ONE STEP › AHEAD

ASB Disclosure Statement and Annual Report

For the year ended 30 June 2026

› asb.co.nz

Contents

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Annual Report

The Directors are pleased to present the Annual Report for ASB Bank Limited for the year ended 30 June 2026.

The shareholder of the Bank has agreed to apply the reporting concessions available under section 211(3) of the Companies Act 1993. Accordingly, there is no information required to be included in the Annual Report other than the financial statements for the year ended 30 June 2026, the independent auditor's report and independent assurance report on those financial statements, which are enclosed.

On behalf of the Board of Directors:

Dame Therese Walsh
Chair

Vittoria Shortt
Managing Director

12 August 2026

Financial Statements

Income Statement

$ millions For the year ended 30 June	Note	2026	2025
Interest income			
Effective interest income		**6,897**	7,703
Other interest income		**30**	36
Interest expense		**3,671**	4,681
Net interest income	2	**3,256**	3,058
Other income	3	**411**	444
Total operating income		**3,667**	3,502
Impairment losses on financial assets	8	**78**	60
Total operating income after impairment losses		**3,589**	3,442
Total operating expenses		**1,649**	1,427
Salaries and other staff expenses		**942**	842
Building occupancy and equipment expenses		**90**	91
Information technology expenses		**326**	276
Other expenses		**291**	218
Net profit before tax		**1,940**	2,015
Tax expense	4	**542**	566
Net profit after tax		**1,398**	1,449

Statement of Comprehensive Income

$ millions For the year ended 30 June	Note	2026	2025
Net profit after tax		**1,398**	1,449
Other comprehensive income, net of tax			
Items that will not be reclassified to the Income Statement:			
Net change in asset revaluation reserve	23	**(1)**	-
Net change in equity compensation reserve		**(2)**	1
		(3)	1
Items that may be reclassified subsequently to the Income Statement:			
Net change in fair value through Other Comprehensive Income reserve	23	**50**	(49)
Net change in cash flow hedge reserve	23	**72**	123
		122	74
Total other comprehensive income, net of tax		**119**	75
Total comprehensive income		**1,517**	1,524

These statements are to be read in conjunction with the notes on pages 7 to 75.

Financial Statements

Statement of Changes in Equity

$ millions	Note	Contributed capital	Reserves	Retained earnings	Total shareholder's equity
For the year ended 30 June 2026					
Balance as at 1 July 2025		**6,873**	**(50)**	**4,669**	**11,492**
Net profit after tax		**-**	**-**	**1,398**	**1,398**
Other comprehensive income		**-**	**119**	**-**	**119**
Total comprehensive income		**-**	**119**	**1,398**	**1,517**
Ordinary dividends paid	22	**-**	**-**	**(375)**	**(375)**
Balance as at 30 June 2026		**6,873**	**69**	**5,692**	**12,634**
For the year ended 30 June 2025					
Balance as at 1 July 2024		6,173	(125)	5,020	11,068
Net profit after tax		-	-	1,449	1,449
Other comprehensive income		-	75	-	75
Total comprehensive income		-	75	1,449	1,524
Share capital issued	21	700	-	-	700
Ordinary dividends paid	22	-	-	(1,800)	(1,800)
Balance as at 30 June 2025		6,873	(50)	4,669	11,492

These statements are to be read in conjunction with the notes on pages 7 to 75.

Financial Statements

Balance Sheet

$ millions As at 30 June	Note	2026	2025
Assets			
Cash and liquid assets	9	**5,176**	5,584
Receivables from financial institutions	10	**416**	578
Securities:			
At fair value through Income Statement	11	**1,161**	1,083
At fair value through Other Comprehensive Income	12	**11,280**	10,483
Derivative assets	13	**2,312**	1,244
Advances to customers	6	**121,574**	114,727
Other assets	18	**541**	510
Property, plant and equipment		**408**	314
Intangible assets	17	**449**	331
Deferred tax assets	4	**260**	310
Total assets		**143,577**	135,164
Total interest earning and discount bearing assets		**139,506**	132,531
Liabilities			
Deposits and other borrowings	14	**97,112**	93,422
Payables to financial institutions	10	**3,341**	1,539
Derivative liabilities	13	**224**	410
Current tax liabilities		**121**	187
Other liabilities	19	**1,013**	1,187
Provisions	20	**277**	188
Debt issues:			
At fair value through Income Statement	15	**1,945**	1,959
At amortised cost	15	**25,860**	23,808
Loan capital	16	**1,050**	972
Total liabilities		**130,943**	123,672
Shareholder's equity			
Contributed capital - ordinary shares	21	**6,873**	6,873
Reserves	23	**69**	(50)
Retained earnings		**5,692**	4,669
Total shareholder's equity		**12,634**	11,492
Total liabilities and shareholder's equity		**143,577**	135,164
Total interest and discount bearing liabilities		**117,456**	111,537

For, and on behalf of, the Board of Directors, who authorised these financial statements for issue on 12 August 2026.

Dame Therese Walsh
Chair of Board

Ross Buckley
Chair of Board Audit Committee

These statements are to be read in conjunction with the notes on pages 7 to 75.

Financial Statements

Cash Flow Statement

$ millions For the year ended 30 June	Note	2026	2025
Cash flows from operating activities			
Net profit before tax		**1,940**	2,015
Reconciliation of net profit before tax to net cash flows from operating activities			
Non-cash items included in net profit before tax:			
Depreciation of property, plant and equipment		**75**	72
Amortisation of intangible assets		**95**	80
Net change in allowance for expected credit loss and bad debts written off		**89**	70
Amortisation of loan establishment fees		**159**	126
Net change in fair value of financial instruments and hedged items		**35**	(15)
Other non-cash items		**203**	160
Net (increase)/decrease in operating assets:			
Net change in reverse repurchase agreements		**(844)**	(323)
Net change in receivables from financial institutions		**185**	52
Net change in securities at fair value through Income Statement		**(41)**	(1,059)
Net change in securities at fair value through Other Comprehensive Income		**(633)**	(390)
Net change in derivative assets		**144**	355
Net change in advances to customers		**(7,056)**	(5,905)
Net change in other assets		**(35)**	36
Net increase/(decrease) in operating liabilities:			
Net change in deposits and other borrowings		**3,551**	962
Net change in payables to financial institutions		**1,726**	119
Net change in derivative liabilities		**67**	(27)
Net change in other liabilities and provisions		**(341)**	(389)
Net tax paid		**(606)**	(562)
Net cash flows from operating activities		**(1,287)**	(4,623)
Cash flows from investing activities			
Cash was applied to:			
Purchase of equity investment		**(1)**	-
Purchase of property, plant and equipment		**(60)**	(38)
Development and purchase of intangible assets		**(253)**	(161)
Total cash outflows applied to investing activities		**(314)**	(199)
Net cash flows from investing activities		**(314)**	(199)
Cash flows from financing activities			
Cash was provided from:			
Issue of debt securities (net of issue costs)	15	**12,376**	12,885
Total cash inflows provided from financing activities		**12,376**	12,885
Cash was applied to:			
Repayment of debt securities	15	**(11,619)**	(7,111)
Payments of the principal portion of lease liabilities		**(33)**	(41)
Ordinary dividends paid	22	**(375)**	(1,100)
Total cash outflows applied to financing activities		**(12,027)**	(8,252)
Net cash flows from financing activities		**349**	4,633
Summary of movements in cash flows			
Net decrease in cash and cash equivalents		**(1,252)**	(189)
Add: cash and cash equivalents at beginning of year		**4,289**	4,478
Cash and cash equivalents at end of year	9	**3,037**	4,289
Additional operating cash flow information			
Interest received as cash		**7,015**	7,758
Interest paid as cash		**(3,820)**	(5,111)

These statements are to be read in conjunction with the notes on pages 7 to 75.

Notes to the Financial Statements

1 General information

These consolidated financial statements for the year ended 30 June 2026 are for the reporting entity ASB Bank Limited (the Bank or ASB) and its subsidiaries (together the Banking Group). The Board of Directors (the Board) approved and authorised the financial statements for issue on 12 August 2026.

ASB is a registered bank and for-profit company, domiciled and incorporated in New Zealand. Its registered office is Level 2, ASB North Wharf, 12 Jellicoe Street, Auckland 1010, New Zealand.

The financial statements together with the other registered bank disclosures, conditions of registration and Directors' statement, comprise ASB's Disclosure Statement for the year ended 30 June 2026.

In accordance with the Financial Markets Conduct Act 2013, the Bank is a climate reporting entity and is required to prepare a climate statement. The Bank's Climate Statement for the year ended 30 June 2026 is scheduled to be published on 12 August 2026 and will be available on the Bank's website asb.co.nz/about-us/sustainability.

Basis of preparation

The Banking Group's financial statements have been prepared in accordance with:

- the Financial Markets Conduct Act 2013;
- the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the Order); and
- New Zealand Generally Accepted Accounting Practice (NZ GAAP).

They comply with:

- New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other New Zealand accounting standards and authoritative notices, as appropriate for for-profit entities; and
- International Financial Reporting Standards Accounting Standards.

Basis of presentation and accounting

The consolidated financial statements are presented in New Zealand dollars, which is the Banking Group's functional and presentation currency. All amounts are presented in millions, unless otherwise stated.

Material accounting policies have been applied on a consistent basis, unless otherwise stated, and are included in the notes to the Financial Statements.

The Cash Flow Statement has been prepared using the indirect method by which net profit before tax is adjusted for non-cash transactions and movements in Balance Sheet accounts relating to operating activities.

The measurement basis adopted is that of historical cost except for certain financial instruments that are measured at fair value, and certain property, plant and equipment that are measured at revalued amounts.

Expenses are recognised in the Income Statement on an accrual basis.

All foreign currency monetary assets and liabilities are converted at the rates of exchange ruling as at balance date. Foreign currency transactions are converted using the exchange rates prevailing at the dates of the transactions. For instruments not subject to hedge accounting, unrealised gains and losses arising from these revaluations and gains and losses arising from foreign exchange dealings are recognised immediately in the Income Statement.

Basis of consolidation

The consolidated financial statements of the Banking Group include the financial statements of the Bank and its subsidiaries. Subsidiaries are entities (including structured entities), over which the Banking Group has control as detailed in note 31.

Changes in comparatives

Comparative information has been restated or reclassified, where appropriate, to ensure consistency with presentation in the current year. All changes are footnoted throughout the financial statements and have no impact on the previously reported Balance Sheet or Income Statement.

Critical accounting estimates and judgements

Preparation of the financial statements requires the use of management judgement in the application of accounting policies, and the use of management estimates and assumptions that affect the amounts reported. These estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Areas that involve significant management judgement and estimation include: the allowance for expected credit loss (ECL), provisions and contingent liabilities. Further information is provided in the notes to the financial statements.

New standards or amendments (effective 1 July 2025)

There were no new standards or amendments adopted during the reporting period that had a material impact on the Banking Group.

Notes to the Financial Statements

1 General information (continued)

New standards or amendments (not yet effective)

The following new standards or amendments to standards relevant to the Banking Group have been issued. Other amendments to existing standards that are not yet effective, are not expected to have a material impact on the Banking Group.

Amendments to the Classification and Measurement of Financial Instruments (Amendments to NZ IFRS 9 and NZ IFRS 7)

Amendments to NZ IFRS 9 and NZ IFRS 7 amend or clarify:

- requirements for derecognition of financial liabilities settled through electronic transfer.
- application guidance for assessing whether cash flows of a financial asset are consistent with those of a basic lending arrangement.
- guidance on financial assets with non-recourse features.
- characteristics of contractually linked instruments.
- disclosure requirements for investments designated as at fair value through Other Comprehensive Income (FVOCI).
- disclosure requirements regarding contractual terms that change the amount or timing of cash flows.

The Banking Group has assessed the impact of the amendments and has determined that they are not expected to have a material impact on the financial statements when applied from 1 July 2026.

NZ IFRS 18 *Presentation and Disclosure in Financial Statements* (NZ IFRS 18)

NZ IFRS 18, which will replace NZ IAS 1 *Presentation of Financial Statements*, introduces new requirements to improve the structure and comparability of financial performance reporting, including: defined categories for income and expenses; new mandatory subtotals; enhanced disclosure of management-defined performance measures; and, additional guidance on the organisation of information within the Financial Statements.

NZ IFRS 18 is effective for the Banking Group for reporting periods beginning on or after 1 July 2027.

Since the prior reporting period, the Banking Group has progressed its assessment of NZ IFRS 18, including initial analysis of income and expense classification, required subtotals, and implications for the presentation and organisation of disclosures. Based on work performed to date, impacts are expected to be limited and primarily relate to changes in the classification and presentation of items within the Income Statement.

The Banking Group continues to evaluate the full impact of adopting NZ IFRS 18.

Notes to the Financial Statements

Our performance

The Banking Group earns its returns from providing a broad range of banking, wealth and insurance products and services to its personal, business and rural customers in New Zealand.

Lending and deposit-taking are the Banking Group's primary business activities with net interest income being the main contributor to the Banking Group's results. Net interest income is derived from the difference between interest earned on lending and investment assets and interest incurred on customer deposits and wholesale debt raised to fund these assets.

The Banking Group also generates income from lending fees and commissions and trading activities. It also incurs costs associated with running the business such as staff, occupancy and technology related expenses.

The following notes provide details of the main contributors to the Banking Group's returns and include an analysis of its financial performance by business segments.

2 Net interest income

$ millions **For the year ended 30 June**	**2026**	2025
Effective interest income		
Effective interest income on financial assets measured at amortised cost		
Cash and liquid assets	**137**	213
Receivables from financial institutions	**22**	29
Advances to customers	**6,398**	6,939
Total effective interest income on financial assets measured at amortised cost	**6,557**	7,181
Effective interest income on Securities at fair value through Other Comprehensive Income	**340**	522
Total effective interest income	**6,897**	7,703
Other interest income		
Interest income on Securities at fair value through Income Statement	**30**	36
Total interest income	**6,927**	7,739
Interest expense		
Deposits and other borrowings	**2,586**	3,439
Payables to financial institutions	**68**	70
Debt issues:		
At fair value through Income Statement	**39**	44
At amortised cost	**912**	1,052
Loan capital	**52**	68
Lease liabilities	**14**	8
Total interest expense	**3,671**	4,681
Net interest income	**3,256**	3,058

Accounting policies

Interest income and interest expense on financial instruments measured at amortised cost and debt financial assets measured at FVOCI, are recognised using the effective interest method. Interest income recognition on these categories of financial assets depends on the ECL stage they are allocated to in accordance with the Banking Group's ECL methodology outlined in note 7. Interest income on financial assets classified within Stage 1 and Stage 2, is recognised by applying the effective interest rate to the gross carrying amount of the assets. Interest income on financial assets classified within Stage 3, is recognised by applying the effective interest rate to the gross carrying amount net of allowance for ECL.

Fees and direct costs relating to loan origination, financing and lending commitments, are deferred and amortised to interest income over the life of the loan using the effective interest method. Facility and lines fees in relation to commitments made under credit facilities where draw down is assessed as probable are considered an integral part of the effective interest rate and recognised in net interest income.

Interest income and expense on financial assets and liabilities that are classified at fair value through Income Statement (FVTIS) (other than derivatives), are accounted for on a contractual rate basis and includes amortisation of premiums/discounts.

Notes to the Financial Statements

3 Other income

$ millions For the year ended 30 June	2026	2025
Lending, commission and other fees	**211**	268
Funds management income	**180**	156
Fee and commission income	**391**	424
Fee and commission expense	**(84)**	(78)
Net fee and commission income	**307**	346
Trading income[1]	**93**	100
Hedge ineffectiveness		
Fair value hedge ineffectiveness:		
Gain/(loss) on hedged items	**(835)**	(1,041)
Gain/(loss) on hedging instruments	**837**	1,041
Cash flow hedge ineffectiveness	**1**	(2)
Total hedge ineffectiveness	**3**	(2)
Other		
Net fair value gain on financial assets at fair value through Income Statement and related derivatives	**8**	-
Net fair value gain on financial liabilities at fair value through Income Statement and related derivatives	**1**	-
Net fair value gain/(loss) on derivatives not qualifying for hedge accounting	**(3)**	2
Other	**2**	(2)
Total other	**8**	-
Total other income	**411**	444

(1) Trading income includes a credit risk adjustment gain of nil (30 June 2025 $4 million gain) on trading derivatives.

Accounting policies

Net fee and commission income

The Banking Group identifies distinct performance obligations within a contract with a customer and allocates the transaction price of the contract to those performance obligations. Revenue is recognised as each performance obligation is satisfied. Variable amounts of revenue are only recognised if it is highly probable that a significant reversal of the variable amount will not be required in future periods. Where the transaction price is received before or after the Banking Group has satisfied the performance obligation, a contract liability or contract asset is recognised as appropriate. A description of significant revenue streams is as follows:

- Lending fees (for example facility fees and commitment fees) not directly related to the origination of a loan are recognised as the performance obligation is met (which is over the period of service).
- Funds management fees are recognised as the performance obligation is met (which is over the period of service), and only recognised when it is probable that the revenue will be received.
- Commission and other fees which relate to specific transactions or events are recognised when the service is provided. Estimated commission income is recognised when the performance obligation is met.

Funds management income, commission and other fees are presented net of incremental expenses that vary directly with the provision of goods or services to customers. Directly variable and incremental expenses are costs that would not have been incurred if a specific service had not been provided to the customer.

Trading income

Trading income represents both realised and unrealised gains and losses from changes in the fair value of certain trading assets, trading liabilities and held for trading derivatives (excluding those that are held for economic hedging without applying hedge accounting).

Hedge ineffectiveness

Refer to note 13 for information on fair value and cash flow hedge ineffectiveness.

Other income

Realised and unrealised gains and losses from re-measurement of financial instruments at FVTIS (other than those included in trading income above) are included in Other income.

Notes to the Financial Statements

4 Income tax

Tax expense

$ millions For the year ended 30 June	2026	2025
Current tax	**542**	603
Deferred tax	**-**	(37)
Total tax expense charged to the Income Statement	**542**	566

The Tax expense on the Banking Group's Net profit before tax differs from the theoretical amount that would arise using the domestic rate as follows:

Net profit before tax	**1,940**	2,015
Tax at the domestic rate of 28%	**543**	564
Tax effect of income not subject to tax	**(1)**	(1)
Tax effect of expenses not deductible for tax purposes	**3**	3
Tax effect of prior period adjustments	**(3)**	-
Total tax expense charged to the Income Statement	**542**	566
Effective tax rate	**27.9%**	28.1%

Deferred tax

$ millions As at 30 June	2026	2025
Balance at beginning of year	**310**	301
Recognised in the Income Statement	**-**	37
Recognised in Other Comprehensive Income	**(50)**	(28)
Balance at end of year	**260**	310
Deferred tax relates to:		
Fair value through Other Comprehensive Income reserve	**(3)**	18
Cash flow hedge reserve	**(19)**	8
Depreciation	**25**	35
Right of use assets	**(67)**	(43)
Lease liabilities	**76**	51
Provision for employee entitlements	**25**	22
Allowance for expected credit loss	**187**	182
Other temporary differences	**36**	37
Total deferred tax assets	**260**	310
Deferred tax recognised in the Income Statement:		
Depreciation	**(10)**	5
Right of use assets	**(24)**	(2)
Lease liabilities	**25**	2
Provision for employee entitlements	**5**	2
Allowance for expected credit loss	**5**	1
Other temporary differences	**(1)**	29
Total deferred tax recognised in the Income Statement	**-**	37
Deferred tax recognised in Other Comprehensive Income:		
Fair value through Other Comprehensive Income reserve	**(21)**	19
Cash flow hedge reserve	**(27)**	(48)
Equity compensation reserve	**(2)**	1
Total deferred tax recognised in Other Comprehensive Income	**(50)**	(28)

4 Income tax (continued)

International tax reform – Pillar Two model rules

In December 2021, the Organisation for Economic Co-operation and Development released Global Anti-Base Erosion (GloBE) Model rules (Pillar Two) to address the tax challenges associated with the digitalisation of the global economy. Pillar Two applies to multinational enterprises (MNEs) that fall within the rules and introduces new 'top-up' taxing mechanisms for jurisdictions implementing the rules. MNEs will be liable to pay a top-up for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate.

The Banking Group is part of the MNE group under CBA, headquartered in Australia, and falls within the Pillar Two rules in New Zealand. Pillar Two legislation has been enacted in New Zealand and took effect for the Banking Group from 1 July 2025. An assessment has been performed and the Banking Group does not expect a material exposure, if any, to Pillar Two top-up taxes.

Accounting policies

Income tax on the net profit for the year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised in Other Comprehensive Income (OCI), in which case it is recognised in OCI.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted as at balance date taking advantage of all allowable deductions under current taxation legislation. It also includes any adjustment to tax payable in respect of previous financial years. Where transactions are assessed as having an uncertain tax outcome, provisions are held to reflect those tax uncertainties where appropriate.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation 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 as at balance date.

A deferred tax asset is recognised only to the extent that it is probable 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.

Current or deferred tax related to fair value measurement of Securities at FVOCI and cash flow hedges, which is charged or credited to OCI is subsequently recognised in the Income Statement if and when the deferred gain or loss on the related asset or liability affects the Income Statement.

5 Financial reporting by operating segments

The Banking Group is organised into the following major business segments which are consistent with internal reporting provided to the Banking Group's chief operating decision maker, the Executive Leadership Team (ELT).

Personal banking: This segment provides banking, investment and insurance services to personal customers.

Business banking: This segment provides services to commercial, rural and small business customers.

Corporate: This segment provides services to corporate customers, transactional banking services and retail broking services. It also comprises the Bank's financial markets activities which includes sales and trading of financial instruments.

The **Other** category primarily includes:

- Business units that do not meet the definition of operating segments under NZ IFRS 8 *Operating Segments,* including the Bank's Treasury function and other functions that provide support and services to the segments; and
- Elimination entries on consolidation of the results, assets and liabilities of the Banking Group's controlled entities in the preparation of the consolidated financial statements of the Banking Group.

Business segment performance is assessed on a "Cash profit" basis, a non-IFRS measure which represents how segments are managed internally. Cash profit reflects the Banking Group's underlying operating results and excludes items that introduce volatility and/or one-off distortions which are not considered representative of ongoing financial performance.

Operating income in each segment includes transfer pricing adjustments to reflect inter-segment funding arrangements. Inter-segment transactions are eliminated for the purposes of reporting the consolidated Banking Group's results and are included in the Other segment.

The Banking Group operates predominantly in the banking industry within New Zealand. On this basis no geographical segment information is provided.

