

Disclosure Statement

For the six months ended 30 September 2021



Disclosure Statement

For the six months ended 30 September 2021



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Disclosure Statement

For the six months ended 30 September 2021



General Information

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

Name and Registered Office of Registered Bank

TSB Bank Limited is a registered bank (elsewhere in this statement referred to as the "Bank").
Registered Office: Level Five, TSB Centre, 120 Devon Street East, New Plymouth 4310.

Principal Activity

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

Corporate Information

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

Ownership

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

Guarantee Arrangements

No material obligations of the Bank are guaranteed.

Pending Proceedings or Arbitration

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

Other Material Matters

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

Auditor

KPMG, 10 Customhouse Quay, Wellington 6011

Conditions of Registration

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

- Effective 29 April 2021, restrictions on dividends were eased allowing the Bank to distribute up to 50% of its earnings (net profit after tax). The 50% restriction covers any dividends the Bank intends to pay up to 1 July 2022 on earnings in the 2021/22 financial year.
- Effective 1 May 2021, minor changes to liquidity Condition 11 aligning reference to updated Banking Standard BS13 and BS13A.
- Effective 1 July 2021, minor changes adding references to new Banking Prudential Requirements issued by the RBNZ and BS16 Guidance note on the application requirements for the recognition of Tier 2 capital instruments.

Disclosure Statement

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Credit Rating

As at the signing date of this Disclosure Statement, the Bank's credit rating was A- with outlook Stable by Fitch ratings ("Fitch"). This credit rating is applicable to the Bank's long term senior unsecured obligations payable in New Zealand, in New Zealand dollars and was reaffirmed by Fitch on 29 July 2021. The rating is not subject to any qualifications.

Directorate

There have been changes to the composition of the Board of Directors (the "Board") since the Bank's previous full year Disclosure Statement and Annual Report for the year ended 31 March 2021. The changes were:

- Michael Schubert was appointed as an independent non-executive Director of the Bank effective 6 August 2021, and became Chair of the Audit Committee from 1 October 2021.
- Peter Schuyt resigned as a Director and Chair of Audit Committee on 31 August 2021.

Directors' Statements

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

- (a) The Disclosure Statement contains all the information required by the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order");
- (b) The Disclosure Statement is not false or misleading.

Each of the Directors believe, after due enquiry, that over the financial period to 30 September 2021:

- (a) The Bank has complied in all material respects with each Condition of Registration;
- (b) Credit Exposures to Connected Persons were not contrary to the interests of the Bank; and
- (c) Subject to the items outlined in note 11. Risk Management, note 14. Liquidity Risk Management and note 15. Capital Adequacy, the Bank has systems in place to monitor and control adequately the Bank's material risks including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied.

J. J. Kelly
(Chair – Board of Directors)
24 November 2021

M. I. Bain
(Deputy - Board of Directors)
24 November 2021

M. A. Blackburn
24 November 2021

N. Pearce
24 November 2021

M. Schubert
24 November 2021

D. J. Tuuta
24 November 2021

P. S. Dalziel
24 November 2021

H. F. Dunlop
24 November 2021

K.C. McDonald
24 November 2021

Statement of Comprehensive Income

For the six months ended 30 September 2021



All in NZD \$000's

	Note	Sep 2021 6 Months Unaudited	Sep 2020 6 Months Unaudited	Mar 2021 12 Months Audited
Profit or loss:				
Interest income calculated using the effective interest method		99,008	117,943	224,848
Other interest income		14,221	15,973	31,113
Interest expense		33,544	66,044	112,328
Net interest income	2	79,685	67,872	143,633
Other operating income	3	11,066	9,084	18,269
Net operating income		90,751	76,956	161,902
Operating expenses	4	63,512	48,833	104,475
Profit before impairment and tax		27,239	28,123	57,427
Credit impairment losses / (reversal of credit impairment losses)	12(a)	(7,136)	(868)	(2,202)
Profit before tax		34,375	28,991	59,629
Tax expense		9,625	8,117	16,736
Net profit after tax		24,750	20,874	42,893
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Movements in the fair value of debt instruments		(27,827)	22,391	371
Movement in effective portion of changes in fair value of cash flow hedges		15,665	408	3,545
Income tax on items that may be reclassified to profit or loss		3,406	(6,383)	(1,097)
Other comprehensive income for the period (net of tax)		(8,756)	16,416	2,819
Total comprehensive income for the period		15,994	37,290	45,712

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

These financial statements are to be read in conjunction with the notes on pages 9 - 31.

Statement of Changes in Equity

For the six months ended 30 September 2021



All in NZD \$000's

For the six months ended September 2021 (unaudited)	Note	Share capital	Fair value reserve	Cash flow hedge reserve	Retained earnings	Total Equity
Balance at 1 April 2021		10,000	11,141	1,233	703,290	725,664
Total comprehensive income for the period:						
Net profit after tax		-	-	-	24,750	24,750
Other comprehensive income:						
Movement in cash flow hedge reserve		-	-	15,665	-	15,665
Movement in fair value reserve		-	(27,827)	-	-	(27,827)
Related tax		-	7,792	(4,386)	-	3,406
Total other comprehensive income		-	(20,035)	11,279	-	(8,756)
Total comprehensive income for the period		-	(20,035)	11,279	24,750	15,994
Transactions with owner recorded directly in equity:						
Dividends to equity holder	10	-	-	-	(7,500)	(7,500)
Total transactions with owner		-	-	-	(7,500)	(7,500)
Balance at 30 September 2021		10,000	(8,894)	12,512	720,540	734,158
For the six months ended September 2020 (unaudited)						
Balance at 1 April 2020		10,000	10,874	(1,319)	660,397	679,952
Total comprehensive income for the period:						
Net profit after tax		-	-	-	20,874	20,874
Other comprehensive income:						
Movement in cash flow hedge reserve		-	-	408	-	408
Movement in fair value reserve		-	22,391	-	-	22,391
Related tax		-	(6,269)	(114)	-	(6,383)
Total other comprehensive income		-	16,122	294	-	16,416
Total comprehensive income for the period		-	16,122	294	20,874	37,290
Transactions with owner recorded directly in equity:						
Dividends to equity holder	10	-	-	-	-	-
Total transactions with owner		-	-	-	-	-
Balance at 30 September 2020		10,000	26,996	(1,025)	681,271	717,242
For the year ended March 2021 (audited)						
Balance at 1 April 2020		10,000	10,874	(1,319)	660,397	679,952
Total comprehensive income for the period:						
Net profit after tax		-	-	-	42,893	42,893
Other comprehensive income:						
Movement in cash flow hedge reserve		-	-	3,545	-	3,545
Movement in fair value reserve		-	371	-	-	371
Related tax		-	(104)	(993)	-	(1,097)
Total other comprehensive income		-	267	2,552	-	2,819
Total comprehensive income for the period		-	267	2,552	42,893	45,712
Transactions with owner recorded directly in equity:						
Dividends to equity holder	10	-	-	-	-	-
Total transactions with owner		-	-	-	-	-
Balance at 31 March 2021		10,000	11,141	1,233	703,290	725,664

These financial statements are to be read in conjunction with the notes on pages 9 - 31.

Statement of Financial Position

As at 30 September 2021

All in NZD \$'000's



	Note	Sep 2021 6 Months Unaudited	Sep 2020 6 Months Unaudited	Mar 2021 12 Months Audited
Assets				
Cash and cash equivalents		379,652	294,178	438,240
Derivative financial instruments		21,052	16,164	10,724
Investment securities	6	1,718,411	2,059,540	1,938,774
Loans and advances to customers	5	6,586,696	6,146,290	6,333,719
Property, plant and equipment		32,675	31,852	33,484
Intangible assets		24,226	18,418	21,938
Deferred tax asset		12,948	6,267	9,543
Other assets		4,759	2,657	2,236
Total assets		8,780,419	8,575,366	8,788,658
Liabilities				
Deposits	7	7,988,814	7,785,784	7,998,505
Derivative financial instruments		5,193	19,216	9,605
Current tax liability		3,239	2,364	2,696
Other liabilities	8	49,015	50,760	52,188
Total liabilities		8,046,261	7,858,124	8,062,994
Shareholder's Equity				
Share capital	10	10,000	10,000	10,000
Fair value reserve		(8,894)	26,996	11,141
Cash flow hedge reserve		12,512	(1,025)	1,233
Retained earnings		720,540	681,271	703,290
Total shareholder's equity		734,158	717,242	725,664
Total liabilities and shareholder's equity		8,780,419	8,575,366	8,788,658
Total interest earning and discount bearing assets		8,679,958	8,462,985	8,713,967
Total interest and discount bearing liabilities		7,269,710	7,235,833	7,330,948

For and on behalf of the Board of Directors:

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

24 November 2021

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

24 November 2021

These financial statements are to be read in conjunction with the notes on pages 9 - 31.

