the movements in fair value of derivative financial instruments and cumulative gains or losses reclassified from accumulated other comprehensive income in the fair value reserve to profit or loss upon derecognition of investments securities (debt instruments) designated at FVOCI. Interest income and expense on these financial instruments are recognised within net interest income and do not form part of the fair value movements of the financial instruments.

Other income

Included are gains or losses on sale of fixed assets and sundry income that includes the recoverable proportion of goods and services tax ("GST") on expenses incurred. Refer to Note 5 - Taxation for more information on GST.

The receivables and contract liabilities from contracts with customers are deemed immaterial and have not been disclosed separately.

	Note	2025	2024
Fee and commission income			
Account and card services		9,409	9,186
Foreign exchange services		1,474	1,633
Marketing of fund and insurance products		1,424	1,712
Total fee income		12,307	12,531
Gain / (loss) on financial instruments			
Hedge ineffectiveness on cash flow hedging	9	(496)	(3,982)
Total other gains / losses		(496)	(3,982)
Other income			
Gain / (loss) on sale of fixed assets		123	1,864
Sundry income		4,813	4,982
Total other operating income		**16,747**	**15,395**

All in $000's

4. Operating Expenses

All expenses are recognised in profit or loss on an accrual basis.

Depreciation

The cost of property, plant and equipment (excluding land) less the estimated residual value is depreciated over their useful lives (lease term for leased assets) on a straight line basis. The range of useful lives of the asset classes are:

Buildings	50 to 100 years
Furniture and fittings	5 to 10 years
Computer equipment	1 to 5 years
Leased assets	Up to 30 years

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate at each balance date.

Assets are reviewed for indications of impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Any impairment loss or write-down is recognised in profit or loss as an expense.

Short term leases or low value assets leases

The Bank has elected not to recognize right of use assets and lease liabilities for short term leases and leases of low value assets. The Bank recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term.

Personnel

Personnel includes expenses associated with employees' wages, salaries and other associated costs. The expense is recognised over the period the employee renders the service to receive the benefit.

	2025	2024
Fees paid to auditor: [1]		
Audit and review of financial statements [2]	519	412
Other assurance services [3]	85	300
Other services [4]	4	-
Total fees paid to auditor	608	712
Depreciation	5,460	6,651
Amortisation of intangible assets	496	581
Directors' fees	957	973
Personnel	76,590	70,509
Defined contribution plan	2,514	2,210
Information technology	29,510	29,061
Premises occupancy	2,076	3,101
Marketing	7,376	8,558
Debit / Credit card expenses	8,857	8,813
Professional and legal fees	13,284	9,795
Other	1,943	11,353
Total operating expenses	**149,671**	**152,317**

[1] There has been a change in auditor during the period. The current period relates to EY and the previous period related to KPMG.

[2] The audit fee includes the audit fees for both the annual audit of the financial statements and the review of the interim financial statements.

[3] Other assurance services include GHG engagement undertaken by EY in the current period and independent assessment of fees and charges compliance prepared by KPMG in the previous period.

[4] Other services include banking survey prepared by EY.

All in $000's

5. Taxation

Income tax

Income tax on the profit for the period comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at balance date after taking advantage of all allowable deductions under current taxation legislation and any adjustment to tax payable in respect of previous years.

Deferred tax is accounted for in respect of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at balance date.

In accordance with NZ IAS 12 Income Taxes, a deferred tax asset is recognised only to the extent that it is probable (i.e. more likely than not) that a future taxable profit will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

When the temporary differences cause the operating surplus to be higher than the taxable surplus, a deferred tax liability is recognised. When the operating surplus is lower than the taxable surplus, a deferred tax asset is recognised.

Movements in fair value (and deferred tax) related to investment securities, cash flow hedges and the revaluation of non-current assets (if applicable), are recognised in other comprehensive income and presented in shareholder's equity accordingly.

Reconciliation of net profit before tax to tax expense	**2025**	**2024**
Net profit before tax	57,566	50,870
Tax at 28%	16,118	14,244
Adjustments to prima facie tax		
Expenses non-deductible for tax	217	1,438
Prior period adjustments	90	-
Other items	(28)	1,148
Tax expense	**16,397**	**16,830**
Income tax recognised in profit or loss		
Current tax expense:		
Current year	13,085	13,111
Prior period adjustments	257	(1,588)
Deferred tax expense:		
Current year	3,222	3,719
Prior period adjustments	(167)	1,588
Income tax expense	**16,397**	**16,830**
Deferred tax recognised in profit or loss		
Depreciation	318	(1,678)
Amortisation of intangibles	(830)	840
Provision for impairment losses	246	(608)
Impact of removal of building depreciation	28	(1,148)
Right of use asset	(676)	322
Right of use liability	697	(301)
Prepayments	40	(2)
Employee provisions	170	(249)
Other provisions *	(3,047)	(2,483)
Total deferred tax recognised in profit or loss	**(3,054)**	**(5,307)**
Income tax recognised in other comprehensive income		
Deferred tax expense:		
Cash flow hedge reserve	7,449	12,280
Fair value reserve	(11,941)	(10,484)
Total deferred tax recognised in other comprehensive income	**(4,492)**	**1,796**

* Includes temporary differences associated with provisions.

All in $000's

5. Taxation (continued)

	Note	2025	2024
Deferred tax:			
Balance at beginning of year		18,779	22,290
Deferred tax recognised in profit or loss		(3,054)	(5,307)
Deferred tax recognised in equity		(4,492)	1,796
Balance at end of year		**11,233**	**18,779**
Deferred tax relates to:			
Property, plant, and equipment ("PPE")		1,041	723
Amortisation of intangibles		711	1,541
Provision for impairment losses		7,972	7,726
Fair value adjustments for derivative financial instruments		(113)	(7,562)
Fair value movements on investment securities		(1,231)	10,708
Impact of removal of building depreciation		(1,405)	(1,433)
Right of use asset		(7,079)	(6,403)
Right of use liability		7,368	6,671
Prepayments		312	273
Employee provisions		591	421
Other provisions		3,066	6,114
Total deferred tax asset		**11,233**	**18,779**

The imputation credits available to carry forward and utilise in future periods are $328.7m (2024: $318.5m).

The imputation credits as at 31 March 2024 have been restated from $321.0m to $318.5m.

Goods and services tax

Revenues, expenses and assets are initially recognised gross of the amount of goods and services tax ("GST") unless stated otherwise. As the principal activity of the Bank is providing financial services, only a proportion of GST paid on inputs is recoverable from Inland Revenue. The recoverable proportion of GST is adjusted from the cost of acquired asset or is recognised as other income.

6. Notes to the Statement of Cash Flows

The statement of cash flows has been prepared using the direct approach, including the netting of cash flows associated with deposits from customers, loans and advances to customers and investment securities.

The following are the definitions of the terms used in the statement of cash flows:

(a) Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts;

(b) Investing activities are related to the acquisition, holding and disposal of PPE, intangible assets, and investment securities;

(c) Financing activities are those activities that result in changes in the size and composition of the capital structure of the Bank; and

(d) Operating activities include all transactions and other events that are not investing or financing activities.

Reconciliation of net profit after tax to net cash flows from operating activities	2025	2024
Net profit after tax	**41,169**	**34,040**
Movements in operating assets and liabilities		
Net decrease / (increase) in operating assets:		
Collateral paid to other financial institutions	(9,632)	-
Derivative financial instruments	(1,036)	799
Loans and advances to customers	(254,218)	(369,520)
Other assets	11,412	(1,400)
Net (decrease) / increase in operating liabilities:		
Collateral received from other financial institutions	(25,282)	27,479
Derivative financial instruments	6,189	5,310
Deposits from customers	186,696	236,462
Other liabilities	(11,798)	32,379
Net movements in operating assets and liabilities	**(97,669)**	**(68,491)**
Non-cash movements and non-operating activities		
Depreciation and amortisation	5,956	7,232
Provision for credit impairment	1,746	(2,022)
Net current and deferred tax	(3,815)	6,496
Deferred expenditure	(71)	1,053
Items from non-operating activities included in net profit before tax	(1,809)	1,866
Provision for employee entitlements	837	4,834
Gain on sale of property, plant and equipment	(122)	(1,865)
Loss on derivative financial instruments at fair value	521	3,948
Accrual for traded but unsettled bonds	-	(39,000)
Total non-cash movements and non-operating activities	**3,243**	**(17,457)**
Net cash flows from operating activities	**(53,256)**	**(51,908)**

All in $000's

Financial Position

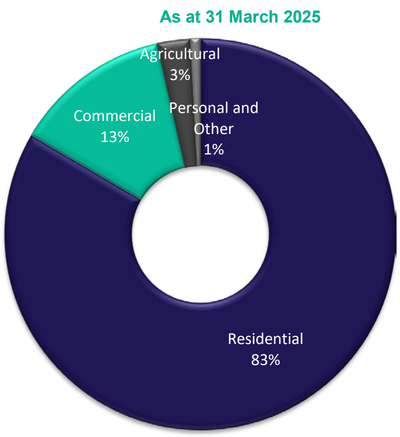
7. Loans and Advances to Customers

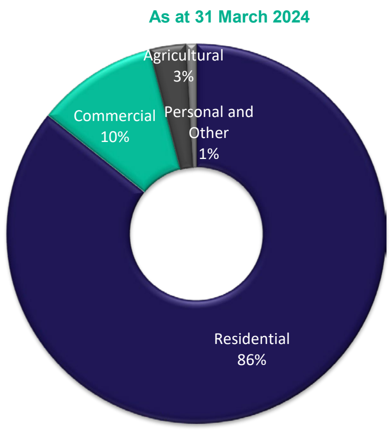
This covers all forms of lending to customers, and include mortgages, overdrafts, personal loans and credit card balances. Loans and advances to customers are recognised in the statement of financial position when cash is advanced to the customer and subsequently measured at amortised cost less allowance for impairment to reflect the estimated recoverable amounts. Refer to Note 16 - Credit Risk Management and Asset Quality for further information on provision for credit impairment.

	Note	2025	2024
Residential	19(d)	6,456,339	6,404,759
Commercial *		993,843	769,891
Agricultural		207,674	231,350
Personal		27,811	25,473
Others		37,658	41,954
Total gross loans and advances to customers		**7,723,325**	**7,473,427**
Less provision for doubtful debts	16(g)	(25,343)	(24,655)
Total loans and advances to customers		**7,697,982**	**7,448,772**

* Commercial includes a loan to Toi Foundation Holdings Limited (refer to Note 21 - Related Party Transactions and Balances for more information).

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





- Residential — Residential mortgages include owner-occupied housing and the lending for the purpose of investment in residential property. Residential mortgages comprise 83% (2024: 86%) of the total loan portfolio and they are secured by a first mortgage over freehold dwellings.
- Commercial — Include business loans and commercial property lending that are secured by residential or commercial properties.
- Agricultural — Agricultural loans that are secured by agricultural properties.
- Personal — Personal is inclusive of other retail lending and credit card balances.
- Others — Include lending accruals and deferred acquisition costs.

8. Investment Securities

Included in this category are certificates of deposit, commercial paper and other debt securities measured at FVOCI that are originated with a mixed objective that is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI on the principal amount outstanding. They are used to manage liquidity and may be sold prior to maturity.

Changes in fair value are recognised in other comprehensive income ("OCI"), except for interest income, impairment, and foreign exchange gains or losses, if any. Interest, premiums and discounts are amortised through interest income in the profit or loss using the effective interest method. Impairment is measured using the ECL model and is charged to the profit or loss with the corresponding amount in OCI with no reduction of the carrying value of the investment securities in accordance with NZ IFRS 7 (refer to Note 16 - Credit Risk Management and Asset Quality for further information on provision for credit impairment). The cumulative gain or loss recognised in OCI is transferred to the profit or loss and reported under other income when the instrument is derecognised.

All in $000's

8. Investment Securities (continued)

	2025	2024
Local authority securities	90,350	128,365
Government securities and Government-guaranteed securities	138,445	144,974
Registered bank securities	347,515	331,650
Multilateral development banks and other international organisations	501,937	599,599
Other investments securities*	221,450	219,517
Total investment securities	**1,299,697**	**1,424,105**

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

9. Derivative Financial Instruments

The Bank uses derivatives for risk management purposes as part of its asset and liability risk management activities to manage exposure to interest rate changes. Derivatives held for risk management purposes include hedges that either meet the hedge accounting requirements or hedges that are economic hedges, but do not meet the hedge accounting requirements. The treatment of changes in the derivatives' fair value depends on their classification. Provided certain criteria are met for hedge accounting under NZ IFRS 9, either fair value or cash flow hedge accounting can be applied. Hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item.

For derivatives, any accrued interest is recognised and measured as part of the derivative's fair value. Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedging criteria, they are classified as 'held for trading' for accounting purposes. If a derivative is de-designated as a hedging instrument due to a change in the entity’s risk management objective, it will be accounted for as held for trading from the time of de-designation, with all subsequent movements in fair value recognized in profit or loss. The Bank has the following derivative financial instruments:

Economic hedge

Included under this classification are any derivatives entered into by the Bank in order to economically hedge its exposures for risk management purposes that do not meet the NZ IFRS 9 hedge accounting criteria.

Cash flow hedge

The main derivative type used by the Bank is interest rate swaps. Interest rate swaps relate to contracts taken out by the Bank with other counterparties. The Bank manages its cash flow interest rate risk by using:

(i) floating-to-fixed interest rate swaps to fix the income of a pool of floating rate assets (including loans and advances to customers and investment securities)

(ii) fixed-to-floating interest rate swaps to fix the cost of floating interest rate deposits.

During the reporting period, both the hedging derivatives and hedged items were all denominated in New Zealand dollars.

Under these swaps, the Bank agrees with other parties to exchange, at specified intervals (mainly quarterly or semi-annually), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

The Bank's loans and advances to customers and the deposits are carried at amortised cost, whilst the investment securities are accounted for at FVOCI. These balance sheet items are contractually repriced from time to time and to that extent are also exposed to the risk of future changes in market interest rates.

The Bank documents, at inception of the transaction, the relationship between hedging instruments and hedged items, as well as the Bank's risk management objective and strategy for undertaking these hedge transactions. In addition, the documents outline how effectiveness will be measured throughout the life of the hedge relationship and its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedge transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and presented in the cash flow hedge reserve in equity, while the gain or loss relating to any ineffective portion is recognised immediately in the profit or loss. The carrying value of the hedged item is not adjusted.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the profit or loss when the forecast transaction ultimately affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss.

All in $000's

9. Derivative Financial Instruments (continued)

Cash flow hedge (continued)
The Bank establishes a hedge ratio by aligning the par amount of the exposure to be hedged and notional amount of the interest rate swap designated as a hedging instrument, and assesses the hedge effectiveness at inception and during the lifetime of hedge relationship using the lower of test. The ineffectiveness is the extent to which the change in the present value of future expected cash flows of the derivative hedging instrument does not offset those of the hedged item.

The main source of hedge ineffectiveness in relation to the interest rate swaps arises from differences in critical terms between the interest rate swaps and hedged items.

The amounts relating to items designated as hedging instruments and hedging ineffectiveness at reporting dates are as follows.

	As At 31 Mar 2025			As At 31 Mar 2024		
Cash flow hedges and economic hedges	**Notional Amount**	**Fair Values Assets**	**Fair Values Liabilities**	**Notional Amount**	**Fair Values Assets**	**Fair Values Liabilities**
Interest rate swaps:						
Derivatives held as economic hedges	50,000	-	(7)	150,000	-	(34)
Derivatives held as cash flow hedges	2,181,000	16,728	22,973	3,774,000	42,816	16,811
Total interest rate swaps	**2,231,000**	**16,728**	**22,966**	**3,924,000**	**42,816**	**16,777**
Total derivative financial instruments	**2,231,000**	**16,728**	**22,966**	**3,924,000**	**42,816**	**16,777**

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

Interest rate swaps	**Note**	**2025**	**2024**
Change in fair value of hedging instrument (life-to-date)		(412)	28,535
Change in value of hedged item (life-to-date)		(84)	(32,517)
Hedge ineffectiveness recognised in profit and loss	3	(496)	(3,982)

The profile of the timing of the notional amount and average price of derivatives designated in cash flow hedge relationships is outlined in the following table:

As At 31 Mar 2025	**3 months or less**	**3 to 12 months**	**1 to 2 years**	**Over 2 years**	**Total**
Interest rate swaps					
Pay fixed	290,000	705,000	861,000	-	**1,856,000**
Average fixed interest rate paid	4.35%	4.38%	3.82%	-	4.11%
Receive fixed	-	75,000	25,000	275,000	**375,000**
Average fixed interest rate received	-	3.24%	2.55%	4.63%	4.21%
Total notional amount	**290,000**	**780,000**	**886,000**	**275,000**	**2,231,000**

As At 31 Mar 2024					
Interest rate swaps					
Pay fixed	450,000	1,013,000	895,000	461,000	**2,819,000**
Average fixed interest rate paid	2.70%	3.40%	4.47%	3.63%	3.67%
Receive fixed	300,000	580,000	25,000	200,000	**1,105,000**
Average fixed interest rate received	5.67%	5.31%	2.72%	4.39%	5.18%
Total notional amount	**750,000**	**1,593,000**	**920,000**	**661,000**	**3,924,000**

The Bank's risk management policy is included in Note 17 - Market Risk Management.

All in $000's

10. Deposits

Deposits cover all forms of funding, and include savings, transactional accounts, term deposits, registered certificate of deposits. Wholesale deposits consist of registered certificates of deposit. Deposits including the amounts due to related entities are measured at amortised cost and recognise their interest expense using the effective interest method.