5 Financial reporting by operating segments (continued)

$ millions	Personal banking	Business banking	Corporate banking	Other	Total
Income Statement					
For the year ended 30 June 2026					
Net interest income	1,673	1,158	261	52	3,144
Lending, commission and other fees	206	55	30	(80)	211
Funds management income	169	11	-	-	180
Fee and commission income	375	66	30	(80)	391
Fee and commission expense	(83)	(1)	-	-	(84)
Net fee and commission income	292	65	30	(80)	307
Other operating income/(loss)[1]	46	35	5	11	97
Total operating income/(loss)	2,011	1,258	296	(17)	3,548
Impairment losses on financial assets	(32)	(5)	(41)	-	(78)
Operating expenses	(984)	(454)	(121)	(86)	(1,645)
Cash net profit/(loss) before tax	995	799	134	(103)	1,825
Tax (expense)/benefit	(279)	(224)	(37)	33	(507)
Cash net profit after tax ("Cash profit")	716	575	97	(70)	1,318
Reconciliation of Cash profit to Statutory profit					
Cash profit					1,318
Reconciling items:					
Hedging and IFRS volatility[2]					(1)
Notional inter-group charges[3]					103
Reporting structure differences[4]					13
Tax on reconciling items					(35)
Net profit after tax ("Statutory profit")					1,398
Non-cash expenses[5]					
Depreciation and amortisation expense	(132)	(26)	(12)	-	(170)
Balance Sheet					
As at 30 June 2026					
Advances to customers	70,251	45,640	5,683	-	121,574
Total assets	70,465	45,705	6,065	21,342	143,577
Deposits and other borrowings	61,267	19,495	10,089	6,261	97,112
Total liabilities	61,453	19,513	9,930	40,047	130,943

(1) Includes Trading income, Net fair value gains/(losses) and Other operating income.

(2) Includes unrealised fair value gains/(losses) on economic hedges that do not qualify for hedge accounting and unrealised fair value gains/(losses) on the ineffective portion of hedges that do qualify for hedge accounting under NZ IFRS. These fair value gains/(losses) are excluded from Cash profit since the asymmetric recognition of the gains/(losses) does not affect the performance of the Banking Group over the life of the hedge.

(3) Represents the recognition of a notional cost of capital from the ultimate parent which is not included in Statutory profit.

(4) Certain business units results are excluded from Cash profit for internal reporting but included in Statutory profit.

(5) Non-cash expenses are included in segment operating expenses.

5 Financial reporting by operating segments (continued)

$ millions	Personal banking	Business banking	Corporate Banking	Other	Total
Income Statement[1]					
For the year ended 30 June 2025					
Net interest income	1,541	1,148	261	(31)	2,919
Lending, commission and other fees	176	61	31	-	268
Funds management income	147	9	-	-	156
Fee and commission income	323	70	31	-	424
Fee and commission expense	(77)	(1)	-	-	(78)
Net fee and commission income	246	69	31	-	346
Other operating income/(loss)[2]	47	34	8	(1)	88
Total operating income	1,834	1,251	300	(32)	3,353
Impairment (losses)/recoveries on financial assets	(47)	(18)	5	-	(60)
Operating expenses	(897)	(407)	(121)	1	(1,424)
Cash net (loss)/profit before tax	890	826	184	(31)	1,869
Tax expense	(249)	(231)	(51)	8	(523)
Cash net profit after tax ("Cash profit")	641	595	133	(23)	1,346
Reconciliation of Cash profit to Statutory profit					
Cash profit					1,346
Reconciling items:					
Hedging and IFRS volatility[3]					-
Notional inter-group charges[4]					133
Reporting structure differences[5]					13
Tax on reconciling items					(43)
Net profit after tax ("Statutory profit")					1,449
Non-cash expenses[6]					
Depreciation and amortisation expense	(117)	(25)	(10)	-	(152)
Balance Sheet					
As at 30 June 2025					
Advances to customers	66,525	42,817	5,385	-	114,727
Total assets	66,704	42,888	5,670	19,902	135,164
Deposits and other borrowings	58,043	18,474	9,251	7,654	93,422
Total liabilities	58,218	18,483	9,096	37,875	123,672

(1) The Banking Group made some minor changes to its structure and some refinements to the allocation of costs to support units. These changes have not impacted the Banking Group's statutory profit but have resulted in changes to the presentation of the Income Statement and the Balance Sheet of the affected segments. Certain comparative information has been restated to ensure consistency with presentation in the current year.

(2) Includes Trading income, Net fair value gains/(losses) and Other operating income.

(3) Includes unrealised fair value gains/(losses) on economic hedges that do not qualify for hedge accounting and unrealised fair value gains/(losses) on the ineffective portion of hedges that do qualify for hedge accounting under NZ IFRS. These fair value gains/(losses) are excluded from Cash profit since the asymmetric recognition of the gains/(losses) does not affect the performance of the Banking Group over the life of the hedge.

(4) Represents the recognition of a notional cost of capital from the ultimate parent which is not included in Statutory profit.

(5) Certain business units results are excluded from Cash profit for internal reporting but included in Statutory profit.

(6) Non-cash expenses are included in segment operating expenses.

Notes to the Financial Statements

Our lending activities

Lending is the Banking Group's primary business activity, generating most of its net interest income and lending fee income. The Banking Group meets customers' borrowing needs by providing a broad range of lending products in New Zealand. As a result of its lending activities, the Banking Group assumes credit risk arising from the potential that it will not receive the full amount owed.

The following notes provide information on the Banking Group's Advances to customers, allowance for ECL and impairment losses on financial assets for the year. They are presented on a total basis and further broken down into: residential mortgages; other retail; and corporate, as required by the Order.

For additional information on the Banking Group's approach to managing credit risk, refer to note 25.

6 Advances to customers

$ millions	2026			2025		
As at 30 June	**Gross carrying amount**	**Allowance for ECL**	**Total**	Gross carrying amount	Allowance for ECL	Total
Residential mortgages (refer to note 7(b))	**85,826**	**(237)**	**85,589**	81,052	(233)	80,819
Other retail (refer to note 7(c))	**2,662**	**(69)**	**2,593**	2,824	(85)	2,739
Corporate (refer to note 7(d))	**33,714**	**(322)**	**33,392**	31,485	(316)	31,169
Total Advances to customers	**122,202**	**(628)**	**121,574**	115,361	(634)	114,727
Amounts due for settlement within 12 months			**21,291**			20,548
Amounts due for settlement over 12 months			**100,283**			94,179
Total Advances to customers			**121,574**			114,727

Accounting policies

Advances to customers include all forms of lending to customers such as mortgages, overdrafts, personal loans and credit card balances. They are held within a business model whose objective is to collect contractual cash flows comprising solely payments of principal and interest and are therefore measured at amortised cost.

Advances to customers are recognised on settlement date, which is the date when funds are advanced to the customer. They are initially recognised at their fair value, plus directly attributable transaction costs such as broker fees, and commissions and fees that are integral parts of the effective interest rate. Subsequent to initial recognition, Advances to customers are measured at amortised cost using the effective interest method and presented net of allowances for ECL. The accounting policies for the allowance for ECL are provided in note 7. For information on the Banking Group's credit risk management practices, refer to note 25.

Notes to the Financial Statements

7 Allowance for expected credit loss

The Banking Group regularly assesses credit impairment for financial assets measured at amortised cost, debt securities measured at FVOCI, lending commitments and credit related contingent liabilities. An allowance for ECL is recognised as follows:

- Financial assets measured at amortised cost: as a reduction in the carrying value of the financial asset.
- Securities at FVOCI: in reserves in OCI with no reduction in the carrying value of the debt security.
- Lending commitments and credit related contingent liabilities: as a provision (refer to note 20).

ECL model

Expected credit losses are probability-weighted credit losses estimated by evaluating a range of possible outcomes and taking into account the time value of money, past events, current conditions and forecasts of future economic conditions.

The Banking Group has developed ECL models for material portfolios. The ECL model uses a three-stage approach to recognition of expected credit losses. Financial assets may migrate through these stages based on a change in credit risk since origination. A significant increase in credit risk (SICR) is assessed by comparing the risk of default at the reporting date to the corresponding risk of default at origination.

- Stage 1 – 12 months ECL – Performing

On origination, a financial asset is classified as Stage 1 and a loss allowance equivalent to 12 months ECL is recognised. 12 months ECL represents expected credit losses that arise from default events on a financial asset that are possible within 12 months of the reporting date.

- Stage 2 – Lifetime ECL – Performing loans that have experienced a SICR

Financial assets that have experienced a SICR since initial recognition are transferred to Stage 2 and a loss allowance equivalent to lifetime ECL is recognised. Lifetime ECL is the expected credit losses that result from all possible default events over the expected life of a financial asset.

If credit quality improves in a subsequent period such that the increase in credit risk since origination is no longer considered significant, the exposure is reclassified to Stage 1 and the allowance for ECL reverts to 12 months ECL.

- Stage 3 – Lifetime ECL – Non-performing

If the credit risk of a financial asset increases to the point that it is considered credit impaired, the financial asset is classified as Stage 3. Financial assets in Stage 3 continue to have a loss allowance equivalent to lifetime ECL. Financial assets in Stage 3 may be reclassified to Stage 2 if they are no longer considered to be non-performing.

Defaulted financial assets with an ECL greater than $20,000, are included in Stage 3 and assessed for impairment individually. All other financial assets are assessed for impairment collectively, and may be included in either Stage 1, 2 or 3 as appropriate (grouped by shared risk characteristics such as portfolio type and credit risk rating).

ECL measurement

The ECL models multiply the exposure at balance date by the following credit risk factors to calculate ECL:

- Probability of default (PD): The estimate of the probability that a debtor defaults.
- Exposure at default (EAD): The estimate of the proportion of a facility that may be outstanding in the event of a default. The Banking Group generally calculates EAD as the higher of the drawn balance and total credit limit, except for revolving credit facilities (e.g. credit cards, overdrafts) for which the EAD calculation takes into account the probability of further amounts being drawn down.
- Loss given default (LGD): The estimate of the proportion that is not expected to be recovered following default.

Where financial assets are assessed for ECL individually, the allowance for ECL is calculated directly as the difference between the defaulted asset's carrying value and the recoverable amount (being the present value of expected future cash flows, including cash flows from the realisation of collateral or guarantees, where applicable).

Definition of credit impaired and default

Objective evidence that a financial asset or portfolio of assets is credit impaired includes, but is not limited to, observable data that comes to the attention of the Banking Group about certain loss events. These include significant financial difficulty of the issuer or obligor, a breach of contract such as a default or delinquency in interest or principal payments, or the Banking Group granting a concession to a borrower that it would not otherwise consider due to the borrower's financial difficulty.

The definition of default used in measuring ECL is consistent with that used for internal credit risk management and regulatory purposes. Default occurs if the customer is unlikely to repay their credit obligations to the Banking Group in full without recourse such as realising security, or the customer is 90 days or more overdue on a scheduled credit obligation repayment.

Further information on the key components of the Banking Group's impairment methodology is provided in the accounting policies section of this note.

7 Allowance for expected credit loss (continued)

The following table presents the Banking Group's total allowance for ECL as at 30 June 2026:

$ millions	2026			2025		
As at 30 June	Collective allowance	Individually assessed allowances	Total	Collective allowance	Individually assessed allowances	Total
Advances to customers	**510**	**118**	**628**	511	123	634
Lending commitments	**20**	**-**	**20**	-	-	-
Credit related contingent liabilities	**15**	**-**	**15**	12	-	12
Total allowance for ECL	**545**	**118**	**663**	523	123	646

Change in presentation

During the year ended 30 June 2026, the Banking Group prospectively revised its approach to allocating the allowance for ECL between the drawn and undrawn components of lending commitments. Previously, the allowance for ECL on all lending commitments was presented as a reduction in the carrying amount of Advances to customers. The Banking Group now presents the allowance for ECL on fully undrawn lending commitments as a liability within Provisions. The change did not impact the total allowance for ECL held by the Banking Group.

Movement in the allowance for ECL and impact of gross carrying amount on the allowance for ECL

The following pages present the movement in the allowance for ECL on Advances to customers and lending commitments combined. The movement in allowance for ECL tables are presented on the following basis:

- Changes in collective allowances due to transfers between ECL Stages include the impact of both the initial transfer and subsequent remeasurement of the allowance for ECL. The remeasurement of transferred amounts occurs in the Stage to which the allowance for ECL has transferred and includes the impact of management adjustments and overlays.
- The effect of any Stage 3 discount unwind is included within Other changes in collective allowances and within New and increased individually assessed allowances.
- Other changes in collective allowances also include the impact of changes in future forecast economic assumptions, other changes in models or assumptions, changes in the expected life of existing lending and other changes in the credit quality of existing lending (excluding those related to SICR). This includes the impact of management adjustments and overlays.
- The impact of additions, deletions and transfers between Stages on the allowance for ECL will be affected by the credit quality of the underlying gross carrying amounts.

The movement in gross carrying amount tables provide an explanation of how significant changes in the gross carrying amount of Advances to customers during the period contributed to changes in the Banking Group's allowance for ECL. The movement in gross carrying amount tables are presented on the following basis:

- Additions include amounts drawn either from existing or new facilities during the year; and
- Deletions include amounts which have been repaid on facilities during the year.

7 Allowance for expected credit loss (continued)

(a) Total Advances to customers and lending commitments

The Banking Group's allowance for ECL increased by $14 million during the year, reflecting:

- A net increase of $19 million in collective allowances primarily due to updates to multiple macroeconomic scenarios of $35 million incorporating economic uncertainty due to the Middle East conflict and net quality improvements, movements in exposure and management adjustments presented within Other changes in collective allowances, Transfers between ECL Stages and Additions and Deletions; and
- A net decrease of $5 million in individually assessed allowances primarily due to the impact from Corporate.

Movements in Gross Carrying Amounts Transfers to Stage 1 reflect a combination of updates to models and quality upgrades due to changing economic conditions.

$ millions **Movement in allowance for ECL** **As at 30 June 2026**	**Collective allowances** **Stage 1**	**Stage 2**	**Stage 3**	**Individually assessed allowances** **Stage 3**	**Total**
Balance as at 1 July 2025	125	241	145	123	634
Charged to/(credited against) the Income Statement					
Changes in allowances due to transfers between ECL Stages					
Transfers to Stage 1	17	(49)	(6)	-	(38)
Transfers to Stage 2	(33)	111	(126)	-	(48)
Transfers to Stage 3	-	(25)	141	-	116
Net transfers between collective allowances and individually assessed allowances	-	(11)	(4)	15	-
Changes in allowances due to transfers between ECL Stages	(16)	26	5	15	30
Changes in collective allowances due to additions and deletions	18	(17)	(32)	-	(31)
Changes in collective allowances due to amounts written off	-	(1)	(17)	-	(18)
Changes in allowances due to movements in gross carrying amounts	2	8	(44)	15	(19)
Other changes in collective allowances	35	10	8	-	53
New and increased individually assessed allowances	-	-	-	80	80
Write-back of individually assessed allowances no longer required	-	-	-	(64)	(64)
Total charged to/(credited against) the Income Statement	37	18	(36)	31	50
Amounts written off from individually assessed allowances	-	-	-	(36)	(36)
Balance as at 30 June 2026	162	259	109	118	648

$ millions **Movement in gross carrying amounts** **As at 30 June 2026**	**Collectively assessed** **Stage 1**	**Stage 2**	**Stage 3**	**Individually assessed** **Stage 3**	**Total**
Balance as at 1 July 2025	89,486	23,827	1,603	445	115,361
Changes due to transfers between ECL Stages					
Transfers to Stage 1	14,009	(13,960)	(49)	-	-
Transfers to Stage 2	(7,983)	9,368	(1,385)	-	-
Transfers to Stage 3	(61)	(1,316)	1,377	-	-
Net transfers to/(from) Stage 3 individually assessed	(30)	(141)	1	170	-
Total changes due to transfers between ECL Stages	5,935	(6,049)	(56)	170	-
Additions and deletions					
Additions	42,842	5,585	106	-	48,533
Deletions (excluding amounts written off)	(33,303)	(7,620)	(526)	(163)	(41,612)
Net additions/(deletions)	9,539	(2,035)	(420)	(163)	6,921
Amounts written off	(2)	(9)	(33)	(36)	(80)
Balance as at 30 June 2026	104,958	15,734	1,094	416	122,202

7 Allowance for expected credit loss (continued)

(a) Total Advances to customers and lending commitments (continued)

$ millions **Movement in allowance for ECL** **As at 30 June 2025**	Collective allowances Stage 1	 Stage 2	 Stage 3	Individually assessed allowances Stage 3	 Total
Balance as at 1 July 2024	121	247	152	99	619
Charged to/(credited against) the Income Statement					
Changes in allowances due to transfers between ECL Stages					
Transfers to Stage 1	18	(44)	(2)	-	(28)
Transfers to Stage 2	(33)	89	(88)	-	(32)
Transfers to Stage 3	-	(29)	178	-	149
Net transfers between collective allowances and individually assessed allowances	-	(11)	(16)	27	-
Changes in allowances due to transfers between ECL Stages	(15)	5	72	27	89
Changes in collective allowances due to additions and deletions	15	(20)	(36)	-	(41)
Changes in collective allowances due to amounts written off	-	(2)	(23)	-	(25)
Changes in allowances due to movements in gross carrying amounts	-	(17)	13	27	23
Other changes in collective allowances	4	11	(20)	-	(5)
New and increased individually assessed allowances	-	-	-	69	69
Write-back of individually assessed allowances no longer required	-	-	-	(43)	(43)
Total charged to/(credited against) the Income Statement	4	(6)	(7)	53	44
Amounts written off from individually assessed allowances	-	-	-	(29)	(29)
Balance as at 30 June 2025	125	241	145	123	634

$ millions **Movement in gross carrying amounts** **As at 30 June 2025**	Collectively Assessed Stage 1	 Stage 2	 Stage 3	Individually Assessed Stage 3	 Total
Balance as at 1 July 2024	82,570	25,212	1,474	373	109,629
Changes due to transfers between ECL Stages					
Transfers to Stage 1	6,688	(6,627)	(61)	-	-
Transfers to Stage 2	(8,201)	9,278	(1,077)	-	-
Transfers to Stage 3	(45)	(1,789)	1,834	-	-
Net transfers to/(from) Stage 3 individually assessed	(12)	(130)	(77)	219	-
Total changes due to transfers between ECL Stages	(1,570)	732	619	219	-
Additions and deletions					
Additions	35,383	7,747	155	-	43,285
Deletions (excluding amounts written off)	(26,894)	(9,856)	(602)	(118)	(37,470)
Net additions/(deletions)	8,489	(2,109)	(447)	(118)	5,815
Amounts written off	(3)	(8)	(43)	(29)	(83)
Balance as at 30 June 2025	89,486	23,827	1,603	445	115,361

7 Allowance for expected credit loss (continued)

(b) Residential mortgages

The Banking Group's Residential mortgages allowance for ECL increased by $5 million during the year, with a net increase of $2 million in collective allowances and a net increase of $3 million in individually assessed allowances.

The movement in collective allowances primarily reflects:

- Updates to multiple macroeconomic scenarios resulting in a net increase of $25 million, presented within Other changes in collective allowances;
- A net decrease of $12 million primarily due to stage improvements and transfers to individually assessed allowances presented within Transfers between ECL Stages and movements in exposure presented within Additions and Deletions in collective allowances, partly offset by quality deterioration through early arrears presented within Other changes to collective allowances; and
- A net decrease of $11 million in management adjustments for portfolio related risks not adequately covered by the ECL model, presented within Other changes in collective allowances.

$ millions **Movement in allowance for ECL** **As at 30 June 2026**	**Collective allowances** **Stage 1**	 **Stage 2**	 **Stage 3**	**Individually assessed allowances** **Stage 3**	 **Total**
Balance as at 1 July 2025	45	45	103	40	233
Charged to/(credited against) the Income Statement					
Changes in allowances due to transfers between ECL Stages					
Transfers to Stage 1	7	(15)	(4)	-	(12)
Transfers to Stage 2	(14)	40	(92)	-	(66)
Transfers to Stage 3	-	(9)	80	-	71
Net transfers between collective allowances and individually assessed allowances	-	(2)	(3)	5	-
Changes in allowances due to transfers between ECL Stages	(7)	14	(19)	5	(7)
Changes in collective allowances due to additions and deletions	6	(5)	(15)	-	(14)
Changes in collective allowances due to amounts written off	-	-	-	-	-
Changes in allowances due to movements in gross carrying amounts	(1)	9	(34)	5	(21)
Other changes in collective allowances	14	12	2	-	28
New and increased individually assessed allowances	-	-	-	52	52
Write-back of individually assessed allowances no longer required	-	-	-	(44)	(44)
Total charged to/(credited against) the Income Statement	13	21	(32)	13	15
Amounts written off from individually assessed allowances	-	-	-	(10)	(10)
Balance as at 30 June 2026	58	66	71	43	238

$ millions **Movement in gross carrying amounts** **As at 30 June 2026**	**Collectively assessed** **Stage 1**	 **Stage 2**	 **Stage 3**	**Individually assessed** **Stage 3**	 **Total**
Balance as at 1 July 2025	74,720	4,659	1,441	232	81,052
Changes due to transfers between ECL Stages					
Transfers to Stage 1	2,460	(2,414)	(46)	-	-
Transfers to Stage 2	(3,812)	5,099	(1,287)	-	-
Transfers to Stage 3	(57)	(1,130)	1,187	-	-
Net transfers to/(from) Stage 3 individually assessed	(21)	(47)	4	64	-
Total changes due to transfers between ECL Stages	(1,430)	1,508	(142)	64	-
Additions and deletions					
Additions	26,890	429	55	-	27,374
Deletions (excluding amounts written off)	(20,961)	(1,151)	(388)	(86)	(22,586)
Net additions/(deletions)	5,929	(722)	(333)	(86)	4,788
Amounts written off	-	(1)	(3)	(10)	(14)
Balance as at 30 June 2026	79,219	5,444	963	200	85,826

7 Allowance for expected credit loss (continued)

(b) Residential mortgages (continued)

$ millions **Movement in allowance for ECL** **As at 30 June 2025**	Collective allowances Stage 1	 Stage 2	 Stage 3	Individually assessed allowances Stage 3	 Total
Balance as at 1 July 2024	48	42	109	15	214
Charged to/(credited against) the Income Statement					
Changes in allowances due to transfers between ECL Stages					
Transfers to Stage 1	8	(13)	(2)	-	(7)
Transfers to Stage 2	(16)	37	(70)	-	(49)
Transfers to Stage 3	-	(13)	124	-	111
Net transfers between collective allowances and individually assessed allowances	-	(3)	(16)	19	-
Changes in allowances due to transfers between ECL Stages	(8)	8	36	19	55
Changes in collective allowances due to additions and deletions	8	(3)	(24)	-	(19)
Changes in collective allowances due to amounts written off	-	-	-	-	-
Changes in allowances due to movements in gross carrying amounts	-	5	12	19	36
Other changes in collective allowances	(3)	(2)	(18)	-	(23)
New and increased individually assessed allowances	-	-	-	34	34
Write-back of individually assessed allowances no longer required	-	-	-	(24)	(24)
Total charged to/(credited against) the Income Statement	(3)	3	(6)	29	23
Amounts written off from individually assessed allowances	-	-	-	(4)	(4)
Balance as at 30 June 2025	45	45	103	40	233

$ millions **Movement in gross carrying amounts** **As at 30 June 2025**	Collectively assessed Stage 1	 Stage 2	 Stage 3	Individually assessed Stage 3	 Total
Balance as at 1 July 2024	70,238	4,475	1,283	104	76,100
Changes due to transfers between ECL Stages					
Transfers to Stage 1	2,560	(2,501)	(59)	-	-
Transfers to Stage 2	(3,976)	4,978	(1,002)	-	-
Transfers to Stage 3	(42)	(1,655)	1,697	-	-
Net transfers to/(from) Stage 3 individually assessed	(7)	(81)	(83)	171	-
Total changes due to transfers between ECL Stages	(1,465)	741	553	171	-
Additions and deletions					
Additions	23,795	411	84	-	24,290
Deletions (excluding amounts written off)	(17,848)	(968)	(478)	(39)	(19,333)
Net additions/(deletions)	5,947	(557)	(394)	(39)	4,957
Amounts written off	-	-	(1)	(4)	(5)
Balance as at 30 June 2025	74,720	4,659	1,441	232	81,052

7 Allowance for expected credit loss (continued)

(c) Other retail

The Banking Group's Other retail allowance for ECL decreased by $12 million during the year, with a net decrease of $11 million in collective allowances and a net decrease of $1 million in individually assessed allowances.