Statement of Cash Flows

For the six months ended 30 September 2021



All in NZD \$000's

	Sep 2021 6 Months Unaudited	Sep 2020 6 Months Unaudited	Mar 2021 12 Months Audited
Cash Flows from Operating Activities			
Cash provided from (applied to):			
Interest income received	116,860	137,931	259,697
Other income received	10,543	9,064	18,475
Interest paid	(35,943)	(66,044)	(121,074)
Operating expenditure	(63,772)	(49,125)	(96,565)
Taxes and subvention payments	(9,082)	(11,353)	(17,630)
Cash flows from operating profits before changes in operating assets and liabilities	18,606	20,473	42,903
Net changes in operating assets and liabilities:			
Increase in loans and advances to customers	(248,192)	(19,830)	(184,898)
Derivative financial instruments	926	(397)	(1,431)
Increase / (decrease) in deposits	(7,292)	365,260	558,527
Cash flows from operating assets and liabilities	(254,558)	345,033	372,198
Net cash flows from operating activities	(235,952)	365,506	415,101
Cash Flows from Investing Activities			
Cash provided from (applied to):			
Sale of Harmony loan portfolio (net of impairment allowance)	-	-	5,900
Net (purchase) / maturity of investment securities	191,255	(298,655)	(198,359)
Property, plant and equipment sold / (purchased)	60	1,012	(2,967)
Intangible assets purchased	(4,961)	(5,118)	(11,082)
Net cash flows from investing activities	186,354	(302,761)	(206,508)
Cash Flows from Financing Activities			
Cash provided from (applied to):			
Dividends paid	(7,500)	-	-
Lease payments	(1,490)	(1,155)	(2,941)
Net cash flows from financing activities	(8,990)	(1,155)	(2,941)
Net increase in cash and cash equivalents	(58,588)	61,590	205,652
Add cash and cash equivalents at beginning of the period	438,240	232,588	232,588
Cash and cash equivalents at end of period	379,652	294,178	438,240
Reconciliation of cash and cash equivalents to the statement of financial position			
Cash and cash at bank	20,738	21,293	24,247
Balances with Reserve Bank	358,914	272,885	413,993
Total cash and cash equivalents at end of period	379,652	294,178	438,240

These financial statements are to be read in conjunction with the notes on pages 9 - 31.

1. Statement of Accounting Policies

(a) Basis of Preparation

The Financial Statements of the Bank incorporated in this Disclosure Statement have been prepared in accordance with the requirements of NZ IAS 34 Interim Financial Reporting and should be read in conjunction with the 31 March 2021 Annual Report. The Bank's Financial Statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), as appropriate for profit-oriented entities.

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

(b) Changes in Accounting policies

The accounting policies applied in the preparation of the interim financial statements are consistent with those of the Bank's annual financial statements for the year ended 31 March 2021. The impact of the Coronavirus pandemic ("COVID-19") was assessed during the preparation of these financial statements, including whether there were any indicators affecting the Bank's ability to operate as a going concern. No indicators were identified, and the Bank remains a going concern.

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

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

The impact of COVID-19 still remains uncertain and poses significant downside risks to the economy. This uncertainty is incorporated in the Bank's assessment of expected credit losses from its credit portfolio which are subject to a number of management judgements and estimates. The Bank's accounting policy for the recognition and measurement of the allowance for expected credit loss ("ECL") is set out in note 16. Credit Risk Management and Asset Quality of the Bank's annual financial statements for the year ended 31 March 2021.

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

	Sep 2021	Sep 2020	Mar 2021
	\$m	\$m	\$m
Collectively assessed	30.7	37.4	37.0
Individually assessed	6.4	9.1	7.3
Total	37.1	46.5	44.3

Individually assessed

For the half year ended 30 September 2021, the individually assessed allowance for expected credit loss decreased by \$0.9m. In estimating individually assessed ECL for Stage 3 exposures, the Bank makes judgements and assumptions in relation to:

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

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

Collectively assessed

For the half year ended 30 September 2021, the collectively assessed allowance for expected credit loss decreased by \$6.3m.

In estimating collectively assessed ECL, the Bank makes judgements and assumptions in relation to:

- the development of a modelling methodology, noting that the modelling of the Bank's ECL estimates is complex; and
- the selection of inputs for those models, and the interdependencies between those inputs.

There is uncertainty around the impact of COVID-19 on the New Zealand economy and how consumers, businesses and the government will respond. This uncertainty is incorporated in the Bank's assessment of expected losses from its credit portfolio which are subject to a number of management judgements and estimates.

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

1. Statement of Accounting Policies

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

Collectively assessed (continued)

Judgement/Assumption	Description	Changes and considerations during the half year ended 30 September 2021
Determining when a significant increase in credit risk ("SICR") has occurred	In measuring ECL, judgement is required when setting the rules and trigger points used to determine when a SICR has occurred since the initial recognition of a loan. This is important in that it results in the financial asset moving from 'stage 1' to 'stage 2', and results in an increase in the ECL from an allowance based on the probability of default in the next 12 months, to an allowance for lifetime expected credit losses. Decrease in credit risk as a result of transitioning from stage 2 back to stage 1 can also result in a significant change to the ECL allowance. These examples highlight the importance and potential impact that setting these trigger points can have on the ECL allowance.	Impact of COVID-19 restrictions on SICR: In response to COVID-19, New Zealand and other governments around the world have implemented severe travel restrictions on individuals and operational restrictions on businesses. There remains a considerable amount of uncertainty around the medium and long term economic impacts of these restrictions with various sectors of the economy being impacted differently. For its non-residential portfolio, the Bank has reviewed the publicly available information about the potential impact of these restrictions, as well as direct feedback from its customers, to shortlist certain industries that will be the most impacted by the restrictions. It then further divided these industries into two groupings, those industries or components within an industry where a structural shift in the economic prospects have occurred (impacted industries), and those where the impact is deemed to be short-term or still highly uncertain at the time of preparation of this report (watchlist industries). The impacted industries have been deemed to have experienced a SICR event and have been moved into the lifetime credit loss calculation methodology. The Bank will continue to regularly evaluate industry prospects and will make appropriate adjustments to industry classifications as and when deemed appropriate.
Measuring both 12-month and lifetime credit losses	ECL is a function of the probability of default ("PD"), the loss given default ("LGD") and the exposure at default ("EAD"). These are point-in-time measures reflecting the relevant forward looking information determined by management. Judgement is involved in determining which forward-looking information variables are relevant for particular lending portfolios and for determining the sensitivity of the parameters to movements in these forward looking variables.	The Bank has used probability weighted scenarios to determine the expected distribution of credit loss outcomes. The scenarios were developed based on external macroeconomic forecasts, including Treasury and RBNZ forecasts, the Bank's internal modelling and management judgement. A view was taken on the probability of the forecasts eventuating.
Management temporary adjustments	Management temporary adjustments to the ECL allowances are adjustments used when it is deemed that existing inputs, assumptions and model techniques do not capture all the risk factors relevant to our lending portfolios. The use of management temporary adjustments may impact the amount of ECL recognised.	The Bank implemented a temporary model overlay to address some input data and modelling technique shortcomings which rendered the Bank unable to capture all the risk factors relevant to the lending portfolio. As the Bank works to enhance the model and incorporates outstanding risk factors the need for the overlay will be reassessed.

ECL sensitivity analysis

Given the large amount of uncertainty in the current economic environment, expected credit losses should be considered as a best estimate within a range of possible estimates. The Bank has elected to use a 100% base and 0% downside scenario in determining its ECL (30 September 2020: 50%/50%; 31 March 2021: 60%/40%). 100% base scenario was chosen as Management updated economic base scenario using most recent, August 2021, financial and economic forecasts and believes that any further downside impact is adequately captured by the COVID-19 overlays discussed above.

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

	Sep 2021 (unaudited)		Sep 2020 (unaudited)		Mar 2021 (audited)	
	100% base and 0% downside		50% base and 50% downside		60% base and 40% downside	
	Total ECL	Impact	Total ECL	Impact	Total ECL	Impact
	\$m	\$m	\$m	\$m	\$m	\$m
ECL sensitivity - Weightings applied to forecast scenarios						
100% base scenario	30.7	-	29.1	(8.3)	28.8	(8.1)
50% base scenario/50% downside scenario	35.8	5.1	37.4	-	36.9	-
100% downside scenario	40.9	10.2	45.6	8.2	49.0	12.1

1. Statement of Accounting Policies

(d) Standards and amendments issued but not yet effective

International Financial Reporting Standards Interpretations Committee ("IFRIC") final agenda decisions not yet adopted.