	2025	2024
Retail term deposits *	4,990,090	4,643,038
On call deposits bearing interest *	2,619,607	2,772,904
On call deposits not bearing interest **	1,041,292	1,065,318
Wholesale deposits bearing interest	84,500	69,395
Total deposits	**8,735,489**	**8,550,655**

* Includes deposits from related parties. Refer to Note 21 - Related Party Transactions and Balances for further information.

** 31 March 2024 has been restated to reclassify $502.0m from On call deposits bearing interest to On call deposits not bearing interest. The total for "total deposits" remains unchanged at $8,550.7m.

Concentrations of funding

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

	2025	2024
Retail deposits		
Taranaki	4,130,948	3,970,823
Rest of New Zealand	4,390,027	4,382,086
Outside New Zealand	214,514	197,746
Total funding by geographic region	**8,735,489**	**8,550,655**
Government and public authorities	16,584	16,448
Community	64,792	87,242
Finance (wholesale deposits)	84,500	69,395
Commercial	318,277	295,613
Households	8,251,336	8,081,957
Total funding by industry sector	**8,735,489**	**8,550,655**

11. Other Liabilities

The Bank provides for the cost of employees' annual entitlements and long-service entitlements under the terms of their employment contracts. The liability for long-service entitlements is calculated as the present value of the expected future payments after allowing for salary reviews, years of service with the Bank, and other parameters affecting probability of payment. A provision is recognised for the amount expected to be paid and therefore recorded in other liabilities.

Lease liabilities are measured in accordance with NZ IFRS 16 and the finance cost on these liabilities is disclosed in Note 2 Net Interest Income.

	2025	2024
Employee entitlements	6,756	7,595
Accrual for traded but unsettled bonds	-	39,000
Trade and other payables	45,122	47,124
Lease liabilities	13,713	12,284
ECL allowance on undrawn commitments	3,128	2,936
Other provisions *	14,034	24,985
Other non-financial liabilities	1,121	1,469
Total other liabilities **	**83,874**	**135,393**

* Provisions have been recognised where continuous regulatory reviews have identified areas that may result in financial loss and the costs can be reliably estimated. The information required under NZ IAS 37 is not disclosed on the grounds it could impact the position of the Bank.

** All creditors and depositors are ranked equally.

All in $000's

12. Fair Value of Financial Instruments

Fair value valuation methodology

Certain financial instruments are carried on the statement of financial position at fair value. The best evidence of fair value is a quoted market price in an active market. Therefore, where possible, fair value is based on quoted market prices.

The following fair value hierarchy, as set out in NZ IFRS 13: Fair Value Measurement, has been used to categorise the inputs to valuation techniques used to measure the financial assets and financial liabilities which are carried at fair value:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Where a quoted market price for an instrument is not available, the Bank uses its judgement to select a variety of methods and make assumptions depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instruments at each reporting date. Specific valuation techniques used to value financial instruments are described below in fair value estimates.

Fair value estimates

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. The fair value of the Bank's financial instruments is estimated as follows:

Cash and cash equivalents
Included are cash and call deposits with the Reserve Bank. These assets are short term in nature and therefore the related carrying value is equivalent to their fair value.

Derivative assets and liabilities
Derivative financial instruments are classified in level 2 and their fair values are obtained from market yields and discounted cash flow models.

The fair values are estimated using present value or other market acceptable valuation techniques, using methods or assumptions that are based on observable market conditions and risks existing as at the reporting date.

Investment securities
Estimates of fair value for investment securities are based on quoted market prices or dealer price quotations for financial instruments traded in active markets, or by using valuation techniques. Where a market price in a liquid market is not readily available, the fair value is determined by reference to the market price available for a security with similar credit, maturity and yield characteristics or by using industry standard pricing models incorporating observable market inputs.

Loans and advances to customers
The fair value of loans and advances to customers is estimated using discounted cash flow models based on the interest rate repricing of the loans and advances. Discount rates applied in this calculation are based on the current market interest rates for loans and advances to customers with similar credit and maturity profiles. The current market interest rates are based on what the scheduled rate would be for a similar term and maturity profile as at reporting date.

Refer to Note 17 - Market Risk Management for further information on interest rate repricing.

Other assets, deposits from customers and other liabilities
For non-interest bearing debt, call and variable rate deposits, the carrying amounts in the statement of financial position are a reasonable estimate of their fair value because all are short-term in nature. For other term deposits, fair value is estimated using discounted cash flow models based on the maturity of the deposits. The discount rates applied in this calculation are based on current market interest rates for similar deposits with similar maturity profiles. For all other assets, and other liabilities, the carrying amounts in the statement of financial position are a reasonable estimate of their fair value.

All in $000's

12. Fair Value of Financial Instruments (continued)

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

As At 31 March 2025	Note	At amortised cost	At FVOCI	Fair value - hedging instruments	Total carrying amount	Fair value
Financial assets:						
Cash and cash equivalents		563,278	-	-	563,278	563,278
Collateral paid to other financial institutions		9,632	-	-	9,632	9,632
Derivative financial instruments	9	-	-	16,728	16,728	16,728
Investment securities	8	-	1,299,697	-	1,299,697	1,299,697
Loans and advances to customers	7	7,697,982	-	-	7,697,982	7,715,865
Other assets		9,322	-	-	9,322	9,322
Total financial assets		**8,280,214**	**1,299,697**	**16,728**	**9,596,639**	**9,614,522**
Financial liabilities:						
Collateral received from other financial institutions		2,197	-	-	2,197	2,197
Deposits	10	8,735,489	-	-	8,735,489	8,755,455
Derivative financial instruments	9	-	-	22,966	22,966	22,966
Other liabilities		58,835	-	-	58,835	58,835
Total financial liabilities		**8,796,521**	**-**	**22,966**	**8,819,487**	**8,839,453**
As At 31 March 2024						
Financial assets:						
Cash and cash equivalents		502,020	-	-	502,020	502,020
Derivative financial instruments	9	-	-	42,816	42,816	42,816
Investment securities	8	-	1,424,105	-	1,424,105	1,424,105
Loans and advances to customers	7	7,448,772	-	-	7,448,772	7,386,471
Other assets		13,187	-	-	13,187	13,187
Total financial assets		**7,963,979**	**1,424,105**	**42,816**	**9,430,900**	**9,368,599**
Financial liabilities:						
Collateral received from other financial institutions		27,479	-	-	27,479	27,479
Deposits	10	8,550,655	-	-	8,550,655	8,556,660
Derivative financial instruments	9	-	-	16,777	16,777	16,777
Other liabilities *		59,408	-	-	59,408	59,408
Total financial liabilities		**8,637,542**	**-**	**16,777**	**8,654,319**	**8,660,324**

* 31 March 2024 has been restated to exclude the accruals of $46.6m and the provisions of $27.9m from other liabilities.

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 31 March 2025	Note	Level 1	Level 2	Level 3	Total
Financial assets:					
Derivative financial instruments		-	16,728	-	**16,728**
Investment securities *	8	138,445	1,161,252	-	**1,299,697**
Total financial assets measured at fair value		**138,445**	**1,177,980**	**-**	**1,316,425**
Financial liabilities:					
Derivative financial instruments		-	22,966	-	**22,966**
Total financial liabilities measured at fair value		**-**	**22,966**	**-**	**22,966**
As At 31 March 2024					
Financial assets:					
Derivative financial instruments		-	42,816	-	**42,816**
Investment securities *	8	144,974	1,279,131	-	**1,424,105**
Total financial assets measured at fair value		**144,974**	**1,321,947**	**-**	**1,466,921**
Financial liabilities:					
Derivative financial instruments		-	16,777	-	**16,777**
Total financial liabilities measured at fair value		**-**	**16,777**	**-**	**16,777**

* Included in Level 1 are New Zealand Government securities.

All in $000's

13. 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 Toi Foundation through its fully owned subsidiary, Toi Foundation Holdings Limited (refer to Note 21 - Related Party Transactions and Balances for more information).

Share capital:	Note	2025	2024
Issued and fully paid up capital:			
20,000,000 ordinary shares		10,000	10,000
Total share capital		**10,000**	**10,000**
Retained earnings:			
Opening balance		743,108	724,068
Net profit after taxation ("NPAT")		41,169	34,040
Retained earnings after NPAT		784,277	758,108
Dividends		(10,000)	(15,000)
Retained earnings at end of period		**774,277**	**743,108**

	31 Mar 2025		31 Mar 2024	
Dividend	$000	$ per share	$000	$ per share
Paid to Toi Foundation Holdings Limited	10,000	0.500	15,000	0.750
Total	**10,000**	**0.500**	**15,000**	**0.750**

14. Reserves

The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges (refer to Note 9 - Derivative Financial Instruments for more details). The cumulative gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other operating income.

The Bank has investment securities measured at FVOCI and the changes in fair value of which are accumulated within the fair value reserve until the assets are derecognised or reclassified. As at the reporting date, the Bank has no investments in equity instruments designated as at FVOCI.

The following table shows a breakdown of the Bank's reserves and the movements in these reserves during the reporting period.

Cash flow hedge reserve	Note	2025	2024
Opening balance		19,445	51,022
Change in fair value of hedging instrument recognised in OCI for the year (effective portion)		(27,100)	(47,839)
Hedge ineffectiveness reclassified to profit and loss	3	496	3,982
Related tax		7,449	12,280
Movement in cash flow hedge reserve		(19,155)	(31,577)
Closing balance		**290**	**19,445**
Fair value reserve			
Opening balance		(27,513)	(54,472)
Gross changes in fair value		42,647	37,443
Related tax		(11,941)	(10,484)
Movement in fair value reserve		30,706	26,959
Closing balance		**3,193**	**(27,513)**

Risk Management and Capital Adequacy

15. Risk Governance

The Board 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.

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. As part of ongoing work to uplift the three lines of risk accountability, the Bank has a 'Risk & Compliance Optimisation Programme' designed to complete the delivery of a fully operationalised Enterprise Risk Management Framework and ensure the effectiveness of the Bank's Line 1 risk management model, layered throughout the business, that will enable consistent and structured risk management practices. As progress in uplift continues and as operation of assurance functions mature, the Bank may identify currently unknown or unrecognised risks.

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 which are considered by the Board in conjunction with a risk impact assessment.

The Bank continues to improve management policies and procedures concerning its technology and data governance, including the control environment. As that technology and data governance environment matures there is a continued focus on improving change management practices to minimise the risk of system outages. The Bank is taking appropriate steps to mature the technology and data risk environment and has recently created and filled a new Chief Digital Officer role, along with a Chief Information Security Officer role, to drive and support the required uplift. In relation to third-party risk, the Bank continues to strengthen its end-to-end outsourcing model, including the uplift of necessary controls and executive reporting.

The Bank is committed to the delivery of 2030 strategy and recognises the operational and execution risk associated with that, including the risk of change on the effectiveness of the Bank's existing processes and systems. The Bank has implemented an Enterprise Change Delivery programme to help manage and mitigate those risks.

The Bank has uplifted 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. Progress of this control testing, reporting and assurance is ongoing. Until these are fully embedded there will remain a degree of uncertainty regarding related risks.

The programme of work to meet conduct licensing requirements was delivered, and the Bank received a Financial Institution licence under the Financial Markets Conduct Act 2013.

In respect of Sustainability risk, the Bank published its first legislated climate-related disclosures. Work continues to understand and quantify climate change impacts on the Bank. The Board oversees this programme of work and regularly receives reporting on Sustainability metrics. Processes continue to mature for Sustainability risk.

The Bank has observed an increase in external fraud and scams in the industry that may cause loss and damage to customers and the Bank. This activity can be complex and may arise due to the increasing online nature of financial transactions and the growing sophistication of the perpetrators, both in New Zealand and offshore. The Bank is taking steps to prevent the occurrence of this risk, and to mitigate the impact, in line with the agreed industry measures.

The banking industry relies heavily on the knowledge, skills, and expertise of its workforce to effectively manage operations and deliver value to customers. Whilst the financial services labour market has softened it continues to be challenging with specialist roles in particular remaining competitive. The Bank actively monitors and manages this and remains committed to attracting and retaining skilled employees through, for example, employee training and development, engagement, and well-being policies and practices.

(a) Risk governance and the role of the Board of Directors

The Board of the Bank has the primary responsibility for effective risk management. These responsibilities are delegated to the Executive Management of the Bank through the Bank's delegated authorities framework.

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

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

The various Standing Committees of the Board (details of relevant Committees included in part (b)) monitor performance against the risk appetite, policy, and metrics. Executive Management, including Standing Executive Management Committees of the Bank, ensure that policies are managed appropriately and provides assurance to the Standing Board Committees. The tactical implementation of policies through Executive Management ensures that operational processes are appropriately implemented, and risks taken on by the organisation are effectively identified, assessed, and managed in accordance with the risk appetite established by the Board.

(b) Relevant Standing Committees of the Board and Executive Management

Board Risk Committee (Board Committee)

The role of the Risk Committee is to assist the Board in discharging its responsibilities for the Bank's risk management framework and risk appetite, regulatory compliance, and risk culture. The key responsibility of the Committee is to provide objective review and oversight of risk and risk-related activities of the Bank. This includes:

- reviewing and recommending to the Board for approval of key documents, including the Bank's risk management framework and supporting policies, risk appetite statement, funding framework and policy, regulatory compliance programme and related policies, target capital ranges for regulatory capital and the allocation of capital required to provide for business risks;
- review and approve the limits and conditions for credit risk approvals delegated to Management, the Bank's liquidity recovery and resolution plans; and
- monitor key metrics and recommend improvements where appropriate. Key metrics include risk profiles against risk appetite, operation of the risk management framework, climate-related risks, credit portfolio and performance, risk culture, stress-testing of key risk assumptions, funding activities and liquidity positions, interest rate risk positions, performance of the investment portfolio, resourcing and capability of the Risk function, the internal capital adequacy assessment process (ICAAP).

15. Risk Governance (continued)

(b) Relevant Standing Committees of the Board and Executive Management (continued)

Board Audit Committee (Board Committee)

The role of the Audit Committee is to ensure the integrity of and assist the Board to discharge its responsibilities for the Bank's financial reporting and internal controls, climate related disclosures, internal auditor, internal audit standards and function, and external auditor. The key responsibility of the Committee is to provide objective review and oversight of the financial reporting process, the audit process and the Bank's system of internal controls. This includes:

- reviewing significant accounting and financial reporting processes and climate related disclosures;
- reviewing and recommending to the Board for approval key documents, including the full and half-year financial statements, annual report, disclosure statements;
- recommend the appointment of external auditors, the external audit plan. Ensure significant finding and recommendations identified by external auditors are acted on appropriately;
- monitor effectiveness of the internal audit function including reviewing and agreeing the internal audit plan, and ensuring any significant findings are acted on appropriately; and
- monitor the Bank's tax position and compliance with tax legislation.

People and Remuneration Committee (Board Committee)

The role of the People and Remuneration Committee is to assist the Board to discharge its responsibilities for the Bank's people management strategies and policies, the appointment, remuneration and performance assessment for the CEO, the annual remuneration review assessment for direct reports to the CEO and all associated payments, and the health, safety and wellbeing of the Bank's workforce, contractors, and customers. This includes:

- monitoring the impact of workforce policies and practices, including those relating to culture and conduct, health, safety and wellbeing, capability development (including leadership), talent management and succession planning; and
- advising the Board in connection with the Board's responsibilities for health, safety and wellbeing.

Loan Decisioning Risk Committee (Board Committee)

The Loan Decisioning Risk Committee's role is to assist the Board in discharging its responsibilities for the Bank's credit decisions. It is supported by the senior management-level Loan Decision Credit Committee. Its responsibilities are:

- to approve individual loan submissions within its authority, and recommend to the Board for approval of credit submissions outside its authority; and
- review and oversight of lending portfolio top risks, including general loan portfolio performance as called for from time to time.

Board members may also attend working groups with the Executives from time to time.

Asset and Liability Committee (Executive Committee)
The role of the Asset and Liability Committee ("ALCO") is to:

- assist Management with its oversight responsibilities with respect to asset and liability management, liquidity and capital management, as well as the management of interest rate and FX market risk;
- oversee the implementation of an effective process for managing the Bank's FX and interest rate market risk (including pricing and product approval), liquidity risk, and Internal and Regulatory Capital risks relating to the Bank's balance sheet and associated activities, including the adoption from time to time of policies, risk limits and capital levels; and
- oversee the effective management of processes in relation to the credit risk arising from the Bank's investment and liquidity.

Executive Risk Committee (Executive Committee)
The role of the Executive Risk Committee is to:

- have overarching oversight of the Bank's risk frameworks, risk governance arrangements and key management documents;
- oversee the management of the Board Risk Appetite;
- evaluate and provide direction on HIGH or EXTREME risk events;
- review and challenge progress on high priority risk, compliance or conduct programmes;
- provide a power of veto where any material business decision is likely to violate or is inconsistent with treating customers fairly, the Bank's values, or the Board Risk Appetite;
- review risk related management reports prior to submission to the Board subcommittees;
- endorse risk related policies for consideration by Board Risk Committee and approval by the Board;
- oversee the operation of subordinate risk committees, consider and provide direction on reporting or escalations on significant matters impacting the Bank's material risk categories; and
- evaluate and provide direction on audit, assurance or external review findings.

Regulatory Oversight Committee (Executive Committee)
The role of the Regulatory Oversight Committee is to:

- provide oversight of any regulatory communication or events that are likely to have a material impact on the Bank; and
- assign executive ownership for delivering an appropriate response.

Credit Committee (Executive Committee)
The role of the Credit Committee is to:

- assist management in discharging its oversight responsibilities with respect to credit risk management;
- oversight of effectiveness and compliance with material policies, criteria (standards), procedures, risk limits and reporting requirements;
- monitor performance of the Bank's credit risk grading systems and lending decisioning systems; and
- monitor effectiveness of the delegated credit authority process.