The movement in collective allowances primarily reflects:

- A net decrease of $11 million due to write-offs and a decrease in portfolio size, presented within Amounts written off and Additions and Deletions, partly offset by portfolio credit quality deterioration presented within Transfers between ECL Stages;
- A net decrease in management adjustments of $2 million for portfolio related risks not adequately covered by the ECL model, presented within Other changes in collective allowances; and
- Updates to multiple macroeconomic scenarios resulting in a net increase of $2 million, presented within Other changes in collective allowances.

$ millions **Movement in allowance for ECL** **As at 30 June 2026**	**Collective allowances** **Stage 1**	 **Stage 2**	 **Stage 3**	**Individually assessed allowances** **Stage 3**	 **Total**
Balance as at 1 July 2025	30	12	35	8	85
Charged to/(credited against) the Income Statement					
Changes in allowances due to transfers between ECL Stages					
Transfers to Stage 1	3	(9)	(2)	-	(8)
Transfers to Stage 2	(9)	23	(18)	-	(4)
Transfers to Stage 3	-	(9)	39	-	30
Net transfers between collective allowances and individually assessed allowances	-	-	(1)	1	-
Changes in allowances due to transfers between ECL Stages	(6)	5	18	1	18
Changes in collective allowances due to additions and deletions	3	(3)	(11)	-	(11)
Changes in collective allowances due to amounts written off	-	(1)	(17)	-	(18)
Changes in allowances due to movements in gross carrying amounts	(3)	1	(10)	1	(11)
Other changes in collective allowances	2	(1)	-	-	1
New and increased individually assessed allowances	-	-	-	2	2
Write-back of individually assessed allowances no longer required	-	-	-	(2)	(2)
Total charged to/(credited against) the Income Statement	(1)	-	(10)	1	(10)
Amounts written off from individually assessed allowances	-	-	-	(2)	(2)
Balance as at 30 June 2026	29	12	25	7	73

$ millions **Movement in gross carrying amounts** **As at 30 June 2026**	**Collectively assessed** **Stage 1**	 **Stage 2**	 **Stage 3**	**Individually assessed** **Stage 3**	 **Total**
Balance as at 1 July 2025	2,595	142	68	19	2,824
Changes due to transfers between ECL Stages					
Transfers to Stage 1	185	(182)	(3)	-	-
Transfers to Stage 2	(226)	259	(33)	-	-
Transfers to Stage 3	(2)	(66)	68	-	-
Net transfers to/(from) Stage 3 individually assessed	(2)	(1)	(3)	6	-
Total changes due to transfers between ECL Stages	(45)	10	29	6	-
Additions and deletions					
Additions	2,883	55	23	-	2,961
Deletions (excluding amounts written off)	(2,967)	(65)	(43)	(6)	(3,081)
Net additions/(deletions)	(84)	(10)	(20)	(6)	(120)
Amounts written off	(2)	(8)	(30)	(2)	(42)
Balance as at 30 June 2026	2,464	134	47	17	2,662

Notes to the Financial Statements

7 Allowance for expected credit loss (continued)

(c) Other retail (continued)

$ millions **Movement in allowance for ECL** **As at 30 June 2025**	Collective allowances Stage 1	 Stage 2	 Stage 3	Individually assessed allowances Stage 3	 Total
Balance as at 1 July 2024	28	16	38	7	89
Charged to/(credited against) the Income Statement					
Changes in allowances due to transfers between ECL Stages					
Transfers to Stage 1	4	(12)		-	(8)
Transfers to Stage 2	(11)	29	(16)	-	2
Transfers to Stage 3	-	(11)	49	-	38
Net transfers between collective allowances and individually assessed allowances	-	-	-	-	-
Changes in allowances due to transfers between ECL Stages	(7)	6	33	-	32
Changes in collective allowances due to additions and deletions	3	(4)	(11)	-	(12)
Changes in collective allowances due to amounts written off	-	(2)	(23)	-	(25)
Changes in allowances due to movements in gross carrying amounts	(4)	-	(1)	-	(5)
Other changes in collective allowances	6	(4)	(2)	-	-
New and increased individually assessed allowances	-	-	-	6	6
Write-back of individually assessed allowances no longer required	-	-	-	(2)	(2)
Total charged to/(credited against) the Income Statement	2	(4)	(3)	4	(1)
Amounts written off from individually assessed allowances	-	-	-	(3)	(3)
Balance as at 30 June 2025	30	12	35	8	85

$ millions **Movement in gross carrying amounts** **As at 30 June 2025**	Collectively assessed Stage 1	 Stage 2	 Stage 3	Individually assessed Stage 3	 Total
Balance as at 1 July 2024	2,649	173	71	14	2,907
Changes due to transfers between ECL Stages					
Transfers to Stage 1	246	(244)	(2)	-	-
Transfers to Stage 2	(280)	316	(36)	-	-
Transfers to Stage 3	(3)	(87)	90	-	-
Net transfers to/(from) Stage 3 individually assessed	(3)	(3)	(2)	8	-
Total changes due to transfers between ECL Stages	(40)	(18)	50	8	-
Additions and deletions					
Additions	2,970	71	30	-	3,071
Deletions (excluding amounts written off)	(2,981)	(76)	(41)	-	(3,098)
Net additions/(deletions)	(11)	(5)	(11)	-	(27)
Amounts written off	(3)	(8)	(42)	(3)	(56)
Balance as at 30 June 2025	2,595	142	68	19	2,824

7 Allowance for expected credit loss (continued)

(d) Corporate

The Banking Group's Corporate allowance for ECL increased by $21 million during the year, with a net increase of $28 million in collective allowances and a net decrease of $7 million in individually assessed allowances.

The movement in collective allowances primarily reflects:

- A net increase of $10 million due to changes in portfolio credit quality, presented within Transfers between ECL Stages and Other changes in collective allowances, partly offset by Additions and Deletions;
- A net increase in management adjustments of $10 million for potential impacts from the Middle East conflict presented within Transfers between ECL Stages and Other changes in collective allowances; and
- Updates to multiple macroeconomic scenarios and to provision models, with associated stage transfer impacts resulting in a net increase of $8 million, presented within Other changes in collective allowances and Transfers between ECL Stages.

Movements in Gross Carrying Amounts Transfers to Stage 1 reflect a combination of updates to models and quality upgrades due to changing economic conditions.

$ millions **Movement in allowance for ECL** **As at 30 June 2026**	**Collective allowances** **Stage 1**	**Stage 2**	**Stage 3**	**Individually assessed allowances** **Stage 3**	**Total**
Balance as at 1 July 2025	**50**	**184**	**7**	**75**	**316**
Charged to/(credited against) the Income Statement					
Changes in allowances due to transfers between ECL Stages					
Transfers to Stage 1	**7**	**(25)**	**-**	**-**	**(18)**
Transfers to Stage 2	**(10)**	**48**	**(16)**	**-**	**22**
Transfers to Stage 3	**-**	**(7)**	**22**	**-**	**15**
Net transfers between collective allowances and individually assessed allowances	**-**	**(9)**	**-**	**9**	**-**
Changes in allowances due to transfers between ECL Stages	**(3)**	**7**	**6**	**9**	**19**
Changes in collective allowances due to additions and deletions	**9**	**(9)**	**(6)**	**-**	**(6)**
Changes in collective allowances due to amounts written off	**-**	**-**	**-**	**-**	**-**
Changes in allowances due to movements in gross carrying amounts	**6**	**(2)**	**-**	**9**	**13**
Other changes in collective allowances	**19**	**(1)**	**6**	**-**	**24**
New and increased individually assessed allowances	**-**	**-**	**-**	**26**	**26**
Write-back of individually assessed allowances no longer required	**-**	**-**	**-**	**(18)**	**(18)**
Total charged to/(credited against) the Income Statement	**25**	**(3)**	**6**	**17**	**45**
Amounts written off from individually assessed allowances	**-**	**-**	**-**	**(24)**	**(24)**
Balance as at 30 June 2026	**75**	**181**	**13**	**68**	**337**

$ millions **Movement in gross carrying amounts** **As at 30 June 2026**	**Collectively assessed** **Stage 1**	**Stage 2**	**Stage 3**	**Individually assessed** **Stage 3**	**Total**
Balance as at 1 July 2025	**12,171**	**19,026**	**94**	**194**	**31,485**
Changes due to transfers between ECL Stages					
Transfers to Stage 1	**11,364**	**(11,364)**	**-**	**-**	**-**
Transfers to Stage 2	**(3,945)**	**4,010**	**(65)**	**-**	**-**
Transfers to Stage 3	**(2)**	**(120)**	**122**	**-**	**-**
Net transfers to/(from) Stage 3 individually assessed	**(7)**	**(93)**	**-**	**100**	**-**
Total changes due to transfers between ECL Stages	**7,410**	**(7,567)**	**57**	**100**	**-**
Additions and deletions					
Additions	**13,069**	**5,101**	**28**	**-**	**18,198**
Deletions (excluding amounts written off)	**(9,375)**	**(6,404)**	**(95)**	**(71)**	**(15,945)**
Net additions/(deletions)	**3,694**	**(1,303)**	**(67)**	**(71)**	**2,253**
Amounts written off	**-**	**-**	**-**	**(24)**	**(24)**
Balance as at 30 June 2026	**23,275**	**10,156**	**84**	**199**	**33,714**

7 Allowance for expected credit loss (continued)

(d) Corporate (continued)

$ millions **Movement in allowance for ECL** **As at 30 June 2025**	Collective allowances Stage 1	 Stage 2	 Stage 3	Individually assessed allowances Stage 3	 Total
Balance as at 1 July 2024	45	189	5	77	316
Charged to/(credited against) the Income Statement					
Changes in allowances due to transfers between ECL Stages					
Transfers to Stage 1	6	(19)	-	-	(13)
Transfers to Stage 2	(6)	23	(2)	-	15
Transfers to Stage 3	-	(5)	5	-	-
Net transfers between collective allowances and individually assessed allowances	-	(8)	-	8	-
Changes in allowances due to transfers between ECL Stages	-	(9)	3	8	2
Changes in collective allowances due to additions and deletions	4	(13)	(1)	-	(10)
Changes in collective allowances due to amounts written off	-	-	-	-	-
Total changes in allowances due to movements in gross carrying amounts	4	(22)	2	8	(8)
Other changes in collective allowances	1	17	-	-	18
New and increased individually assessed allowances	-	-	-	29	29
Write-back of individually assessed allowances no longer required	-	-	-	(17)	(17)
Total charged to/(credited against) the Income Statement	5	(5)	2	20	22
Amounts written off from individually assessed allowances	-	-	-	(22)	(22)
Balance as at 30 June 2025	50	184	7	75	316

$ millions **Movement in gross carrying amounts** **As at 30 June 2025**	Collectively assessed Stage 1	 Stage 2	 Stage 3	Individually assessed Stage 3	 Total
Balance as at 1 July 2024	9,683	20,564	120	255	30,622
Changes due to transfers between ECL Stages					
Transfers to Stage 1	3,882	(3,882)	-	-	-
Transfers to Stage 2	(3,945)	3,984	(39)	-	-
Transfers to Stage 3	-	(47)	47	-	-
Net transfers to/(from) Stage 3 individually assessed	(2)	(46)	8	40	-
Total changes due to transfers between ECL Stages	(65)	9	16	40	-
Additions and deletions					
Additions	8,618	7,265	41	-	15,924
Deletions (excluding amounts written off)	(6,065)	(8,812)	(83)	(79)	(15,039)
Net additions/(deletions)	2,553	(1,547)	(42)	(79)	885
Amounts written off	-	-	-	(22)	(22)
Balance as at 30 June 2025	12,171	19,026	94	194	31,485

7 Allowance for expected credit loss (continued)

Critical accounting estimates and judgements

The Banking Group's allowance for ECL is an area that requires significant management judgement and estimation. This includes assessing when a SICR has occurred, selecting and forecasting forward-looking macroeconomic scenarios, assigning probability weightings to those scenarios, and applying experienced credit judgement. Additional judgements impacting the allowance for ECL include the assessment of collateral realisability, the development and calibration of credit loss models, and the selection of inputs, estimates, and assumptions used in those models.

(e) Basis of inputs and assumptions used in the calculation of allowance for ECL

During the year ended 30 June 2026, the Banking Group made some refinements to the Corporate ECL model. The methodology used to estimate ECL is otherwise consistent with that applied at 30 June 2025.

The sections below detail the forward-looking information the Banking Group has utilised in determining its allowance for ECL and applicable sensitivity analyses. The Banking Group's Loan Loss Provisioning Committee (LLPC) is responsible for approving the macroeconomic scenarios and their associated probability weightings and management adjustments and overlays.

Multiple macroeconomic scenarios

The Banking Group uses four alternative macroeconomic scenarios to reflect a probability-weighted range of possible future outcomes in estimating ECL, which have been updated to reflect the revised expected impact of economic conditions:

- Central scenario: This scenario considers the Banking Group's base case assumptions used in business forecasting (including the credit risk factors outlined below);
- Upside and Downside scenarios: These scenarios are set relative to the Central scenario and reflect more favourable or adverse macroeconomic conditions, which would lead to lower or higher ECL (including a strengthening or deterioration of the credit risk factors outlined below); and
- Severe downside scenario: This scenario has been included to account for a potentially severe impact of less likely extremely adverse macroeconomic conditions which would lead to the highest ECL of any of the four scenarios (including a significant deterioration of the credit risk factors outlined below).

The probability weights assigned to each scenario are based on management's estimate of their relative likelihood. The same four scenarios and probability weights apply across all portfolios.

The Banking Group's assessment of SICR also incorporates the impact of multiple probability-weighted future forecast economic scenarios on financial assets' internal risk grades using the same four scenarios as described above.

The table below summarises the weightings the Banking Group has applied to each scenario in determining the allowance for ECL:

As at 30 June	2026	2025
Upside	**2.5%**	2.5%
Central	**50%**	52.5%
Downside	**37.5%**	35%
Severe downside	**10%**	10%

During the year ended 30 June 2026, the forward-looking macroeconomic scenarios were revised for the current economic conditions including consideration of decreasing unemployment and higher interest rates. The Banking Group also increased the weighting to the Downside scenario with a commensurate decrease in the Central scenario during the year to account for increased risks associated with geopolitical tension, whilst the weighting of the Severe Downside and Upside scenarios remained unchanged.

Macroeconomic credit risk factors

The central scenario includes credit risk factors which are point in time estimates of forward-looking conditions for each portfolio, for example:

- Retail portfolios: Official cash rate (OCR), unemployment rate and house price index; and
- Corporate portfolios (including new credit risk factors implemented in November 2025): Unemployment rate, gross domestic product (GDP), trade weighted index (TWI), commercial real estate capital value index and business investment index.

The Banking Group also estimates these same credit risk factors in other macroeconomic scenarios, and probability weights those scenarios to calculate the Banking Group's estimated ECL.

Central credit risk factors have been refreshed during the year to reflect the ongoing changes in economic outlook. Other scenarios reflect a distribution of losses relative to this central scenario and have also been updated. These scenarios represent forecasts used for the purpose of estimating ECL and are created based on judgement to derive relative loss distributions for the scenarios. A summary of the material assumptions for each scenario is as follows:

- Central (50%): This scenario represents one where monetary policy controls are being tightened as inflation has been brought under control relatively quickly, with moderate economic impacts. Economic stabilisation is expected in the following 24 months.
- Upside (2.5%): The scenario reflects a more positive outlook for the next 12 months.
- Downside (37.5%): The outlook for the next 12 months reflects adverse macroeconomic conditions resulting from economic trade challenges causing acute inflationary pressures.
- Severe downside (10%): Reflects the most significant economic shock, which continues over the longer term.

7 Allowance for expected credit loss (continued)

(e) Basis of inputs and assumptions used in the calculation of allowance for ECL (continued)

	Central		Downside	
As at 30 June	**2027**	**2028**	**2027**	**2028**
Unemployment rate (%)	**5.0**	**4.7**	**8.5**	**8.9**
OCR (%)	**3.25**	**3.25**	**5.5**	**4.25**
House prices (annual % change)	**2.3**	**4.6**	**(15.0)**	**0.0**
Commercial real estate capital values (annual % change)	**1.2**	**1.9**	**(30.0)**	**(10.0)**
GDP (annual % change)	**3.2**	**2.5**	**(3.5)**	**(1.0)**
TWI	**66**	**66**	**65**	**65**

(f) Sensitivity analyses

The following table details the increase/(decrease) in the Banking Group's collective allowance for ECL, assuming a 100% weighting on each scenario and holding all other assumptions constant. The sensitivity analyses have been performed on the allowance for ECL on Advances to customers, lending commitments, credit related contingent liabilities and Securities at FVOCI.

$ millions **As at 30 June**	**2026**	2025
Upside	**(292)**	(302)
Central	**(223)**	(286)
Downside	**151**	110
Severe downside	**621**	1,190

Sensitivity of Allowance for ECL to SICR assessment

If an additional 1% of Stage 1 financial assets at 30 June 2026 were included in Stage 2, with the scenario weightings applied held constant, the Banking Group's allowance for ECL would increase by $14 million (30 June 2025 $9 million).

Conversely, if 1% of Stage 2 financial assets were included in Stage 1, the Banking Group's allowance for ECL would decrease by $2 million (30 June 2025 $2 million).

(g) Incorporation of experienced credit judgement, management adjustments and overlays

Management exercises credit judgement in assessing whether an exposure has experienced a SICR and in determining the amount of allowance for ECL at each reporting date. Where applicable, credit risk factors (PD and LGD) are adjusted to incorporate reasonable forward-looking information about known or expected risks for specific segments of portfolios that would otherwise not have been considered in the modelling process. Credit judgement is used to determine the degree of adjustment to be applied and considers information such as risks at an industry, geographic or portfolio segment level.

The Banking Group also applies overlays which are determined based on a range of techniques including stress testing, benchmarking, scenario analysis and expert judgement. Overlays are subject to internal governance and applied as an incremental ECL top-up amount to the impacted portfolio segments. Overlays are continually reassessed, and if the risk is determined to have changed or is subsequently captured in the ECL models, the overlay is adjusted accordingly.

The Banking Group also applies management adjustments and overlays for factors that cannot be adequately accounted for through the ECL models.

(h) Natural hazards and climate change risk

The Banking Group acknowledges the risks resulting from natural hazards and climate change, which can impact our customers' ability to service or repay their loans, to obtain insurance, and the value of collateral the Banking Group holds to secure loans, ultimately affecting customers' PD and LGD. Future portfolio risk drivers are important to measure, monitor and mitigate where possible. Assessed impacts from existing climate events and natural hazards are reflected in the Banking Group's PD and LGD estimates. Further, a scenario with severe deterioration in house or asset prices and an increase in unemployment is already considered within the Banking Group's expected credit loss framework. As a result, the Banking Group has concluded that no further adjustments are required to the allowance for ECL for climate risk as at 30 June 2026 (30 June 2025 nil). Climate change and the measurement thereof is evolving and will develop over time, and this perspective may change in the future.

Notes to the Financial Statements

7 Allowance for expected credit loss (continued)

Accounting policies

Significant increase in credit risk (SICR)

In determining what constitutes a SICR the Banking Group has considered reasonable and supportable qualitative and quantitative information. For the majority of portfolios, the primary indicator of a SICR is a significant deterioration in the internal credit rating grade of a facility between origination and reporting date. Where applicable, credit risk factors (PD and LGD) are adjusted to incorporate reasonable forward-looking information about known or expected risks for specific segments of portfolios that would otherwise not have been considered in the modelling process which is included in the assessment of SICR.

For retail portfolios, the risk of default is assessed using a retail masterscale (RM). The RM has 15 risk grades that are assigned to retail accounts based on their credit quality scores determined through a credit quality scorecard. Risk grades for retail exposures are updated monthly. The retail portfolio includes housing loans, credit cards, other personal facilities and most business lending up to $1 million.

For corporate portfolios, the risk of default is assessed using a risk rated probability of default masterscale (PDM). The PDM is used in internal credit risk management and includes 23 risk grades that are assigned at a customer level using rating tools and reflecting customer specific financial and non-financial information and management's experienced credit judgement. Risk grades for corporate exposures are updated at least annually on the basis of the most recent financial and non-financial information.

Application of the primary SICR indicator uses a sliding threshold such that an exposure with a higher credit quality at origination would need to experience a more significant downgrade compared to a lower credit quality exposure before SICR is triggered. The levels of downgrade required to trigger SICR for each origination grade have been defined for each significant portfolio.

In combination with the SICR assessment detailed above, the Banking Group uses a range of secondary indicators to determine whether a SICR has occurred, such as 30 days past due data.

For corporate Advances to customers with low credit risk at the reporting date, it is presumed that there has been no SICR since origination.

The ECL is calculated based on expected lifetime losses where there has been an assessment of a SICR, or 12 months ECL where there is no SICR. As a consequence, the amount of ECL recognised by the Banking Group is sensitive to SICR judgements by management.

Lifetime of an exposure

For exposures in Stage 2 and Stage 3, lifetime ECLs are used to determine the allowance for ECL. The Banking Group considers both the contractual period and behavioural life of a product when estimating the expected lifetime of an exposure.

Write offs

A loan is written off, either partially or in full, when there is no reasonable expectation of recovery. Events which may indicate there is no longer a reasonable expectation of recovery include:

- for secured lending, when the Banking Group has received proceeds from all available security; and
- for unsecured retail lending, when amounts are at least 90 days past due.