In April 2021, IFRIC issued a final agenda decision, Configuration or Customisation Costs in a Cloud Computing Arrangement (*IAS 38 Intangible Assets*). The decision discusses whether configuration or customisation expenditure relating to cloud computing arrangements is able to be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

Definition of configuration and customisation in the agenda decision

- Configuration involves the setting of various flags or switches within the application software, or defining values or parameters, to set up the software's existing code to function in a specified way.
- Customisation involves modifying the software code in the application or writing additional code. Customisation generally changes, or creates additional, functionalities within the software.

The Bank's accounting policy has historically been to capitalise all costs related to cloud computing arrangements as intangible assets in the statement of financial position. The adoption of this agenda decision could result in a reclassification of these intangible assets to either a prepaid asset in the statement of financial position and/or recognition as an expense in the statement of comprehensive income, impacting both the current and/or prior periods presented.

As at 30 September 2021:

- The Bank has not adopted this IFRIC agenda decision. The impact of the change is not reasonably estimable as the Bank has yet to complete its assessment of the impact of the IFRIC agenda decision. The Bank expects to adopt this IFRIC agenda decision in its annual financial statements ending on 31 March 2022.
- A detailed assessment will be performed of all intangible assets relating to cloud computing arrangements. As at 30 September 2021, \$24m of intangible assets have been capitalised on the Statement of Financial Position and will be subject to this assessment.

Notes to the Interim Financial Statements



All in NZD \$000's

2. Net Interest Income

		Sep 2021 6 Months Unaudited	Sep 2020 6 Months Unaudited	Mar 2021 12 Months Audited
Interest income	Financial assets measured at			
Cash and cash equivalents	Amortised cost	297	330	809
Loans and advances to customers ¹	Amortised Cost	98,711	117,613	224,039
Investment securities	FVOCI	14,221	15,973	31,113
Total interest income		113,229	133,916	255,961
Interest expense	Financial liabilities measured at			
Deposits from customers ²	Amortised cost	33,124	65,465	111,337
Wholesale deposits	Amortised cost	131	267	385
Lease liability	Amortised cost	289	312	606
Total interest expense		33,544	66,044	112,328
Net interest income		79,685	67,872	143,633

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

² Includes interest expense on deposits from Toi Foundation (refer to note 18. Related Party Balances for further information).

3. Other Operating Income

	Sep 2021 6 Months Unaudited	Sep 2020 6 Months Unaudited	Mar 2021 12 Months Audited
Fee and commission income			
Account and card services	4,377	4,224	8,605
Foreign exchange services	949	656	1,473
Fund and insurance products distribution	1,811	1,713	3,416
Real estate services	-	315	400
Total fee and commission income	7,137	6,908	13,894
Gains / losses on financial instruments			
Gain / (loss) on derivative financial instruments at fair value	-	65	65
Cumulative gain transferred from fair value reserve	599	744	1,491
Total other gains / losses	599	809	1,556
Other income			
Gain / (loss) on sale of fixed assets	1,825	348	353
Sundry income	1,505	1,019	2,466
Total other operating income	11,066	9,084	18,269

Notes to the Interim Financial Statements



All in NZD \$000's

4. Operating Expenses

	Sep 2021 6 Months Unaudited	Sep 2020 6 Months Unaudited	Mar 2021 12 Months Audited
Fees paid to auditor:			
Audit and review of financial statements ¹	201	247	426
Other assurance services	84	-	18
Other services ²	196	-	89
Total fees paid to auditor	481	247	533
Depreciation	3,174	2,976	6,054
Amortisation of intangible assets	2,673	2,104	4,548
Directors' fees	501	413	828
Personnel	27,643	21,186	45,135
Defined contribution plan	747	886	1,722
Information technology	7,197	6,187	13,704
Premises occupancy	1,413	1,250	2,352
Marketing	4,130	3,189	7,370
Debit / Credit card expenses	4,838	3,839	8,042
Others ³	10,715	6,556	14,187
Total operating expenses	63,512	48,833	104,475

¹ The audit fee includes the audit fees for both the annual audit of the financial statements and the review of the interim financial statements.

² Other services include regulatory advisory and IT risk assessment services.

³ Others include the provision of \$4.3m accrued for the Credit Contracts and Consumer Finance Act (refer to note 11. Risk Management for further information).

5. Loans and Advances to Customers

	Note	Sep 2021 6 Months Unaudited	Sep 2020 6 Months Unaudited	Mar 2021 12 Months Audited
Residential	12(a)	5,757,001	5,269,162	5,481,169
Commercial ¹		530,609	548,119	536,063
Agricultural		291,907	322,689	316,367
Personal ²		23,115	35,908	27,602
Others ³		18,040	16,891	16,791
Total gross loans and advances to customers		6,620,672	6,192,769	6,377,992
Less provision for doubtful debts	12(a)	(33,976)	(46,479)	(44,273)
Total loans and advances to customers		6,586,696	6,146,290	6,333,719

¹ Commercial includes a loan to Toi Foundation Holdings Limited (refer to note 18. Related Party Balances for more information).

² Personal is inclusive of other retail lending and credit card balances.

³ Others include lending accruals and deferred acquisition costs.

Notes to the Interim Financial Statements



All in NZD \$000's

6. Investment Securities

	Sep 2021 6 Months Unaudited	Sep 2020 6 Months Unaudited	Mar 2021 12 Months Audited
Local authority securities	190,565	116,605	197,827
Government securities and Government-guaranteed securities	390,111	542,580	506,637
Registered bank securities	401,107	509,672	396,864
Multilateral development banks and other international organisations	420,402	489,890	511,955
Other investments*	316,226	400,793	325,491
Total investment securities	1,718,411	2,059,540	1,938,774

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

7. Deposits

	Sep 2021 6 Months Unaudited	Sep 2020 6 Months Unaudited	Mar 2021 12 Months Audited
Retail term deposits	3,301,953	3,951,276	3,634,927
On call deposits bearing interest	3,897,103	3,249,581	3,645,708
On call deposits not bearing interest	734,803	549,951	682,890
Wholesale deposits bearing interest	54,955	34,976	34,980
Total deposits	7,988,814	7,785,784	7,998,505

Concentrations of funding

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

Taranaki	3,675,118	3,500,106	3,610,154
Rest of New Zealand	4,117,306	4,075,715	4,176,488
Outside New Zealand	196,390	209,963	211,863
Total funding by geographic region	7,988,814	7,785,784	7,998,505
Government and public authorities	5,996	26,204	26,485
Finance (wholesale deposits)	54,955	34,976	34,980
Households	7,723,252	7,562,863	7,743,562
Community	74,522	58,629	72,670
Commercial	130,089	103,112	120,808
Total funding by industry sector	7,988,814	7,785,784	7,998,505

8. Other Liabilities

	Sep 2021 6 Months Unaudited	Sep 2020 6 Months Unaudited	Mar 2021 12 Months Audited
Employee entitlements	5,604	5,772	7,355
Trade and other payables	18,330	28,363	29,499
Lease liabilities	15,699	16,387	15,334
Other non-financial liabilities	2,000	238	-
Other provisions*	7,382	-	-
Total other liabilities	49,015	50,760	52,188

* Included are \$3.1m of provision for the loss allowance on undrawn commitment which can be separately identified from the financial instrument component (refer to note 12. Credit Risk Management and Asset Quality for further information) and \$4.3m provisioned for the Credit Contracts and Consumer Finance Act (refer to note 11. Risk Management for further information).

All creditors and depositors are ranked equally.