Loan Decisioning Credit Committee (Executive Committee)
The role of the Loan Decisioning Credit Committee is to assist Management in discharging its responsibilities for the Bank's credit decisions.

Ethics and Protected Disclosures Committee (Executive Committee)
The role of the Ethics and Protected Disclosures Committee is to provide management and investigative oversight of whistleblowing or Protected Disclosure submissions.

(c) Areas of risk management

The assessed material risks arising from the activities of the Bank are credit risk, market risk (mainly interest rate risk and foreign currency risk), liquidity, funding & capital risk, operational risk, information & technology risk, compliance risk, conduct risk, sustainability risk, and strategy execution risk.

15. Risk Governance (continued)

(c) Areas of risk management (continued)

Reporting on all material risks is provided to Management, Executive and Board Committees on a regular basis.

Credit risk

The risk of a loss arising from a counterparty failing to meet its obligations as they fall due. Credit risk arises from both lending activities and treasury investment activities. Details of credit risk management and asset quality are shown in Note 16 - Credit Risk Management and Asset Quality.

Market risk

The risk that arises from potential adverse movements in market prices or rates on either on-balance or off-balance sheet positions of the Bank. Details of market risk management are shown in Note 17 - Market Risk Management.

Liquidity and Funding risk

The risk that the Bank is potentially unable to meet its financial obligations as and when they become due, under either normal or abnormal circumstances or that the Bank suffers material loss in doing so, or that the Bank does not have sufficient capital to meet its current and future needs.

The Bank's business model gives rise to liquidity risk largely through its role in the maturity transformation between its assets (loans and investments) and its liabilities (deposits and other funding). The Bank acknowledges that it takes on liquidity risk as a core part of its business strategy and that the Bank's shareholder is unlikely to be able to provide additional liquidity support should it be required.

The liquidity risks faced by the Bank can generally be classified into three different types:

- operational liquidity risk - the risk that the Bank does not have enough cash or collateral to make payments to its counterparties and customers as they fall due;
- structural liquidity risk - the risk associated with longer-term liquidity mismatches that might exist within the Bank's balance sheet and which may create an unnecessarily large funding need in the future; and
- market liquidity risk - the risk that an asset cannot be sold in the market quickly, or if its sale is executed very rapidly, that this can only be achieved at a heavily discounted price.

Details of liquidity and funding risk management are shown in Note 18 - Liquidity and Funding Risk Management.

Operational risk

The risk of loss resulting from inadequate or failed processes, people, system failures or from external events. This includes the risk of failure to comply with contractual agreements, internal policies and processes, and certain statutes and regulations and the risk of loss due to fraud activities.

The Bank will seek to limit exposure to risk that will impinge on the Bank’s ability to operate effectively and efficiently.

Operational risk events can result in either direct loss, increased cost, or other indirect loss to the Bank including non-financial impacts (such as customer outcomes, health & safety).

The Bank understands that efforts to reduce operational risk to zero could impact the ease of doing business and achieving strategic objectives and will therefore seek to minimise operational risk by either reducing the likelihood of an operational risk event occurring or the impact of the risk event occurring. It does not and cannot reasonably expect to eliminate all instances of operational risk.

The management of operational risk is a challenge due to its broad scope as operational risks arise from all activities conducted across the Bank.

Management benchmark practices against industry standards and, where appropriate, residual operational risk is transferred by the Bank, through its insurance programme.

The requirements for management of operational risks are equally applicable to all parts of the Bank. The Risk Committee of the Board provides oversight of operational risk management across the Bank. The Risk Committee, as well as the executive management team of the Bank receive quarterly reports on the Bank's operational risk profile and performance against operational risk metrics.

Information & Technology risk

The risk of disruption, reputational, regulatory and financial consequences resulting from hardware or software failure, inadequate data governance practices and information security incidents.

Compliance

The risk of regulatory enforcement, sanctions, financial loss, or reputational damage to the Bank as a result of its failure to comply with laws, regulations, rules, and codes of conduct applicable to its business activities.

Conduct

The risk of reputational, regulatory or financial consequences as a result of unfair customer outcomes caused by the Bank or the Bank staff actions or behaviours.

Sustainability

The risk of reputational or financial loss due to failure to recognize or address material existing or emerging environmental or climate related issues.

Strategy Execution

The risk the business is unable to achieve its long-term goals, due to incorrect assumptions, or insufficient or misaligned resources.

(d) Risk management system review

The Bank maintains an Enterprise Risk Management Framework which is reviewed and endorsed by the Board Risk Committee.

The Enterprise Risk Management Framework establishes the structure in which enterprise risk management practices integrate with key aspects of the organisation including governance, strategy, internal control, assurance and reporting practices. It also establishes the Risk Appetite Statement being a key risk artifact to enable effective oversight of risk performance supported by Material Risk Policies and Standards subject to periodical review.

The Bank maintains a Risk Appetite Statement which provides management with direction on the amount and type of risk the Board is willing to accept in pursuit of the successful execution of the Bank’s strategy. The Risk Appetite Statement is underpinned by metrics, which provide insight into whether the Bank continues to operate within Board appetite and includes horizon scanning for emerging risks.

The Enterprise Risk Management Framework is currently under review and update through the ‘Risk & Compliance Optimisation Programme’. This Programme includes support and expertise from external parties.

15. Risk Governance (continued)

(e) Internal audit

Internal audit's role within the Third Line of Accountability is to provide independent and objective assurance services to management and Directors. This includes examining and evaluating the adequacy and effectiveness of internal controls, risk management, and governance processes to deliver business objectives. The scope of activity covers an "Audit Universe" that includes key business operations, processes, systems and products. The internal audit function reports directly to the Chair of the Board Audit Committee. In the performance of this role, the internal audit function adopts a risk-based planning approach when selecting audit areas. Internal audit agrees management action plans for all findings raised and the implementation of these action plans are monitored and validated by the internal audit function prior to closure. Significant findings and the status of management action plans are reported quarterly to the Board Audit Committee.

16. Credit Risk Management and Asset Quality

(a) Credit risk management

The Bank seeks to provide credit across its core customer base consisting of the retail, agribusiness, commercial and business sectors. The Bank does not seek to remove risks across this sector, rather it seeks to offer credit to sound customers that have the intent, willingness and ability to repay. Entry into new product or market segments is to be undertaken with caution, piloted as necessary to gain necessary experience and resource before significant growth is undertaken.

The Bank aims to manage its credit exposures by focusing its activities on areas that it is most able to manage and influence, avoiding areas where the Bank has limited experience or knowledge.

Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk. There is clear segregation of duties between transaction originators in the business and approvers, apart from structural delegation processes in the retail portfolio. All credit exposure limits are approved within a defined credit approval authority framework and the Bank manages its exposures following the principle of diversification across products, regions, industries, collateral types and client segments.

Credit risk governance is managed through a delegation framework cascaded from the Board to the CEO, and a management Credit Committee. The CEO delegates to the Head of Financial Risk. All have specific roles within the credit function. Regular meetings are undertaken and reports to executive management and the Risk Committee are provided to ensure that risks arising from credit activities are within parameters set by the Board through the Risk Committee.

Overarching credit risk policies are approved by the Board and are consistent with the overall and specific RAS associated with credit risk. The principles of credit delegation are outlined in the credit policies and the Credit Committee is responsible for the oversight of these delegations, their performance, and overall portfolio performance.

Risk measurement plays a key role, along with judgement and experience, informing risk taking and portfolio management decisions. A standard credit application system is used to support and inform retail credit decisions. The Bank refers to external consumer scores from credit bureaus where these are available but are not the only input used to determine retail risk grades. Lower grades are indicative of a higher probability of default. Specific risk grades are also assigned to non-performing and default loans as well as loans that have been restructured.

Agribusiness, commercial and business bank loans are also risk graded at initiation using standardised models, experience and data provided on application. These grades are updated at least annually for material exposures through an annual review process, which is independently reviewed by the second line credit risk function.

Credit risk is managed through the use of trained, competent lenders, structured approval processes considering the character, capacity, capability, collateral and conditions applicable to the borrower; validation of this information; credit quality assurance reviews; and portfolio and exposure performance management. Non-standard, non-retail lending activities are undertaken by specialist units within the Bank to ensure that the Bank's exposures are appropriately managed.

Loans which are showing signs of distress are managed by the Customer Care management function, which is responsible for taking action to minimise losses in the event of default or to realise securities where appropriate. Defaults are reported to credit bureaus.

Wholesale counterparty credit arrangements in respect of the Bank's investment and liquidity portfolio are managed through an approved counterparty approach, derived from Board policy and delegations. This allows maximum limits in respect of credit risk associated with the counterparty relating to the credit rating of the counterparty, the type of instrument that has been issued by the counterparty, and the maturity profile of the counterparty.

Major credit exposures to individual counterparties, groups, connected persons, and portfolios of retail exposures are reviewed and approved by the Credit Committee.

All other credit approval authorities are delegated from the Board to the CEO who delegates to the Head of Financial Risk. The Head of Financial Risk has the ability to delegate further to individuals based upon their proven competence and experience, and the size and characteristics of the loan. Delegations are managed through a delegation framework and all decisions made through the delegation process are subject to independent hindsight review.

Credit concentration risk is managed through counterparty or group limits, industry limits (where appropriate), product limits, collateral type limits and regional exposure limits. Credit risk is further mitigated through the use of tools such as collateral and guarantees. The reliance that can be placed on such mitigating factors is assessed in the light of legal certainty and enforceability, market valuation, correlation and counterparty risk. However, the existence of credit mitigations does not substitute for the ability of the borrower to pay, which is the primary consideration of any lending decision.

All credit risk is denominated in New Zealand dollars, and for non-wholesale credit exposure, is based in New Zealand.

All in $000's

16. Credit Risk Management and Asset Quality (continued)

(b) Credit risk assessment and measurement

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial losses to the Bank.

Financial instruments subject to impairment requirements of NZ IFRS 9

Loans and advances to customers carried at amortised cost

The majority of the Bank's provisions for impairment for lending assets are made on a collective basis. The credit quality of loans and advances to customers are continuously monitored since initial recognition and those that are neither past due or impaired can be assessed by reference to the Bank's internal credit risk rating system. At the origination of loans and advances to customers, loans are risk graded based on a number of characteristics that indicate Probability of Default ("PD") and/or Loss Given Default ("LGD"). These risk grades are reviewed periodically for adverse changes during the life of the loan. Credit impairment allowance for loans and advances to customers carried at amortised cost are deducted from the gross carrying amount of the assets and impairment losses are presented as credit impairment losses in the statement of profit and loss.

Investment securities carried at FVOCI

The Bank reviews its holdings of investment securities in terms of its counterparty creditworthiness and measures the loss allowance using the ECL model. The collective provision against this portfolio is assessed biannually and whenever there is a significant change in the portfolio mix or change in the macro-economic factors and credit ratings. The Bank has assessed the portfolio of its investment securities and concluded that no specific provision is required at this reporting date.

Cash and cash equivalents, and other assets carried at amortised cost

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

(c) Maximum exposure to credit risk

Credit exposure is calculated on the basis of selected items on and off-balance sheets. The exposures shown below are based on the carrying amounts as reported in the statement of financial position without taking into account of any collateral held. Off-balance sheet exposures include undrawn lending commitments (refer to Note 22 - Commitments and Contingent Liabilities for more information on commitments).

Maximum credit risk exposure	Note	2025	2024
On balance sheet			
Cash and cash equivalents		563,278	502,020
Collateral paid to other financial institutions		9,632	-
Derivative financial instruments		16,728	42,816
Investment securities	8	1,299,697	1,424,105
Loans and advances to customers (net of provision)	7	7,697,982	7,448,772
Other assets		9,322	13,187
Provision for impairment (investment securities)		(35)	(28)
Total on-balance sheet exposure		**9,596,604**	**9,430,872**
Off balance sheet			
Lending commitments (net of provision)	22	711,173	738,885
Total off-balance sheet exposure		**711,173**	**738,885**
Total maximum credit risk exposure		**10,307,777**	**10,169,757**

All in $000's

16. Credit Risk Management and Asset Quality (continued)

(d) Concentrations of credit exposures

Concentrations of credit exposures arise where the Bank is exposed to risk in activities or industries of a similar nature.

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

(i) Concentration of credit exposure by geographic region

As at 31 March 2025	Note	Cash and cash equivalents	Investment securities	Loans and advances to customers	Other exposure	Lending commitments	Total credit exposure
New Zealand total		563,278	797,760	7,723,325	35,682	714,301	9,834,346
Outside New Zealand		-	501,937	-	-	-	501,937
Provision for impairment	16(f),16(g)	-	(35)	(25,343)	-	(3,128)	(28,506)
Total credit exposure		**563,278**	**1,299,662**	**7,697,982**	**35,682**	**711,173**	**10,307,777**
As at 31 March 2024							
New Zealand total		502,020	824,506	7,473,427	56,003	741,821	9,597,777
Outside New Zealand *		-	599,599	-	-	-	599,599
Provision for impairment **	16(f),16(g)	-	(28)	(24,655)	-	(2,936)	(27,619)
Total credit exposure		**502,020**	**1,424,077**	**7,448,772**	**56,003**	**738,885**	**10,169,757**

* 31 March 2024 has been restated $47.5m from outside New Zealand to New Zealand.

** 31 March 2024 has been restated the ECL for investment securities from nil to -$28k.

(ii) Concentration of credit exposure by industry sector *

	Note	2025	2024
Cash on hand		1,404	2,716
Local government lending and investments		101,350	139,365
New Zealand registered banks		347,515	331,650
Multilateral development banks and other international institutions		501,937	599,599
Other financial institutions		168,059	167,843
Sovereigns and Central Bank		700,319	644,278
Utilities		53,390	51,674
Agricultural lending		215,236	238,802
Residential lending		6,883,757	6,864,668
Personal and other lending		161,390	158,858
Commercial lending		1,166,244	941,920
Provision for impairment losses **		(28,506)	(27,619)
Other exposure		35,682	56,003
Total credit exposure		**10,307,777**	**10,169,757**

* The breakdown of loans and advances to customers by geographic region has been removed while we work through the collateral data classification discussed in Note 19.

** Includes the loss allowance for credit related commitments

All in $000's

16. Credit Risk Management and Asset Quality (continued)

(d) Concentrations of credit exposures (continued)

(iii) 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 period between the reporting date for the previous disclosure statement and the reporting date for this disclosure statement. 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 31 March 2025	“A” Rated	“B” Rated	Total	“A” Rated	“B” Rated	Total
10% - 15%	2	-	2	1	-	1
15% - 20%	-	-	-	-	-	-
Total	**2**	**-**	**2**	**1**	**-**	**1**
Peak exposure						
10% - 15%	2	-	2	1	-	1
15% - 20%	-	-	-	-	-	-
Total	**2**	**-**	**2**	**1**	**-**	**1**

% of CET1	Number of bank counterparties			Number of non bank counterparties		
As at 31 March 2024	“A” Rated	“B” Rated	Total	“A” Rated	“B” Rated	Total
10% - 15%	2	-	2	1	-	1
15% - 20%	-	-	-	1	-	1
Total	**2**	**-**	**2**	**2**	**-**	**2**
Peak exposure						
10% - 15%	2	-	2	1	-	1
15% - 20%	-	-	-	1	-	1
Total	**2**	**-**	**2**	**2**	**-**	**2**

“A” Rated: counterparties that have a long-term credit rating of A- or A3 or above, or its equivalent.

“B” Rated: 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.

(iv) Concentration of credit exposures to connected persons

Credit exposure concentrations are disclosed on the basis of actual credit exposures and calculated on a gross basis (net of specific provisions and excluding advances of a capital nature). The Bank only has credit exposures to non-bank connected persons. Peak end-of-day credit exposures to non-bank connected persons are calculated using the Bank's tier one capital at the end of the period. The rating-contingent limit, which is applicable to the Bank as at balance date, is 15%. There have been no rating-contingent limit changes during the last year. Within the rating-contingent limit there is a sub-limit of 15%, which applies to non-bank connected persons. All limits on aggregate credit exposure to all connected persons and non-bank connected persons in the Bank's Conditions of Registration have been complied with at all times over the last quarter. The information on credit exposures to connected persons has been derived in accordance with the Reserve Bank of New Zealand document entitled “Connected Exposures Policy (BS8)” dated October 2023.

There are no specific provisions against credit exposures to non-bank connected persons nor are there any contingent exposures arising from risk lay-off arrangements to connected persons as at 31 March 2025 (2024: $nil).

	2025	2024 *
Credit exposures to non-bank connected persons at period end	93,418	83,600
Credit exposures to non-bank connected persons at period end (expressed as % of total tier one capital)	12.04%	11.84%
Peak credit exposures to non-bank connected persons during the period	93,432	83,600
Peak credit exposures to non-bank connected persons during the period (expressed as % of total tier one capital)	12.55%	11.84%

* The information as at 31 March 2024 was disclosed under the previous version of the Connected Exposure Policy (BS8), as the revised BS8 documents came into effect on 1 April 2024.

16. Credit Risk Management and Asset Quality (continued)

(e) Expected credit loss measurement

The Bank applies a three-stage model in accordance with NZ IFRS 9 to measures credit risk of a portfolio of assets using its internal credit risk model whose key inputs are probability of default ("PD"), loss given default ("LGD"), and exposure at default ("ED"). This is supplemented with forward-looking information on macroeconomic factors (refer to section (iv) below for further information).

The following diagram summarises the impairment requirements under NZ IFRS 9:

Change in credit quality since initial recognition

Stage 1 - 12 month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL
Initial recognition	significant increase in credit risk since initial recognition	credit impaired assets

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

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

The key judgments and assumptions adopted by the Bank in addressing the requirements of the standard are discussed below:

(i) Significant increase in credit risk ("SICR")

The Bank considers that a loan or advance to customers to have experienced a significant increase in credit risk when one or more of the quantitative, qualitative or backstop criteria have been met:

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

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

* When a financial asset becomes credit-impaired, the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. The Bank reverts to calculating interest income on a gross basis if the credit risk of the financial asset improves and deemed no longer credit-impaired.