A loan is either written off against an individually assessed allowance, or directly to the Income Statement where no individually assessed allowance is held. Where an individually assessed allowance is less than the amount written off, the excess is written off directly to the Income Statement.

Any recoveries of amounts previously written off are credited directly to the Income Statement.

Other definitions

Individually impaired assets are any credit exposures against which an individually assessed allowance has been recorded.

A past due asset is any credit exposure where a counterparty has failed to make a payment when contractually due, and which is not an impaired asset.

8 Impairment losses on financial assets

The table below includes impairment losses on Advances to customers, lending commitments, credit related contingent liabilities and Securities at FVOCI.

$ millions **For the year ended 30 June**	**2026**	**2025**
Impairment losses charged to/(credited against) the Income Statement for collective allowances	**17**	(29)
Impairment losses charged to the Income Statement for individually assessed allowances	**28**	45
Bad debts written off directly to the Income Statement	**44**	54
Recovery of amounts previously written off	**(11)**	(10)
Total impairment losses recognised in the Income Statement	**78**	60

Impairment losses on other financial assets

Impairment losses on other financial assets for the year ended 30 June 2026 and the year ended 30 June 2025 are immaterial to the Banking Group.

Amounts written off during the year still subject to enforcement activity

As at 30 June 2026, the contractual amount outstanding on financial assets that were written off during the year, but which are still subject to enforcement activity, is $82 million (30 June 2025 $85 million).

While the Banking Group may write off financial assets that are still subject to enforcement activity, it will still seek to recover amounts it is legally owed in full.

Our investment trading and other banking activities

In addition to loans, the Banking Group holds other assets to support its business activities. Cash and liquid assets, receivables from financial institutions, trading and investment securities are held for liquidity purposes, to generate returns and meet customer demand. The mix and nature of assets is driven by multiple factors including the Board's risk appetite, regulatory requirements, customer demand and the generation of shareholder returns.

The Banking Group also transacts derivatives to manage its financial risks (interest rate and foreign currency risks), and to meet customer demand.

9 Cash and liquid assets

$ millions As at 30 June	**2026**	2025
Cash, cash at bank and cash in transit	**115**	98
Call deposits with the central bank	**2,910**	4,162
Money at short call	**12**	29
Cash and cash equivalents	**3,037**	**4,289**
Reverse repurchase agreements	**2,139**	1,295
Total cash and liquid assets	**5,176**	**5,584**

Accounting policies

Cash and liquid assets are initially recognised at fair value and subsequently measured at amortised cost. Interest is recognised in the Income Statement using the effective interest method.

A reverse repurchase agreement is where the Banking Group receives collateral in the form of securities and gives cash in exchange. The Banking Group may sell or re-pledge any collateral received but has an obligation to return the collateral and the counterparty retains substantially all the risks and rewards of ownership. Consequently, the collateral is not recognised by the Banking Group which instead records a separate asset for the cash given. The difference between the purchase and sale price represents interest income and is recognised in the Income Statement over the term of the agreement.

10 Receivables from and payables to financial institutions

$ millions As at 30 June	**2026**	**2025**
Receivables from financial institutions		
Collateral paid	**416**	425
Other receivables	**-**	153
Total receivables from financial institutions	**416**	578
Amounts due for settlement within 12 months	**416**	578
Total receivables from financial institutions	**416**	578
Payables to financial institutions		
Collateral received	**2,115**	1,016
Other payables	**1,226**	523
Total payables to financial institutions	**3,341**	1,539
Amounts due for settlement within 12 months	**3,341**	1,539
Total payables to financial institutions	**3,341**	1,539

Accounting policies

Receivables from financial institutions include cash collateral and loans from other financial institutions. Payables to financial institutions include cash collateral, deposits and settlement account balances payable to other financial institutions. Cash collateral includes initial and variation margins in relation to derivative transactions and varies based on trading and hedging activities.

Receivables from and payables to financial institutions are initially recognised at fair value and subsequently measured at amortised cost.

11 Securities at fair value through Income Statement

$ millions As at 30 June	2026	2025
Government and local authority securities	**909**	948
Supranational securities	**252**	-
Corporate securities	**-**	135
Total securities at fair value through Income Statement	**1,161**	1,083
Amounts due for settlement within 12 months	**240**	493
Amounts due for settlement over 12 months	**921**	590
Total securities at fair value through Income Statement	**1,161**	1,083

Accounting policies

Securities at FVTIS include held for trading securities that are acquired principally for sale in the near term.

Securities at FVTIS are accounted for on a trade date basis. They are initially recognised at their fair value and any transaction costs are expensed as incurred. Subsequent to initial recognition, Securities at FVTIS are measured at fair value with changes in fair value recognised within Other income in the Income Statement.

Securities at FVTIS are derecognised when the rights to receive cash flows have been transferred together with substantially all of their risks and rewards.

12 Securities at fair value through Other Comprehensive Income

$ millions As at 30 June	2026	2025
Government and local authority securities	**7,584**	6,900
Supranational securities	**2,870**	2,512
Corporate securities	**820**	1,069
Equity investments	**6**	2
Total securities at fair value through Other Comprehensive Income	**11,280**	10,483
Amounts due for settlement within 12 months	**1,476**	1,564
Amounts due for settlement over 12 months	**9,798**	8,917
Non-maturing	**6**	2
Total securities at fair value through Other Comprehensive Income	**11,280**	10,483

Accounting policies

Securities at FVOCI primarily include debt securities held with a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. The contractual cash flows comprise payments of principal and interest only.

Securities at FVOCI are accounted for on a trade date basis. They are initially recognised at their fair value and any transaction costs are expensed as incurred. Subsequent to initial recognition, they are measured at FVOCI.

Interest income and foreign exchange gains and losses on Securities at FVOCI, are recognised in the Income Statement. They are assessed for impairment using the ECL approach described in note 7. Impairment (if any) is presented in Impairment losses on financial assets in the Income Statement.

When fair value hedge accounting is applied, only fair value changes relating to movements in credit spreads are included in OCI.

Securities at FVOCI are derecognised when the rights to receive cash flows have been transferred together with substantially all of their risks and rewards. On derecognition, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the Income Statement and recognised in Other income or Other expenses, as appropriate.

Securities at FVOCI also include non-traded equity instruments designated at FVOCI. Fair value gains and losses on these equity instruments are recognised in OCI and are not reclassified to the Income Statement on derecognition.

13 Derivative financial instruments

Derivative financial instruments are contracts whose value is derived from one or more underlying variables such as a specified interest rate or an index as defined in the contract. Derivative financial instruments are classified as either held for trading or held for hedging. Held for trading derivatives are those entered into in order to meet customers' needs, to undertake market making and positioning activities and for economic hedging without applying hedge accounting. Held for hedging derivatives are instruments held for risk management purposes, which meet the criteria for hedge accounting.

The table below summarises the Banking Group's derivative financial instruments:

$ millions	2026			2025		
	Notional	Fair value		Notional	Fair value	
As at 30 June	**amount**	**assets**	**liabilities**	amount	assets	liabilities
Held for trading	**405,544**	**273**	**(110)**	289,957	130	(176)
Held for hedging	**118,630**	**2,039**	**(114)**	119,542	1,114	(234)
Total derivative assets/(liabilities)	**524,174**	**2,312**	**(224)**	409,499	1,244	(410)
Amounts due for settlement within 12 months		**1,004**	**(120)**		250	(326)
Amounts due for settlement over 12 months		**1,308**	**(104)**		994	(84)
Total derivative assets/(liabilities)		**2,312**	**(224)**		1,244	(410)

(a) Derivative financial instruments which are held for trading

The following table details the Banking Group's derivative financial instruments which are classified as held for trading:

$ millions	2026			2025		
	Notional	Fair value		Notional	Fair value	
As at 30 June	**amount**	**assets**	**liabilities**	amount	assets	liabilities
Exchange rate contracts						
Forward contracts	**12,348**	**222**	**(79)**	8,077	56	(140)
Options	**539**	**7**	**(7)**	653	10	(10)
Total exchange rate contracts	**12,887**	**229**	**(86)**	8,730	66	(150)
Interest rate contracts						
Swaps	**391,319**	**43**	**(23)**	280,564	64	(26)
Futures	**1,229**	**-**	**-**	497	-	-
Options	**101**	**-**	**-**	166	-	-
Total interest rate contracts	**392,649**	**43**	**(23)**	281,227	64	(26)
Commodity contracts	**8**	**1**	**(1)**	-	-	-
Total held for trading	**405,544**	**273**	**(110)**	289,957	130	(176)

Accounting policies

Held for trading derivatives are accounted for on a trade date basis. They are initially recognised and subsequently measured on the Balance Sheet at fair value. Subsequent to initial recognition, gains or losses on held for trading derivatives are recognised in Other income.

Interest income or expense relating to held for trading derivatives entered into for economic hedging is included in interest income or expense depending on the nature of the hedged transaction. Interest income or interest expense relating to held for trading derivatives for purposes other than economic hedging is included in Other income.

13 Derivative financial instruments (continued)

(b) Derivative financial instruments which are held for hedging

Hedged risks

The Banking Group's risk management strategy specifically with respect to hedge accounting is to minimise Income Statement volatility.

Hedge accounting is applied for the following risk categories:

- Interest rate risk, which arises due to a mismatch between fixed and floating interest rates on assets and liabilities; and
- Combined risk, which arises on assets or liabilities with interest rate risk that are denominated in currencies other than New Zealand dollars.

For disclosures of the extent of risk exposures that the Banking Group manages, refer to notes 24 to 27.

Fair value hedges

Fair value hedges protect the Banking Group from changes in fair value due to movements in market interest rates and foreign exchange rates. The Banking Group uses interest rate swaps to swap the fixed interest rate exposure of fixed rate assets and liabilities into variable rate exposure. This is used in respect of certain Securities at FVOCI, Debt issues at amortised cost and Loan capital. For fixed rate assets and liabilities denominated in a foreign currency, the Banking Group uses cross currency swaps, or a combination of foreign currency interest rate swaps and cross currency swaps to swap the combined foreign currency and fixed interest rate exposure into local currency variable rate exposure. This is used in respect of certain Securities at FVOCI, Debt issues at amortised cost and Loan capital.

Cash flow hedges

Cash flow hedges protect the Banking Group from variability in future interest cash flows due to movements in future interest rates and foreign exchange rates. The Banking Group uses interest rate swaps to swap the variable interest rate exposure of floating rate assets and liabilities into fixed rate exposure. This is used in respect of forecast interest cash flows from floating rate Advances to customers, floating rate Deposits and other borrowings, floating rate Debt issues at amortised cost, and the roll-over of short-term fixed rate Deposits and other borrowings. For floating rate liabilities denominated in a foreign currency, the Banking Group uses cross currency swaps to swap combined foreign currency and variable interest rate exposure into local currency variable rate exposure. This is used in respect of certain Debt issues at amortised cost.

Hedging risk components

In some hedging relationships, the Banking Group will only hedge specific risk components of hedged items, such as:

- Benchmark interest rate risk as a component of interest rate risk, such as the Bank Bill Benchmark Rate (BKBM) component; and
- Spot exchange rate risk as a component of foreign currency risk for foreign currency financial assets and financial liabilities.

Changes in fair value of the hedged risk component is usually the largest component of the overall change in fair value, excluding credit risk (which is not hedged, and is discussed further in note 25). Hedging the benchmark interest rate risk or spot exchange rate risk components results in other risks, such as credit risk and liquidity risk, being excluded from the hedge accounting relationship.

Hedge relationships and ineffectiveness

The Banking Group performs prospective tests at the inception of the hedge relationship and retrospective tests at reporting periods to determine the relationship between the hedged item and the hedging instrument, and to assess hedge effectiveness. Prospective testing and retrospective testing are performed using a regression model. The regression model compares the change in the fair value of the hedged item and the change in the fair value of the hedging instrument. The Banking Group monitors hedge effectiveness on a regular basis but at a minimum at least at each reporting date. For a hedge to be deemed effective, the slope of the regression line should be within a range of 0.8 and 1.25 and the regression co-efficient (R squared) of the regression line, which measures the correlation between the variables in the regression, should be within a range of 0.8 and 1.0.

The hedging ratio is established by matching the notional amount of the derivatives held for hedging purposes with the principal of the portfolio or financial instruments being hedged.

Sources of hedge ineffectiveness may arise for both risk categories due to:

- Differences in discounting between the hedged item and the hedging instrument. Collateralised derivatives are discounted using Overnight Indexed Swaps (OIS) discount curves, whereas hedged items are discounted using a relevant benchmark rate (for example BKBM or EURIBOR); and
- Mismatches between the contractual terms of the hedged item and the hedging instrument.

Notes to the Financial Statements

13 Derivative financial instruments (continued)

(c) Hedging instruments

The following table presents information in relation to the Banking Group's hedging instruments:

$ millions	2026			2025		
		Fair value			Fair value	
As at 30 June	Notional amount	Derivative assets	Derivative liabilities	Notional amount	Derivative assets	Derivative liabilities
Fair value hedges						
Interest rate risk	**19,219**	**1**	**(5)**	16,298	18	(3)
Combined risk	**19,892**	**1,913**	**(98)**	18,663	1,057	(92)
Total designated as fair value hedges	**39,111**	**1,914**	**(103)**	34,961	1,075	(95)
Cash flow hedges						
Interest rate risk	**74,882**	**2**	**(1)**	79,582	9	(12)
Combined risk	**4,637**	**123**	**(10)**	4,999	30	(127)
Total designated as cash flow hedges	**79,519**	**125**	**(11)**	84,581	39	(139)
Total held for hedging	**118,630**	**2,039**	**(114)**	119,542	1,114	(234)

The following table presents an analysis of the maturity profile of the notional values of the Banking Group's hedging instruments:

$ millions	Notional amount			
As at 30 June 2026	**Within 1 year**	**Between 1-5 years**	**Over 5 years**	**Total**
Fair value hedges				
Interest rate risk	**3,515**	**9,890**	**5,814**	**19,219**
Combined risk	**4,278**	**12,911**	**2,703**	**19,892**
Total fair value hedges	**7,793**	**22,801**	**8,517**	**39,111**
Cash flow hedges				
Interest rate risk	**31,464**	**43,418**	**-**	**74,882**
Combined risk	**3,690**	**947**	**-**	**4,637**
Total cash flow hedges	**35,154**	**44,365**	**-**	**79,519**
Total held for hedging	**42,947**	**67,166**	**8,517**	**118,630**

$ millions	Notional amount			
As at 30 June 2025	Within 1 year	Between 1-5 years	Over 5 years	Total
Fair value hedges				
Interest rate risk	2,399	10,302	3,597	16,298
Combined risk	2,228	13,667	2,768	18,663
Total fair value hedges	4,627	23,969	6,365	34,961
Cash flow hedges				
Interest rate risk	38,987	40,205	390	79,582
Combined risk	4,601	398	-	4,999
Total cash flow hedges	43,588	40,603	390	84,581
Total held for hedging	48,215	64,572	6,755	119,542

The average fixed interest rate of hedging instruments used to hedge interest rate risk as at 30 June 2026 was 3.95% for fair value hedges and 3.34% for cash flow hedges (30 June 2025 3.89% for fair value hedges and 3.67% for cash flow hedges).

The average exchange rates of major currencies where cross currency swaps were used to hedge foreign currency risk against NZD as at 30 June 2026 was 0.631 for USD and 0.562 for EUR (30 June 2025 0.635 for USD and 0.567 for EUR).

Notes to the Financial Statements

13 Derivative financial instruments (continued)

(d) Hedged items in fair value hedge accounting relationships

The following table presents information on the Banking Group's hedged items in fair value hedge accounting relationships:

$ millions		Carrying amount		Accumulated fair value adjustments[1]	
As at 30 June 2026	**Risk categorisation**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Securities at fair value through Other Comprehensive Income	Interest rate risk	**10,736**	**-**	**157**	**-**
Debt issues at amortised cost	Interest rate risk	**-**	**(2,619)**	**-**	**(2)**
Securities at fair value through Other Comprehensive Income	Combined risk	**53**	**-**	**-**	**-**
Debt issues at amortised cost	Combined risk	**-**	**(17,005)**	**-**	**652**
Loan capital	Combined risk	**-**	**(1,050)**	**-**	**12**
Total		**10,789**	**(20,674)**	**157**	**662**

$ millions		Carrying amount		Accumulated fair value adjustments[1]	
As at 30 June 2025	Risk categorisation	Assets	Liabilities	Assets	Liabilities
Securities at fair value through Other Comprehensive Income	Interest rate risk	9,507	-	125	-
Debt issues at amortised cost	Interest rate risk	-	(1,942)	-	(24)
Securities at fair value through Other Comprehensive Income	Combined risk	49	-	1	-
Debt issues at amortised cost	Combined risk	-	(16,017)	-	558
Loan capital	Combined risk	-	(972)	-	14
Total		9,556	(18,931)	126	548

(1) Represents the accumulated amount of fair value hedge adjustments included in the carrying amount of the hedged item. None of these adjustments relate to hedges which have been discontinued.

(e) Hedge ineffectiveness

The following table presents the changes in value of the Banking Group's hedged items and hedging instruments, together with the hedge ineffectiveness recognised within Other income in the Income Statement:

$ millions	**2026**			2025		
As at 30 June	**Change in value of hedging instrument[2]**	**Change in value of hedged item[3]**	**Hedge ineffectiveness**	Change in value of hedging instrument[2]	Change in value of hedged item[3]	Hedge ineffectiveness
Fair value hedges						
Interest rate risk	**(100)**	**100**	**-**	(214)	215	1
Combined risk	**937**	**(935)**	**2**	1,255	(1,256)	(1)
Total	**837**	**(835)**	**2**	1,041	(1,041)	-
Cash flow hedges						
Interest rate risk	**41**	**(40)**	**1**	146	(148)	(2)
Combined risk	**296**	**(296)**	**-**	100	(100)	-
Total	**337**	**(336)**	**1**	246	(248)	(2)

(2) Represents the change in value of the hedging instruments used as the basis for recognising hedge ineffectiveness during the year.

(3) For fair value hedges, the changes in value of the hedged items are recognised in the Income Statement. For cash flow hedges, the changes in value of the hedged cash flows are only used as a basis for recognising ineffectiveness.

13 Derivative financial instruments (continued)

(f) Cash flow hedge reserve

The table below details the movements in the Banking Group's Cash flow hedge reserve during the reporting period, which includes the impact of cash flow hedges on Net profit after tax and Other comprehensive income (excluding hedge ineffectiveness):

$ millions	**2026**			2025		
As at 30 June	**Interest rate risk**	**Combined risk**	**Total**	Interest rate risk	Combined risk	Total
Movement in cash flow hedge reserve						
Balance at beginning of year	**44**	**(67)**	**(23)**	(49)	(97)	(146)
Net gain/(loss) from changes in fair value(1)	**(97)**	**334**	**237**	(17)	81	64
Reclassified to Income Statement(2)						
Interest income	**(249)**	**-**	**(249)**	193	-	193
Interest expense	**397**	**(38)**	**359**	(46)	19	(27)
Other income	**-**	**(248)**	**(248)**	-	(59)	(59)
Deferred tax	**(14)**	**(13)**	**(27)**	(37)	(11)	(48)
Balance at end of year(3)	**81**	**(32)**	**49**	44	(67)	(23)

(1) Represents hedging gains or losses recognised in Other comprehensive income during the reporting period.

(2) No material amounts have been reclassified to the Income Statement in respect of forecast transactions no longer expected to occur.

(3) The cash flow hedge reserve balance represents amounts for continuing hedges and remaining deferred balance on discontinued hedges. As at 30 June 2026, the reserve included $5 million loss relating to adjustments for hedges which have been discontinued (30 June 2025 $16 million loss).

Accounting policies

Held for hedging derivatives are accounted for on a trade date basis. They are initially recognised and subsequently measured on the Balance Sheet at fair value. Subsequent to initial recognition, gains or losses on held for hedging derivatives are recognised in the Income Statement, unless they are entered into for hedging purposes and designated in a cash flow hedge.

Hedge accounting

The Banking Group applies either cash flow or fair value hedge accounting when transactions meet the specified criteria to apply hedge accounting.

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect net profit. A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability, or an identified portion of such an asset or liability, which is attributable to a particular risk and could affect net profit.

The Banking Group discontinues hedge accounting when it is determined that a hedge has ceased to be highly effective; when the derivative expires, or is sold, terminated, or exercised; when the hedged item matures or is sold or repaid; when a forecast transaction is no longer deemed highly probable; or when the Banking Group elects to revoke the hedge designation.

Cash flow hedge accounting

A fair value gain or loss associated with the effective portion of a derivative designated as a cash flow hedge is recognised initially in the cash flow hedge reserve. The ineffective portion of changes in fair value are recognised immediately in Other income. When the transaction or item that the derivative is hedging (including cash flows from transactions that were forecast when the derivative hedge was effected) affects income or expense then the associated fair value change on the hedging derivative is simultaneously transferred from the cash flow hedge reserve to the corresponding income or expense line item in the Income Statement.

When a hedging derivative expires or is sold, the hedge no longer meets the criteria for hedge accounting, or the Banking Group elects to revoke the hedge designation, the cumulative gain or loss on the hedging derivative remains in the cash flow hedge reserve until the forecast transaction occurs and affects income, at which point it is transferred to the corresponding income or expense line. If a forecast transaction is no longer expected to occur, the cumulative gain or loss on the hedging derivative previously reported in the cash flow hedge reserve is immediately transferred to Other income.

Fair value hedge accounting

For qualifying fair value hedges, the change in fair value of the hedging derivative is recognised within Other income in the Income Statement. Changes in the fair value of the hedged item which are attributable to the risks hedged with the derivative instrument, are reflected in an adjustment to the carrying value of the hedged item and are recognised in Other income.

If the hedging instrument no longer meets the criteria for hedge accounting, or the Banking Group revokes the hedge designation, the difference between the carrying value of the hedged item at that point and the value at which it would have been carried had the hedge never existed (the "unamortised fair value adjustment"), is maintained as part of the carrying value of the hedged item and amortised to Other income based on a recalculated effective interest rate. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in Other income.

Our deposit and funding activities

Stable and well diversified funding sources are critical to the Banking Group's ability to fund its lending and investing activities and support business growth.

The Banking Group's main sources of funding include customer deposits, term funds raised in domestic and offshore wholesale markets via issuing debt securities and loan capital. The Banking Group also relies on repurchase agreements as a source of short-term wholesale funding.

Refer to note 27 for additional information on the Banking Group's approach to managing liquidity and funding risk.