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All in NZD \$000's

9. Fair Value of Financial Instruments

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

As at 30 September 2021 (unaudited)	Note	At amortised cost	At FVTOCI	AT FVTPL	Fair value - hedging instruments	Total carrying amount	Fair value
Financial assets:							
Cash and cash equivalents		379,652	-	-	-	379,652	379,652
Derivative financial instruments		-	-	-	21,052	21,052	21,052
Investment securities	6	-	1,718,411	-	-	1,718,411	1,718,411
Loans and advances to customers	5	6,586,696	-	-	-	6,586,696	6,560,333
Other assets		4,759	-	-	-	4,759	4,759
Total financial assets		6,971,107	1,718,411	-	21,052	8,710,570	8,684,207
Financial liabilities:							
Deposits	7	7,988,814	-	-	-	7,988,814	8,001,188
Derivative financial instruments		-	-	-	5,193	5,193	5,193
Other liabilities		47,015	-	-	-	47,015	47,015
Total financial liabilities		8,035,829	-	-	5,193	8,041,022	8,053,396
As at 30 September 2020 (unaudited)							
Financial assets:							
Cash and cash equivalents		294,178	-	-	-	294,178	294,178
Derivative financial instruments		-	-	-	16,164	16,164	16,164
Investment securities	6	-	2,059,540	-	-	2,059,540	2,059,540
Loans and advances to customers	5	6,146,290	-	-	-	6,146,290	6,190,160
Other assets		2,657	-	-	-	2,657	2,657
Total financial assets		6,443,125	2,059,540	-	16,164	8,518,829	8,562,699
Financial liabilities:							
Deposits	7	7,785,784	-	-	-	7,785,784	7,822,436
Derivative financial instruments		-	-	-	19,216	19,216	19,216
Other liabilities		50,522	-	-	-	50,522	50,522
Total financial liabilities		7,836,306	-	-	19,216	7,855,522	7,892,174
As at 31 March 2021 (audited)							
Financial assets:							
Cash and cash equivalents		438,240	-	-	-	438,240	438,240
Derivative financial instruments		-	-	-	10,724	10,724	10,724
Investment securities	6	-	1,938,774	-	-	1,938,774	1,938,774
Loans and advances to customers	5	6,333,719	-	-	-	6,333,719	6,360,894
Other assets		2,236	-	-	-	2,236	2,236
Total financial assets		6,774,195	1,938,774	-	10,724	8,723,693	8,750,868
Financial liabilities:							
Deposits	7	7,998,505	-	-	-	7,998,505	8,024,014
Derivative financial instruments		-	-	-	9,605	9,605	9,605
Other liabilities		52,188	-	-	-	52,188	52,188
Total financial liabilities		8,050,693	-	-	9,605	8,060,298	8,085,807

Abbreviations used

FVTOCI: Fair value through other comprehensive income

FVTPL: Fair value through profit or loss

Notes to the Interim Financial Statements



All in NZD \$000's

9. Fair Value of Financial Instruments (continued)

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

As at 30 September 2021 (unaudited)	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments	-	21,052	-	21,052
Investment securities*	171,185	1,547,226	-	1,718,411
Total financial assets measured at fair value	171,185	1,568,278	-	1,739,463
Financial liabilities:				
Derivative financial instruments	-	5,193	-	5,193
Total financial liabilities measured at fair value	-	5,193	-	5,193
As at 30 September 2020 (unaudited)				
Financial assets:				
Derivative financial instruments	-	16,164	-	16,164
Investment securities*	129,037	1,930,503	-	2,059,540
Total financial assets measured at fair value	129,037	1,946,667	-	2,075,704
Financial liabilities:				
Derivative financial instruments	-	19,216	-	19,216
Total financial liabilities measured at fair value	-	19,216	-	19,216
As at 31 March 2021 (audited)				
Financial assets:				
Derivative financial instruments	-	10,724	-	10,724
Investment securities*	166,308	1,772,466	-	1,938,774
Total financial assets measured at fair value	166,308	1,783,190	-	1,949,498
Financial liabilities:				
Derivative financial instruments	-	9,605	-	9,605
Total financial liabilities measured at fair value	-	9,605	-	9,605

* Included in Level 1 are New Zealand Government securities which have been reclassified from Level 2 to Level 1. The reclassification has been retrospectively applied and the prior year comparatives have been restated accordingly.

10. Share Capital, Retained Earnings and Dividend Paid

All ordinary shares have equal voting rights and share equally in dividends and assets on winding up. All shares are held by the Toi Foundation through the Trust's fully owned subsidiary, Toi Foundation Holdings Limited.

	Sep 2021 6 Months Unaudited	Sep 2020 6 Months Unaudited	Mar 2021 12 Months Audited
Share capital:			
Issued and fully paid up capital:			
20,000,000 ordinary shares	10,000	10,000	10,000
Total share capital	10,000	10,000	10,000
Retained earnings:			
Opening balance	703,290	660,397	660,397
Net profit after taxation ("NPAT")	24,750	20,874	42,893
Retained earnings after NPAT	728,040	681,271	703,290
Dividends	(7,500)	-	-
Retained earnings at end of period	720,540	681,271	703,290
	Sep 2021 Unaudited	Sep 2020 Unaudited	31 Mar 2021 Audited
Dividends:	\$000	\$ per share	\$000
Paid to Toi Foundation Holdings Limited*	7,500	0.375	-
Total	7,500	0.375	-

* In April 2020, RBNZ imposed restrictions on making distributions of dividends on ordinary shares and the redemption on non-Common Equity Tier 1 ("CET1") capital instruments for all locally incorporated banks in New Zealand. The restrictions have been eased in April 2021 and RBNZ amended the Bank's Conditions of Registrations allowing distributions up to 50% of the Bank's most recently completed financial year's NPAT.

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All in NZD \$000's

11. Risk Management

The Board of Directors has overall responsibility for ensuring that management establishes a framework for assessing the various risks and sets up a method for monitoring compliance with internal risk management policies. The Bank is committed to the appropriate management of all risks arising from its activities, in accordance with the stated risk appetite approved by the Board of Directors.

Whilst there have been no material changes to the risk management policies or material exposures to any new types of risk since publication of the previous Disclosure Statement, the Bank has identified a need for improved risk management policies and processes, including the control environment, monitoring, and assurance around material risks. While the risk environment matures there is a higher degree of uncertainty regarding any unknown risks than would be the case in a fully mature risk environment. The Bank is committed to taking appropriate steps to mature the risk environment as soon as practicable.

As part of risk strengthening the Bank has continued to focus on key areas of regulatory compliance. In that regard, the Bank has continued to undertake a review of the Credit Contracts and Consumer Finance Act 2003 ("CCCFA") in so far as it relates to Bank products and services. A broad programme of work is underway, including readying the Bank to meet the changes that take effect on 1 December 2021. This CCCFA review will continue into 2022. Where this review has identified any areas that may give rise to loss or liability, and where that can be reliably estimated, the Bank has provisioned for those. The final outcomes and total costs, losses or liabilities that could be associated with this review are complex to ascertain and will be subject to further work and consideration.

The ongoing economic effects, supply chain disruption and COVID-19 related lockdowns have continued to create a challenge to the Bank's operating environment as well as for our customers, and additionally created constraints in attracting and retaining the necessary specialist and skilled workforce.

12. Credit Risk Management and Asset Quality

(a) Asset Quality

Movements in credit impairment allowances - total

	Stage 1 Collectively assessed 12 month ECL	Stage 2 Collectively assessed Lifetime ECL	Stage 3 Collectively assessed Lifetime ECL	Stage 3 Individually assessed Lifetime ECL	Total provision
Net loans and advances to customers					
Balance as at 1 April 2021	23,493	7,495	1,382	7,330	39,700
Transfers between stages	5,692	(5,332)	(250)	(110)	-
Charged / (credited) to profit or loss	(3,967)	(769)	(245)	(822)	(5,803)
Amounts written off	19	-	52	12	83
Recovery	(1)	(3)	-	-	(4)
Balance as at 30 September 2021	25,236	1,391	939	6,410	33,976
Off-balance sheet credit related commitments - total					
Balance as at 1 April 2021	4,001	571	-	-	4,572
Transfers between stages	300	(300)	-	-	-
Charged / (credited) to profit or loss	(1,362)	(128)	-	-	(1,490)
Amounts written off	-	-	-	-	-
Recovery	-	-	-	-	-
Balance as at 30 September 2021	2,939	143	-	-	3,082

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

Gross loans and advances to customers					
Balance as at 1 April 2021	5,791,577	557,753	5,131	23,531	6,377,992
Transfers between stages	409,850	(414,431)	6,938	(2,357)	-
Additions	1,047,249	9,145	199	-	1,056,593
Deletions and repayments	(724,125)	(77,790)	(8,305)	(3,606)	(813,826)
Amounts (written off) / recovered	(20)	(3)	(52)	(12)	(87)
Balance as at 30 September 2021	6,524,531	74,674	3,911	17,556	6,620,672
Off-balance sheet credit related commitments - total					
Balance as at 1 April 2021	832,396	27,707	98	741	860,942
Transfers between stages	(18,780)	18,788	(8)	-	-
Additions	228,509	124	15	2,043	230,691
Deletions and repayments	(130,118)	(40,202)	(13)	-	(170,333)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 30 September 2021	912,007	6,417	92	2,784	921,300

Notes to the Interim Financial Statements



All in NZD \$000's

12. Credit Risk Management and Asset Quality (continued)

(a) Asset Quality (continued)

The following explains how significant changes in the gross carrying amount of financial assets during the year have contributed to the changes in the provision for credit impairment.