16. Credit Risk Management and Asset Quality (continued)

(e) Expected credit loss measurement (continued)

(i) Significant increase in credit risk ("SICR") (continued)

Quantitative and qualitative criteria (continued):
A significant increase in credit risk is also considered when the borrower meets one or more of the following criteria:
- In short-term forbearance;
- Extension of the terms granted;
- Significant arrears within the last 12 months; or
- Experiencing other forms of financial hardship.

Additionally, for the Commercial and Agricultural portfolios, a significant increase in credit risk is also considered if the borrower is under watch and/or the instrument meets one or more of the following criteria:
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Early signs of cashflow/liquidity problems such as delay in servicing of trade creditors/loans.

The assessment of SICR incorporates forward-looking information (refer to section (iv) below for further information) and is performed on a monthly basis at a portfolio level for all loans and receivables to customers held by the Bank.

Backstop
A backstop is applied and the financial instrument considered to have a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payment.

The Bank has not used the low credit risk exemption for any financial instrument in the year ended 31 March 2025.

(ii) Definition of default and credit-impaired assets
The Bank has defined a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative and qualitative criteria
- The borrowers are over 90 days past due in making a contractual payment
- There is objective evidence of the events that indicate the borrower is in significant financial difficulty
- The borrower is in long-term forbearance
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy.

The 90 days past due default definition used for the loans and advances to customers is consistent with the past due presumption under NZ IFRS 9 for the mortgage portfolio.

An instrument ceases to be in default when it no longer exhibits arrears for a minimum period of three months.

16. Credit Risk Management and Asset Quality (continued)

(e) Expected credit loss measurement (continued)

(iii) Measuring ECL - Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month ("12M") or lifetime basis depending on whether a significant increase in credit risk has occurred since the initial recognition. Expected credit losses are the discounted product of the PD, ED and LGD, defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above).
- ED is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.
- LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage of loss per unit of exposure.

The ECL is determined by projecting the PD, ED and LGD for each future period. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure was not prepaid or defaulted in an earlier period). This effectively calculates an ECL for each future period, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the effective interest rate for each facility or an approximation thereof.

The PD forecast is developed by performing a linear regression based on the prior performance of the loans classified as defaulted. The regression is based on historical observed data and is performed separately for each product type. The Bank has used internal default information to regress against a list of macroeconomic factors to determine the PD, where internal data is deemed to be insufficient representation of portfolio risks industry benchmarks are used. The following is the list of some of the factors that have been considered during the analysis: gross domestic product, unemployment rate, house price index and consumer price index.

The ED is primarily derived from the available balances at reporting date.

The LGD is determined using historical losses by observing the actual write-offs that have occurred over the past few years, where internal data is deemed to be insufficient representation of portfolio risks industry benchmarks are used.

The maximum period considered when estimating ECLs has been determined as the maximum between 7 years and the remaining contractual life. The ECL is probability-weighted and is discounted at the effective interest rate. The Bank has considered its historical loss experience for the last 10 years.

The following assumptions have been applied in the ECL computation during the period:
- cooling-off period: the determination of the days in arrears has been modified to mitigate the volatility of the transfers between the different impairment stages.

In instances where forward looking statistical analysis of the Bank's portfolio and performance data produced ECL provisioning numbers that management considers to be insufficient, model floors for ECL model factors based on industry publications were used.

(iv) Forward-looking information incorporated in the ECL models

The calculation of ECL incorporates forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The forward-looking information includes macroeconomic factors such as forecast gross domestic product, interest rate and unemployment rate in measuring the provisions for ECL on groups of financial assets that share similar credit risk characteristics.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative, environmental or political change, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors.

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

All in $000's

16. Credit Risk Management and Asset Quality (continued)

(e) Expected credit loss measurement (continued)

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 20% upside 50% base, 20% downside and 10% severe downside scenarios in determining its ECL (31 March 2024: 12.5% Upside, 60% base case, 20% Downside and 7.5% severe downside). The scenario probabilities were chosen as Management updated its economic base scenario using February 2025 financial and economic forecasts and monitored ongoing economic developments. Bank's lending portfolios are proving to be resilient to the economic headwinds and high interest rates; however, recent global events indicate heightened uncertainty about future economic outcomes.

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

	31 March 2025		31 March 2024	
	20% upside, 50% base, 20% downside and 10% severe downside scenario		12.5% upside, 60% base, 20% downside and 7.5% severe downside scenario	
	Total ECL	Impact	Total ECL	Impact
ECL sensitivity - weightings applied to forecast scenarios	$m	$m	$m	$m
100% upside scenario	22.4	(5.8)	20.4	(7.2)
100% base scenario	27.4	(0.8)	25.9	(1.7)
20% upside, 50% base, 20% downside and 10% severe downside scenario applied	28.2	-	27.6	-
100% downside scenario	30.2	2.0	31.8	4.2
100% severe downside scenario	39.7	11.5	42.0	14.4

(f) Provision for expected credit loss

(i) Credit impairment losses/(reversal) recognised in the statement of comprehensive Income

For the year ended 31 March 2025	Loans and advances	Lending commitments	Investment securities	Total
Individual impairment expenses	861	-	-	**861**
Collective provision	505	192	6	**703**
Specific provision	182	-	-	**182**
Credit impairment losses to profit or loss	**1,548**	**192**	**6**	**1,746**
For the year ended 31 March 2024				
Individual impairment expenses	156	-	-	**156**
Collective provision	(3,266)	(904)	(7)	**(4,177)**
Specific provision	1,999	-	-	**1,999**
Credit impairment losses to profit or loss	**(1,111)**	**(904)**	**(7)**	**(2,022)**

- Loans and advances: amortised cost of the loans and advances is reduced by credit impairment losses (refer to Note 7 - Loans and Advances to Customers).
- Investment securities: credit impairment losses are charged to the profit or loss. The amount recognised in other comprehensive income ("OCI") is the difference between the total change in fair value and the amounts recognised in profit or loss excluding any amounts received in cash (refer to note 8. Investment Securities).
- Lending commitments: provision for credit related lending commitments is recognised in other liabilities (refer to Note 11 - Other Liabilities).

(ii) Credit impairment losses/(reversal) recognised in the statement of financial position

As at 31 March 2025	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	7	19,892	1,450	1,369	2,632	**25,343**
Lending commitments	11	3,103	22	-	3	**3,128**
Investment securities		35	-	-	-	**35**
As at 31 March 2024						
Loans and advances to customers	7	17,546	2,083	2,641	2,385	**24,655**
Lending commitments	11	2,902	34	-	-	**2,936**
Investment securities *		28	-	-	-	**28**

* 31 March 2024 has been restated the ECL for investment securities from -$7k to $28k.

All in $000's

16. Credit Risk Management and Asset Quality (continued)

(g) Asset quality

The following table provides a reconciliation from the opening balance to the closing balance of provision for impairment and show movement between stages during the reporting period.

(i) Movement in provision for credit impairment allowances and gross exposures

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
Balance as at 1 April 2024	17,546	2,083	2,641	2,385	24,655
Transfers between stages					
Transferred to Stage 1	2,335	(312)	(1,308)	(715)	-
Transferred to Stage 2	(119)	457	(222)	(116)	-
Transferred to Stage 3	(40)	(550)	(113)	703	-
Charged / (credited) to profit or loss	207	(228)	959	611	1,549
Amounts written off	(37)	-	(588)	(236)	(861)
Recovery	-	-	46	1	47
Add back recovery of amounts previously written off		-	(46)	(1)	(47)
Balance as at 31 March 2025	19,892	1,450	1,369	2,632	25,343
Off-balance sheet credit related commitments					
Balance as at 1 April 2024	2,902	34	-	-	2,936
Transfers between stages					
Transferred to Stage 1	10	(10)	-	-	-
Transferred to Stage 2	(2)	2	-	-	-
Transferred to Stage 3	-	(3)	-	3	-
Charged / (credited) to profit or loss	447	11	-	-	458
Amounts (written off) / recovered	(254)	(12)	-	-	(266)
Balance as at 31 March 2025	3,103	22	-	3	3,128

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

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 2024	7,246,648	169,789	8,784	48,206	7,473,427
Transfers between stages					
Transferred to Stage 1	62,290	(38,400)	(5,316)	(18,574)	-
Transferred to Stage 2	(48,847)	53,840	(1,045)	(3,948)	-
Transferred to Stage 3	(21,204)	(41,324)	4,539	57,989	-
Additions	1,258,582	7,309	35	6,015	1,271,941
Deletions and repayments	(966,276)	(40,177)	(2,385)	(12,344)	(1,021,182)
Amounts (written off) / recovered	(37)	-	(588)	(236)	(861)
Balance as at 31 March 2025	7,531,156	111,037	4,024	77,108	7,723,325
Off-balance sheet credit related commitments - total					
Balance as at 1 April 2024	738,945	1,688	149	1,039	741,821
Transfers between stages					
Transferred to Stage 1	727	(561)	(2)	(164)	-
Transferred to Stage 2	(556)	558	-	(2)	-
Transferred to Stage 3	(90)	(145)	25	210	-
Additions	65,363	683	-	-	66,046
Deletions and repayments	(91,737)	(757)	(156)	(915)	(93,565)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 31 March 2025	712,652	1,466	16	168	714,302

Overall the loss allowance is $28.5m or 0.3 % of gross exposures as at 31 March 2025, unchanged from 31 March 2024. The $0.9m (3.2%) increase in loss allowance off the back of a net $222.4m (2.7%) growth in gross loan balances, was driven by an update to modelling assumptions and methodology which was offset by increased uncertainty around the medium-term economic outlook driven by global events and the deteriorating portfolio performance.

All in $000's

16. Credit Risk Management and Asset Quality (continued)

(g) Asset quality (continued)

(i) Movement in provision for credit impairment allowances and gross exposures (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
Balance as at 1 April 2024	11,702	696	1,666	2,297	16,361
Transfers between stages					
Transferred to Stage 1	1,888	(301)	(873)	(714)	-
Transferred to Stage 2	(72)	349	(222)	(55)	-
Transferred to Stage 3	(38)	(119)	16	141	-
Charged / (credited) to profit or loss	(1,396)	(107)	709	125	(669)
Amounts (written off) / recovered	-	-	-	(227)	(227)
Balance as at 31 March 2025	12,084	518	1,296	1,567	15,465
Off-balance sheet credit related commitments					
Balance as at 1 April 2024	856	4	-	-	860
Transfers between stages					
Transferred to Stage 1	1	(1)	-	-	-
Transferred to Stage 2	(1)	1	-	-	-
Transferred to Stage 3	-	-	-	-	-
Charged / (credited) to profit or loss	63	-	-	-	63
Amounts (written off) / recovered	(114)	(1)	-	-	(115)
Balance as at 31 March 2025	805	3	-	-	808

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

Gross loans and advances to customers	Stage 1	Stage 2	Stage 3	Stage 3	Total
Balance as at 1 April 2024	6,264,076	90,325	6,299	44,059	6,404,759
Transfers between stages					
Transferred to Stage 1	60,413	(37,762)	(4,079)	(18,572)	-
Transferred to Stage 2	(38,341)	41,657	(1,045)	(2,271)	-
Transferred to Stage 3	(20,281)	(17,476)	4,302	33,455	-
Additions	942,410	6,369	35	5,259	954,073
Deletions and repayments	(875,979)	(14,350)	(1,577)	(10,360)	(902,266)
Amounts (written off) / recovered	-	-	-	(227)	(227)
Balance as at 31 March 2025	6,332,298	68,763	3,935	51,343	6,456,339
Off-balance sheet credit related commitments					
Balance as at 1 April 2024	458,069	784	19	1,037	459,909
Transfers between stages					
Transferred to Stage 1	333	(168)	(2)	(163)	-
Transferred to Stage 2	(380)	380	-	-	-
Transferred to Stage 3	(15)	(50)	24	41	-
Additions	30,601	65	-	-	30,666
Deletions and repayments	(61,784)	(425)	(33)	(915)	(63,157)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 31 March 2025	426,824	586	8	-	427,418

Residential gross loan balances increased by $19.1m (0.3%) over the period which together with portfolio performance and update to modelling assumptions led to a net provision release of $0.9m (5.5%).

All in $000's

16. Credit Risk Management and Asset Quality (continued)

(g) Asset quality (continued)

(i) Movement in provision for credit impairment allowances and gross exposures (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 2024	4,277	596	790	11	5,674
Transfers between stages					
Transferred to Stage 1	440	(9)	(431)	-	-
Transferred to Stage 2	(45)	45	-	-	-
Transferred to Stage 3	(2)	(330)	(129)	461	-
Charged / (credited) to profit or loss	1,861	(166)	(228)	312	1,779
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 31 March 2025	6,531	136	2	784	7,453
Off-balance sheet credit related commitments					
Balance as at 1 April 2024	924	17	-	-	941
Transfers between stages					
Transferred to Stage 1	9	(9)	-	-	-
Transferred to Stage 2	-	-	-	-	-
Transferred to Stage 3	-	(3)	-	3	-
Charged / (credited) to profit or loss	345	11	-	-	356
Amounts (written off) / recovered	(131)	(1)	-	-	(132)
Balance as at 31 March 2025	1,147	15	-	3	1,165

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

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 2024	732,990	34,203	2,257	441	769,891
Transfers between stages					
Transferred to Stage 1	1,802	(571)	(1,231)	-	-
Transferred to Stage 2	(10,185)	10,193	-	(8)	-
Transferred to Stage 3	(335)	(13,456)	(365)	14,156	-
Additions	309,596	714	-	756	311,066
Deletions and repayments	(64,904)	(21,554)	(656)	-	(87,114)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 31 March 2025	968,964	9,529	5	15,345	993,843
Off-balance sheet credit related commitments					
Balance as at 1 April 2024	182,363	665	-	1	183,029
Transfers between stages					
Transferred to Stage 1	391	(391)	-	-	-
Transferred to Stage 2	-	2	-	(2)	-
Transferred to Stage 3	(75)	(93)	-	168	-
Additions	28,906	536	-	-	29,442
Deletions and repayments	(28,206)	(29)	-	1	(28,234)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 31 March 2025	183,379	690	-	168	184,237

Commercial gross loan balances increased by $225.2m (23.6%) over the period which together with portfolio performance led to a provision increase of $2.0m (30.2%).

All in $000's

16. Credit Risk Management and Asset Quality (continued)

(g) Asset quality (continued)

(i) Movement in provision for credit impairment allowances and gross exposures (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 2024	1,484	774	-	69	2,327
Transfers between stages					
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	(2)	63	-	(61)	-
Transferred to Stage 3	-	(101)	-	101	-
Charged / (credited) to profit or loss	(238)	47	-	166	(25)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 31 March 2025	1,244	783	-	275	2,302
Off-balance sheet credit related commitments					
Balance as at 1 April 2024	58	-	-	-	58
Transfers between stages					
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	(1)	1	-	-	-
Transferred to Stage 3	-	-	-	-	-
Charged / (credited) to profit or loss	10	-	-	-	10
Amounts (written off) / recovered	(9)	(1)	-	-	(10)
Balance as at 31 March 2025	58	-	-	-	58

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 provision
Balance as at 1 April 2024	182,817	44,887	-	3,646	231,350
Transfers between stages					
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	(320)	1,989	-	(1,669)	-
Transferred to Stage 3	-	(10,378)	-	10,378	-
Additions	6,527	226	-	-	6,753
Deletions and repayments	(24,261)	(4,213)	-	(1,955)	(30,429)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 31 March 2025	164,763	32,511	-	10,400	207,674
Off-balance sheet credit related commitments					
Balance as at 1 April 2024	7,400	52	-	-	7,452
Transfers between stages					
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	(174)	174	-	-	-
Transferred to Stage 3	-	(1)	-	1	-
Additions	1,919	82	-	-	2,001
Deletions and repayments	(1,716)	(174)	-	(1)	(1,891)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 31 March 2025	7,429	133	-	-	7,562

Agricultural gross loan balances decreased by $23.6m (9.9%) which together with an update to the modelling assumptions led to a net provision release of $25k (1.1%).

All in $000's

16. Credit Risk Management and Asset Quality (continued)

(g) Asset quality (continued)

(i) Movement in provision for credit impairment allowances and gross exposures (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 2024	83	17	185	8	293
Transfers between stages					
Transferred to Stage 1	7	(2)	(4)	(1)	-
Transferred to Stage 2	-	-	-	-	-
Transferred to Stage 3	-	-	-	-	-
Charged / (credited) to profit or loss	(19)	(2)	478	8	465
Amounts written off	(37)	-	(588)	(9)	(634)
Recovery	-	-	46	1	47
Add back recovery of amounts previously written off			(46)	(1)	(47)
Balance as at 31 March 2025	34	13	71	6	124
Off-balance sheet credit related commitments					
Balance as at 1 April 2024	1,064	13	-	-	1,077
Transfers between stages					
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	-	-	-	-	-
Transferred to Stage 3	-	-	-	-	-
Charged / (credited) to profit or loss	29	-	-	-	29
Amounts (written off) / recovered	-	(9)	-	-	(9)
Balance as at 31 March 2025	1,093	4	-	-	1,097

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

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 2024	66,765	374	228	60	67,427
Transfers between stages					
Transferred to Stage 1	75	(67)	(6)	(2)	-
Transferred to Stage 2	(1)	1	-	-	-
Transferred to Stage 3	(588)	(14)	602	-	-
Additions	49	-	-	-	49
Deletions and repayments	(1,132)	(60)	(152)	(29)	(1,373)
Amounts (written off) / recovered	(37)	-	(588)	(9)	(634)
Balance as at 31 March 2025	65,131	234	84	20	65,469
Off-balance sheet credit related commitments					
Balance as at 1 April 2024	91,113	187	130	1	91,431
Transfers between stages					
Transferred to Stage 1	3	(2)	-	(1)	-
Transferred to Stage 2	(2)	2	-	-	-
Transferred to Stage 3	-	(1)	1	-	-
Additions	3,937	-	-	-	3,937
Deletions and repayments	(31)	(129)	(123)	-	(283)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 31 March 2025	95,020	57	8	-	95,085

The other portfolio includes credit card, other related lending, accrual interest and deferred acquisition costs. The other portfolio had an increase in gross loan balances of $1.7m (1.1%); however, due to update to modelling assumptions and portfolio performance the provisions decreased by $0.1m (10.9%)

All in $000's

16. Credit Risk Management and Asset Quality (continued)

(g) Asset quality (continued)

The following table provides a reconciliation from the opening balance to the closing balance of provision for impairment and show movement between stages during the reporting period.