14 Deposits and other borrowings

$ millions **As at 30 June**	**2026**	2025
Certificates of deposit	**2,765**	2,547
Term deposits	**45,567**	43,972
On demand and short-term deposits	**35,741**	34,587
Deposits not bearing interest	**12,480**	10,667
Repurchase agreements	**559**	1,649
Total deposits and other borrowings	**97,112**	93,422
Amounts due for settlement within 12 months	**91,591**	89,682
Amounts due for settlement over 12 months	**5,521**	3,740
Total deposits and other borrowings	**97,112**	93,422

Accounting policies

Deposits and other borrowings cover all forms of funding that are not designated at FVTIS or included in Debt issues or Loan Capital. This includes transactional and saving accounts, term deposits, certificates of deposit, credit balances on credit cards, foreign currency accounts and repurchase agreements.

Deposits and other borrowings are initially measured at fair value less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost. Interest expense incurred is recognised within Net interest income using the effective interest method.

Deposits and other borrowings are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Repurchase agreements

Under repurchase agreements, collateral in the form of securities is advanced to a third party and the Banking Group receives cash or other securities in exchange. The counterparty is allowed to sell or repledge the collateral advanced under repurchase agreements in the absence of default by the Banking Group but has an obligation to return the collateral at the maturity of the contract. The Banking Group has determined that it retains substantially all the risks and rewards of these securities and therefore the securities advanced are not derecognised and are retained within the relevant security portfolio and accounted for accordingly. The obligation to repurchase is recorded within Deposits and other borrowings. The difference between the sale and repurchase price represents interest expense and is recognised in the Income Statement over the term of the repurchase agreement.

Notes to the Financial Statements

15 Debt issues

$ millions As at 30 June	2026	2025
Debt issues by programme		
Euro commercial paper	**172**	570
USD commercial paper	**5,111**	5,307
Euro medium term notes	**10,467**	9,948
USD medium term notes	**4,535**	3,966
NZD domestic bonds	**4,200**	2,774
Covered bonds	**3,320**	3,202
Total debt issues	**27,805**	25,767
Short-term debt issues by currency		
USD	**5,283**	5,877
Long-term debt issues by currency due for settlement within 12 months		
USD	**1,228**	1,425
GBP	**351**	-
EUR	**1,526**	1,315
NZD	**1,415**	490
HKD	**-**	170
Total debt issues due for settlement within 12 months	**9,803**	9,277
Long-term debt issues by currency due for settlement over 12 months		
USD	**4,698**	4,185
AUD	**204**	184
JPY	**333**	354
EUR	**8,339**	8,530
NZD	**2,804**	2,301
HKD	**150**	139
CHF	**1,474**	797
Total debt issues due for settlement over 12 months	**18,002**	16,490
Total debt issues	**27,805**	25,767
Debt issues at fair value through Income Statement	**1,945**	1,959
Debt issues at amortised cost	**25,860**	23,808
Total debt issues	**27,805**	25,767
Movement in debt issues		
Balance at beginning of year	**25,767**	18,522
Issuances during the year	**12,376**	12,885
Repayments during the year	**(11,619)**	(7,111)
Fair value movements	**(115)**	502
Foreign exchange movements	**1,378**	938
Other movements	**18**	31
Balance at end of year	**27,805**	25,767
Fair value hedge adjustments included in total debt issues	**(650)**	(534)

15 Debt issues (continued)

Short-term debt

The Bank's short-term borrowing programmes include a Euro Commercial Paper (ECP) programme under which it may issue commercial paper (CP) in multiple currencies up to an aggregate of USD7 billion, and a USD CP (USCP) programme under which it may issue CP in USD up to an aggregate of USD7 billion. CP is issued under these programmes at both fixed and variable interest rates.

Long-term debt

The Bank's long-term borrowings include:

- Notes issued under a joint Euro Medium Term Note programme with CBA. The joint programme limit is USD70 billion. These issuances occur in multiple currencies and may have both fixed and variable interest rates;
- Notes issued under a US Medium Term Note programme. The programme limit is USD10 billion. Notes issued under this programme are in USD and may have both fixed and variable interest rates;
- Bonds issued under a Covered Bond programme. The programme limit is EUR7 billion and is subject to the regulatory constraint that the assets of the Covered Bond Trust may not exceed 10% of the Banking Group's total assets. The issuances may occur in multiple currencies and may have both fixed and variable interest rates. These bonds are guaranteed by the Covered Bond Guarantor. Refer to the General Disclosures and to note 29 for further information; and
- Domestic bonds issued into the New Zealand market. The issuances occur in NZD and may have fixed and variable interest rates.

Interest rate and foreign currency risks associated with both short-term and long-term debt issuances are incorporated within the Banking Group's risk management framework.

Debt issued under the short-term and long-term debt programmes (excluding USD Subordinated Notes classified as Loan capital in note 16) is unsubordinated and ranks equally with other unsubordinated obligations of the Bank.

Accounting policies

The Banking Group classifies Debt issues as either measured at amortised cost or at FVTIS.

Debt issues are recognised when an obligation arises and are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Debt issues at amortised cost

Debt issues at amortised cost primarily consist of medium term notes, domestic bonds, covered bonds and commercial paper. They are initially measured at fair value plus associated transaction costs and are subsequently measured at amortised cost.

When fair value hedge accounting is applied, the carrying value at amortised cost is adjusted for changes in fair value related to the hedged risk.

Interest expense incurred is recognised within Net interest income using the effective interest method.

Debt issues at fair value through Income Statement

Debt issues at FVTIS includes all debt issues that are designated at FVTIS and primarily consist of commercial paper.

Debt issues are designated at FVTIS, when the Banking Group has economically hedged the foreign exchange and interest rate risk using derivatives, but hedge accounting is not applied. Designation eliminates or significantly reduces an accounting mismatch as the derivative is also at FVTIS. These debt issues are managed with derivative financial assets and liabilities accounted for and evaluated on a fair value basis.

Debt issues at FVTIS are initially measured at fair value and any transaction costs are expensed as incurred. Subsequent to initial recognition, they are measured at fair value. Changes in fair value are recognised in Other income.

Interest expense incurred is recognised within Net interest income on a contractual rate basis, including amortisation of any premium/discount.

Notes to the Financial Statements

16 Loan capital

Loan capital is debt issued by the Banking Group with terms and conditions that qualify it for inclusion as capital under the Reserve Bank of New Zealand (RBNZ)'s prudential standards.

$ millions As at 30 June	2026	2025
Loan capital by programme		
USD Subordinated Notes	**1,050**	972
Total loan capital	**1,050**	972

$ millions For the year ended 30 June	2026	2025
Movement in loan capital		
Balance at beginning of year	**972**	941
Fair value movements	**2**	28
Foreign exchange movements	**75**	2
Other movements	**1**	1
Balance at end of year	**1,050**	972
Fair value hedge adjustments included in loan capital	**(12)**	(14)

USD Subordinated Notes

On 17 June 2022, the Bank issued subordinated and unsecured debt securities (USD Subordinated Notes) under its USD10 billion USMTN Programme. The USD Subordinated Notes are denominated in USD with a face value of USD600 million. The USD Subordinated Notes meet the criteria for Tier 2 capital designation and are classified as financial liabilities under NZ IAS 32 *Financial Instruments Presentation* (NZ IAS 32).

Conditions	
Maturity and redemption	The USD Subordinated Notes will mature on 17 June 2032, but subject to certain conditions, the Bank has the right to redeem all or some of the USD Subordinated Notes on the date falling five years after their issue date (call option date). At any time, subject to certain conditions, the Bank may redeem the USD Subordinated Notes for tax or regulatory reasons.
Interest	The USD Subordinated Notes bear interest at a rate of 5.284% per annum fixed for five years. The interest rate will be reset for a further five-year period if the USD Subordinated Notes are not redeemed in full on or before their call option date. Payment of interest is semi-annual in arrears and is subject to the Bank being solvent at the time the payment is due and remaining solvent immediately after such payment is made.
Ranking	In the event of a liquidation of the Bank, holders of the USD Subordinated Notes will rank after holders of the Bank's unsubordinated obligations, including depositors and holders of the Bank's unsubordinated debt issues set out in note 15.

Accounting policies

Loan capital is initially measured at fair value less directly attributable transaction costs. Subsequent to initial recognition, Loan capital is measured at amortised cost. Interest expense incurred is recognised in Net interest income using the effective interest method.

When fair value hedge accounting is applied, the carrying value at amortised cost is adjusted for changes in fair value related to the hedged risk.

Loan capital is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Other assets, other liabilities, contingencies and commitments

The Banking Group's other assets include assets not included in its lending, investing, trading and other banking activities. Other assets include intangible assets such as computer software and goodwill acquired in a business combination, interest and fees receivable, and prepayments.

Other liabilities include interest and fees payable, trade accounts payable and lease liabilities.

Provisions are held in respect of a range of future obligations, some of which involve significant management judgement to determine the likely outcome of events, as well as a reliable estimate of the outflow. Where future events are uncertain, or where the outflow cannot be reliably determined, these are disclosed as contingent liabilities.

This section also provides information on customer related commitments and contingencies that arise in the ordinary course of business.

17 Intangible assets

$ millions **As at 30 June 2026**	**Goodwill**	**Computer software**	**Total**
Balance as 1 July 2025	**10**	**321**	**331**
Additions	**-**	**215**	**215**
Disposals	**-**	**(2)**	**(2)**
Amortisation expense	**-**	**(95)**	**(95)**
Balance as at 30 June 2026	**10**	**439**	**449**

$ millions **As at 30 June 2025**	Goodwill	Computer software	Total
Balance as 1 July 2024	10	242	252
Additions	-	168	168
Amortisation expense	-	(80)	(80)
Impairment loss	-	(9)	(9)
Balance as at 30 June 2025	10	321	331

Accounting policies

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. They are amortised over their expected useful lives on a straight-line basis.

Certain internal and external costs directly incurred in acquiring and developing software, are capitalised and amortised over their expected useful lives on a straight-line basis. Computer software costs that do not meet the capitalisation criteria are expensed in the period incurred.

Software-as-a-service (SaaS) arrangements are service contracts providing the Banking Group with the right to access the provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the provider's application software, are generally recognised as operating expenses when the services are received. Costs incurred for the development of software code that enhances, modifies or adds capacity to existing on-premise systems that the Banking Group controls and meets the recognition criteria for an intangible asset, are capitalised and amortised over their estimated useful life on a straight-line basis.

The useful life for computer software ranges between 3-10 years.

Computer software is subject to impairment review. Any impairment loss is recognised in Operating expenses in the Income Statement.

18 Other assets

$ millions As at 30 June	2026	2025
Interest receivable	**293**	296
Prepayments	**128**	96
Contract assets	**31**	30
Other assets[1]	**89**	88
Total other assets	**541**	510
Amounts due for settlement within 12 months	**442**	456
Amounts due for settlement over 12 months	**99**	54
Total other assets	**541**	510

(1) Comparative information has been reclassified to ensure consistency with presentation in the current year.

Accounting policies

Other assets include the accrual of interest and fees receivable, prepaid expenses and receivables related to unsettled transactions. Interest receivables are recognised on an accruals basis. Fees receivable are recognised once the service is provided. The remaining other assets are recognised on an accrual or service performed basis and amortised over the period in which the economic benefits from these assets are received.

19 Other liabilities

$ millions As at 30 June	2026	2025
Interest payable	**409**	607
Salaries, wages and other staff payables	**68**	70
Contract liabilities	**59**	55
Trade accounts payable and other liabilities	**217**	285
Lease liabilities	**260**	170
Total other liabilities	**1,013**	1,187
Amounts due for settlement within 12 months	**736**	995
Amounts due for settlement over 12 months	**277**	192
Total other liabilities	**1,013**	1,187

Accounting policies

Other liabilities include the accrual of interest and fees payable and lease liabilities. Other liabilities are measured at the contractual rate payable.

Lease liability

The lease liability is initially measured at the net present value of lease payments, which include fixed payments (less any lease incentives receivable) and variable lease payments that are based on an index or a rate.

20 Provisions, contingent liabilities and commitments

(a) Provisions

As at 30 June 2026, the Banking Group holds provisions in relation to the following:

Employee entitlements

This provision comprises annual leave, long service leave and other employee benefits and is calculated based on expected payments. These typically settle within one year. Where the payments are expected to be more than one year in the future, this provision factors in the expected period of service by employees, as well as salary increases. These future obligations are discounted using a market observable rate.

Compliance, regulation and remediation

These provisions are associated with customer remediation and other regulatory or compliance matters described in section (b), and require significant levels of estimation and judgement. They are calculated based on management's best estimate of expected future payments or remediation and often depend on a number of different assumptions, such as the number of years impacted and average cost per case. The timing of settlement is dependent on the related compliance, regulation, or remediation outcome. It is possible the actual outcomes may differ from the assumptions used in estimating the provision and result in significant changes to the amounts recognised in the financial statements.

Allowance for ECL on lending commitments and credit related contingent liabilities

This provision comprises the allowance for ECL on undrawn lending commitments and credit related contingent liabilities described in section (c). The provision is calculated using the same methodology described in note 7.

Other provisions

Other provisions include provisions for leasing make-good obligations, legal fees, restructuring and certain other costs.

The following table presents the movement in provisions during the year:

$ millions **For the year ended 30 June 2026**	**Employee entitlements**	**Compliance, regulation and remediation**	**Allowance for ECL**	**Other**	**Total**
Balance as at 1 July 2025	**49**	**99**	**13**	**27**	**188**
Additional provisions during the year	**94**	**167**	**13**	**5**	**279**
Amounts utilised during the year	**(86)**	**(145)**	**-**	**(4)**	**(235)**
Release of provisions during the year	**-**	**-**	**(8)**	**-**	**(8)**
Net transfer in/(out)	**-**	**36**	**17**	**-**	**53**
Balance as at 30 June 2026	**57**	**157**	**35**	**28**	**277**

The table below details when the provisions are expected to be settled.

$ millions **As at 30 June**	**2026**	2025
Estimated amounts due for settlement within 12 months	**260**	175
Estimated amounts due for settlement over 12 months	**17**	13
Total provisions	**277**	188

Accounting policies

A provision is recognised on the Balance Sheet when the Banking Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are possible obligations, whose existence will be confirmed only by uncertain future events, or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised on the Balance Sheet, but are disclosed, unless the probability of having to meet obligations is considered remote.

20 Provisions, contingent liabilities and commitments (continued)

(b) Litigation, investigations and reviews

The Banking Group is exposed to potential liabilities in respect of actual and potential court proceedings, claims and investigations conducted by regulatory authorities including issues that the Banking Group has self-identified and reported to its regulators.

There are also a range of ongoing matters where regulators or other bodies are investigating whether ASB has breached legal, regulatory or other obligations. There has been a recent increase in the number of matters on which the Banking Group has engaged with regulators (including an increase in investigations and reviews). These matters include investigations of a number of issues which were notified to, or identified by, regulators or other bodies. The scope of regulatory investigations and reviews relates or has related in recent years to matters including anti-money laundering and countering financing of terrorism (AML/CFT) obligations, responsible lending practices, disclosure obligations, fraud and scams, interest and fees and the entitlement to charge them, customer remediations, conduct, competition and fair dealing obligations. Where a breach has occurred or obligations have not been met by the Banking Group, regulators or other bodies may commence civil or criminal proceedings, impose, or apply to a Court for, fines and/or other sanctions, or may require remediation or may exercise other regulatory powers.

These matters include instances where the potential liability of the Banking Group, if any, cannot be accurately assessed until proceedings, claims, regulatory investigations or reviews are further progressed, finally settled or because the application of the law is uncertain, including where cases are before the Courts.

An assessment of the Banking Group's likely loss in respect of certain matters has been made on a case-by-case basis and provisions are made in the financial statements where the recognition criteria are met. Contingent liabilities exist in part or in full with respect to matters where it is not possible to determine the extent of any obligation or the potential liability cannot be reliably estimated. Information relating to any contingent liability or provision is not disclosed where it can be expected to prejudice seriously the interests of the Banking Group.

The Banking Group undertakes ongoing compliance activities, including regulatory engagement, breach reporting, and customer remediations. The Banking Group also conducts reviews of products, conduct, services and disclosures provided to customers (including interest and fees charged), as well as scams, fraud and financial crime matters. Some of these activities have resulted in remediation programmes and, where required, the Banking Group engages with the relevant regulator and other bodies on the proposed remediation action. There is also a risk of failures of internal controls, or the ineffective remediation of compliance incidents which could lead to breaches (including breaches of sanctions, AML/CFT, responsible lending or disclosure obligations) and result in enforcement action and potential penalties.

In addition to regulatory investigations, enforcement actions, fines and other financial penalties, there may also be financial exposure to claims by customers and third parties. This could include customer remediation, claims for compensation or other remedies. The outcomes and total costs associated with such matters, and possible claims, collectively, remain uncertain.

Risk context

The Banking Group is subject to a range of financial, non-financial and strategic risks which are described in note 24. The outcomes and total costs associated with the matters disclosed in this note, collectively, remain uncertain and may be materially affected by these and other risks.

The Banking Group has identified that it needs to deliver improvements in the way it manages and governs non-financial risk. This is also important given the evolving nature of the environment the Banking Group operates in and the elevated non-financial risk profile (including from an AI, cyber-security, technology, conduct, fraud and scams and financial crime perspective). Accordingly, the Banking Group is undertaking a multi-year programme of activity to uplift its management and governance of non-financial risk and improve that control environment, including through a multi-year technology modernisation.

There is no assurance that regulators will agree that the Banking Group's uplifts to its non-financial risk management and control environment are sufficient, which may lead to regulatory responses.

Financial crime, fraud and scams

The Banking Group is exposed to risks of fraud, scams and financial crime through its interactions with customers, service providers, internal actors and other external parties. These risks may expose the Banking Group to financial loss, customer remediation, reputational damage, regulatory action and litigation. The Banking Group continues to invest in people, systems, processes and controls to respond to a rapidly evolving operating environment, such as the increasing sophistication of criminals including their use of technology to target the financial system to perpetrate scams, fraud and cyberattacks.

The Banking Group also continues to review and remediate a number of known AML/CFT compliance issues, including one of the underlying causes of its AML/CFT failings that resulted in the RBNZ commencing the proceedings disclosed below. As this work progresses, further compliance issues have been and may continue to be identified and reported to the Department of Internal Affairs (DIA), who may also investigate certain matters, and additional enhancements of systems and processes may be required.

20 Provisions, contingent liabilities and commitments (continued)

(b) Litigation, investigations and reviews (continued)

Financial crime, fraud and scams (continued)

Significant reforms to Australia's anti-money laundering/counter-terrorism financing laws were introduced under the Anti-Money Laundering and Counter-Terrorism Financing Amendment Act 2024 (Cth). A substantial number of new requirements commenced on 31 March 2026, including provisions that apply to the Banking Group, which the Australian Transaction Reports and Analysis Centre (AUSTRAC) will be able to enforce against ASB. Given the scale and complexity of these reforms, both the Overseas Banking Group and ASB are not currently compliant with all new requirements. AUSTRAC has acknowledged there are industry-wide compliance challenges given the timeframe to comply and complexity of the reforms and has published its regulatory expectations noting that entities should have a documented implementation plan where they are unable to meet new or changed obligations within the required timeframes. The Overseas Banking Group has developed and is implementing a large-scale implementation plan, which includes the Banking Group, across multiple years to seek to achieve compliance with these reforms. Risks associated with the reforms include that the Overseas Banking Group's implementation plan (in whole or in part) may not align with AUSTRAC's expectations. A failure to adequately update the Overseas Banking Group's or the Banking Group's systems and processes to address the evolving complexity of financial crime risk could result in breach of financial crime laws, which may result in substantial financial penalties, reputational damage or materially adversely impact the Overseas Banking Group or the Banking Group.

The Banking Group is not aware of any current enforcement proceeding commenced by any regulators in respect of its financial crime compliance. As the Banking Group regularly engages with regulators, including in respect of compliance issues, there can be no assurance that the Banking Group will not be subject to further enforcement proceedings in the future.

The main litigated claims against the Banking Group as at 30 June 2026 are summarised below.

Class action

Proceedings were served on ASB on 29 September 2021 by plaintiffs seeking to bring representative (class action) proceedings against ASB in the High Court of New Zealand. The proceedings related to ASB's compliance with parts of the Credit Contracts and Consumer Finance Act 2003 (CCCFA) which requires a variation disclosure to be issued when customers and ASB make agreed changes to loan agreements captured under the CCCFA.

A settlement was reached between the parties, with ASB agreeing to pay $135.6 million. In agreeing to resolve the litigation, ASB made no admission of liability. The settlement was approved by the High Court of New Zealand on 14 January 2026. ASB has paid most of the settlement distribution payments to eligible class members, has accrued for the remaining payments, and expects to complete distribution by November 2026.

Financial Markets Authority (FMA) proceedings

On 7 October 2024, the FMA commenced civil proceedings in the High Court of New Zealand alleging ASB made false and misleading representations in contravention of section 22 of the Financial Markets Conduct Act 2013 in respect of two matters. The first matter related to multi-policy discounts that were not applied to some insurance policies underwritten by IAG New Zealand Limited. The second matter related to FastNet Business fees that were incorrectly charged to some customers.

The FMA alleged that between April 2014 (when the relevant legislation came into force) and May 2022 a total of 23,062 customers were affected by the multi-policy discount issue and 2,435 customers were affected by the FastNet Business fees issue.

The issues were self-reported to the FMA. ASB has completed remediation of both matters. ASB admitted liability for all alleged causes of action, and the FMA and ASB agreed to jointly recommend to the Court that a penalty of $2.1 million was appropriate. Following a hearing on 16 February 2026, the Court imposed a penalty of $2.1 million, which ASB has paid.

RBNZ AML/CFT proceedings

Following an investigation, on 12 December 2025, the RBNZ filed civil proceedings in the High Court of New Zealand against ASB alleging breaches of the AML/CFT Act from at least December 2019.

ASB's non-compliance relates to its failures to establish, implement, or maintain an AML/CFT programme that complied in all respects with the requirements of the AML/CFT Act, adequately conduct ongoing customer due diligence, report suspicious activities within the timeframe provided in the AML/CFT Act, conduct enhanced customer due diligence, and terminate business relationships as required by the AML/CFT Act.

ASB has admitted liability for all alleged causes of action, and the RBNZ and ASB agreed to jointly recommend to the Court that a penalty of $6.7 million was appropriate. Following a hearing on 9 March 2026, the Court imposed a penalty of $6.7 million, which ASB has paid.

Commerce Commission proceedings

Following an investigation, the Commerce Commission (Commission) filed civil proceedings against ASB in the High Court of New Zealand on 17 June 2026 alleging breaches of the CCCFA.

The Commission alleges that, between 2015 and 2024, ASB failed to conduct customer affordability and suitability assessments and did not have sufficient processes in place for providing required disclosures for certain overdraft facilities, and that, between 2015 and 2025, ASB failed to detect and promptly reimburse certain customer debt overpayments.

ASB has admitted liability for all alleged causes of action. The final penalty will be determined by the Court. The Banking Group has provided for the anticipated penalty.