The overall change in the provision for credit impairment for the half year was a decrease of \$7.21m. The main drivers of the provision decrease were update to management overlays associated with long to medium term impact of COVID-19 on the retail lending portfolio, and update to the model factors based on most recent economic forecasts, these were partially offset by lending growth in the Residential Mortgage segment. The provision reduction includes a \$2.14m increase in Agricultural portfolio provision that was offset by a \$4.69m provision decrease in the Residential Mortgages portfolio, a \$2.40m provision decrease in the Commercial portfolio, and a \$1.35m decrease in provision for loans in the Unsecured Lending portfolio.

Updated management assumptions that reflect the changing nature of the underlying portfolio and their relationship to external factors also impacted the total value of provisions held across the entire lending book.

Detailed information regarding the changes are as follows:

- Collective Provision 12 month ECL (Stage 1) increased by \$0.68m due to a combination of lending book growth and changes to the composition of the portfolio.
- Collective Provision Lifetime ECL not credit impaired (Stage 2) decreased by \$6.53m. This was primarily due to a \$5.81m collective provision decrease in the Residential Lending portfolio as portfolio performance remained resilient despite expiry of customer's banking COVID-19 assistance packages, and a \$0.72m Collective Provision decrease across other portfolios driven by a combination of updates to the ECL model factors, economic forecasts and portfolio performance.
- Collective Provision Lifetime ECL credit impaired (Stage 3) decreased by \$0.44m, driven by portfolio performance.
- Specific Provision Lifetime ECL credit impairment decreased by \$0.92m driven by a decrease in balances of \$5.98m and successful management of customer positions.
- Refer to note 1.(c) for information on ECL sensitivity analysis.

Movements in credit impairment allowances - residential

	Stage 1 Collectively assessed 12 month ECL	Stage 2 Collectively assessed Lifetime ECL	Stage 3 Collectively assessed Lifetime ECL	Stage 3 Individually assessed Lifetime ECL	Total provision
Net loans and advances to customers					
Balance as at 1 April 2021	11,213	5,925	693	764	18,595
Transfers between stages	5,183	(4,831)	(245)	(107)	-
Charged / (credited) to profit or loss	(4,206)	(857)	358	(73)	(4,778)
Amounts written off	16	-	6	12	34
Recovery	-	-	-	-	-
Balance as at 30 September 2021	12,206	237	812	596	13,851
Off-balance sheet credit related commitments					
Balance as at 1 April 2021	896	120	-	-	1,016
Transfers between stages	113	(113)	-	-	-
Charged / (credited) to profit or loss	(102)	(7)	-	-	(109)
Amounts written off	-	-	-	-	-
Recovery	-	-	-	-	-
Balance as at 30 September 2021	907	-	-	-	907

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

	Stage 1 Collectively assessed 12 month ECL	Stage 2 Collectively assessed Lifetime ECL	Stage 3 Collectively assessed Lifetime ECL	Stage 3 Individually assessed Lifetime ECL	Total provision
Gross loans and advances to customers					
Balance as at 1 April 2021	4,962,768	502,555	3,134	12,712	5,481,169
Transfers between stages	400,033	(404,671)	6,926	(2,288)	-
Additions	956,042	187	162	-	956,391
Deletions and repayments	(605,549)	(67,497)	(6,463)	(1,016)	(680,525)
Amounts (written off) / recovered	(16)	-	(6)	(12)	(34)
Balance as at 30 September 2021	5,713,278	30,574	3,753	9,396	5,757,001
Off-balance sheet credit related commitments					
Balance as at 1 April 2021	531,068	13,306	-	-	544,374
Transfers between stages	(12,382)	12,390	(8)	-	-
Additions	172,116	-	15	434	172,565
Deletions and repayments	(126,382)	(25,517)	-	-	(151,899)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 30 September 2021	564,420	179	7	434	565,040

Notes to the Interim Financial Statements



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12. Credit Risk Management and Asset Quality (continued)

(a) Asset Quality (continued)

Movements in credit impairment allowances - commercial

	Stage 1 Collectively assessed 12 month ECL	Stage 2 Collectively assessed Lifetime ECL	Stage 3 Collectively assessed Lifetime ECL	Stage 3 Individually assessed Lifetime ECL	Total provision
Net loans and advances to customers					
Balance as at 1 April 2021	9,110	690	1	6,566	16,367
Transfers between stages	531	(528)	-	(3)	-
Charged / (credited) to profit or loss	(1,868)	(50)	(1)	(749)	(2,668)
Amounts written off	-	-	-	-	-
Recovery	-	-	-	-	-
Balance as at 30 September 2021	7,773	112	-	5,814	13,699
Off-balance sheet credit related commitments					
Balance as at 1 April 2021	1,172	391	-	-	1,563
Transfers between stages	184	(184)	-	-	-
Charged / (credited) to profit or loss	(395)	(93)	-	-	(488)
Amounts written off	-	-	-	-	-
Recovery	-	-	-	-	-
Balance as at 30 September 2021	961	114	-	-	1,075

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

Gross loans and advances to customers

Balance as at 1 April 2021	505,177	20,065	2	10,819	536,063
Transfers between stages	14,969	(14,900)	-	(69)	-
Additions	66,736	-	-	-	66,736
Deletions and repayments	(68,692)	(906)	(2)	(2,590)	(72,190)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 30 September 2021	518,190	4,259	-	8,160	530,609
Off-balance sheet credit related commitments					
Balance as at 1 April 2021	189,043	13,334	3	741	203,121
Transfers between stages	(6,339)	6,339	-	-	-
Additions	55,473	-	-	1,609	57,082
Deletions and repayments	-	(14,431)	(3)	-	(14,434)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 30 September 2021	238,177	5,242	-	2,350	245,769

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12. Credit Risk Management and Asset Quality (continued)

(a) Asset Quality (continued)

Movements in credit impairment allowances - agricultural

	Stage 1 Collectively assessed 12 month ECL	Stage 2 Collectively assessed Lifetime ECL	Stage 3 Collectively assessed Lifetime ECL	Stage 3 Individually assessed Lifetime ECL	Total provision
Net loans and advances to customers					
Balance as at 1 April 2021	2,505	820	564	-	3,889
Transfers between stages	(31)	31	-	-	-
Charged / (credited) to profit or loss	2,471	167	(564)	-	2,074
Amounts written off	-	-	-	-	-
Recovery	-	-	-	-	-
Balance as at 30 September 2021	4,945	1,018	-	-	5,963
Off-balance sheet credit related commitments					
Balance as at 1 April 2021	86	3	-	-	89
Transfers between stages	-	-	-	-	-
Charged / (credited) to profit or loss	63	3	-	-	66
Amounts written off	-	-	-	-	-
Recovery	-	-	-	-	-
Balance as at 30 September 2021	149	6	-	-	155

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

Gross loans and advances to customers

Balance as at 1 April 2021	280,323	34,204	1,840	-	316,367
Transfers between stages	(5,324)	5,324	-	-	-
Additions	22,952	8,929	-	-	31,881
Deletions and repayments	(45,227)	(9,274)	(1,840)	-	(56,341)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 30 September 2021	252,724	39,183	-	-	291,907
Off-balance sheet credit related commitments					
Balance as at 1 April 2021	12,471	108	-	-	12,579
Transfers between stages	(5)	5	-	-	-
Additions	898	124	-	-	1,022
Deletions and repayments	(3,257)	-	-	-	(3,257)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 30 September 2021	10,107	237	-	-	10,344

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12. Credit Risk Management and Asset Quality (continued)

(a) Asset Quality (continued)

Movements in credit impairment allowances - other

	Stage 1 Collectively assessed 12 month ECL	Stage 2 Collectively assessed Lifetime ECL	Stage 3 Collectively assessed Lifetime ECL	Stage 3 Individually assessed Lifetime ECL	Total provision
Net loans and advances to customers					
Balance as at 1 April 2021	665	60	124	-	849
Transfers between stages	9	(4)	(5)	-	-
Charged / (credited) to profit or loss	(364)	(29)	(38)	-	(431)
Amounts written off	3	-	46	-	49
Recovery	(1)	(3)	-	-	(4)
Balance as at 30 September 2021	312	24	127	-	463
Off-balance sheet credit related commitments					
Balance as at 1 April 2021	1,847	57	-	-	1,904
Transfers between stages	3	(3)	-	-	-
Charged / (credited) to profit or loss	(928)	(31)	-	-	(959)
Amounts written off	-	-	-	-	-
Recovery	-	-	-	-	-
Balance as at 30 September 2021	922	23	-	-	945