(i) Movement in provision for credit impairment allowances and gross exposures (continued)

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 2023	21,705	2,147	1,684	386	25,922
Transfers between stages					
Transferred to Stage 1	820	(226)	(547)	(47)	-
Transferred to Stage 2	(269)	705	(280)	(156)	-
Transferred to Stage 3	(120)	(115)	(328)	563	-
Charged / (credited) to profit or loss	(4,590)	(426)	2,267	1,639	(1,110)
Amounts written off	-	(2)	(155)	-	(157)
Recovery	-	1	65	-	66
Add back recovery of amounts previously written off	-	(1)	(65)	-	(66)
Balance as at 31 March 2024	17,546	2,083	2,641	2,385	24,655
Off-balance sheet credit related commitments					
Balance as at 1 April 2023	3,800	42	-	-	3,842
Transfers between stages					
Transferred to Stage 1	8	(8)	-	-	-
Transferred to Stage 2	(5)	5	-	-	-
Transferred to Stage 3	(1)	-	1	-	-
Charged / (credited) to profit or loss	(900)	(5)	(1)	-	(906)
Amounts written off	-	-	-	-	-
Recovery	-	-	-	-	-
Balance as at 31 March 2024	2,902	34	-	-	2,936

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

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 2023	6,931,135	131,738	6,972	34,218	7,104,063
Transfers between stages					
Transferred to Stage 1	26,144	(19,268)	(2,533)	(4,343)	-
Transferred to Stage 2	(65,442)	82,672	(1,296)	(15,934)	-
Transferred to Stage 3	(32,254)	(9,740)	6,672	35,322	-
Additions	1,365,607	30,151	17	2,150	1,397,925
Deletions and repayments	(978,542)	(45,762)	(893)	(3,207)	(1,028,404)
Amounts (written off) / recovered *	-	(2)	(155)	-	(157)
Balance as at 31 March 2024	7,246,648	169,789	8,784	48,206	7,473,427
Off-balance sheet credit related commitments - total					
Balance as at 1 April 2023	845,272	2,515	145	1,357	849,289
Transfers between stages					
Transferred to Stage 1	1,110	(975)	(6)	(129)	-
Transferred to Stage 2	(1,804)	1,804	-	-	-
Transferred to Stage 3	(257)	(3)	155	105	-
Additions	130,497	599	-	85	131,181
Deletions and repayments	(235,873)	(2,252)	(145)	(379)	(238,649)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 31 March 2024	738,945	1,688	149	1,039	741,821

* 31 March 2024 has been restated to reclassify $155k from additions to amounts written off. The total for “gross loans and advances to cusomers” remains unchanged at $7,473.4m.

Overall the loss allowance is $27.6m or 0.3% of gross loan balances as at 31 March 2024, down from 0.4% as at 31 March 2023. The $2.2m (7.3%) decrease in loss allowance, despite a net $369.4m (5.2%) growth in gross loan balances, was driven by an update to modelling assumptions and improved medium-term economic outlook which offset the deteriorating portfolio performance as deterioration was more modest than expected.

All in $000's

16. Credit Risk Management and Asset Quality (continued)

(g) Asset quality (continued)

(i) Movement in provision for credit impairment allowances and gross exposures (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 2023	12,751	919	1,356	225	15,251
Transfers between stages					
Transferred to Stage 1	815	(226)	(543)	(46)	-
Transferred to Stage 2	(105)	389	(278)	(6)	-
Transferred to Stage 3	(54)	(114)	(310)	478	-
Charged / (credited) to profit or loss	(1,705)	(272)	1,441	1,646	1,110
Amounts written off	-	-	-	-	-
Recovery	-	-	-	-	-
Balance as at 31 March 2024	11,702	696	1,666	2,297	16,361
Off-balance sheet credit related commitments					
Balance as at 1 April 2023	780	13	-	-	793
Transfers between stages					
Transferred to Stage 1	8	(8)	-	-	-
Transferred to Stage 2	(3)	3	-	-	-
Transferred to Stage 3	-	-	-	-	-
Charged / (credited) to profit or loss	71	(4)	-	-	67
Amounts written off	-	-	-	-	-
Recovery	-	-	-	-	-
Balance as at 31 March 2024	856	4	-	-	860

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

Gross loans and advances to customers	Stage 1	Stage 2	Stage 3 Collectively	Stage 3 Individually	Total
Balance as at 1 April 2023	6,112,103	81,334	6,331	18,869	6,218,637
Transfers between stages					
Transferred to Stage 1	26,088	(19,256)	(2,529)	(4,303)	-
Transferred to Stage 2	(50,378)	52,322	(1,293)	(651)	-
Transferred to Stage 3	(25,932)	(9,712)	4,377	31,267	-
Additions	1,141,284	4,508	5	2,035	1,147,832
Deletions and repayments	(939,089)	(18,871)	(592)	(3,158)	(961,710)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 31 March 2024	6,264,076	90,325	6,299	44,059	6,404,759
Off-balance sheet credit related commitments					
Balance as at 1 April 2023	496,596	1,853	12	1,358	499,819
Transfers between stages					
Transferred to Stage 1	1,110	(975)	(6)	(129)	-
Transferred to Stage 2	(1,546)	1,546	-	-	-
Transferred to Stage 3	(141)	(3)	39	105	-
Additions	102,450	164	-	82	102,696
Deletions and repayments	(140,400)	(1,801)	(26)	(379)	(142,606)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 31 March 2024	458,069	784	19	1,037	459,909

Residential gross loan balances increased by $186.1m (2.9%) over the period which together with portfolio performance led to a net provision increase of $1.2m (7.4%).

All in $000's

16. Credit Risk Management and Asset Quality (continued)

(g) Asset quality (continued)

(i) Movement in provision for credit impairment allowances and gross exposures (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 2023	5,472	140	142	161	5,915
Transfers between stages					
Transferred to Stage 1	1	-	-	(1)	-
Transferred to Stage 2	(120)	270	-	(150)	-
Transferred to Stage 3	(25)	-	21	4	-
Charged / (credited) to profit or loss	(1,051)	186	627	(3)	(241)
Amounts written off	-	-	-	-	-
Recovery	-	-	-	-	-
Balance as at 31 March 2024	4,277	596	790	11	5,674
Off-balance sheet credit related commitments					
Balance as at 1 April 2023	1,731	-	-	-	1,731
Transfers between stages					
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	(2)	2	-	-	-
Transferred to Stage 3	(1)	-	1	-	-
Charged / (credited) to profit or loss	(804)	15	(1)	-	(790)
Amounts written off	-	-	-	-	-
Recovery	-	-	-	-	-
Balance as at 31 March 2024	924	17	-	-	941

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					
Transferred to Stage 1	39	-	-	(39)	-
Transferred to Stage 2	(12,426)	27,709	-	(15,283)	-
Transferred to Stage 3	(2,587)	-	2,147	440	-
Additions	197,890	15,127	-	-	213,017
Deletions and repayments	(22,090)	(13,984)	(297)	(26)	(36,397)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 31 March 2024	732,990	34,203	2,257	441	769,891
Off-balance sheet credit related commitments					
Balance as at 1 April 2023	244,255	-	-	(1)	244,254
Transfers between stages					
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	(241)	241	-	-	-
Transferred to Stage 3	(112)	-	112	-	-
Additions	26,856	424	-	2	27,282
Deletions and repayments	(88,395)	-	(112)	-	(88,507)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 31 March 2024	182,363	665	-	1	183,029

Commercial gross loan balances increased by $176.6m (29.8%) over the period; however, an update to assumptions and improvement in medium-term outlook led to a provision release of $1.0m (16.9%) despite modest deterioration in portfolio performance.

All in $000's

16. Credit Risk Management and Asset Quality (continued)

(g) Asset quality (continued)

(i) Movement in provision for credit impairment allowances and gross exposures (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
Balance as at 1 April 2023	3,174	1,048	-	-	4,222
Transfers between stages					
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	(42)	42	-	-	-
Transferred to Stage 3	(40)	-	-	40	-
Charged / (credited) to profit or loss	(1,608)	(316)	-	29	(1,895)
Amounts written off	-	-	-	-	-
Recovery	-	-	-	-	-
Balance as at 31 March 2024	1,484	774	-	69	2,327
Off-balance sheet credit related commitments					
Balance as at 1 April 2023	100	-	-	-	100
Transfers between stages					
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	-	-	-	-	-
Transferred to Stage 3	-	-	-	-	-
Charged / (credited) to profit or loss	(42)	-	-	-	(42)
Amounts written off	-	-	-	-	-
Recovery	-	-	-	-	-
Balance as at 31 March 2024	58	-	-	-	58

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 2023	199,615	44,326	-	-	243,941
Transfers between stages					
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	(2,558)	2,558	-	-	-
Transferred to Stage 3	(3,531)	-	-	3,531	-
Additions	6,654	10,516	-	115	17,285
Deletions and repayments	(17,363)	(12,513)	-	-	(29,876)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 31 March 2024	182,817	44,887	-	3,646	231,350
Off-balance sheet credit related commitments					
Balance as at 1 April 2023	8,085	41	-	-	8,126
Transfers between stages					
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	-	-	-	-	-
Transferred to Stage 3	-	-	-	-	-
Additions	1,178	11	-	-	1,189
Deletions and repayments	(1,863)	-	-	-	(1,863)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 31 March 2024	7,400	52	-	-	7,452

Agricultural gross loan balances decreased by $12.6m (5.2%) which together with an update to the modelling assumptions and an improved medium-term outlook led to a net provision release of $1.9m (46.4%).

All in $000's

16. Credit Risk Management and Asset Quality (continued)

(g) Asset quality (continued)

(i) Movement in provision for credit impairment allowances and gross exposures (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
Balance as at 1 April 2023	308	40	186	-	534
Transfers between stages					
Transferred to Stage 1	4	-	(4)	-	-
Transferred to Stage 2	(2)	4	(2)	-	-
Transferred to Stage 3	(1)	(1)	(39)	41	-
Charged / (credited) to profit or loss	(226)	(25)	199	(33)	(85)
Amounts written off	-	(2)	(155)	-	(157)
Recovery	-	1	65	-	66
Add back recovery of amounts previously written off			(65)		(65)
Balance as at 31 March 2024	83	17	185	8	293
Off-balance sheet credit related commitments					
Balance as at 1 April 2023	1,189	29	-	-	1,218
Transfers between stages					
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	-	-	-	-	-
Transferred to Stage 3	-	-	-	-	-
Charged / (credited) to profit or loss	(125)	(16)	-	-	(141)
Amounts written off	-	-	-	-	-
Recovery	-	-	-	-	-
Balance as at 31 March 2024	1,064	13	-	-	1,077

* 31 March 2024 has been restated to add a table of movements in credit impairment allowances for 'Other' in Asset Quality. The total of credit impairment allowances remains unchanged.

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

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 2023	47,253	727	234	-	48,214
Transfers between stages					
Transferred to Stage 1	17	(12)	(4)	(1)	-
Transferred to Stage 2	(80)	83	(3)	-	-
Transferred to Stage 3	(204)	(28)	148	84	-
Additions **	19,779	-	12	-	19,791
Deletions and repayments	-	(394)	(4)	(23)	(421)
Amounts (written off) / recovered **	-	(2)	(155)	-	(157)
Balance as at 31 March 2024	66,765	374	228	60	67,427

** 31 March 2024 has been restated to reclassify $155k from additions to amounts written off. The total for “gross loans and advances to cusomers in other” remains unchanged at $67.4m.

Off-balance sheet credit related commitments	Stage 1	Stage 2	Stage 3 Collectively	Stage 3 Individually	Total
Balance as at 1 April 2023	96,336	621	133	-	97,090
Transfers between stages					
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	(17)	17	-	-	-
Transferred to Stage 3	(4)	-	4	-	-
Additions	13	-	-	1	14
Deletions and repayments	(5,215)	(451)	(7)	-	(5,673)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 31 March 2024	91,113	187	130	1	91,431

* 31 March 2024 has been restated to add a table of changes in gross carrying amount and credit related commitments for 'Other' in Asset Quality. The total of gross carrying amount and credit related commitments remains unchanged.

Other portfolio gross loan balances increased by $13.6m (9.3%) which together with an update to the modelling assumptions and an improved medium-term outlook led to a net provision release of $382k (21.8%).

All in $000's

16. Credit Risk Management and Asset Quality (continued)

(g) Asset quality (continued)

(i) Movement in provision for credit impairment allowances and gross exposures (continued)

The table below summarises the movements in credit impairment allowance by major type of credit exposure.

As at 31 March 2025	Residential mortgage loans	Commercial exposures	Agricultural exposures	Other exposures	Total Credit exposures
Specific provision for impairment					
Balance at beginning of period	2,297	11	69	8	2,385
Addition / (deletion)	(503)	776	206	7	486
Current year amounts written off	(227)	-	-	(9)	(236)
Reversal of previously recognised provision	-	-	-	-	-
Specific provision balance at end of period	**1,567**	**787**	**275**	**6**	**2,635**
Collective provision for impairment					
Balance at beginning of period	14,924	6,604	2,316	1,357	25,201
Recognised in profit or loss	(219)	1,227	(231)	(147)	630
Collective provision balance at end of period	**14,705**	**7,831**	**2,085**	**1,210**	**25,831**
Total provision for impairment loss	**16,272**	**8,618**	**2,360**	**1,216**	**28,466**
As at 31 March 2024					
Specific provision for impairment					
Balance at beginning of period	225	161	-	-	386
Addition / (deletion)	2,072	(150)	69	8	1,999
Current year amounts written off	-	-	-	-	-
Reversal of previously recognised provision	-	-	-	-	-
Balance of specific provision at end of period	**2,297**	**11**	**69**	**8**	**2,385**
Collective provision for impairment					
Balance at beginning of period	15,819	7,485	4,322	1,752	29,378
Recognised in profit or loss	(895)	(881)	(2,006)	(395)	(4,177)
Collective provision balance at end of period	**14,924**	**6,604**	**2,316**	**1,357**	**25,201**
Total provision for impairment loss	**17,221**	**6,615**	**2,385**	**1,365**	**27,586**

(ii) Other asset quality and past due information

The Bank has disclosed certain components of its loan portfolio as impaired assets according to the classifications below:

Impaired assets:
The impaired assets consist of restructured assets, assets acquired through the enforcement of security and other individually impaired assets.

A restructured asset is any credit exposure for which:

(a) The original terms have been changed to grant the counterparty a concession that would not otherwise have been available, due to the counterparty's difficulties in complying with the original terms;

(b) The revised terms of the facility are not comparable with the terms of new facilities with comparable risks; and

(c) The yield on the asset following restructuring is equal to, or greater than, the Bank's average cost of funds, or a loss is not otherwise expected to be incurred.

Assets acquired through the enforcement of security are where the Bank assumes ownership of an asset (primarily real estate) in settlement of all or part of the debt. Other individually impaired assets means any credit exposures for which an impairment loss is required to be recognised in accordance with NZ IFRS 9.

Past due asset:
A past due asset is any credit exposure where a counterparty has failed to make payment when contractually due, and which is not a restructured asset, other individually impaired asset, or a financial asset acquired through the enforcement of security. A 90-day past due asset is a financial asset which has not been operated by the counterparty within its contractual payment terms for at least 90 days and which is not a restructured asset, other individually impaired asset, or a financial asset acquired through the enforcement of security.

All in $000's

16. Credit Risk Management and Asset Quality (continued)

(g) Asset quality (continued)

(ii) Other asset quality and past due information (continued)

Asset under administration:
An asset under administration is any credit exposure which is not an individually impaired asset or a past due asset but which is to a counterparty:

(a) who is in receivership, liquidation, bankruptcy, statutory management or any form of administration in New Zealand; or
(b) who is in any other equivalent form of voluntary or involuntary administration in an overseas jurisdiction.

Undrawn balances on lending commitments to counterparties:
Undrawn balances on lending commitments to counterparties for whom drawn balances are classified as individually impaired total $39.8k at reporting date (2024: $1.03m).

Other assets under administration:
As at 31 March 2025, the Bank had the assets of $10.4m under administration (2024: nil).

The majority of the Bank's provisions for impairment are made on a collective basis. The table below shows the credit quality information for loans and advances to customers.