20 Provisions, contingent liabilities and commitments (continued)

(c) Commitments and credit related contingent liabilities

The Banking Group issues commitments to extend credit, letters of credit, financial guarantees and other credit facilities in the ordinary course of business. These financial instruments attract fees in line with market prices for similar arrangements.

The following table presents the maximum potential amount that could be lost in relation to commitments and contingent liabilities, if a counterparty fails to meet its financial obligations. Even though these obligations may not be recognised in the Banking Group's Balance Sheet, they contain credit risk and therefore form part of the overall risk of the Banking Group. Refer to note 25 for details on credit risk management.

$ millions	Face Value	
As at 30 June	**2026**	2025
Credit commitments		
Lending commitments	**18,322**	16,803
Total credit commitments	**18,322**	16,803
Credit related contingent liabilities		
Financial guarantees and letters of credit	**538**	430
Performance related contingencies	**601**	530
Total credit related contingent liabilities	**1,139**	960

Accounting policies

Lending commitments

Lending commitments include the Banking Group's obligations to provide credit facilities against which clients can borrow money under defined terms and conditions. These amounts include irrevocable lending commitments. As facilities may expire without being drawn upon, the face value does not necessarily reflect the future cash requirements.

Financial guarantees and letters of credit

Financial guarantees and letters of credit are undertakings given by the Banking Group to support the obligations of a customer to third parties in the event of a default by a customer. They generally do not involve cash payments other than in the event of default. The fee pricing is set as part of the broader customer credit process and reflects the probability of default. Financial guarantees and letters of credit are disclosed as contingent liabilities at their face value which represents the maximum amount that could be lost if the counterparty fails to meet its obligations.

Performance related contingencies

Performance related contingencies include bonds and other trade-related credit facilities. They are undertakings that oblige the Banking Group to pay third parties should a customer fail to fulfil its contractual non-monetary obligations. The Banking Group's obligation is only limited to the credit owed by its customer to the interested third party and not related to the customer's performance obligation.

The allowance for ECL on undrawn lending commitments and credit related contingent liabilities, is recognised within Provisions.

Capital, equity and reserves

The Banking Group maintains a strong capital position in order to satisfy regulatory capital requirements, provide financial security to its depositors and creditors, and deliver an adequate return to its shareholder. The Banking Group's shareholder's equity includes ordinary shares, retained earnings and reserves.

Ordinary shares are included in Tier 1 capital for capital adequacy calculation purposes. Refer to Capital Adequacy within the Other registered bank disclosures, for further information on regulatory capital.

21 Contributed capital – ordinary shares

As at 30 June	Number of shares 2026	Number of shares 2025	$ millions 2026	$ millions 2025
Issued and fully paid ordinary share capital				
Balance at beginning of year	**6,848,121,300**	6,148,121,300	**6,873**	6,173
Share capital issued	**-**	700,000,000	**-**	700
Total contributed capital	**6,848,121,300**	6,848,121,300	**6,873**	6,873

Ordinary shares are recognised at the amount paid up per ordinary share, net of directly attributable issue costs.

All ordinary shares have equal voting rights and share equally in dividends and any profit on winding up. Dividends are declared, subject in all cases, to the applicable Directors' resolutions being passed.

On 14 November 2024, the Bank issued 700,000,000 ordinary shares to ASB Holdings Limited, with each share issued for a subscription price of $1.

22 Dividends

Dividends represent a distribution of profits that holders of ordinary shares receive from time to time. Dividends approved by the Board of the Bank are recognised with a corresponding reduction of retained earnings.

For the year ended 30 June	Cents per share 2026	Cents per share 2025	$ millions 2026	$ millions 2025
Ordinary dividend paid in March 2026	**5.48**	-	**375**	-
Ordinary dividend paid in September 2024	-	6.51	-	400
Ordinary dividend paid in November 2024[1]	-	11.39	-	700
Ordinary dividend paid in March 2025	-	10.22	-	700
Total ordinary dividends paid			**375**	1,800

(1) On 14 November 2024, the Bank paid a dividend of $700 million on ordinary shares to ASB Holdings Limited. Effected on the same date, the Bank raised $700 million from the issuance of 700 million ordinary shares to ASB Holdings Limited. These two transactions were settled net and not in cash. All other dividends paid were settled in cash.

Notes to the Financial Statements

23 Reserves

$ millions As at 30 June	2026	2025
Asset revaluation reserve		
Balance at beginning of year	**17**	17
Revaluations of land and buildings	**(1)**	-
Balance at end of year	**16**	17
Cash flow hedge reserve		
Balance at beginning of year	**(23)**	(146)
Net gain from changes in fair value	**237**	64
Reclassified to Income Statement:		
Interest income	**(249)**	193
Interest expense	**359**	(27)
Other income	**(248)**	(59)
Deferred tax	**(27)**	(48)
Balance at end of year	**49**	(23)
Fair value through Other Comprehensive Income reserve		
Balance at beginning of year	**(46)**	3
Net gain/(loss) from changes in fair value	**71**	(68)
Deferred tax	**(21)**	19
Balance at end of year	**4**	(46)
Equity compensation reserve		
Balance at beginning of year	**2**	1
Current year movement	**(2)**	1
Balance at end of year	**-**	2
Total reserves	**69**	(50)

Accounting policies

Asset revaluation reserve

The asset revaluation reserve is used to record revaluation adjustments on freehold land and buildings carried at valuation.

Where a revaluation decrease results in a debit balance in the asset revaluation reserve of any individual asset, the loss is recognised in the Income Statement, and any subsequent revaluation gains are written back through the Income Statement to the extent of past losses recognised. Upon sale of freehold land and buildings, any gains held in the asset revaluation reserve are transferred directly to retained earnings.

Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of foreign exchange and interest rate derivative contracts related to hedged forecast transactions that have not yet occurred. Amounts are reclassified to the Income Statement when the hedged items impact profit or loss.

Fair value through Other Comprehensive Income reserve

The fair value through Other Comprehensive Income reserve includes the cumulative net change in the fair value of Securities at FVOCI (excluding impairment losses or recoveries, interest revenue and foreign exchange gains or losses) until the financial asset is derecognised or impaired. When fair value hedge accounting is applied, only fair value changes relating to movements in credit spreads are included in the reserve.

Risk management

The Banking Group is exposed to financial, non-financial and strategic risks through its business activities and the products and services it offers. The Banking Group's material risks are: credit, market, liquidity, operational, compliance and strategic risk.

This section summarises the Banking Group's approach to managing its material risk types, governing policies and committees, material risk drivers and key control and risk mitigations in place.

24 Risk management

Risk Management Framework (RMF)

The Banking Group manages risk in accordance with the RMF. The RMF defines how the Banking Group identifies, evaluates and manages material risks. It articulates the risk system in place to adequately monitor and control the Banking Group's material risks and includes details on risk drivers, governing policies and committees, and key risk mitigations in place. Additionally, it outlines Board and Management risk governance structure.

The RMF is reviewed and approved by the Board on at least a triennial basis or where required due to material changes in risk operating models or processes. The Board Risk and Compliance Committee (BRCC) assists the Board with oversight and governance of the Banking Group's material risks, which includes monitoring risk appetite and assessing the risk profile of the Banking Group. The Board Audit Committee (BAC) assists the Board with review and oversight of compliance with laws and regulatory standards.

The RMF is underpinned by the Banking Group's Three Lines of Accountability model that outlines roles and accountabilities for how risk is identified, assessed, monitored and managed across the Banking Group.

Risk Appetite Statement (RAS)

The RAS seeks to establish a culture of disciplined management of risk that enables the Banking Group to deliver long term value for its customers, communities, shareholders and employees. It specifies key business outcomes, expectations and metrics with respect to material risks, which define the Banking Group's risk appetite and shapes risk culture.

The RAS outlines the types and amounts of risk that the Board is prepared to pursue or accept in day-to-day activities. Risk appetite is reviewed, updated and approved by the Board on an annual basis, and is set at a level which the Board expects management to operate in across all material risk types. Risk appetite is defined through both qualitative statements and quantitative indicators to measure performance against defined appetite for each risk type.

Governance

The Banking Group's Chief Risk Officer, who reports to the Chief Executive Officer (CEO), is responsible for the implementation of the RMF. This includes the development and deployment of appropriate risk frameworks that allow for conscious exposures to risk within the Board approved RAS, to achieve the Banking Group's desired business outcomes. All executives have responsibility for the day-to-day management of risk across the Banking Group, including the implementation of the Banking Group's RMF. The executive-level Non-financial Risk Committee (NFRC), Financial Risk Committee (FRC) and the Asset and Liability Committee (ALCO) oversee the operation of the Banking Group's risk management. Together, these committees monitor and advise on the material risks impacting the Banking Group, and the effectiveness of the RMF and supporting material risk type frameworks and policies. They also regularly monitor the Banking Group's RAS, Risk Profile and Risk Culture. All members of the ELT are members of the NFRC and FRC and a subset of the ELT are members of ALCO.

Material risks

Information on credit risk, market risk and liquidity risk that arises from the Banking Group's use of financial instruments, can be found in the notes listed below:

- Note 25 (Credit risk);
- Note 26 (Market risk); and
- Note 27 (Liquidity and funding risk).

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, systems or people, or from external events. It includes the following sub-risk types: Accounting and Taxation, Legal, Cyber-security, Data management, Fraud and Scams, Model, Business disruption, People, Technology, Third Parties and Transaction Processing. The Banking Group's primary operational risk process, the Risk and Control Self-assessment (RCSA), requires business units to identify and assess risks at a divisional level over a twelve-month timeframe. The self-assessment is performed at least annually. The Operational Risk Management Framework (ORMF) covers the structures, policies, systems, processes and people within the Banking Group that identify, measure, evaluate, control/mitigate, monitor and report internal and external operational risks.

Compliance risk

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss of reputation that the Banking Group may incur as a result of failure to comply with its obligations. Compliance obligations can arise from mandatory requirements, such as applicable laws and regulations or voluntary commitments, including industry standards, rules or codes of practice. Compliance risk includes the following sub-risk types: Financial crime, Conduct, Regulatory and Licensing, and Privacy.

24 Risk management (continued)

Compliance risk (continued)

The Compliance Management Framework (CMF) supports management of applicable obligations and compliance risks and includes regulatory change and obligations management processes under which applicable obligations are identified, assessed and managed by the Banking Group. Once a new or amended obligation is identified, the Banking Group assesses applicability to business units and determines how existing or new processes and controls collectively achieve compliance. Records of applicable obligations and their corresponding processes and controls are maintained to support the review of the Banking Group's compliance environment and the identification, assessment and management of any gaps or weaknesses. Compliance risks are monitored and managed in accordance with the CMF and are reported to the appropriate internal risk committees or BRCC as relevant. Additionally, business units formally reassess the adequacy of their compliance environment at least biennially.

The CMF works in alignment with the ORMF to help identify, assess, manage and report Operational and Compliance risks on a consistent and reliable basis.

Strategic risk

Strategic risk is the risk of material stakeholder value destruction or less than planned value creation due to changes in the Banking Group's external and internal operating environments. It includes the following sub-risk types: Capital Adequacy, Capability and Culture, Environmental and Social (E&S), Strategy Development, Execution and Delivery and Artificial Intelligence. The Board approved Strategic Risk Management Policy outlines the requirements for how the Banking Group assesses, monitors and responds to Strategic Risks by operating enterprise level:

- strategy setting processes that identify and assess emerging trends in the external and internal operating environment; and
- strategy monitoring and review processes.

Strategic risk is managed by the Bank's ELT who assess strategic risk at least annually and monitor strategic execution risk at least quarterly.

Internal audit and reviews of the Banking Group's risk management systems

The Banking Group maintains an independent internal audit function which is ultimately accountable to the Board through the BAC.

The internal audit function provides independent opinions on the effectiveness of risk management systems and the framework of controls and governance processes within the Banking Group's operations. Audits of the Banking Group's operations are undertaken in accordance with internal audit methodology and are based on an assessment of risk. Very high risk areas are reviewed on a 12-18 month frequency, high risk on a 18-24 month frequency, medium risk on a 24-36 month frequency and low risk areas are reviewed as required.

The BAC meets on a regular basis to consider the Banking Group's financial reporting, internal control and corporate governance matters. In doing so, the BAC reviews internal audit findings and opinions, and the activities of the internal audit function.

In addition to reviews completed by the internal audit team, other external reviews of the Banking Group's risk management systems were conducted during the year as part of ongoing compliance with regulatory requirements.

The Banking Group's external auditor also reviews parts of the Banking Group's RMF that impact on significant aspects of financial systems, but only to the extent necessary to form their review opinion on the Banking Group's half-year financial statements or audit opinion on the Banking Group's annual financial statements.

Notes to the Financial Statements

25 Credit risk

(a) Credit risk management

Credit risk is the potential risk of loss arising from the failure of a customer or counterparty to meet their contractual obligations. At a portfolio level, credit risk includes concentration risk arising from interdependencies between customers and concentrations of exposures to geographical regions, industry sectors and products/portfolio types.

Credit risk principally arises within the Banking Group from its core business in providing lending facilities. Credit risk also arises from the Banking Group assuming contingent liabilities, participating in financial market transactions and assuming underwriting commitments. The Banking Group is selective in targeting credit risk exposures and limits exposures to high-risk areas.

The BRCC operates under a charter by which it oversees the Banking Group's RAS, credit risk framework, credit approval authorities framework, and credit management policies and practices (including origination, decisioning, verification/fulfilment, and whole of life servicing). The BRCC oversees that the Banking Group has in place and maintains credit policies and portfolio standards consistent with responsible lending standards designed to achieve portfolio outcomes consistent with the Banking Group's risk/return expectations. Day-to-day management of credit risk is performed and reported by the Bank's Credit function, with monitoring by the Bank's FRC.

A system of industry limits and a large credit exposure policy assist in the diversification of the credit portfolio. These policies are an important part of portfolio management objectives to create a diversified portfolio avoiding significantly large concentrations of economically related credit risk exposures.

The Banking Group has comprehensive credit policies for the approval and management of credit risk including risk from other banks and related counterparties. Lending standards and criteria are defined across different business sectors for the Banking Group products and incorporate income/repayment capacity, acceptable terms and security and loan documentation tests.

Credit portfolio concentration limits and standards for the Banking Group are set by the Board approved credit risk framework and BRCC approved large credit exposure limits, country risk exposure limits, and industry sector concentration limits. Exposure to consumer credit products is managed within limits and standards set in the risk appetite statement and portfolio level risk appetite statements.

The measurement of credit risk is primarily based on a RBNZ accredited advanced internal ratings-based (IRB) approach (albeit some exposures are subject to the standardised approach). The IRB approach uses judgemental assessment supported by analytical tools (including scorecards) to estimate expected and unexpected loss within the credit portfolio.

While the Banking Group applies policies, standards and procedures in governing the credit process, the management of credit risk also relies on the application of judgement and the exercise of good faith and due care by relevant staff within their delegated authority.

The BAC has an oversight role and provides challenge of key judgements and assumptions, including updates to macroeconomic scenarios and weightings, and overlays applied in determining the allowance for ECL. The BAC receives information regarding the Banking Group's allowance for ECL, impairment losses on financial assets, areas of key accounting estimates and judgements, reported results and key messages.

Refer to note 7 for additional credit risk disclosures.

Climate change risk

Credit risk includes the risks associated to the Banking Group lending to customers who could be impacted by either physical or transition risks of climate change. Climate change risks can impact our customers in many ways, such as: having the potential to disrupt business activities, impact the viability of business models, affect our customers' ability to service or repay their loans, restrict our customers' ability to obtain insurance, and impact the value of collateral the Banking Group holds to secure loans. These impacts may arise from long-term changes in climatic conditions (chronic risks), increased frequency and severity of weather events (acute risks), and changes in regulation, technological innovation, social adaptation and market changes to transition to a low-emissions economy.

The Banking Group has an internal Environmental, Social and Governance (ESG) credit standard. The standard lays a foundation for the way in which ESG risks are to be considered in credit risk assessment processes for non-retail customers and for how the ESG risk profile of credit portfolios is monitored.

Credit risk measurement

The measurement of credit risk utilises analytical tools to calculate both expected and unexpected losses for the credit portfolio. This includes consideration of the probability of default (PD), the exposure at the time of default (EAD) and the loss given default (LGD) that would likely be experienced as a consequence.

- PD is the estimate of the probability that a customer will default within the next 12 months. It reflects a customer's ability to generate sufficient cash flows into the future to meet the terms of all its credit contracts with the Banking Group.
- EAD is the proportion of a facility that may be outstanding in the event of default. It is calculated as a percentage of the facility limit and is expressed in dollars.
- LGD is the proportion of a facility estimated to be lost in the event of default. It is expressed as a percentage. LGD is impacted by the type, level, liquidity and volatility of any collateral held, carrying costs and other expense.

The expected loss (EL) is the product of the PD, EAD and the LGD. An EL will be recorded for every facility, including retail.

25 Credit risk (continued)

(a) Credit risk management (continued)

Asset quality

Credit risk is divided into the Retail segment and the Corporate segment. A different approach is used in each to determine an overall credit grade based on EL. These ratings equate to each other as follows:

Overall credit grade	Retail grade	Corporate grade	Banking Group rating classification
Low EL	Pool 1	CRR* 1 - 3	Retail facilities with low expected loss. Corporate facilities demonstrating financial condition and capacity to repay that are good to exceptional.
Medium EL	Pool 2	CRR 4 - 6	Retail facilities with moderate expected loss. Corporate facilities demonstrating financial condition and capacity to repay that are acceptable to good.
High EL	Pool 3	CRR 7 - 9	Retail facilities operating outside of agreed arrangements. Corporate facilities that require varying degrees of special attention (not necessarily contractually past due).

*Credit risk rating (CRR)

Retail

The Retail segment comprises housing loans, credit cards, other personal credit facilities and most business lending up to $1 million. These portfolios are managed using statistical origination and account management techniques.

Retail facilities are assigned to a PD, EAD and LGD pool based on observed and predicted outcomes for facilities with similar characteristics. The overall credit grading pool is based on the EL that results from the product of PD, EAD and LGD for each facility.

Facilities in the Retail segment become classified for remedial management by centralised units based on delinquency status.

Corporate

Corporate exposures comprise commercial exposures, including bank and government exposures. A CRR is recorded against every corporate facility. Credit risk rated exposures are reviewed at least annually and the CRR reassessed.

PD and LGD are determined using credit assessment tools. The CRR is determined by reference to a matrix where PD and LGD combine to produce a numeric CRR grade which represents a range of EL.

CRRs fall into two categories:

1. Pass – CRR of 1 - 6. These credit facilities qualify for approval of new or increased exposure on normal commercial terms.
2. Troublesome and Non Performing Exposures (TNPE) – CRR of 7 - 9. These credit facilities are not eligible for increases in exposure unless it will protect or improve the Banking Group's position by maximising recovery prospects or to facilitate rehabilitation.

Oversight

Both retail and corporate segments are subject to internal audit or review. Credit processes are reviewed by the relevant Credit Quality Review unit, with an overview provided by an assurance function in the Risk Division. Assurance processes include a review of compliance with policy, portfolio standards, and application of risk ratings with reports on findings reported to the BAC or the BRCC.

25 Credit risk (continued)

(b) Maximum exposure to credit risk before collateral held or other credit enhancements

The table below shows the Banking Group's maximum exposure to credit risk before considering any collateral held or other credit enhancements.

$ millions As at 30 June	2026	2025
Credit risk relating to on balance sheet exposures		
Cash and liquid assets[1]	**5,061**	5,486
Receivables from financial institutions	**416**	578
Securities:		
At fair value through Income Statement	**1,161**	1,083
At fair value through Other Comprehensive Income	**11,274**	10,481
Derivative assets	**2,312**	1,244
Advances to customers	**121,574**	114,727
Other financial assets	**413**	408
Total on balance sheet credit risk exposure	**142,211**	134,007
Credit risk relating to off balance sheet exposures[2]	**19,461**	17,763
Total maximum exposure to credit risk	**161,672**	151,770

(1) Cash and liquid assets excludes cash, cash at bank and cash in transit as they do not have credit risk exposure.

(2) Off balance sheet exposures include lending commitments and credit related contingent liabilities.

(c) Collateral and credit enhancements held

The Banking Group has policies and procedures in place setting out the circumstances where acceptable and appropriate collateral is to be taken to mitigate credit risk, including valuation parameters. The Banking Group uses the comprehensive method to measure the mitigating effects of collateral. The general nature and amount of collateral or other credit enhancements taken to mitigate the credit risk of each financial asset class are summarised below.

Cash and liquid assets

This Balance Sheet category includes call deposits with the RBNZ, money at short call with other financial institutions and reverse repurchase agreements that are exposed to credit risk. Collateral is usually not sought on the majority of cash and liquid asset balances as these types of exposures are generally considered low risk. However, reverse repurchase agreements are fully collateralised by highly liquid debt securities which have been legally transferred to the Banking Group subject to an agreement to return them for a fixed price. As at 30 June 2026 the Banking Group had not sold or repledged securities accepted as collateral under reverse repurchase agreements (30 June 2025 nil).

Receivables from financial institutions

This balance comprises of collateral paid by the Banking Group, and short term unsecured lending to other financial institutions for which collateral is usually not sought.

Securities at fair value through Income Statement and Securities at fair value through Other Comprehensive Income

These assets are measured at fair value which accounts for credit risk. As at 30 June 2026 no collateral is held to mitigate the credit risk on these instruments (30 June 2025 nil) and a maximum of $150 million of these securities are backed by guarantees (30 June 2025 $50 million).

Derivative assets

The Banking Group's use of derivative contracts is outlined in note 13. The Banking Group is exposed to credit risk on derivative contracts, which arises as a result of counterparty credit risk. The Banking Group's exposure to counterparty credit risk is affected by the nature of the trades, the creditworthiness of the counterparty, partial settlement, netting, and collateral arrangements.

Credit risk from derivatives is mitigated where possible through the use of clearing houses, as well as master netting agreements whereby derivative assets and liabilities with the same counterparty can be offset. Banking Group policy requires all netting arrangements to be legally documented (e.g. International Swap and Derivatives Association (ISDA) Master Agreement). A master netting agreement provides the contractual framework and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other predetermined events occur.

Depending on the creditworthiness of the counterparty and/or nature of the transaction, collateral may be obtained against derivative assets.

The Banking Group has entered into credit support annexes (CSAs) in respect of certain credit exposures relating to derivative transactions. These CSAs compel the Banking Group or the counterparty to collateralise the market value of outstanding derivative transactions. As at 30 June 2026 the Banking Group had received $2,115 million of cash collateral against derivative assets (30 June 2025 $1,016 million).

25 Credit risk (continued)

(c) Collateral and credit enhancements held (continued)

Other assets

This Balance Sheet category includes interest receivable and other current assets. As at 30 June 2026 no collateral is held on these balances (30 June 2025 nil).