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

Gross loans and advances to customers

Balance as at 1 April 2021	43,309	929	155	-	44,393
Transfers between stages	172	(184)	12	-	-
Additions	1,519	29	37	-	1,585
Deletions and repayments	(4,657)	(113)	-	-	(4,770)
Amounts (written off) / recovered	(4)	(3)	(46)	-	(53)
Balance as at 30 September 2021	40,339	658	158	-	41,155
Off-balance sheet credit related commitments					
Balance as at 1 April 2021	99,814	959	95	-	100,868
Transfers between stages	(54)	54	-	-	-
Additions	22	-	-	-	22
Deletions and repayments	(479)	(254)	(10)	-	(743)
Amounts (written off) / recovered	-	-	-	-	-
Balance as at 30 September 2021	99,303	759	85	-	100,147

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12. Credit Risk Management and Asset Quality (continued)

(a) Asset Quality (continued)

Impairment losses recognised in profit or loss

	Sep 2021 6 Months Unaudited	Sep 2020 6 Months Unaudited	Mar 2021 12 Months Audited
Individual impairment expenses	78	382	1,254
Movement in specific provision	(920)	(548)	(2,293)
Movement in collective provision	(6,294)	(702)	(1,163)
Impairment losses – loans and advances	(7,136)	(868)	(2,202)

(b) Past due assets and other asset quality information

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

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

As at 30 September 2021 (unaudited)	Note	Residential mortgage loans	Commercial exposures	Agricultural exposures	Other exposures	Total credit exposures
Neither past due or impaired		5,718,553	512,744	285,835	40,341	6,557,473
Past due assets not impaired:						
Less than 30 days		23,635	9,767	5	116	33,523
30 to 59 days		2,560	37	6,029	483	9,109
60 to 89 days		773	-	-	85	858
90 days and over		2,200	-	-	130	2,330
Balance of past due but not impaired assets at end of period		29,168	9,804	6,034	814	45,820
Movements in individually impaired assets:						
Balance at beginning of period		12,594	10,718	-	-	23,312
Additions		5,714	-	-	-	5,714
Amounts written off / loans closed out		(3,551)	-	-	-	(3,551)
Transfer back to loans and advances to customers		(5,477)	(2,657)	38	-	(8,096)
Balance of impaired assets at end of period		9,280	8,061	38	-	17,379
Total gross loans and advances to customers	5	5,757,001	530,609	291,907	41,155	6,620,672
Less provision for doubtful debts	12(a)	13,851	13,699	5,963	463	33,976
Total loans and advances to customers		5,743,150	516,910	285,944	40,692	6,586,696

Undrawn balances on lending commitments to counterparties

Undrawn balances on lending commitments to counterparties for whom drawn balances are classified as individually impaired total \$2,773k at reporting date (30 September 2020: \$924k; 31 March 2021: \$733k).

Other assets under administration

The Bank does not have any assets under administration (30 September 2020: \$195k; 31 March 2021: \$nil).

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All in NZD \$000's

12. Credit Risk Management and Asset Quality (continued)

(c) Concentrations of credit exposures

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

	Note	Sep 2021 6 Months Unaudited	Sep 2020 6 Months Unaudited	Mar 2021 12 Months Audited
(i) On and off- balance sheet				
On balance sheet:				
Cash and cash equivalents		379,652	294,178	438,240
Investment securities	6	1,718,411	2,059,540	1,938,774
Loans and advances to customers	5	6,586,696	6,146,290	6,333,719
Off balance sheet:				
Lending commitments*	17	918,218	800,678	860,942
Total Credit Exposures		9,602,977	9,300,686	9,571,675

* Excludes market-related contracts.

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

(ii) Concentration of credit exposure by geographic region

	Note	Cash and cash equivalent	Investment securities	Loans and advances to customers	Lending commitments	Total credit exposure
As at 30 September 2021 (unaudited)						
New Zealand total		379,652	1,169,069	6,620,672	921,300	9,090,693
Outside New Zealand		-	549,342	-	-	549,342
Provision for impairment	12(a)	-	-	(33,976)	(3,082)	(37,058)
Total credit exposure		379,652	1,718,411	6,586,696	918,218	9,602,977
As at 30 September 2020 (unaudited)						
New Zealand total		294,178	1,439,894	6,192,769	800,678	8,727,519
Outside New Zealand		-	619,646	-	-	619,646
Provision for impairment		-	-	(46,479)	-	(46,479)
Total credit exposure		294,178	2,059,540	6,146,290	800,678	9,300,686
As at 31 March 2021 (audited)						
New Zealand total		438,240	1,289,407	6,377,992	860,942	8,966,581
Outside New Zealand		-	649,367	-	-	649,367
Provision for impairment		-	-	(44,273)	-	(44,273)
Total credit exposure		438,240	1,938,774	6,333,719	860,942	9,571,675

(iii) Concentration of credit exposure by industry sector

	Note	Sep 2021 6 Months Unaudited	Sep 2020 6 Months Unaudited	Mar 2021 12 Months Audited
Cash on hand		20,738	21,293	24,247
Local government lending and investments		258,378	183,291	247,827
New Zealand registered banks		401,107	509,672	396,864
Multilateral development banks and other international institutions		420,402	489,890	511,955
Other financial institutions		209,428	234,945	210,841
Sovereigns and Central Bank		749,025	815,465	920,631
Utilities		106,798	165,847	114,650
Agricultural lending		302,251	347,868	328,945
Residential lending		6,322,041	5,778,864	6,025,544
Personal and other lending		143,545	145,577	147,886
Community lending		-	5,249	-
Commercial lending		706,322	649,204	686,558
Provision for impairment loss *		(37,058)	(46,479)	(44,273)
Total credit exposure		9,602,977	9,300,686	9,571,675

* Includes the loss allowance for credit related commitments.

Notes to the Interim Financial Statements



All in NZD \$000's

12. Credit Risk Management and Asset Quality (continued)

(d) Concentration of credit exposures to individual counterparties

The following disclosures show the number of individual counterparties or groups of closely related counterparties where the period end and peak end-of-day credit exposures equalled or exceeded 10% of the Bank's Common Equity Tier 1 ("CET1") capital as at balance date (excluding exposures to connected persons, central government of any country with a long-term credit rating of A- or A3 or above, or its equivalent, and any supranational or quasi-sovereign agency with a long-term credit rating of A- or A3 or above, or its equivalent). The peak aggregate end of day credit exposure is the largest daily actual credit exposure for the most recent quarter. Credit exposures disclosed are based on actual exposures. The credit rating is applicable to an entity's long term senior unsecured obligations payable in New Zealand, in New Zealand dollars.

% of CET1	Number of bank counterparties			Number of non bank counterparties		
	"A" Rated	"B" Rated	Total	"A" Rated	"B" Rated	Total
As at 30 September 2021						
10% - 15%	4	-	4	-	-	-
15% - 20%	-	-	-	2	-	2
Total	4	-	4	2	-	2
Peak exposure						
10% - 15%	3	-	3	-	-	-
15% - 20%	1	-	1	2	-	2
Total	4	-	4	2	-	2
As at 30 September 2020						
10% - 15%	4	-	4	2	-	2
15% - 20%	1	-	1	2	-	2
Total	5	-	5	4	-	4
Peak exposure						
10% - 15%	4	-	4	2	-	2
15% - 20%	1	-	1	2	-	2
Total	5	-	5	4	-	4
As at 31 March 2021						
10% - 15%	3	-	3	2	-	2
15% - 20%	-	-	-	1	-	1
Total	3	-	3	3	-	3
Peak exposure						
10% - 15%	2	-	2	1	-	1
15% - 20%	1	-	1	3	-	3
Total	3	-	3	4	-	4

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

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

Notes to the Interim Financial Statements



All in NZD \$000's

12. Credit Risk Management and Asset Quality (continued)

(e) Maximum exposure to credit risk

The Bank does not have any material exposures on which balances have been netted. As such, the carrying amount of loans and advances (gross of provisions), investment securities, plus commitments are as set out in note 17. Credit Related Commitments and Contingent Liabilities represent the Bank's maximum exposure to credit risk for on and off-balance sheet financial instruments.