As at 31 March 2025	Note	Residential mortgage loans	Commercial exposures	Agricultural exposures	Other exposures	Total Credit exposures
Neither past due or impaired		**6,315,708**	**969,776**	**197,043**	**65,161**	**7,547,688**
Past due assets not impaired:						
Less than 30 days		71,813	8,689	231	3	80,736
30 to 59 days		11,205	33	-	127	11,365
60 to 89 days		2,780	-	-	112	2,892
90 days and over		3,490	-	-	46	3,536
Balance of past due but not impaired assets at end of period		**89,288**	**8,722**	**231**	**288**	**98,529**
Movements in individually impaired assets:						
Balance at beginning of period		44,059	441	3,646	60	48,206
Additions		5,259	756	-	-	6,015
Amounts written off / loans closed out		(10,587)	-	(1,955)	(38)	(12,580)
Transfer from / (back to) loans and advances to customers		12,612	14,148	8,709	(2)	35,467
Balance of impaired assets at end of period		**51,343**	**15,345**	**10,400**	**20**	**77,108**
Total gross loans and advances to customers	7	**6,456,339**	**993,843**	**207,674**	**65,469**	**7,723,325**
Less provision for impairment	7	15,464	7,453	2,302	124	25,343
Total loans and advances to customers		**6,440,875**	**986,390**	**205,372**	**65,345**	**7,697,982**

As at 31 March 2024	Note	Residential mortgage loans	Commercial exposures	Agricultural exposures	Other exposures	Total Credit exposures
Neither past due or impaired		**6,284,648**	**758,599**	**223,483**	**66,858**	**7,333,588**
Past due assets not impaired:						
Less than 30 days		60,710	10,425	4,221	14	75,370
30 to 59 days		9,018	426	-	273	9,717
60 to 89 days		5,254	-	-	19	5,273
90 days and over		1,070	-	-	203	1,273
Balance of past due but not impaired assets at end of period		**76,052**	**10,851**	**4,221**	**509**	**91,633**
Movements in individually impaired assets:						
Balance at beginning of period		18,869	15,349	-	-	34,218
Additions		2,035	-	115	-	2,150
Amounts written off / loans closed out		(3,158)	(26)	-	(23)	(3,207)
Transfer from / (back to) loans and advances to customers		26,313	(14,882)	3,531	83	15,045
Balance of impaired assets at end of period		**44,059**	**441**	**3,646**	**60**	**48,206**
Total gross loans and advances to customers	7	**6,404,759**	**769,891**	**231,350**	**67,427**	**7,473,427**
Less provision for impairment	7	16,361	5,674	2,327	293	24,655
Total loans and advances to customers		**6,388,398**	**764,217**	**229,023**	**67,134**	**7,448,772**

All in $000's

16. Credit Risk Management and Asset Quality (continued)

(h) 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 employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Bank has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. The most common types of acceptable collateral include security over real estate, cash deposits, and other security over business assets.

The Bank's loan portfolio comprises predominantly of residential mortgages (84%) which are secured by first-ranking registered mortgages over residential property. As at 31 March 2025, $22m 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 31 March 2025, the Bank has total securities of $1.3 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.

Coverage provided by collateral held on loans

The table below represents the maximum exposure to credit risk for on-balance sheet financial instruments before taking account of the financial effect of any collateral held or other credit enhancements, unless such collateral meets the offsetting criteria in NZ IAS 32 Financial Instruments: Presentation.

	As at 31 March 2025			As at 31 March 2024		
On-balance sheet position	**Maximum exposure to credit risk**	**Financial effect of collateral**	**Unsecured portion of credit exposure**	**Maximum exposure to credit risk**	**Financial effect of collateral**	**Unsecured portion of credit exposure**
Cash and cash equivalents *	563,278	563,278	-	502,020	502,020	-
Collateral paid to other financial institutions	9,632	-	9,632	-	-	-
Derivative financial instruments **	16,728	2,197	14,531	42,816	27,479	15,337
Investment securities ***	1,299,697	138,445	1,161,252	1,424,105	144,974	1,279,131
Loans and advances to customers (net of provision)	7,697,982	7,671,007	26,975	7,448,772	7,423,299	25,473
Other assets	9,322	-	9,322	13,187	-	13,187
Total exposure to credit risk	**9,596,639**	**8,374,927**	**1,221,712**	**9,430,900**	**8,097,772**	**1,333,128**

* The balance of $561.9m as of 31 March 2025 is held with the Reserve Bank of New Zealand. (2024: $491.6m)

** The Bank has entered into Credit Support Annex (CSA) agreements to its International Swap and Derivatives (ISDA) Master Agreements. Under these agreements, open derivative positions are aggregated and revalued and cash collateral is exchanged daily. Where the counterparty is out of the money (i.e. the aggregate derivative position is an asset to the Bank), the counterparty will provide collateral to the Bank to cover the amount the aggregate position is out of the money (similarly the Bank will provide collateral to the counterparty when our position is out of the money). Credit Risk will remain where the full amount of the derivative is not covered by collateral.

*** The balance of $138.4m as of 31 March 2025 relates to government securities. (2024: 145.0m)

Collateral on credit impaired assets

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

Credit-impaired assets (on balance):	**Gross exposure**	**Impairment allowance**	**Carrying amount**	**Fair value of collateral held**
As at 31 March 2025				
Residential mortgage loans	55,278	2,863	52,415	128,176
Commercial	15,350	786	14,564	30,884
Agricultural	10,400	275	10,125	12,494
Other	104	77	27	-
Total credit-impaired assets	**81,132**	**4,001**	**77,131**	**171,554**
As at 31 March 2024				
Residential mortgage loans	50,358	3,963	46,395	131,480
Commercial	2,698	801	1,897	82,028
Agricultural	3,646	69	3,577	11,590
Other	288	193	95	-
Total credit-impaired assets	**56,990**	**5,026**	**51,964**	**225,099**

All in $000's

17. Market Risk Management

Interest rate risk

Interest rate risk ("IRR") refers to the risk to the Bank's economic value or earnings arising from adverse movements in interest rates. The Bank has a preference for stability of earnings, which is consistent with the Shareholder's expectations of stable dividend payments over time.

When interest rates change, the present value and timing of future cash flows change. This in turn changes the underlying value of the Bank's assets, liabilities and off-balance sheet instruments and in turn, their economic value. Changes in interest rates also affect the Bank's earnings by altering interest rate-sensitive income and expenses, affecting its net interest income ("NII").

The Bank measures and manages its interest rate risk using a combination of economic value and earnings-based measures.

Under the economic value approach, the measure of interest rate risk is the theoretical change in the market value of the entire balance sheet. The economic value for both on and off-balance sheet items is derived from their contractual cash flows, which are discounted to reflect current market rates.

Under the earnings-based measure, the focus is on the impact of changes in interest rates on future reported NII. This focus reflects both the importance of NII the Bank's overall earnings and the direct link to changes in interest rates.

The Bank is exposed to IRR from mismatches in the repricing dates, or differences in the repricing characteristics of its assets and liabilities. The Bank closely monitors the repricing behaviour of its assets and liabilities and ensures that any mismatches remain within policy limits. This may be done with the use approved derivative transactions. The Bank does not seek to eliminate interest rate risk, rather to limit downside variability in NII.

Foreign currency risk

Foreign currency risk is the risk to the Bank's earnings or market value caused by movements in foreign exchange rates. The Bank provides foreign exchange services via its branch network and offers foreign currency deposit accounts to customers via a third party.

Limits are in place to control the amount of foreign currency exposure. The Bank's policy is to maintain minimal levels of foreign currency cash balances and therefore foreign currency exposure is immaterial. The Bank also ensures customers who have foreign currency deposit accounts with the Bank are aware that they could be exposed to foreign currency fluctuations in their own right.

(a) Interest rate repricing schedule

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

As at 31 March 2025	0-3 Months	3-6 Months	6-12 Months	1-2 Years	Over 2 Years	Non-Interest bearing	Total
Assets							
Cash and cash equivalents	561,874	-	-	-	-	1,404	563,278
Collateral paid to other financial institutions	9,632	-	-	-	-	-	9,632
Derivative financial instruments	-	-	-	-	-	16,728	16,728
Investment securities	275,016	109,475	27,094	363,410	524,702	-	1,299,697
Loans and advances to customers	2,893,285	1,284,899	2,101,822	1,142,486	262,339	13,151	7,697,982
Other financial assets	-	-	-	-	-	9,322	9,322
Total financial assets	**3,739,807**	**1,394,374**	**2,128,916**	**1,505,896**	**787,041**	**40,605**	**9,596,639**
Liabilities							
Collateral received from other financial institutions	2,197	-	-	-	-	-	2,197
Deposits	4,559,762	1,672,006	1,110,950	189,055	162,424	1,041,292	8,735,489
Derivative financial instruments	-	-	-	-	-	22,966	22,966
Lease liabilities	645	419	643	918	11,088	-	13,713
Other financial liabilities	-	-	-	-	-	48,390	48,390
Total financial liabilities	**4,562,604**	**1,672,425**	**1,111,593**	**189,973**	**173,512**	**1,112,648**	**8,822,755**
Derivative notional principals (net)	**1,191,000**	**(335,000)**	**(295,000)**	**(836,000)**	**275,000**	**-**	**-**
Interest sensitivity gap	**368,203**	**(613,051)**	**722,323**	**479,923**	**888,529**	**(1,072,043)**	**773,884**
As at 31 March 2024							
Assets							
Cash and cash equivalents	483,834	-	-	-	-	18,186	502,020
Derivative financial instruments	-	-	-	-	-	42,816	42,816
Investment securities	252,296	89,238	72,784	271,235	738,552	-	1,424,105
Loans and advances to customers	2,134,756	1,347,556	1,619,272	1,649,013	680,877	17,298	7,448,772
Other financial assets	-	-	-	-	-	13,187	13,187
Total financial assets	**2,870,886**	**1,436,794**	**1,692,056**	**1,920,248**	**1,419,429**	**91,487**	**9,430,900**
Liabilities							
Collateral received from other financial institutions	27,479	-	-	-	-	-	27,479
Deposits *	4,298,423	1,449,434	1,332,395	256,825	148,260	1,065,318	8,550,655
Derivative financial instruments	-	-	-	-	-	16,777	16,777
Lease liabilities	599	554	1,098	1,475	8,558	-	12,284
Other financial liabilities **	-	-	-	-	-	90,730	90,730
Total financial liabilities	**4,299,022**	**1,449,988**	**1,333,493**	**258,300**	**156,818**	**1,172,825**	**8,697,925**
Derivative notional principals (net)	**1,564,000**	**55,000**	**(488,000)**	**(870,000)**	**(261,000)**	**-**	**-**
Interest sensitivity gap	**135,864**	**41,806**	**(129,437)**	**791,948**	**1,001,611**	**(1,081,338)**	**732,975**

* 31 March 2024 has been restated to reclassify $502.0m from On call deposits bearing interest to not bearing interest. The total for "total deposits" remains unchanged at $8,550.7m.

** 31 March 2024 has been restated to exclude the accruals of $3m and the provisions of $27.9m from other financial liabilities. Accounts payable is included in other financial liabilities.

All in $000's

17. Market Risk Management (continued)

(b) Sensitivity analysis

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

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

Next 12 months net interest earnings

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

Scenarios	Change in net Interest Earnings ($m)	
	31 Mar 2025	31 Mar 2024
-2.0%	1.2	(6.0)
-1.0%	0.6	(3.0)
1.0%	(0.6)	3.1
2.0%	(1.2)	6.1

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

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

Economic value of shareholder's equity ("EVE")

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

Scenarios	Change in EVE ($m)	
	31 Mar 2025	31 Mar 2024
-2.0%	36.2	30.4
-1.0%	17.9	15.0
1.0%	(17.5)	(14.8)
2.0%	(34.6)	(29.2)

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

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

18. Liquidity and Funding Risk Management

(a) Core liquid assets

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

	2025	2024
Cash and cash equivalents *	563,278	502,020
Investment securities:		
Local authority securities	90,350	128,365
Government securities	138,445	144,974
Registered bank securities	347,515	331,650
Other securities	723,387	819,116
Total investment securities	**1,299,697**	**1,424,105**
Total core liquid assets	**1,862,975**	**1,926,125**

All in $000's

18. Liquidity and Funding Risk Management (continued)

(b) Contractual cash flows

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

As at 31 March 2025	On demand	0-1 Months	1-3 Months	3-12 Months	1-5 Year	Over 5 Years	Total
Liabilities:							
Collateral received from other financial institutions	2,197	-	-	-	-	-	2,197
Deposits	3,611,920	654,631	1,331,847	2,882,050	394,311	-	8,874,759
Lease liabilities	-	237	530	1,537	5,550	12,147	20,001
Derivative financial instruments							
Inflows from derivatives	(1,590)	(5,379)	(14,869)	(42,626)	(54,745)	-	(119,209)
Outflows from derivatives	105	3,105	16,741	53,066	50,766	-	123,783
Other financial liabilities	-	46,244	2,146	-	-	-	48,390
Total financial liabilities	**3,612,632**	**698,838**	**1,336,395**	**2,894,027**	**395,882**	**12,147**	**8,949,921**
Lending commitments (off-balance sheet)	**711,173**	**-**	**-**	**-**	**-**	**-**	**711,173**
As at 31 March 2024							
Liabilities:							
Collateral received from other financial institutions *	27,479	-	-	-	-	-	27,479
Deposits	3,790,261	402,212	1,162,676	2,904,321	453,961	-	8,713,431
Lease liabilities	-	248	480	2,018	4,618	10,564	17,928
Derivative financial instruments							
Inflows from derivatives	-	(15,542)	(33,747)	(105,714)	(80,220)	-	(235,223)
Outflows from derivatives	-	12,339	30,393	85,775	80,820	-	209,327
Other financial liabilities **	-	39,230	45,581	2,300	3,619	-	90,730
Total financial liabilities	**3,817,740**	**438,487**	**1,205,383**	**2,888,700**	**462,798**	**10,564**	**8,823,672**
Lending commitments (off-balance sheet)	**738,885**	**-**	**-**	**-**	**-**	**-**	**738,885**

* 31 March 2024 has been restated to include $27.5m from Collateral received from other financial institutions, which was previously classified as a non-financial liability.

** 31 March 2024 has been restated to exclude $5.6m from other financial liabilities. Accounts payable is included in other financial liabilities.

(c) Regulatory liquidity ratios

The Bank's Conditions of Registration set regulatory minimums for liquidity risk that the Bank is required to meet. These ratios are calculated daily in accordance with the Reserve Bank of New Zealand's Liquidity Policy (BS13) and the quarterly average of each daily ratio are disclosed below. As part of its over-arching risk management practices, the Bank has adopted a conservative approach to liquidity management and aims for liquidity to be well in excess of the minimum regulatory requirements. The Bank's Liquidity and Funding Policy, which is approved by the Board of Directors, sets out the minimum internal liquidity requirements for the Bank as well as providing guidance for the management of the Bank's portfolio of liquid assets.

The Bank manages its liquidity risk through a combination of forward looking cash flow management, as well as maintaining a portfolio of high quality liquid assets that can be realised quickly if required. The Bank also closely monitors a series of potential leading indicators for liquidity risk, including term deposit reinvestment rates and the weighted average term of funding.

In the event of a severe liquidity event, the Bank has a contingency funding plan in place which outlines the actions the Bank would take in order to manage the situation.

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.

	Three month period ended 31 March 2025	Three month period ended 31 December 2024
One-week mismatch ratio	13.8%	13.6%
One-month mismatch ratio	17.0%	16.8%
Core funding ratio	109.6%	110.0%

19. Capital Adequacy (unaudited)

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

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

Total regulatory capital is divided into Tier 1 and Tier 2 capital. Tier 1 capital comprises Common Equity Tier 1 ("CET1") capital and Additional Tier 1 ("AT1") capital. Tier 1 capital primarily consists of shareholder's equity and other capital instruments acceptable to the RBNZ, less intangible assets, cash flow hedge reserve, deferred tax assets and a deduction for any advances of a capital nature to connected persons. Tier 2 Capital comprises capital instruments as defined by the RBNZ.

Regulatory capital adequacy ratios are calculated by expressing capital as a percentage of risk weighted exposures. Risk weighted exposures are derived by assigning a risk weight percentage to certain categories of exposures, including statement of financial position assets (excluding intangible assets and capital deductions for investments in subsidiaries not wholly owned or funded), and off-balance sheet assets. The risk weighting categories range from 0% - 150%. It should be noted that the regulatory risk weightings may not be consistent with the loss experience of the Bank.

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

- Total capital must not be less that 9% of risk weighted exposure.
- Tier 1 capital must not be less than 7% of risk weighted exposure.
- Common Equity Tier One capital must not be less than 4.5% of risk weighted exposure.
- Capital must not be less than NZ$30m.
- There are increasing constraints on capital distributions where a bank’s Prudential Capital Buffer Ratio falls below 2.5%.

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 new 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 classification discrepancies.

The Bank also subsequently identified some collateral classification data discrepancies but does not consider these are material and do not result in non-compliance with its Conditions of Registration.

The Bank has identified the scope to resolve these matters but calculations are yet to be reperformed. The Bank currently holds approximately $192m of capital in excess of the minimum regulatory capital requirements including the prudential capital buffer.

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 year ended 31 March 2025.

All in $000's

19. Capital Adequacy (unaudited) - continued

(a) Capital Adequacy Ratios

Total capital adequacy ratios for the Bank at balance date are:	RBNZ Minimum ratio requirement	2025 31 Mar Unaudited Basel III	2024 31 Mar Unaudited Basel III
Common Equity Tier 1 ("CET1") capital ratio	4.50%	15.28%	14.43%
Tier 1 capital ratio *	7.00%	15.28%	14.43%
Total capital ratio *	9.00%	15.28%	14.43%
Prudential capital buffer	2.50%	6.28%	6.43%

* The change in Condition 1 was made to reflect the increase in the minimum tier 1 capital ratio (from 6% to 7%) and minimum total capital ratio (from 8% to 9%), effective from 1 July 2024.