Advances to customers

The Banking Group assesses the integrity and ability of debtors or counterparties to meet their contracted financial obligations for repayment.

Principal collateral types for Advances to customers include:

- Mortgages over residential and commercial real estate;
- Charges over business assets such as premises, inventory and accounts receivable; and
- Personal and corporate guarantees received from third parties.

The collateral mitigating credit risk of key lending portfolios is as follows:

- Residential Mortgages:

  All home loans are secured by fixed charges over borrowers' residential properties. This portfolio also includes lending to small and medium sized entities which are secured by residential property.

- Other Retail Lending:

  This category includes lending to small and medium sized enterprises not fully secured by residential mortgages, where collateral is commonly held, generally in the form of residential or commercial property. In some instances, other forms of collateral may be obtained, as listed under corporate lending below. This category also includes personal lending (card lending, personal loans and overdrafts) which are considered unsecured for the purposes of this disclosure, although some personal lending may be secured by all obligations mortgages.

- Corporate Lending:

  The Banking Group's main collateral types for corporate lending consists of secured rights over specified assets of the borrower in the form of commercial property, land rights, cash (usually in the form of a charge over a deposit), guarantees by company directors supporting commercial lending, a charge over a company's assets (including debtors, inventory and work in progress), or a charge over shares. In other instances, customer facilities may be secured by collateral with a lower value than the carrying amount of the credit exposure.

For the purposes of the tables below:

- Secured exposures are those that have greater than or equal to 100% security cover after adjusting for collateral haircuts.
- Partially secured exposures are those that have greater than 0% and less than 100% security cover after adjusting for collateral haircuts.
- Unsecured exposures are those that have no security cover after adjusting for collateral haircuts.
- The maximum exposure for collateral held on Advances to customers is presented net of any allowance for ECL.
- Residential mortgages are classified as fully secured, unless they are impaired in which case they may be classified as partially secured.

25 Credit risk (continued)

(c) Collateral and credit enhancements held (continued)

$ millions Collateral held on Advances to customers - on Balance Sheet	Residential mortgages(1)	Other retail	Corporate	Total
As at 30 June 2026				
Maximum exposure	**85,589**	**2,593**	**33,392**	**121,574**
Collateral classification				
Secured	**99.8%**	**25.1%**	**77.5%**	**92.1%**
Partially Secured	**0.2%**	**14.6%**	**14.6%**	**4.5%**
Unsecured	**-**	**60.3%**	**7.9%**	**3.4%**
As at 30 June 2025				
Maximum exposure	80,819	2,739	31,169	114,727
Collateral classification				
Secured	99.8%	27.2%	75.9%	91.5%
Partially Secured	0.2%	14.0%	15.6%	4.8%
Unsecured	-	58.8%	8.5%	3.7%

(1) For loan-to-valuation ratios for residential mortgages, refer to Capital Adequacy within the Other registered bank disclosures.

Collateral classification – credit impaired

As at 30 June 2026, 68.1% of the Banking Group's credit impaired Advances to customers were secured, 26.6% were partially secured and 5.3% were unsecured (30 June 2025 75.6% secured, 20.4% partially secured and 4% unsecured).

Credit commitments and credit related contingent liabilities

The Banking Group applies the same risk management policies for off balance sheet risks as it does for its on balance sheet risks. In the case of credit commitments, customers and other counterparties will be subject to the same credit management policies as Advances to customers. Collateral may be sought depending on the strength of the counterparty and the nature of the transaction.

$ millions Collateral held on credit commitments and contingent liabilities - off Balance Sheet	Total
As at 30 June 2026	
Maximum exposure	**19,461**
Collateral classification	
Secured	**68.0%**
Partially Secured	**10.1%**
Unsecured	**21.9%**
As at 30 June 2025	
Maximum exposure	17,763
Collateral classification	
Secured	67.4%
Partially Secured	9.5%
Unsecured	23.1%

25 Credit risk (continued)

(d) Credit quality

With some exceptions, the PDs associated with credit risk rating grades presented in the tables below are consistent with those used for credit risk management purposes, as detailed in section (a).

Credit risk rating grade classifications	PD (%)
Investment	0 - 0.45
Pass	0.45 - 6.66
Weak	6.66 - 100

Customers that are in default or have an individually assessed allowance held against their exposure are included in the "Weak" credit risk rating grade classification.

The following tables present the Banking Group's Advances to customers, lending commitments and credit related contingent liabilities by credit risk rating grade:

$ millions	Collectively assessed			Individually assessed	
As at 30 June 2026	Stage 1	Stage 2	Stage 3	Stage 3	Total
Advances to customers					
Investment	21,501	875	-	-	22,376
Pass	83,456	14,341	-	-	97,797
Weak	1	518	1,094	416	2,029
Total Advances to customers	104,958	15,734	1,094	416	122,202
Allowance for ECL on Advances to customers	150	251	109	118	628
Lending commitments					
Investment	8,545	294	-	-	8,839
Pass	7,953	1,471	-	-	9,424
Weak	-	40	11	8	59
Total lending commitments	16,498	1,805	11	8	18,322
Allowance for ECL on lending commitments	12	8	-	-	20
Credit related contingent liabilities					
Investment	355	6	-	-	361
Pass	357	308	-	-	665
Weak	-	99	11	3	113
Total credit related contingent liabilities	712	413	11	3	1,139
Allowance for ECL on credit related contingent liabilities	2	12	1	-	15
Total allowance for ECL	164	271	110	118	663

25 Credit risk (continued)

(d) Credit quality (continued)

$ millions	Collectively assessed			Individually assessed	
As at 30 June 2025[1]	Stage 1	Stage 2	Stage 3	Stage 3	Total
Advances to customers					
Investment	15,271	2,095	-	-	17,366
Pass	74,214	21,206	-	-	95,420
Weak	1	526	1,603	445	2,575
Total Advances to customers	89,486	23,827	1,603	445	115,361
Allowance for ECL on Advances to customers	125	241	145	123	634
Lending commitments					
Investment	7,429	425	-	-	7,854
Pass	7,176	1,718	-	-	8,894
Weak	3	19	15	18	55
Total lending commitments	14,608	2,162	15	18	16,803
Allowance for ECL on lending commitments	-	-	-	-	-
Credit related contingent liabilities					
Investment	305	14	-	-	319
Pass	293	262	-	-	555
Weak	-	80	1	5	86
Total credit related contingent liabilities	598	356	1	5	960
Allowance for ECL on credit related contingent liabilities	2	10	-	-	12
Total allowance for ECL	127	251	145	123	646

(1) Comparative information has been reclassified to ensure consistency with presentation in the current year.

Notes to the Financial Statements

25 Credit risk (continued)

(d) Credit quality (continued)

Further information on credit quality is presented below:

$ millions **As at 30 June 2026**	**Residential mortgages**	**Other retail**	**Corporate**	**Total**
Past due assets not individually impaired				
1 to 7 days	**1,464**	**58**	**286**	**1,808**
8 to 29 days	**922**	**33**	**53**	**1,008**
1 to 29 days	**2,386**	**91**	**339**	**2,816**
30 to 59 days	**262**	**19**	**16**	**297**
60 to 89 days	**132**	**10**	**1**	**143**
90 days and over	**249**	**28**	**19**	**296**
Total past due assets not individually impaired	**3,029**	**148**	**375**	**3,552**
Other asset quality information				
Other assets under administration	**12**	**2**	**-**	**14**
Undrawn lending commitments to customers with individually impaired assets	**-**	**-**	**8**	**8**

$ millions **As at 30 June 2025**	Residential mortgages	Other retail	Corporate	Total
Past due assets not individually impaired				
1 to 7 days	1,824	70	320	2,214
8 to 29 days	1,204	46	41	1,291
1 to 29 days	3,028	116	361	3,505
30 to 59 days	356	25	18	399
60 to 89 days	154	14	18	186
90 days and over	403	43	28	474
Total past due assets not individually impaired	3,941	198	425	4,564
Other asset quality information				
Other assets under administration	14	2	5	21
Undrawn lending commitments to customers with individually impaired assets	-	-	18	18

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

- Who is in receivership, liquidation, bankruptcy, statutory management or any form of administration in New Zealand; or
- Who is in any other equivalent form of voluntary or involuntary administration in an overseas jurisdiction.

25 Credit risk (continued)

(e) Concentrations of credit exposures

The following tables present the maximum exposure to credit risk of financial assets and other credit exposures, before taking account of any collateral held or other credit enhancements unless such credit enhancements meet the offsetting criteria in NZ IAS 32.

For financial assets recognised on the Balance Sheet, the maximum exposure to credit risk equals their carrying values. Other credit exposures include irrevocable lending commitments, guarantees, standby letters of credit and other off balance sheet credit commitments. The maximum exposure to credit risk for guarantees and standby letters of credit is the maximum amount that the Banking Group would have to pay if the facilities were called upon. For irrevocable lending commitments and other credit commitments, the maximum exposure to credit risk is the full amount of the committed facilities.

Other financial assets have been excluded from the analysis, on the basis that any credit exposure is insignificant.

Concentrations of credit arise when a number of customers are engaged in similar business activities or activities within the same geographic region, or when they have similar risk characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Australian and New Zealand Standard Industrial Classification (ANZSIC) codes have been used as the basis for categorising customer industry sectors. The significant categories shown are in line with the level one New Zealand Standard Industry Output Categories (NZSIOC), except that Agriculture is shown separately as required by the Order.

$ millions As at 30 June 2026	Financial assets at amortised cost	Financial assets at fair value	Other credit exposures	Total credit exposures
Concentration by industry				
Agriculture	11,063	5	1,421	12,489
Forestry and fishing, agriculture support services	332	5	131	468
Manufacturing	924	33	434	1,391
Electricity, gas, water and waste services	773	100	189	1,062
Construction	953	-	409	1,362
Wholesale trade	975	16	810	1,801
Retail trade and accommodation	2,128	3	837	2,968
Transport, postal and warehousing	714	2	327	1,043
Financial and insurance services	6,536	5,889	1,232	13,657
Rental, hiring and real estate services	42,245	15	2,431	44,691
Professional, scientific, technical, administrative and support services	1,074	1	575	1,650
Public administration and safety	57	8,676	56	8,789
Education and training	188	-	157	345
Health care and social assistance	1,457	1	468	1,926
Arts, recreation and other services	372	7	175	554
Household	57,342	-	9,778	67,120
All other	33	-	31	64
Total credit exposures by industry	127,166	14,753	19,461	161,380
Concentration by geographic region				
Auckland	57,515	848	9,610	67,973
Rest of New Zealand	66,093	8,713	9,474	84,280
Overseas	3,558	5,192	377	9,127
Total credit exposures by geographic region	127,166	14,753	19,461	161,380

25 Credit risk (continued)

(e) Concentrations of credit exposures (continued)

$ millions **As at 30 June 2025**	Financial assets at amortised cost	Financial assets at fair value	Other credit exposures	Total credit exposures
Concentration by industry				
Agriculture	10,401	5	1,130	11,536
Forestry and fishing, agriculture support services	334	2	117	453
Manufacturing	1,000	16	418	1,434
Electricity, gas, water and waste services	622	40	199	861
Construction	893	-	356	1,249
Wholesale trade	1,032	13	692	1,737
Retail trade and accommodation	2,191	4	618	2,813
Transport, postal and warehousing	767	2	289	1,058
Financial and insurance services	7,108	4,747	1,049	12,904
Rental, hiring and real estate services	38,801	22	1,567	40,390
Professional, scientific, technical, administrative and support services	1,031	2	464	1,497
Public administration and safety	38	7,951	52	8,041
Education and training	154	-	134	288
Health care and social assistance	1,463	1	458	1,922
Arts, recreation and other services	401	5	126	532
Household	54,628	-	10,066	64,694
All other	25	-	28	53
Total credit exposures by industry	120,889	12,810	17,763	151,462
Concentration by geographic region				
Auckland	54,957	1,033	9,104	65,094
Rest of New Zealand	63,664	8,061	8,348	80,073
Overseas	2,268	3,716	311	6,295
Total credit exposures by geographic region	120,889	12,810	17,763	151,462

26 Market risk

Market risk is the risk that market rates and prices will change and that this may have an adverse effect on the profitability and/or net worth of the Banking Group. This includes changes in interest rates, foreign exchange rates, volatility, equity prices, commodity prices and credit spreads.

Market risk is managed by the Bank's ALCO in accordance with the Banking Group's market risk policy which is approved by the Board.

The market risk framework outlines the limit setting framework through the Banking Group's RAS, Market Risk Policy, Trading Book Standard, Banking Book Standard, Global Markets Dealing Manual and the Treasury Non-Traded Market Risk Mandate.

Measurement approaches for the underlying market risks include Value-at-Risk (VaR), Market Value Sensitivity (MVS), stress testing and sensitivity analysis.

The Banking Group makes a distinction between traded and non-traded market risk for the purposes of risk management, measurement and reporting. Traded market risk principally arises from the Banking Group's trading book activities within Global Markets. Non-traded market risk includes interest rate risk that arises from banking book activities.

Market risk measurement

The Banking Group uses VaR as one of the measures of traded market risk. VaR measures the potential loss using historically observed market volatility and correlation between different markets. The VaR measured for traded market risk uses two years of daily movement in market rates. The Banking Group uses MVS as one of the measures of non-traded banking book market risk. MVS is like VaR, except it uses six years of daily movements in market rates and a longer holding period.

VaR is modelled at a 99% confidence level over a 10-day holding period for trading book positions. MVS is modelled at a 99% confidence level over a 20-day holding period to measure the interest rate risk in the banking book.

VaR and MVS are calculated utilising historical observations and are not estimates of the maximum loss that the Banking Group could experience from an extreme market event. As a result of this limitation, management also uses additional market risk metrics to measure and manage market risk including stress testing, risk sensitivity and position limits.

Traded market risk

Traded market risk is assessed daily and is generated through the Banking Group's participation in financial markets to service its customers as well as an appetite to take positions to benefit from changes in interest rates and foreign exchange rates.

$ millions **VaR at 99% confidence level**	**As at 30 June 2026**	**High for year**	**Low for year**	**Average for year**
Foreign exchange risk	**0.09**	**0.38**	**0.01**	**0.04**
Interest rate risk	**0.87**	**2.47**	**0.33**	**1.04**
Diversification benefit	**(0.08)**	**N/A**	**N/A**	**(0.04)**
Total traded market risk	**0.88**	**2.48**	**0.34**	**1.04**

$ millions **VaR at 99% confidence level**	As at 30 June 2025	High for year	Low for year	Average for year
Foreign exchange risk	0.02	0.39	0.01	0.04
Interest rate risk	0.52	2.01	0.35	0.87
Diversification benefit	(0.01)	N/A	N/A	(0.04)
Total traded market risk	0.53	1.97	0.38	0.87

Non-traded market risk - Interest rate risk in the banking book

Non-traded market risk is the current and prospective impact to the Banking Group's financial condition because of adverse changes in interest rates to which the Banking Group's Balance Sheet is exposed. The activities of the Banking Group can create mismatches in the repricing terms of asset and liability positions. These mismatches may have undesired earnings and value outcomes depending on interest rate movements. The Banking Group's objective is to manage interest rate risk to achieve stable and sustainable net interest income over the long term.

The Banking Group measures and manages the impact of interest rate risk in two ways:

- **Next 12 months' earnings**

Interest rate risk from an earnings perspective (Earnings Risk) is the impact based on changes to the net interest income over the next 12 months. This is measured daily.

Earnings Risk is measured through a sensitivity analysis, which applies an instantaneous 100 basis point parallel shock in interest rates across the yield curve.

Notes to the Financial Statements

26 Market risk (continued)

Non-traded market risk - Interest rate risk in the banking book (continued)

The prospective change to net interest income is measured by using an Asset and Liability Management simulation model. Assets and liabilities that reprice directly from observable market rates are measured based on the full extent of the rate shock that is applied. Assets and liabilities that are priced based on Banking Group administered interest rates, and that are impacted by customer behaviour, are measured by taking into consideration the historic repricing strategy of the Banking Group and customer behaviour. This analysis does not consider management actions that may be taken to mitigate the unfavourable impact of falling interest rates.

The table below outlines the potential unfavourable change to the Banking Group's net interest earnings during the year based on a 100-basis point parallel rate shock.

$ millions **Net interest earnings at risk**	**2026**	**2025**
Exposure at end of year	**183.8**	57.3
Past 12-month exposure - average	**151.3**	22.6
Past 12-month exposure - high	**198.3**	57.3
Past 12-month exposure - low	**66.9**	0.7

- **Economic value**

Interest rate risk from an economic value perspective is based on a 20-day, 99% MVS measure. Measuring the change in the economic value of equity is an assessment of the long-term impact to the earnings potential of the Banking Group present valued to the current date. The Banking Group assesses the potential change in its economic value of equity through the application of MVS methodology. A 20-day 99% MVS measure is used to capture the net economic value for all Balance Sheet assets and liabilities from adverse changes in interest rates.

Cash flows for discretionary priced products are behaviourally adjusted and modelled at the resultant profile.

The table below outlines the net present value of the expected change in the Banking Group's future earnings in all future periods for the remaining term of all existing assets and liabilities:

$ millions **MVS at 99% confidence level**	**2026**	2025
Exposure at end of year	**20.2**	20.2
Past 12-month MVS - average	**28.0**	25.4
Past 12-month MVS - high	**44.0**	37.5
Past 12-month MVS - low	**14.5**	10.1

Net foreign currency open positions

The table below outlines the net open foreign currency positions of the Banking Group stated in New Zealand dollar equivalents based on the balance date spot exchange rates:

$ millions **As at 30 June**	**2026**	2025
Net open foreign currency position		
US Dollar	-	(2)
Total net open position	-	(2)

27 Liquidity and funding risk

(a) Liquidity and funding risk management framework and policies

Liquidity risk is the risk of not being able to meet financial obligations as they fall due and that liquidity in financial markets, such as the market for debt securities, may reduce significantly.

Funding risk contributes to overall liquidity risk and is the risk of over-reliance on a funding source to the extent that a change in that funding source could increase overall funding costs or cause difficulty in raising funds.

The Banking Group has a Board approved liquidity policy and contingency funding plan (CFP) in place to manage these risks. Senior management set an annual wholesale funding plan to manage debt refinancing and issuance requirements. The Board approves any substantive changes to the CFP and approves the liquidity policy annually.

The key objectives of the liquidity policy are:

- To ensure that cash flow commitments can be met as they fall due under both normal operating, crisis and stress conditions;
- To ensure that the Bank develops and protects a resilient and diversified funding base that is responsive to the Banking Group's needs; and
- To ensure that procedures and practices in relation to liquidity risk management are clearly documented and communicated.

The CFP establishes policies, responsibilities and plans which are designed to return the Bank to a robust position within risk tolerance in the event of a liquidity crisis.

Day-to-day management of liquidity and funding risks is documented in the liquidity management standard, liquid asset portfolio strategy and the annual wholesale funding plan which are approved by the ALCO. Liquidity and funding risk management is performed and reported by Treasury, monitored by the Market Risk Committee with oversight provided by the ALCO.

Regulatory supervision

The Bank is subject to the conditions of the RBNZ's liquidity policy as set out in the RBNZ documents *Liquidity Policy* (BS13) and *Liquidity Policy Annex: Liquid Assets* (BS13A). The Bank has the appropriate internal framework and tools for liquidity risk management to ensure compliance with these regulatory requirements, as well as internal targets and limits.

Measuring and monitoring liquidity risk

The Bank monitors liquidity risk primarily by forecasting future cash requirements. To provide for any unexpected patterns of cash movements, the Bank holds a pool of readily realisable investment assets and deposits with high credit quality counterparties. The Bank also seeks a diverse and stable funding base avoiding undue maturity, source or investor concentrations. Management limits are set to reduce liquidity risks through limiting the level of wholesale and offshore funding, as well as on the amount of wholesale funding that may mature in any period. The Bank ensures sufficient holding of high-quality liquid assets which are acceptable under repurchase agreements with the RBNZ or other market participants.

Board approved liquidity risk limits define a quantitative tolerance for liquidity risk that is more conservative than the requirements of the relevant regulators. The Bank conducts regular internal modelled and industry wide stress testing that considers a range of individual or system wide stress events, which helps inform the setting of liquidity risk limits. These limits are consistent with the risk appetite statement and the liquidity policy. These require that the Bank maintains positive cash flow runoffs for one-week and one-month periods using stressed assumptions, in addition to a strong and stable core funding ratio.

RBNZ liquidity facilities

The RBNZ has several facilities that support monetary policy and manage liquidity in the New Zealand banking system. These facilities allow banks to borrow funding from the RBNZ by pledging high quality liquid assets as collateral. As noted in note 29, the Bank has an internal residential mortgage-backed securities (RMBS) facility, which has issued securities that can be used as collateral for borrowing from the RBNZ. As at 30 June 2026, the Bank had internally securitised $15.5 billion of RMBS through the Medallion NZ Series Trust 2009-1R (30 June 2025 $15.5 billion), of which $14.0 billion of Class A floating rate notes have been assigned a credit rating of AAA by Fitch and are eligible for acceptance by the RBNZ (30 June 2025 $14.0 billion). While not intended to be used for day-to-day liquidity management, the internal RMBS forms part of the Bank's total qualifying liquid assets. The RBNZ has a limit capping the amount of RMBS that can be deemed as qualifying liquid assets available for repurchase agreements with the RBNZ, with a maximum limit of 5% of total assets, based upon the Bank's asset encumbrance ratio. Refer to section (c) for details of the RMBS held by the Banking Group that qualifies as liquid assets.

From 7 December 2020, the RBNZ made available the Funding for Lending Programme (FLP). The FLP provided funding to banks at the prevailing OCR for a term of three years, secured by high quality collateral. The size of funding available under the FLP included an initial allocation of 4% of each banks' eligible loans (as defined by the RBNZ). A conditional additional allocation of up to 2% of eligible loans was also made available, subject to growth in eligible loans, for a total size of up to 6% of eligible loans. The facility was available until 6 June 2022 for the initial allocation and until 6 December 2022 for the conditional additional allocation. During the year ended 30 June 2026, the FLP was repaid (30 June 2025 $1.2 billion of this facility was utilised).

27 Liquidity and funding risk (continued)

Regulatory liquidity ratios (unaudited)

The Bank calculates liquidity ratios in accordance with BS13. The BS13 ratios are calculated daily and are a key component of the Bank's liquidity management framework.

The RBNZ requires banks to hold minimum amounts of liquid assets to help ensure that they are effectively managing their liquidity risks. The mismatch ratio is a measure of a bank's liquid assets, adjusted for expected cash inflows and outflows during a one-week or one-month period of stress. The Banking Group must maintain its one-week and one-month mismatch ratios above 0% on a daily basis, with the mismatch ratio representing surplus liquidity as a portion of total funding of the Bank.