13. Market Risk Management

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

Interest rate repricing schedule

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

As at 30 September 2021 (unaudited)	0-3 Months	3-6 Months	6-12 Months	1-2 Years	Over 2 Years	Non-Interest sensitive	Total
Assets							
Cash and cash equivalents	358,915	-	-	-	-	20,737	379,652
Derivative financial instruments	-	-	-	-	-	21,052	21,052
Investment securities	514,214	27,897	50,375	240,552	885,373	-	1,718,411
Loans and advances to customers	2,029,970	740,960	1,718,199	1,222,153	891,350	(15,936)	6,586,696
Other financial assets	-	-	-	-	-	4,759	4,759
Total financial assets	2,903,099	768,857	1,768,574	1,462,705	1,776,723	30,612	8,710,570
Liabilities							
Deposits	4,945,617	786,647	1,118,859	269,573	133,315	734,803	7,988,814
Derivative financial instruments	-	-	-	-	-	5,193	5,193
Lease liabilities	557	560	1,132	2,116	11,333	-	15,698
Other financial liabilities *	-	-	-	-	-	31,317	31,317
Total financial liabilities	4,946,174	787,207	1,119,991	271,689	144,648	771,313	8,041,022
Derivative notional principals (net)	1,819,000	(325,000)	(265,000)	(620,000)	(609,000)	-	-
Interest sensitivity gap	(224,075)	(343,350)	383,583	571,016	1,023,075	(740,701)	669,548

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

Notes to the Interim Financial Statements



All in NZD \$000's

14. Liquidity Risk Management

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

(a) Core liquid assets

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

	Sep 2021 6 Months Unaudited	Sep 2020 6 Months Unaudited	Mar 2021 12 Months Audited
Cash and cash equivalents	379,652	294,178	438,240
<i>Liquid investment securities:</i>			
Local authority securities	190,565	116,605	197,827
Government securities	390,111	542,580	506,637
Registered bank securities	401,107	509,672	396,864
Other investments	736,628	890,683	837,446
Total investment securities	1,718,411	2,059,540	1,938,774
Total core liquid assets	2,098,063	2,353,718	2,377,014

(b) Contractual cash flows

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

As at 30 September 2021 (unaudited)	On demand	0-1 Months	1-3 Months	3-12 Months	1-5 Year	Over 5 Years	Total
Liabilities:							
Deposits	4,620,868	400,293	653,606	1,931,278	422,085	-	8,028,130
Lease liabilities	-	234	467	2,103	8,215	10,666	21,685
Other financial liabilities*	(144)	22,482	5,411	1,004	16,344	-	45,097
Total financial liabilities	4,620,724	423,009	659,484	1,934,385	446,644	10,666	8,094,912
Lending commitments (off-balance sheet)	918,218	-	-	-	-	-	918,218

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

(c) Regulatory liquidity ratios

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

	Three month period ending on 30 September 2021 Unaudited	Three month period ending on 30 June 2021 Unaudited
One-week mismatch ratio	14.9%	17.0%
One-month mismatch ratio	20.2%	22.3%
Core funding ratio	118.9%	122.2%

Notes to the Interim Financial Statements



All in NZD \$000's

15. Capital Adequacy

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

The Board of Directors has the 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 RBNZ to reduce the risk of breaching Conditions of Registration. The Bank monitors its Capital Adequacy and reports this on a regular basis to the Board and on a monthly basis to the RBNZ.

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

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

A project established to resolve these issues has identified the scope of the fixes required, however due to the size and complexity involved in implementing these fixes, calculations are yet to be reperformed. The Bank currently holds approximately \$270 million of capital in excess of the minimum capital requirement. The initial assessment of the impact of these corrections will result in an increase to the Bank's minimum capital requirement of up to \$6m.

The Capital Adequacy tables set out on the following pages summarise the composition of regulatory capital and the Capital Adequacy ratios for the Bank for the period ended 30 September 2021.

(a) Capital Adequacy Ratios

	RBNZ Minimum ratio requirement	Sep 2021 Unaudited Basel III	Restated Sep 2020 Unaudited Basel III	Mar 2021 Unaudited Basel III
Common Equity Tier 1 capital ratio	4.50%	14.09%	14.65%	14.47%
Tier 1 capital ratio	6.00%	14.09%	14.65%	14.47%
Total capital ratio	8.00%	14.09%	14.65%	14.47%
Buffer ratio	2.50%	6.09%	6.65%	6.47%

(b) Regulatory Capital

	Sep 2021 6 Months Unaudited	Sep 2020 6 Months Unaudited	Mar 2021 12 Months Audited
Tier 1 capital			
Common Equity Tier 1 ("CET1") capital			
Issued and fully paid up share capital	10,000	10,000	10,000
Retained earnings previously reported	703,290	660,397	660,397
Current period's retained earnings	17,250	20,874	42,893
Fair value reserve	(8,894)	26,996	11,141
Cash flow hedge reserve	12,512	(1,025)	1,233
	734,158	717,242	725,664
Less Deductions from CET1 Capital			
Intangible assets	24,226	18,418	21,938
Cash flow hedge reserve	12,512	(1,025)	1,233
Deferred tax assets	12,948	6,267	9,543
Implicit risk adjustment*	57,000	57,000	57,000
	106,686	80,660	89,714
Total CET 1 capital	627,472	636,582	635,950
Additional Tier 1 ("AT1") Capital	-	-	-
Total Tier 1 capital	627,472	636,582	635,950
Tier 2 capital	-	-	-
Total capital	627,472	636,582	635,950

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

Notes to the Interim Financial Statements



All in NZD \$'000's

15. Capital Adequacy (continued)

(c) Credit risk

(i) On-balance sheet exposures

As at 30 September 2021 (unaudited)	Total exposure	Risk weighting	Risk weighted exposure	Minimum Pillar one capital requirement
Cash	8,435	0%	-	-
Sovereigns & RBNZ	749,025	0%	-	-
Multilateral development banks	420,402	0%	-	-
Multilateral development banks	-	20%	-	-
Public sector entities	190,791	20%	38,158	3,053
Banks	104,961	20%	20,992	1,679
Banks	308,449	50%	154,224	12,338
Corporate	223,520	20%	44,704	3,576
Corporate	47,099	50%	23,549	1,884
Corporate	848,235	100%	848,235	67,859
Residential mortgages not past due:				
Non-property investment <80% LVR*	3,687,457	35%	1,290,611	103,249
Non-property investment 80%<90% LVR*	356,106	50%	178,053	14,244
Non-property investment 90%<100% LVR*	45,898	75%	34,423	2,754
Non-property investment >100% LVR*	989	100%	989	79
Property investment <80% LVR*	1,573,806	40%	629,523	50,362
Property investment 80%<90% LVR*	5,849	70%	4,094	328
Property investment 90%<100% LVR*	641	90%	577	46
Property investment >100% LVR*	151	100%	151	12
Welcome home <80% LVR*	1,664	35%	582	47
Welcome home 80%<90% LVR*	29,846	35%	10,446	836
Welcome home 90%<100% LVR*	25,255	50%	12,627	1,010
Welcome home >100% LVR*	1,113	100%	1,113	89
Reverse mortgages <60% LVR*	8,069	50%	4,035	323
Reverse mortgages 60%<80% LVR*	-	80%	-	-
Reverse mortgages >80% LVR*	-	100%	-	-
Past due residential mortgages*	6,306	100%	6,306	504
Other past due assets	26	100%	26	2
Other past due assets	-	150%	-	-
Other lending	40,666	100%	40,666	3,253
Other assets	37,434	100%	37,434	2,995
Non-risk weighted assets	58,226	0%	-	-
Total on-balance sheet exposures	8,780,419		3,381,518	270,522

* Total exposure of residential mortgages is \$5,743,150.