(b) Regulatory Capital

	Note	2025 Basel III Unaudited	2024 Basel III Unaudited
Tier 1 capital			
CET1 capital:			
Issued and fully paid up share capital		10,000	10,000
Retained earnings		743,108	724,068
Current period's audited retained earnings		31,169	19,040
Fair value reserve		3,193	(27,513)
Cash flow hedge reserve		290	19,445
		787,760	**745,040**
Less Deductions from CET1 Capital:			
Intangible assets		477	662
Cash flow hedge reserve		290	19,445
Deferred tax assets		11,233	18,779
		12,000	**38,886**
Total CET 1 capital		**775,760**	**706,154**
Additional Tier 1 (“AT1”) Capital		-	-
Total Tier 1 capital		**775,760**	**706,154**
Tier 2 capital		-	-
Total capital		**775,760**	**706,154**

All in $000's

19. Capital Adequacy (unaudited) - continued

(c) Credit risk

(i) **On-balance sheet exposures**

As at 31 March 2025	Total exposure after risk mitigation [1]	Risk weighting	Risk weighted exposure	Minimum Pillar one capital requirement
Cash	1,404	0%	-	-
Sovereigns & RBNZ	700,319	0%	-	-
Multilateral development banks - 0% weighting	422,355	0%	-	-
Multilateral development banks - 20% weighting	79,582	20%	15,916	1,432
Public sector entities	96,814	20%	19,363	1,743
Banks - 20% weighting	42,535	20%	8,507	766
Banks - 50% weighting	309,831	50%	154,915	13,942
Corporate - 20% weighting	177,161	20%	35,432	3,189
Corporate - 50% weighting	44,289	50%	22,145	1,993
Corporate - 100% weighting	1,161,278	100%	1,161,278	104,515
Residential mortgages not past due:				
Non-property investment <80% LVR	4,318,647	35%	1,511,526	136,037
Non-property investment 80%<90% LVR	388,865	50%	194,432	17,499
Non-property investment 90%<100% LVR	37,573	75%	28,180	2,536
Non-property investment >100% LVR	3,087	100%	3,087	278
Property investment <80% LVR	1,609,463	40%	643,785	57,941
Property investment 80%<90% LVR	5,900	70%	4,130	372
Property investment 90%<100% LVR	178	90%	160	14
Property investment >100% LVR	117	100%	117	11
Welcome home <80% LVR	445	20%	89	8
Welcome home 80%<90% LVR	10,063	20%	2,013	181
Welcome home 90%<100% LVR	10,574	20%	2,115	190
Welcome home >100% LVR	648	20%	130	12
Reverse mortgages <30% LVR	-	40%	-	-
Reverse mortgages <60% LVR	4,962	50%	2,481	223
Reverse mortgages 60%<80% LVR	-	80%	-	-
Reverse mortgages >80% LVR	-	100%	-	-
Past due residential mortgages	50,126	100%	50,126	4,511
Past Due Welcome Loans	227	50%	114	10
Other past due assets - 100% weighting	238	100%	238	21
Other past due assets - 150% weighting	23,002	150%	34,503	3,105
Other lending	66,126	100%	66,126	5,951
Other assets	31,333	100%	31,333	2,820
Non-risk weighted assets	38,070	0%	-	-
Total on-balance sheet exposures	**9,635,212**		**3,992,241**	**359,300**

(ii) **Off-balance sheet exposures**

As at 31 March 2025	Total exposure after 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	95,566	0%	-	N/A	-	-
Commitment with certain drawdown	90,192	100%	90,192	54%	48,418	4,358
Commitment with uncertain drawdown	517,804	50%	258,902	55%	142,732	12,846
Other commitment where original maturity is less than or equal to 1 year	3,204	20%	641	45%	288	26
Performance related contingency	4,407	50%	2,204	100%	2,204	198
Market related contracts:						
Interest rate contracts **	2,231,000	Various	22,533	45%	10,121	911
Credit valuation adjustment (CVA)	-		-	0%	3,824	344
Total off-balance sheet exposures	**2,942,173**		**374,472**		**207,587**	**18,683**

* No credit risk mitigation has been included (refer to Note 19(h) - Credit Risk Mitigation for further information).

** The credit equivalent amount for market related contracts (which are all interest rate contracts) were calculated in accordance with BPR131: Standardised Credit Risk RWAs.

All in $000's

19. Capital Adequacy (unaudited) - continued

(d) Residential mortgages

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

LVR Range as at 31 Mar 2025	On balance sheet	Off balance sheet	Total
LVR does not exceed 80%	5,975,727	418,718	6,394,445
LVR exceeds 80% and not 90%	410,299	6,389	416,688
LVR exceed 90%	54,848	1,503	56,351
Total residential mortgages	**6,440,874**	**426,610**	**6,867,484**

(ii) Reconciliation of residential mortgage related amounts

	Note	2025
Gross residential mortgage loans (on balance sheet exposures)	7, 16(g)	6,456,339
Provision for credit impairment (on balance sheet exposures)	16(g)	(15,465)
Residential mortgage loans (net of provision)	16(g)	6,440,874
Undrawn commitments relating to residential mortgages (off balance sheet exposures)	16(g)	427,418
Provision for credit impairment (off balance sheet exposures)	16(g)	(808)
Undrawn commitments relating to residential mortgages (net of provision)		426,610
Total residential mortgage loans net of provision for credit impairment		**6,867,484**

(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 31 March 2025		Implied risk weighted exposure	Aggregate capital charge
End of period capital charges	Interest risk	252,167	22,695
Peak end of day capital charges	Interest risk	271,799	24,462

(f) Risk weighted exposure and total capital requirements

As at 31 March 2025	Total Exposure after credit risk mitigation	Risk weighted exposure or Implied RWE	Capital requirement
Total credit risk plus equity	9,971,614	4,199,828	377,985
Operational risk	N/A	625,940	56,335
Market risk	N/A	252,167	22,695
Total	**9,971,614**	**5,077,935**	**457,015**

19. Capital Adequacy (unaudited) - continued

(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 risk not covered by Pillar I (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 $62m (2024:$64.2m) to cover these identified risks.

(h) Credit risk mitigation

Refer to Note 1(g) - Financial instruments for the Bank's policies and processes for on-balance sheet netting. Off-balance sheet lending commitments do not meet the criteria for netting.

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 16(h) - Credit risk mitigation, collateral and other credit enhancements for further information.

All in $000's

Other Disclosures

20. 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 distribution 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 distribution network. Refer to Note 21 - Related Party Transactions and Balances in regards to the related party loan to Toi Foundation Holdings Limited and commission income from Fisher Funds Management Limited ("FFML").

21. Related Party Transactions and 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% (2024: 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	2025	2024
Statement of Financial Position			
Loans to Toi Foundation Holdings Limited	7	30,571	18,419
Total due from related parties		30,571	18,419
Deposits from Toi Foundation		1,140	1,739
Deposits from Toi Foundation Holdings Limited		73	144
Deposits from Toi Foundation Investments Limited		8,967	3,929
Total due to related parties		10,180	5,812
Statement of Changes in Equity			
Dividends paid to Toi Foundation Holdings Limited	13	10,000	15,000
Statement of Profit or Loss			
Interest income received from Toi Foundation Holdings Limited	2	1,277	480
Interest expense paid to Toi Foundation	2	70	97
Fee income received from Toi Foundation Holdings Limited		836	627
Commission income received from Fisher Funds Management Limited		1,325	1,141
Other income from Toi Foundation - sale of land and buildings		-	2,980

During the reporting period, subvention payments were made to Toi Foundation Holdings Limited of $1.3m (2024: $0.8m) and Toi Foundation Investments Limited of $4.8k (2024: $0.2m).

Land and buildings were sold during the year ended 31 March 2024 to Toi Foundation totalling $2.98m. These were sold at fair value and transacted on an arm's length basis.

All in $000's

Other Disclosures

21. Related Party Transactions and Balances (continued)

Transactions with directors and key management personnel

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

	2025	2024
Key management compensation:		
Short-term employee benefits	5,046	4,348
Other long-term benefits	110	189
Termination benefits	31	976
Total key management compensation	**5,187**	**5,513**
Loans to directors and key management personnel:		
Balance at beginning of period	4,333	9,545
Net loans movement during the period	2,587	(5,212)
Balance at end of period	**6,920**	**4,333**
Deposits from directors and key management personnel:		
Balance at beginning of period	15,735	17,801
Net deposits movement during the period	(10,570)	(2,066)
Balance at end of period	**5,165**	**15,735**
Interest income earned on loans to directors and key management personnel:	234	179
Interest expense paid for deposits from directors and key management personnel:	192	279

22. 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. The Bank has completed a review of the Credit Contracts and Consumer Finance Act 2003 in relation to the Bank’s products and services. 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. This requires the exercise of considerable judgement and the application of estimates and assumptions, including the likely number of customers impacted, the average refund amount payable per customer, estimated remediation costs and the outcome of any regulatory investigation or action. The final outcomes that could be associated with this review are complex to ascertain and may differ from these assumptions and judgements. This will continue to be subject to further work and consideration.

The Bank operates in a complex and changing regulatory and operating 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 has also observed an increase in external fraud and scams that may cause customer loss and/or claims. 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 require changes and/or improvements to its products and services, its systems and processes, remedial activity and/or engagement with regulators and customers. This may give rise to future contingent liabilities in some situations where any potential future liability cannot yet be determined with accuracy, or because the relevant facts are not yet known, the application of law or the outcome is too uncertain.

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 $000's

Other Disclosures

Commitments and Contingent Liabilities (continued)	2025	2024
Lending commitments (net of provision):		
Performance-related contingencies	4,407	2,541
Undrawn commitments *	706,766	736,344
Total lending commitments	**711,173**	**738,885**
Other commitments:		
Capital commitments	660	468
Total other commitments	**660**	**468**
Total commitments	**711,833**	**739,353**

* Includes $53.0m (2024: $65.2m) related to the facility granted to Toi Foundation Holdings Limited, a related entity.

23. Subsequent Events

Dividend declared

On 26 June 2025, the Board of Directors approved the payment of a fully imputed 2025 final dividend of $10 million.

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

Conditions of Registration

These conditions apply on and after 1 July 2024.

The registration of TSB Bank Limited ("the bank") as a registered bank is subject to the following conditions:

1. That—
   (a) the Total capital ratio of the banking group is not less than 9%;
   (b) the Tier 1 capital ratio of the banking group is not less than 7%;
   (c) the Common Equity Tier 1 capital ratio of the banking group is not less than 4.5%;
   (d) the Total capital of the banking group is not less than $30 million;

   For the purposes of this condition of registration,—

   except to the extent modified by Condition 1C, "Total capital ratio", "Tier 1 capital ratio", and "Common Equity Tier 1 capital ratio" have the same meaning as in Subpart B2 of BPR100: Capital Adequacy;

   "Total capital" has the same meaning as in BPR110: Capital Definitions.

1A. That—
   (a) the bank has an internal capital adequacy assessment process ("ICAAP") that accords with the requirements set out in Part D of BPR100: Capital Adequacy;
   (b) under its ICAAP the bank identifies and measures its "other material risks" defined in Part D of BPR100: Capital Adequacy; and

   (c) the bank determines an internal capital allocation for each identified and measured "other material risk".

1B. That, if the Prudential Capital Buffer (PCB) ratio of the banking group is 2.5% or less, the bank must—
   (a) according to the following table, limit the aggregate distributions of the bank's earnings, other than discretionary payments payable to holders of Additional Tier 1 capital instruments, to the percentage limit on distributions that corresponds to the banking group's PCB ratio; and

Banking group's PCB ratio	Percentage limit on distributions of the bank's earnings	Capital Buffer Response Framework stage
0% – 0.5%	0%	Stage 3
>0.5 – 1%	30%	Stage 2
>1 – 2%	60%	Stage 1
>2 – 2.5%	100%	None

   (b) comply with the Capital Buffer Response Framework requirements as set out in Part D of BPR120: Capital Adequacy Process Requirements.

   For the purposes of this condition of registration —
   "prudential capital buffer ratio", "distributions", and "earnings" have the same meaning as in Subpart B2 of BPR100: Capital Adequacy;

   an Additional Tier 1 capital instrument is an instrument that meets the requirements of B2.2(2)(a), (c) or (d) of BPR110: Capital Definitions.

1BA. That the bank must not make any distribution on a transitional AT1 capital instrument on or after the date on which on any conversion or write-off provision in the terms and conditions of the instrument is triggered due to either a loss absorption trigger event or a non-viability trigger event.

   For the purposes of this condition of registration, "transitional AT1 capital instrument" has the meaning given in section A2.3 of BPR110: Capital Definitions and "loss absorption trigger event" and "non-viability trigger event" have the meanings given in sub-section C2.2(3) of BPR120: Capital Adequacy Requirements.

Conditions of Registration

1C. That:

(a) the bank must not include the amount of an Additional Tier 1 capital instrument or Tier 2 capital instrument issued on or after 1 July 2021 in the calculation of its capital ratios unless it has completed the notification requirements in Part B of BPR120: Capital Adequacy Process Requirements in respect of the instrument; and

(b) the bank meets the requirements of Part C of BPR120: Capital Adequacy Process Requirements in respect of regulatory capital instruments.

For the purposes of this condition of registration,—

an Additional Tier 1 capital instrument is an instrument that meets the requirements of subsection B2.2(2)(a) or (c) of BPR110: Capital Definitions;

a Tier 2 capital instrument is an instrument that meets the requirements of subsection B3.2(2)(a) or (c) of BPR110: Capital Definitions.

2. That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities.

In this condition of registration, the meaning of “material” is based on generally accepted accounting practice.

3. That the banking group’s insurance business is not greater than 1% of its total consolidated assets.

For the purposes of this condition of registration, the banking group’s insurance business is the sum of the following amounts for entities in the banking group:

(a) if the business of an entity predominantly consists of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total consolidated assets of the group headed by the entity; and

(b) if the entity conducts insurance business and its business does not predominantly consist of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total liabilities relating to the entity’s insurance business plus the equity retained by the entity to meet the solvency or financial soundness needs of its insurance business.

In determining the total amount of the banking group’s insurance business—

(a) all amounts must relate to on balance sheet items only, and must comply with generally accepted accounting practice; and

(b) if products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets must be considered part of the insurance business.

For the purposes of this condition of registration,—

“insurance business” means the undertaking or assumption of liability as an insurer under a contract of insurance:

“insurer” and “contract of insurance” have the same meaning as provided in sections 6 and 7 of the Insurance (Prudential Supervision) Act 2010.

4 The bank must comply with all the requirements set out in the following document: BS8 Connected Exposures 1 October 2023.

Conditions of Registration

5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.

6. That the bank complies with the following corporate governance requirements:
   (a) the board of the bank must have at least five directors;
   (b) the majority of the board members must be non-executive directors;
   (c) at least half of the board members must be independent directors;
   (d) an alternate director,—
      (i) for a non-executive director must be non-executive; and
      (ii) for an independent director must be independent;
   (e) at least half of the independent directors of the bank must be ordinarily resident in New Zealand;
   (f) the chairperson of the board of the bank must be independent; and
   (g) the bank's constitution must not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e. the bank).

   For the purposes of this condition of registration, "non-executive" and "independent" have the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated July 2014.

7. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer or to the deputy chief executive officer, is made in respect of the bank unless:
   (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
   (b) the Reserve Bank has advised that it has no objection to that appointment.

8. That a person must not be appointed as chairperson of the board of the bank unless:
   (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
   (b) the Reserve Bank has advised that it has no objection to that appointment.

9. That the bank has a board audit committee, or other separate board committee covering audit matters, that meets the following requirements:
   (a) the mandate of the committee must include: ensuring the integrity of the bank's financial controls, reporting systems and internal audit standards;
   (b) the committee must have at least three members;
   (c) every member of the committee must be a non-executive director of the bank;
   (d) the majority of the members of the committee must be independent; and
   (e) the chairperson of the committee must be independent and must not be the chairperson of the bank.

   For the purposes of this condition of registration, "non-executive" and "independent" have the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated July 2014.

10. That a substantial proportion of the bank's business is conducted in and from New Zealand.

11. That the banking group complies with the following quantitative requirements for liquidity-risk management
   (a) the one-week mismatch ratio of the banking group is not less than zero per cent at the end of each business day;
   (b) the one-month mismatch ratio of the banking group is not less than zero per cent at the end of each business day; and
   (c) the one-year core funding ratio of the banking group is not less than 75 per cent at the end of each business day.

   For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled "Liquidity Policy" (BS13) dated July 2022 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated July 2022.

12. That the bank has an internal framework for liquidity risk management that is adequate in the bank's view for managing the bank's liquidity risk at a prudent level, and that, in particular:
   (a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;
   (b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;
   (c) identifies the principal methods that the bank will use for measuring, monitoring and controlling liquidity risk; and
   (d) considers the material sources of stress that the bank might face, and prepares the bank to manage stress through a contingency funding plan.

Conditions of Registration

13. That no more than 10% of total assets may be beneficially owned by a SPV.

For the purposes of this condition,—

"total assets" means all assets of the banking group plus any assets held by any SPV that are not included in the banking group's assets:

"SPV" means a person—

(a) to whom any member of the banking group has sold, assigned, or otherwise transferred any asset;

(b) who has granted, or may grant, a security interest in its assets for the benefit of any holder of any covered bond; and

(c) who carries on no other business except for that necessary or incidental to guarantee the obligations of any member of the banking group under a covered bond:

"covered bond" means a debt security issued by any member of the banking group, for which repayment to holders is guaranteed by a SPV, and investors retain an unsecured claim on the issuer.

14 That—

(a) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the notification threshold, and does not meet the non-objection threshold, unless:

(i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination and at least 10 working days have passed; and

(ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and

(b) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the non-objection threshold unless:

(i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination;

(ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and

(iii) the Reserve Bank has given the bank a notice of non-objection to the significant acquisition or business combination.

For the purposes of this condition of registration, "qualifying acquisition or business combination", "notification threshold" and "non-objection threshold" have the same meaning as in the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011.

15 That the bank is pre-positioned for Open Bank Resolution and in accordance with a direction from the Reserve Bank, the bank can—

(a) close promptly at any time of the day and on any day of the week and that effective upon the appointment of the statutory manager—

(i) all liabilities are frozen in full; and

(ii) no further access by customers and counterparties to their accounts (deposits, liabilities or other obligations) is possible;

(b) apply a *de minimis* to relevant customer liability accounts;

(c) apply a partial freeze to the customer liability account balances;

(d) reopen by no later than 9 am the next business day following the appointment of a statutory manager and provide customers access to their unfrozen funds;

(e) maintain a full freeze on liabilities not pre-positioned for open bank resolution; and

(f) reinstate customers' access to some or all of their residual frozen funds.

For the purposes of this condition of registration, "de minimis", "partial freeze", "customer liability account", and "frozen and unfrozen funds" have the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre- positioning Requirements Policy" (BS17) dated June 2022.

16. That the bank has an Implementation Plan that—

(a) is up-to-date; and

(b) demonstrates that the bank's prepositioning for Open Bank Resolution meets the requirements set out in the Reserve Bank document: "Open Bank Resolution Pre-positioning Requirements Policy" (BS17) dated June 2022.

For the purposes of this condition of registration, "Implementation Plan" has the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated June 2022.

Conditions of Registration

17. That the bank has a compendium of liabilities that—
    (a) at the product-class level lists all liabilities, indicating which are—
        (i) pre-positioned for Open Bank Resolution; and
        (ii) not pre-positioned for Open Bank Resolution;
    (b) is agreed to by the Reserve Bank; and
    (c) if the Reserve Bank's agreement is conditional, meets the Reserve Bank's conditions.

    For the purposes of this condition of registration, “compendium of liabilities”, and “pre- positioned and non pre-positioned liabilities” have the same meaning as in the Reserve Bank of New Zealand document “Open Bank Resolution (OBR) Pre-positioning Requirements Policy” (BS17) dated June 2022.

18. That on an annual basis the bank tests all the component parts of its Open Bank Resolution solution that demonstrates the bank’s prepositioning for Open Bank Resolution as specified in the bank’s Implementation Plan.

    For the purposes of this condition of registration, “Implementation Plan” has the same meaning as in the Reserve Bank of New Zealand document “Open Bank Resolution (OBR) Pre-positioning Requirements Policy” (BS17) dated June 2022.

19. That, for a loan-to-valuation measurement period ending on or after 30 September 2024, the total of the bank’s qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 70%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

20. That, for a loan-to-valuation measurement period ending on or after 30 September 2024, the total of the bank’s qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

21 That, for a debt-to-income measurement period, the total of the bank’s qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a debt-to-income ratio of more than 7, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the debt-to-income measurement period.

22 That, for a debt-to-income measurement period, the total of the bank’s qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a debt-to-income ratio of more than 6, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the debt-to-income measurement period.

23 That the bank must not make a residential mortgage loan unless the terms and conditions of the loan contract or the terms and conditions for an associated mortgage require that a borrower obtain the registered bank’s agreement before the borrower can grant to another person a charge over the residential property used as security for the loan.

In these conditions of registration,—

“banking group” means TSB Bank Limited (as reporting entity) and all other entities included in the group as defined in section 6(1) of the Financial Markets Conduct Act 2013 for the purposes of Part 7 of that Act.

“generally accepted accounting practice” has the same meaning as in section 8 of the Financial Reporting Act 2013.

In these conditions of registration, the version dates of the Reserve Bank of New Zealand Banking Prudential Requirement (BPR) documents that are referred to in the capital adequacy conditions 1 to 1E, or are referred to in turn by those documents or by Banking Supervision Handbook (BS) documents, are—

BPR document	Version date
BPR100: Capital adequacy	1 July 2024
BPR110: Capital definitions	1 October 2023
BPR120: Capital adequacy process requirements	1 October 2023
BPR130: Credit risk RWAs overview	1 July 2024
BPR131: Standardised credit risk RWAs	1 July 2024
BPR132: Credit risk mitigation	1 July 2024
BPR133: IRB credit risk RWAs	1 July 2024
BPR134: IRB minimum system requirements	1 July 2024
BPR140: Market risk exposure	1 July 2024
BPR150: Standardised operational risk	1 July 2024
BPR151: AMA operational risk	1 July 2024
BPR160: Insurance, securitisation, and loan transfers	1 July 2024
BPR001: Glossary	1 October 2023

Conditions of Registration

In conditions of registration 19 to 20,—

“loan-to-valuation ratio”, “non property-investment residential mortgage loan”, “property-investment residential mortgage loan”, “qualifying new mortgage lending amount in respect of property-investment residential mortgage loans”, “qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans”, and “residential mortgage loan” have the same meaning as in the Reserve Bank of New Zealand document entitled “Framework for Restrictions on High-LVR Residential Mortgage Lending” (BS19) dated October 2021:

“loan-to-valuation measurement period” means a period of three calendar months ending on the last day of the third calendar month.

In conditions of registration 21 and 22, —

debt-to-income ratio”, “debt-to-income measurement period”, “non property-investment residential mortgage loan”, “property-investment residential mortgage loan”, “qualifying new mortgage lending amount in respect of property-investment residential mortgage loans”, and “qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans” have the same meaning as in the Reserve Bank of New Zealand document entitled “Framework for Restrictions on High Debt-To-Income Residential Mortgage lending” (BS20) dated 3 April 2023:

“debt-to-income measurement period” means—

(a) the initial period of six calendar months from the date of this conditions of registration (1 July 2024) ending on 31 December 2024; and

(b) thereafter, a rolling period of three calendar months ending on the last day of the third calendar month, the first of which ends on 31 January 2025 and covers the months of November and December 2024 and January 2025.

In condition of registration 23, —

“residential mortgage loan” has the same meaning as in the Reserve Bank of New Zealand document entitled “Framework for Restrictions on High Debt-To-Income Residential Mortgage lending” (BS20) dated 3 April 2023.

Glossary of abbreviations

The following abbreviations are used throughout the report.

AML/CFT Act	Anti-Money Laundering and Countering Financing of Terrorism Act 2009
AT1	Additional Tier 1
BPR	Banking Prudential Requirements documents by Reserve Bank of New Zealand
CCCFA	Credit Contracts and Consumer Finance Act 2003
CA	Companies Act 1993
CET1	Common Equity Tier 1
ECL	Expected credit loss
ED	Exposure at default
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
IRR	Interest Rate Risk
IDR	Issuer Default Rating
LVR	Loan-to-valuation ratio
LGD	Loss given default
NII	Net Interest Income
NZ IAS	New Zealand equivalents to International Accounting Standards
NZ IFRS	New Zealand equivalents to International Financial Reporting Standards
PD	Probability of default
RBNZ	Reserve Bank of New Zealand
RCD	Registered Certificate of Deposits
SaaS	Software-as-a-Service
SICR	Significant increase in credit risk
SPPI	Solely payments of principal and interest on the principal amount outstanding

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G. (Graeme) Scrivener, MA, BA (Hons), Chief Risk Officer
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Assurance engagements performed by Ernst & Young

Our assurance procedures in relation to TSB Bank Limited (the "Bank") consisted of the following:

- Audit of the financial statements (the "Financial Statements") of the Bank for the year ended 31 March 2025 that are required by Clause 24 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order") included on pages 18 to 71 of the Disclosure Statement. These pages also include the Supplementary Information, and the Capital Adequacy and Regulatory Liquidity Information which are subject to a separate opinion and conclusion respectively as described below and so are not covered by the Financial Statement audit.
- Audit of the information required by Clause 21 of the Order to be disclosed in accordance with Schedule 4 (being the additional information on statement of financial position that is presented on the Balance Sheet, additional information on concentrations of credit risk (Note 16(d)), additional information on interest rate sensitivity (Note 17(a)), additional information on liquidity risk (Note 18(b)), and reconciliation of mortgage-related amounts (Note 19 (d)(ii)), Schedule 7 (Asset quality in Note 16), Schedule 13 (Concentration of credit exposures to individual counterparties in Note 16(d)(iii)), Schedule 14 (Credit exposures to connected persons in Note 16d(iv)), Schedule 15 (Insurance business, securitisation, funds management, other fiduciary activities, and marketing and distribution of insurance products in Note 20) and Schedule 17 (Risk management policies in Note 15)) of the Order (together the "Supplementary Information"). The Supplementary Information is presented for the year ended 31 March 2025 or as at that date, as applicable.
- Limited assurance engagement in relation to the information required by Clause 21 to be disclosed in accordance with Schedule 9 of the Order which is disclosed in Note 18(c) and Note 19 (the "Capital Adequacy and Regulatory Liquidity Ratios Information"). The Capital Adequacy and Regulatory Liquidity Ratios Information is presented for the year ended 31 March 2025 or as at that date, as applicable.

Independent auditor's report to the Shareholder of TSB Bank Limited Report on the audit of the Financial Statements and Supplementary Information

Opinion

We have audited the Financial Statements and the Supplementary Information (as defined above). The Financial Statements comprise:

- the balance sheet of the Bank as at 31 March 2025;
- the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the Bank; and
- the notes to the Financial Statements including material accounting policy information.

In our opinion:

- the Financial Statements present fairly, in all material respects, the financial position of the Bank as at 31 March 2025 and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards; and
- the Supplementary Information for the year ended 31 March 2025 or as at that date, as applicable:
  - presents fairly the matters to which it relates; and
  - is disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order.

We have not audited the Capital Adequacy and Regulatory Liquidity Ratios Information (as defined above) and our opinion does not extend to this information.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Statements and Supplementary Information* section of our report.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Ernst & Young provides interim financial statement and supplementary information review and other assurance services to the Bank. Partners and employees of our firm may deal with the Bank on normal terms within the ordinary course of trading activities of the business of the Bank. We have no other relationship with, or interest in, the Bank.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current year. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the Financial Statements and Supplementary Information* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Financial Statements.

Allowance for Expected Credit Losses

Why significant	How our audit addressed the key audit matter
As disclosed in Note 16 *Credit risk management and asset quality*, the allowance for expected credit losses and credit risk adjustments (ECL) is measured in accordance with the requirements of New Zealand Equivalent to International Financial Reporting Standard 9 *Financial Instruments* (NZ IFRS 9). In assessing the allowance for expected credit loss, key areas of significant judgment included: ▪ the application of the impairment requirements of NZ IFRS 9 within the expected credit loss (ECL) methodology; ▪ the identification of exposures with a significant increase in credit risk; ▪ assumptions used in ECL models (for both exposures assessed on an individual or collective basis); and	We assessed the alignment of the Bank's provision for impairment losses model and its underlying methodology with the requirements of NZ IFRS 9. We assessed the following for exposures evaluated on a collective basis: ▪ the mathematical accuracy of the model and considered which assumptions and judgments were most important to the collective provision assessment; ▪ the significant modelling assumptions including the reasonableness of forward-looking information; ▪ the basis for and data used to determine forward looking adjustments; ▪ the determination and assessment of significant increases in credit risk; and ▪ the model outputs through benchmarking and analysis against available market data.

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- the incorporation of forward-looking information to reflect the impact of current and anticipated external factors, both in the multiple economic scenarios and the probability weightings applied for each of these scenarios.

This was a key audit matter due to the value of the allowance for ECL and the degree of judgment and estimation uncertainty associated with the provision calculation.

We assessed the following for a sample of exposures evaluated on a collective and individual basis:

- internal credit quality assessments based on the borrowers' circumstances;
- the associated expected credit loss by assessing the reasonableness of key inputs into the credit impairment calculation including the financial condition of borrowers, expected amount and timing of recoveries and the valuation of collateral held by the Bank.

We involved our actuarial specialists to assist in the performance of our procedures where appropriate.

We assessed the adequacy and appropriateness of the disclosures related to provision for impairment losses on residential mortgages and corporate credit exposures within the Financial Statements.

Other Matter

The financial statements of TSB Bank Limited for the year ended 31 March 2024 were audited by another auditor who expressed an unmodified opinion on those statements on 19 June 2024.

Information other than the Financial Statements, Supplementary Information and auditor's report

The Directors of the Bank are responsible, on behalf of the Bank, for the Disclosure Statement, which includes information other than the Financial Statements, Supplementary Information and auditor's report. The other information includes the Climate Report which is referenced in the Disclosure Statement.

Our opinion on the Financial Statements and Supplementary Information does not cover the other information and we do not express any form of assurance conclusion thereon, except as otherwise stated. We have performed a limited assurance engagement on the Capital Adequacy and Regulatory Liquidity Ratios Information as explained below.

In connection with our audit of the Financial Statements and Supplementary Information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or Supplementary Information or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the Financial Statements and Supplementary Information

The Directors are responsible, on behalf of the Bank, for the preparation and fair presentation of the Financial Statements in accordance with Clause 24 of the Order, New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and the Supplementary Information in accordance with Clause 21 of the Order and Schedules 4, 7, 13, 14, 15 and 17 of the Order, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements and Supplementary Information that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements and Supplementary Information, the Directors are responsible for assessing on behalf of the Bank, the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Bank or cease operations, or have no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the Financial Statements and Supplementary Information

Our objectives are to obtain reasonable assurance about whether the Financial Statements, as a whole, and Supplementary Information are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements and Supplementary Information.

A further description of the auditor's responsibilities for the audit of the Financial Statements is located at the External Reporting Board's website: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/. This description forms part of our auditor's report.

The engagement partner on the engagement resulting in this independent auditor's report is Brent Penrose.

Ernst + Young

Chartered Accountants
Auckland
26 June 2025

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Independent Assurance Report to the Shareholder of TSB Bank Limited

Limited assurance report on the Capital Adequacy and Regulatory Liquidity Ratios Information

Conclusion

We have undertaken a limited assurance engagement on the compliance of the Bank's Capital Adequacy and Regulatory Liquidity Ratios Information for the year ended 31 March 2025 or as at that date, as applicable, in all material respects, with Schedule 9 of the Order.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Capital Adequacy and Regulatory Liquidity Ratios Information for the year ended 31 March 2025 or as at that date, as applicable, disclosed in Note 18(c) and Note 19 to the Financial Statements is not disclosed, in all material respects, in accordance with Schedule 9 of the Order.

Basis for Conclusion

We conducted our engagement in accordance with Standard on Assurance Engagements 3100 (Revised) *Compliance Engagements* (SAE 3100 (Revised)) issued by the New Zealand Auditing and Assurance Standards Board.

We believe the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Directors' Responsibilities

The directors are responsible on behalf of the Bank for:

1. Compliance with the Order, including Clause 21 which requires the Capital Adequacy and Regulatory Liquidity Ratios Information to be included in the Disclosure Statement in accordance with Schedule 9 of the Order.
2. Identification of risks that threaten compliance with Clause 21 and Schedule 9 of the Order being met, controls which will mitigate those risks and monitoring ongoing compliance.

Our Independence and Quality Management

We have complied with the independence and other 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 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, 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.

Assurance Practitioner's Responsibilities

Our responsibility is to express a limited assurance conclusion on whether the Bank's Capital Adequacy and Regulatory Liquidity Ratios Information is not disclosed, in all material respects, in accordance with Schedule 9 of the Order. SAE 3100 (Revised) requires that we plan and perform our procedures to obtain limited assurance about whether anything has come to our attention that causes us to believe that the Bank's Capital Adequacy and Regulatory Liquidity Ratios Information is not disclosed, in all material respects, in accordance with Schedule 9 of the Order.

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 non-compliance with Schedule 9 of the Order is likely to arise.

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Given the circumstances of the engagement, in performing the procedures listed above we:

- Obtained an understanding of the Bank's compliance framework and internal control environment to meet the Capital Adequacy and Regulatory Liquidity Ratios Information requirements in accordance with the Reserve Bank of New Zealand's (RBNZ) prudential requirements for banks.
- Obtained an understanding of the processes, models, data and internal controls implemented over the preparation of the Capital Adequacy and Regulatory Liquidity Ratios Information.
- Agreed selected elements of the Capital Adequacy and Regulatory Liquidity Ratios Information to information extracted from the Bank's models, accounting records or other supporting documentation.
- Performed analytical and other procedures on the Capital Adequacy and Regulatory Liquidity Ratios Information disclosed in accordance with Schedule 9 and considered its consistency with the Financial Statements of the Bank.
- Obtained an understanding and assessed the impact of any matters of non-compliance, either advised to us or of which we otherwise became aware, with the RBNZ's prudential requirements for banks that relate to capital adequacy and regulatory liquidity ratios information and inspected relevant correspondence with RBNZ.

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 and 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. Accordingly, we do not express a reasonable assurance opinion on compliance with Schedule 9 of the Order.

Ernst & Young provides financial statement and supplementary information audit and interim review services, and other assurance services to the Bank. Partners and employees of our firm may deal with the Bank on normal terms within the ordinary course of trading activities of the business of the Bank. We have no other relationship with, or interest in, the Bank.

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 on the Bank's disclosure of Capital Adequacy and Regulatory Liquidity Ratios Information in the Disclosure Statement for the year ended 31 March 2025 or as at that date, as applicable, does not provide assurance on whether compliance will continue in the future.

Restrictions on Use of Report

This report has been prepared for the Bank's shareholder for the purpose of providing limited assurance that the Bank's Capital Adequacy and Regulatory Liquidity Ratios Information has complied with Schedule 9 of the Order. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's Shareholder for our limited assurance work, for this report, or for the conclusions we have formed. We acknowledge that our report will be included in the Bank's Disclosure Statement.

Ernst + Young

Chartered Accountants
Auckland
26 June 2025