(ii) Off-balance sheet exposures

As at 30 September 2021 (unaudited)	Exposure after credit risk mitigation	Credit conversion factor	Credit equivalent amount	Average risk weight	Risk weighted exposure	Minimum Pillar one capital requirement
Commitments that can be cancelled unconditionally	97,548	0%	-	N/A	-	-
Commitment with certain drawdown	212,195	100%	212,195	44%	93,639	7,491
Commitment with uncertain drawdown	606,243	50%	303,122	54%	164,221	13,138
Performance related contingency	2,232	50%	1,116	100%	1,116	89
Market related contracts:						
Interest rate contracts*	2,569,000	Various	29,597	40%	11,729	938
Credit valuation adjustment (CVA)	-		-	0%	8,477	678
Total off-balance sheet exposures	3,487,218		546,030		279,182	22,334

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

Notes to the Interim Financial Statements



All in NZD \$000's

15. Capital Adequacy (continued)

(d) Residential mortgages

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

LVR Range as at 30 Sep 2021	On-balance sheet	Off-balance sheet	Total
LVR does not exceed 80%	5,277,056	549,147	5,826,203
LVR exceeds 80% and not 90%	392,048	11,796	403,844
LVR exceed 90%	74,046	3,190	77,236
Total residential mortgages	5,743,150	564,133	6,307,283

(ii) Reconciliation of residential mortgage related amounts

	Note	Sep 2021
Gross residential mortgage loans (on balance sheet exposures)	5, 12(a)	5,757,001
Provision for credit impairment (on balance sheet exposures)	12(a)	(13,851)
Residential mortgage loans net of provision for credit impairment (on balance sheet exposures)	15(d)(i)	5,743,150
Undrawn commitments (off balance sheet exposures)	12(a)	565,040
Provision for credit impairment (off balance sheet exposures)	12(a)	(907)
Residential mortgage loans net of provision for credit impairment (off balance sheet exposures)	15(d)(i)	564,133
Total residential mortgage loans net of provision for credit impairment		6,307,283

(e) Market risk

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

	Implied risk-weighted exposure		Aggregate capital charge	
	End-period	Peak end-of-day	End-period	Peak end-of-day
As at 30 September 2021 (unaudited)				
Interest rate risk	241,884	299,034	19,351	23,923
Foreign currency risk	337	501	27	40

(f) Risk weighted exposure and total capital requirements

	Total Exposure after credit risk mitigation	Risk weighted exposure or Implied RWE	Capital requirement
As at 30 September 2021 (unaudited)			
Total credit risk	9,268,223	3,660,699	292,856
Operational risk	N/A	551,818	44,145
Market risk	N/A	242,221	19,378
Total	9,268,223	4,454,738	356,379

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

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

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

The Bank has made an internal capital allocation of \$55.4m (30 September 2020: \$61.7m; 31 March 2021: \$61.7m) to cover these identified risks.

Notes to the Interim Financial Statements



All in NZD \$000's

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

The Bank has no involvement with any securitisation, custodial, or other fiduciary activities. The Bank does not conduct any insurance business, however general insurance, life insurance, and KiwiSaver products are marketed through the Bank's branch network. These have been provided at arm's length terms and conditions and measured at fair value. The Bank provides no funding to the entities on whose behalf the insurance products are marketed. External third party insurance companies underwrite these. The Bank markets Fisher Funds KiwiSaver products through the Bank's branch network. Refer to note 18. Related Party Balances in regards to the related party loan to Toi Foundation Holdings Limited and commission income from Fisher Funds Management Limited.

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

As at 30 September 2021, the TSB Bank PIE Unit Trust had \$8.3m (30 September 2020: \$10.3m; 31 March 2021: \$9.6m) invested with the Bank.

17. Credit Related Commitments and Contingent Liabilities

	Sep 2021 6 Months Unaudited	Sep 2020 6 Months Unaudited	Mar 2021 12 Months Audited
Lending commitments			
Performance-related contingencies	2,232	2,948	2,626
Undrawn commitments*	915,986	797,730	858,316
Total lending commitments	918,218	800,678	860,942
Other commitments:			
Rental / lease commitments less than one year	6	-	6
Rental / lease commitments greater than one year	14	-	17
Capital commitments	6,931	3,820	7,900
Total other commitments	6,951	3,820	7,923
Total commitments	925,169	804,498	868,865

* Includes \$83.6m (30 September 2020: \$33.7m; 31 March 2021: \$48.2m) related to the facility granted to Toi Foundation Holdings Limited, a related entity.

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

18. Related Party Balances

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

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

Recognised in	Note	Sep 2021 6 Months Unaudited	Sep 2020 6 Months Unaudited	Mar 2021 12 Months Audited
Statement of Financial Position				
Loans to Toi Foundation Holdings Limited	5	-	49,900	35,440
Deposits from Toi Foundation		5,364	26,616	4,916
Deposits from other Toi group entities		11,785	-	6,080
Statement of Changes in Equity				
Dividends paid to Toi Foundation Holdings Limited	10	7,500	-	-
Statement of Profit or Loss				
Interest income received from Toi Foundation Holdings Limited	2	309	789	1,280
Interest expense paid to Toi Foundation	2	22	132	285
Commission income received from Fisher Funds Management Limited		237	376	817

During the reporting period, subvention payments were made to Toi Foundation Holdings Limited of \$0.803m (30 September 2020: \$0.998m), and Toi Foundation Investments Limited of \$0.635m (30 September 2020: \$0.743m). No other material payments were made to related parties.

19. Subsequent Events

Subsequent to 30 September 2021, the Bank's Conditions of Registration were modified by RBNZ. The amendments can be summarised as follows:

Effective 1 October 2021

- RBNZ has revised the Bank's Conditions of Registration to incorporate the adjustments necessary to bring into effect the new Banking Prudential Requirements (BPRs) from 1 October 2021. The new BPRs, which were published on 17 June 2021, reflect the final decisions of the Capital Review.

Effective 1 November 2021

- RBNZ has further restricted the current LVR restrictions to a maximum of 10% of new lending for non property-investment residential mortgage loans with a loan-to-value ratio of more than 80%.

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

Independent Review Report

To the shareholder of TSB Bank Limited

Report on the half year disclosure statement

Conclusion

Based on our review of the interim financial statements and supplementary information of the TSB Bank Limited (the "Registered Bank") on pages 5 to 31, nothing has come to our attention that causes us to believe that:

- i. the interim financial statements do not present fairly in all material respects the Registered Bank's financial position as at 30 September 2021 and its financial performance and cash flows for the 6 month period ended on that date;
- ii. the interim financial statements (excluding the supplementary information disclosed in accordance with Schedules 5, 7, 9, 13, 16 and 18 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order")), have not been prepared, in all material respects, with NZ IAS 34 Interim Financial Reporting ("NZ IAS 34");
- iii. the supplementary information, does not fairly state, in all material respects, the matters to which it relates in accordance with Schedules 5, 7, 9, 13, 16 and 18 of the Order; and
- iv. the supplementary information relating to capital adequacy and regulatory liquidity requirements, has not been prepared, in all material respects, in accordance with the Registered Banks conditions of registration, Capital Adequacy Framework (Standardised Approach) (BS2A) and disclosed in accordance with Schedule 9 of the Order.

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

- the interim financial statements formed of:
 - the statement of financial position as at 30 September 2021;
 - the statements of comprehensive income, changes in equity and cash flows for the 6-month period then ended; and
 - notes, including a summary of significant accounting policies and other explanatory information.
- the supplementary information prescribed in Schedules 5, 7, 9, 13, 16 and 18 of the Order.



Basis for conclusion

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

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

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



Emphasis of Matter – Estimation Uncertainty in the Preparation of the Interim Financial Statements

We draw attention to Note 1(c) Implications of COVID-19 on allowance for expected credit loss (ECL) in the interim financial statements, which describes that there is uncertainty around the impact of COVID-19 on the New Zealand economy and how consumers, businesses and the government will respond. The Registered Bank has incorporated the uncertainty arising from the Coronavirus (COVID-19) pandemic into its allowance for credit losses (ECL). This disclosure highlights the changes and considerations that have impacted on the judgements and assumptions during the six months ended 30 September 2021.

As described in Note 1(c) Implications of COVID-19 on allowance for expected credit loss (ECL), 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.

In our view, this issue is fundamental to the users' understanding of the interim financial statements and the financial position and performance of the Registered Bank.

Our conclusion on the interim financial statements and Registered bank disclosures is not modified in respect of this matter.



Use of this independent review report

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



Responsibilities of the Directors for the half year disclosure statement

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

- the preparation and fair presentation of the half year disclosure statement in accordance with NZ IAS 34 and Schedules 3, 5, 7, 13, 16 and 18 of the Order;

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

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

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

- the interim financial statements do not present fairly in all material respects the Registered Bank's financial position as at 30 September 2021 and its financial performance and cash flows for the 6 month period ended on that date;
- the interim financial statements do not, in all material respects, comply with NZ IAS 34;
- the supplementary information does not, fairly state, in all material respects, the matters to which it relates in accordance with Schedules 5, 7, 13, 16 and 18 of the Order; and
- the supplementary information relating to capital adequacy and regulatory liquidity requirements is not, prepared in all material respects, in accordance with the Registered Banks Conditions of Registration, Capital Adequacy Framework (Standardised Approach) (BS2A) and disclosed in accordance with Schedule 9 of the Order.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on the half year disclosure statement.



KPMG
Wellington
24 November 2021

Directors

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

Executive Management

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

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Auditor

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