The RBNZ requires banks to obtain a minimum of 75% of their funding from stable sources called the core funding ratio. The averages of these ratios for the quarters ended 30 June 2026 and 31 March 2026 are reflected in the table below.

Unaudited **Average for the three months ended**	**30-Jun-26**	31-Mar-26
One-month mismatch ratio	**7.3%**	7.0%
One-week mismatch ratio	**7.9%**	7.4%
Core funding ratio	**88.7%**	88.2%

(b) Maturity analysis for undiscounted contractual cash flows

The following tables present the Banking Group's cash flows by remaining contractual maturities for financial liabilities as at the reporting date. The amounts disclosed in the tables are the contractual undiscounted cash flows and include principal and future interest cash flows, and therefore may not agree to the carrying values on the Balance Sheet.

Actual cash flows may differ significantly from the contractual cash flows presented below as a result of changes in market conditions and future actions of the Banking Group and its counterparties, such as early repayments or refinancing of term loans.

Deposits and other borrowings include customer savings and cheque deposits, which are at call. History demonstrates that such accounts provide a stable source of long-term funding for the Banking Group.

The Banking Group does not manage its liquidity risk on the basis of the information below.

$ millions **As at 30 June 2026**	**On demand**	**Within 6 months**	**Between 6-12 months**	**Between 1-2 years**	**Between 2-5 years**	**Over 5 years**	**Total**	**Carrying value**
Non-derivative financial liabilities								
Deposits and other borrowings	**48,229**	**35,137**	**9,036**	**2,972**	**2,909**	**-**	**98,283**	**97,112**
Payables to financial institutions	**2,632**	**709**	**-**	**-**	**-**	**-**	**3,341**	**3,341**
Other financial liabilities	**59**	**588**	**48**	**15**	**36**	**7**	**753**	**753**
Lease liabilities	**-**	**22**	**21**	**37**	**77**	**200**	**357**	**260**
Debt issues:								
At fair value through Income Statement	**-**	**1,098**	**886**	**-**	**-**	**-**	**1,984**	**1,945**
At amortised cost	**-**	**5,592**	**2,762**	**3,935**	**13,380**	**2,551**	**28,220**	**25,860**
Loan capital	**-**	**26**	**1,091**	**-**	**-**	**-**	**1,117**	**1,050**
Total non-derivative financial liabilities	**50,920**	**43,172**	**13,844**	**6,959**	**16,402**	**2,758**	**134,055**	**130,321**
Derivative financial liabilities(1)								
Inflows from derivatives	**-**	**1,987**	**853**	**1,043**	**1,960**	**812**	**6,655**	
Outflows from derivatives	**-**	**(2,283)**	**(1,061)**	**(1,246)**	**(2,177)**	**(803)**	**(7,570)**	
	-	**(296)**	**(208)**	**(203)**	**(217)**	**9**	**(915)**	
Off balance sheet items								
Lending commitments	**14,005**	**4,317**	**-**	**-**	**-**	**-**	**18,322**	
Financial guarantees and letters of credit	**538**	**-**	**-**	**-**	**-**	**-**	**538**	
Performance related contingencies	**601**	**-**	**-**	**-**	**-**	**-**	**601**	
Total off balance sheet items	**15,144**	**4,317**	**-**	**-**	**-**	**-**	**19,461**	

(1) Excludes cash provided on cleared derivatives as part of partial settlement.

27 Liquidity and funding risk (continued)

(b) Maturity analysis for undiscounted cash flows (continued)

$ millions As at 30 June 2025	On demand	Within 6 months	Between 6-12 months	Between 1-2 years	Between 2-5 years	Over 5 years	Total	Carrying value
Non-derivative financial liabilities								
Deposits and other borrowings	45,254	37,238	8,041	1,858	2,141	-	94,532	93,422
Payables to financial institutions	1,539	-	-	-	-	-	1,539	1,539
Other financial liabilities(1)	55	789	112	2	55	4	1,017	1,017
Lease liabilities(1)	-	20	21	35	74	49	199	170
Debt issues:								
At fair value through Income Statement	-	1,976	-	-	-	-	1,976	1,959
At amortised cost	-	3,628	4,202	4,429	10,931	2,642	25,832	23,808
Loan capital	-	24	26	1,040	-	-	1,090	972
Total non-derivative financial liabilities	46,848	43,675	12,402	7,364	13,201	2,695	126,185	122,887
Derivative financial liabilities(2)								
Inflows from derivatives	-	3,049	3,870	710	2,505	1,917	12,051	
Outflows from derivatives	-	(3,894)	(4,190)	(1,035)	(2,820)	(1,768)	(13,707)	
	-	(845)	(320)	(325)	(315)	149	(1,656)	
Off balance sheet items								
Lending commitments	13,028	3,775	-	-	-	-	16,803	
Financial guarantees and letters of credit	430	-	-	-	-	-	430	
Performance related contingencies	530	-	-	-	-	-	530	
Total off balance sheet items	13,988	3,775	-	-	-	-	17,763	

(1) Comparative information has been reclassified to ensure consistency with presentation in the current year.

(2) Excludes cash provided on cleared derivatives as part of partial settlement.

(c) Qualifying liquid assets

The table below provides details of the qualifying liquid assets held by the Banking Group for the purpose of managing liquidity risk.

When the Bank enters into a repurchase agreement to borrow with the RBNZ, the qualifying liquid assets sold under the agreement are subject to a reduction in value ("haircut") in accordance with the RBNZ's Operating Rules and Guidelines. This haircut can range from 1 to 20 percent, depending on the qualifying asset, and reduces the value of the qualifying liquid assets available for liquidity purposes. The table below does not adjust the qualifying liquid assets for this haircut.

$ millions As at 30 June	2026	2025
Cash and balances with central banks	**3,037**	4,289
Government and local authority securities	**10,061**	8,699
Supranational securities	**3,152**	2,534
Corporate securities	**827**	1,214
Residential mortgage-backed securities (1)	**7,179**	6,758
Total qualifying liquid assets	**24,256**	23,494

(1) As at 30 June 2026, $7,135 million of the RMBS held by the Banking Group qualified as liquid assets, which is calculated based on the two months prior to the reporting date in accordance with BS13A (30 June 2025 $6,637 million).

27 Liquidity and funding risk (continued)

(d) Concentrations of funding

The following tables present the Banking Group's concentrations of funding, which are reported by industry and geographic region. ANZSIC codes have been used as the basis for categorising industry sectors. The significant categories shown are in line with the NZSIOC.

$ millions As at 30 June	2026	2025
Total funding comprises:		
Deposits and other borrowings	**97,112**	93,422
Payables to financial institutions	**3,341**	1,539
Debt issues:		
At fair value through Income Statement	**1,945**	1,959
At amortised cost	**25,860**	23,808
Loan capital	**1,050**	972
Total funding	**129,308**	121,700
Concentration by industry		
Agricultural, forestry and fishing	**1,931**	1,694
Manufacturing	**1,544**	1,493
Construction	**1,375**	1,427
Wholesale trade	**1,051**	993
Retail trade and accommodation	**1,572**	1,378
Transport, postal and warehousing	**725**	504
Information media and telecommunications	**548**	613
Financial and insurance services	**41,236**	37,639
Rental, hiring and real estate services	**4,971**	4,593
Professional, scientific, technical, administrative and support services	**6,589**	6,535
Public administration and safety	**1,025**	1,329
Education and training	**2,413**	2,276
Health care and social assistance	**1,802**	1,599
Arts, recreation and other services	**2,033**	2,026
Households	**59,879**	57,065
All Other	**614**	536
Total funding by industry	**129,308**	121,700
Concentration by geographic region		
New Zealand	**95,439**	89,496
Overseas	**33,869**	32,204
Total funding by geographic region	**129,308**	121,700

28 Fair value of financial instruments

The Banking Group's financial assets and financial liabilities are measured on an on-going basis either at fair value or amortised cost.

The fair value of a financial instrument is the price that would be received to sell a financial asset, or paid to transfer a financial liability, in an orderly transaction between market participants at the measurement date.

There are three levels in the hierarchy of fair value measurements which are based on the observability of inputs used to measure fair values:

- Level 1 – fair values are based on quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities that the Banking Group can access;
- Level 2 – fair values are based on quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; or
- Level 3 – fair values are estimated using significant inputs that are unobservable for the financial asset or financial liability.

The Banking Group considers transfers between levels, if any, to have occurred at the end of the reporting period for which the financial statements are prepared.

Fair value estimates

The Banking Group determines the valuation of financial instruments as follows:

Financial instrument	Valuation method
Derivative assets and derivative liabilities	Fair values are obtained from quoted prices, market yields and discounted cash flow models or option pricing models as appropriate.
Securities at FVTIS, Securities at FVOCI and Debt issues at FVTIS	Fair value is based on quoted market prices, where available, or calculated using discounted cash flow models based on current market rates.

For financial instruments not presented on the Banking Group's Balance Sheet at their fair value, fair value is estimated as follows:

Financial instrument	Valuation method
Advances to customers	For floating rate advances, the carrying amount on the Balance Sheet is considered a reasonable estimate of their fair value after making allowances for the fair value of impaired and potential problem loans. For fixed rate advances, fair value is estimated using discounted cash flow models applying discount rates based on current market interest rates for advances with similar credit and interest rate repricing profiles.
Loan capital and Debt issues at amortised cost	The estimated fair value of loan capital, commercial paper, medium term notes, domestic bonds and covered bonds is based on quoted market rates of publicly traded securities of similar maturity, credit and yield characteristics.
Deposits and other borrowings	For non-interest bearing debt, call and variable rate deposits, the carrying amounts on the Balance Sheet are a reasonable estimate of their fair value. For other term deposits, fair value is estimated using discounted cash flow models applying discount rates based on current market interest rates for similar instruments with similar maturity profiles.
All other financial instruments not measured at fair value	For all other financial instruments not measured at fair value, the carrying amounts on the Balance Sheet are a reasonable estimate of the fair value. These instruments are either short-term in nature or re-price frequently.

Notes to the Financial Statements

28 Fair value of financial instruments (continued)

(a) Fair value hierarchy of financial instruments measured at fair value

The following tables present an analysis by level in the fair value hierarchy of financial instruments that are recognised and measured at fair value on a recurring basis.

$ millions **As at 30 June 2026**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Securities:				
At fair value through Income Statement	**977**	**184**	**-**	**1,161**
At fair value through Other Comprehensive Income	**10,182**	**1,096**	**2**	**11,280**
Derivative assets	**-**	**2,312**	**-**	**2,312**
Total financial assets measured at fair value	**11,159**	**3,592**	**2**	**14,753**
Financial liabilities				
Derivative liabilities	**-**	**224**	**-**	**224**
Debt issues at fair value through Income Statement	**-**	**1,945**	**-**	**1,945**
Total financial liabilities measured at fair value	**-**	**2,169**	**-**	**2,169**

There were no transfers between levels for recurring fair value measurements for the year ended 30 June 2026.

$ millions **As at 30 June 2025**	Level 1	Level 2	Level 3	Total
Financial assets				
Securities:				
At fair value through Income Statement	619	464	-	1,083
At fair value through Other Comprehensive Income	8,804	1,677	2	10,483
Derivative assets	-	1,244	-	1,244
Total financial assets measured at fair value	9,423	3,385	2	12,810
Financial liabilities				
Derivative liabilities	-	410	-	410
Debt issues at fair value through Income Statement	-	1,959	-	1,959
Total financial liabilities measured at fair value	-	2,369	-	2,369

There were no transfers between levels for recurring fair value measurements for the year ended 30 June 2025.

28 Fair value of financial instruments (continued)

(b) Fair value hierarchy of financial instruments not measured at fair value

The following tables compare the carrying values of financial instruments not measured at fair value with their estimated fair values and analyses them by level in the fair value hierarchy.

$ millions As at 30 June 2026	Fair Value Level 1	Level 2	Level 3	Total	Carrying value total
Financial assets					
Cash and liquid assets	3,037	2,139	-	5,176	5,176
Receivables from financial institutions	-	416	-	416	416
Advances to customers	-	-	121,412	121,412	121,574
Other financial assets	-	413	-	413	413
Total	3,037	2,968	121,412	127,417	127,579
Financial liabilities					
Deposits and other borrowings	-	97,161	-	97,161	97,112
Payables to financial institutions	-	3,341	-	3,341	3,341
Other financial liabilities(1)	-	753	-	753	753
Debt issues at amortised cost	-	26,004	-	26,004	25,860
Loan capital	-	1,064	-	1,064	1,050
Total	-	128,323	-	128,323	128,116

$ millions As at 30 June 2025	Fair Value Level 1	Level 2	Level 3	Total	Carrying value total
Financial assets					
Cash and liquid assets	4,289	1,295	-	5,584	5,584
Receivables from financial institutions	-	578	-	578	578
Advances to customers	-	-	114,966	114,966	114,727
Other financial assets	-	408	-	408	408
Total	4,289	2,281	114,966	121,536	121,297
Financial liabilities					
Deposits and other borrowings	-	93,601	-	93,601	93,422
Payables to financial institutions	-	1,539	-	1,539	1,539
Other financial liabilities(1)	-	1,017	-	1,017	1,017
Debt issues at amortised cost	-	23,862	-	23,862	23,808
Loan capital	-	980	-	980	972
Total	-	120,999	-	120,999	120,758

(1) Other financial liabilities exclude the lease liability of $260 million as no fair value disclosure is required in respect of lease liabilities (30 June 2025 $170 million).

29 Financial assets pledged as collateral and transferred financial assets

The Banking Group enters into transactions in the normal course of business that pledge financial assets as collateral or transfer financial assets to counterparties. As part of standard terms of transactions with financial institutions, the Banking Group has pledged collateral as part of entering into repurchase, derivative and other agreements. Financial assets that have been pledged as collateral or transferred have not been derecognised from the Banking Group's financial statements as the Banking Group retains substantially all the risks and rewards of ownership (funding, liquidity and credit risks remain with the Banking Group).

A financial asset is considered to be transferred if the contractual rights to receive the cash flows of the asset have been transferred or there is an obligation to pay the cash flows to another party. Transferred financial assets that do not qualify for derecognition are typically associated with repurchase agreements and securities transferred as collateral against derivatives.

Residential mortgage-backed securities

The Banking Group has an internal RMBS facility, which issues securities that are acceptable as collateral for repurchase agreements with the RBNZ through the Medallion NZ Series Trust 2009-1R. Medallion NZ Series Trust 2009-1R is a consolidated structured entity of the Banking Group. As at 30 June 2026, mortgage loans with a carrying value of $14.4 billion (30 June 2025 $14.6 billion), have been internally securitised through the Medallion NZ Series Trust 2009-1R.

Covered Bond Programme

Certain residential mortgages originated by the Bank are acquired by the Covered Bond Trust as part of the Covered Bond programme. The Covered Bond Guarantor has guaranteed payments of interest and principal under the Covered Bonds pursuant to a guarantee which is secured over the mortgage loans, related security and other assets of the Covered Bond Trust. The Covered Bond Trust is a consolidated structured entity of the Banking Group. The amount of the guarantee is limited to the assets of the Covered Bond Trust. As at 30 June 2026, Covered Bonds (including accrued interest) of $3.5 billion were guaranteed (30 June 2025 $3.4 billion).

For further information on the Covered Bond Programme, refer to the General Disclosures.

The carrying amounts of financial assets pledged as collateral are as follows:

$ millions **As at 30 June**	**2026**	2025
Securities pledged under repurchase agreements		
Residential mortgage-backed securities pledged with the RBNZ	**-**	1,846
Other securities	**559**	432
Total securities pledged under repurchase agreements	**559**	2,278
Collateral advanced against derivatives	**467**	430
Mortgage loans and cash pledged as security for the Covered Bonds	**5,832**	4,823
Other	**4**	4
Total financial assets pledged as collateral	**6,862**	7,535

Transferred financial assets that are not derecognised in their entirety

For transactions where substantially all the risk and rewards of a financial asset are neither retained nor transferred, the Banking Group derecognises financial assets where control is no longer retained. When control is retained, financial assets are recognised to the extent of the Banking Group's continuing involvement.

The carrying amount of transferred financial assets that did not qualify for derecognition and their associated liabilities are as follows:

$ millions **As at 30 June**	**2026**	2025
Transferred financial assets under repurchase agreements	**559**	2,278
Securities transferred as collateral against derivatives	**54**	9
Associated liabilities	**559**	1,649

Transferred financial assets that are derecognised in their entirety

As at 30 June 2026 the Banking Group has not derecognised in its entirety any financial assets where it has a continuing involvement (30 June 2025 nil).

Derivative transactions

The Banking Group has entered into CSAs in respect of certain credit exposures relating to derivative transactions. These CSAs compel the Banking Group or the counterparty to collateralise the market value of outstanding derivative transactions. As at 30 June 2026 the Banking Group had advanced $413 million of cash collateral against derivative liabilities (30 June 2025 $421 million).

30 Offsetting financial assets and financial liabilities

The Banking Group enters into netting or similar agreements with counterparties to manage the credit risks associated primarily with over-the-counter derivatives, repurchase and reverse repurchase transactions. These netting agreements or similar agreements enable the counterparties to offset liabilities against assets if an event of default or other predetermined event occurs.

The following table identifies the amounts that are covered by enforceable netting or similar agreements (offsetting agreements and financial collateral).

	Subject to enforceable master netting or similar agreements							
	Amounts offset on the Balance Sheet			Amounts not offset on the Balance Sheet				
$ millions	Gross amounts	Amount offset	Reported on the Balance Sheet	Financial instruments	Financial collateral	Net amount	Not subject to netting agreements	Total Balance Sheet amount
Financial instruments as at 30 June 2026								
Derivative assets	**2,278**	**-**	**2,278**	**(116)**	**(2,059)**	**103**	**34**	**2,312**
Reverse repurchase agreements	**2,375**	**(236)**	**2,139**	**-**	**(2,139)**	**-**	**-**	**2,139**
Total financial assets	**4,653**	**(236)**	**4,417**	**(116)**	**(4,198)**	**103**	**34**	**4,451**
Derivative liabilities	**(187)**	**-**	**(187)**	**116**	**40**	**(31)**	**(37)**	**(224)**
Repurchase agreements	**(795)**	**236**	**(559)**	**-**	**559**	**-**	**-**	**(559)**
Total financial liabilities	**(982)**	**236**	**(746)**	**116**	**599**	**(31)**	**(37)**	**(783)**
Financial instruments as at 30 June 2025 (1)								
Derivative assets	1,207	-	1,207	(180)	(950)	77	37	1,244
Reverse repurchase agreements	1,295	-	1,295	-	(1,295)	-	-	1,295
Total financial assets	2,502	-	2,502	(180)	(2,245)	77	37	2,539
Derivative liabilities	(384)	-	(384)	180	149	(55)	(26)	(410)
Repurchase agreements	(1,649)	-	(1,649)	-	1,649	-	-	(1,649)
Total financial liabilities	(2,033)	-	(2,033)	180	1,798	(55)	(26)	(2,059)

(1) Comparative information has been reclassified to ensure consistency with presentation in the current year.

Effects of master netting agreements on financial instruments

In the table above:

- Gross amounts identifies financial assets and liabilities that are subject to enforceable master netting agreements such as ISDA Master Agreements, global master repurchase agreements and global master securities lending agreements. Under these agreements all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transactions covered by the agreements if an event of default or other predetermined events occur;
- Financial collateral refers to cash and non-cash collateral obtained to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default or if other predetermined events occur;
- Net amount shows the potential effects of the Banking Group's right of offset from master netting agreements; and
- Amounts not subject to enforceable master netting agreements represents those amounts covered by master netting agreements but have uncertainty on their enforceability under applicable New Zealand legislation.

The net amounts do not represent the Banking Group's actual credit exposure.

Accounting policies

The Banking Group offsets financial assets and financial liabilities and reports the net balance on the Balance Sheet where there is currently 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. The right to offset is a legal right to settle or otherwise eliminate all or a portion of an amount due by applying an amount receivable, generally from the same counterparty, against it.

Our group structure

The Banking Group structure includes ASB Bank Limited (the Bank) legal entity and its interests in operating and structured subsidiaries, and an associate. These entities were either acquired or established and their classification is driven by the Bank's level of control or influence.

All entities were incorporated in New Zealand.

31 Investments in subsidiaries and other entities

Entity name	%	Nature of business	Balance date
Subsidiaries			
ASB Group Investments Limited	100	Investment administration and management	30 June
ASB Nominees Limited	100	Nominee company	30 June
ASB Securities Limited	100	Sharebroking	30 June
Securitisation Management Services Limited	100	Securitisation management	30 June
Structured entities			
ASB Cash Fund	-	Portfolio investment entity	30 June
ASB Term Fund	-	Portfolio investment entity	30 June
Medallion NZ Series Trust 2009-1R	-	Group funding entity	30 June
ASB Covered Bond Trust	-	Group funding entity	30 June
Associate(1)			
Payments NZ Limited	19	Payment systems	30 September

(1) Summarised financial information for Payments NZ Limited is not provided, as the amounts involved are immaterial.

Changes in composition of the Banking Group

On 24 September 2025, Trade Window Holdings Limited ceased to be an associate of the Banking Group following a share issuance that diluted its ownership interest. The Bank's investment in Trade Window Holdings Limited is now recognised within Securities at FVOCI.

On 12 December 2025, ASB Management Services Limited, a wholly owned subsidiary, was amalgamated into the Bank.

There was no material impact on the consolidated financial statements following these transactions.

There were no other changes in the composition of the Banking Group during the year.

Accounting policies

The consolidated financial statements of the Banking Group include the financial statements of the Bank and its subsidiaries.

Subsidiaries

Subsidiaries are entities over which the Bank has control. Control exists when the Bank is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the Banking Group's financial statements from the date the Bank obtains control until the date that it loses control.

All transactions and balances between subsidiaries have been fully eliminated on consolidation.

Structured entities

The Banking Group may invest in or establish a structured entity to enable it to undertake specific transactions.

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their ongoing activities.

The Banking Group exercises judgement to assess whether it has control of a structured entity and should be consolidated in the Banking Group's financial statements (refer to note 29 and the General Disclosures).

Funds under management

ASB Group Investments Limited, a member of the Banking Group, acts as manager for a number of managed investment schemes and superannuation schemes. The assets and liabilities of these schemes are not included in the financial statements of the Banking Group as the Banking Group does not have control of these schemes. Fund management income is included in Other income.

32 Related party disclosures

The Bank is wholly owned by ASB Holdings Limited, a company incorporated in New Zealand. The ultimate parent bank is CBA. The Commonwealth Bank Group refers to CBA and the various companies and other entities owned and controlled by CBA.

Certain superannuation schemes and managed investment schemes are managed by ASB Group Investments Limited, a wholly owned subsidiary of the Bank. Related party transactions and balances between these schemes, and the Banking Group are disclosed below.

The Banking Group has entered into, or had in place, various financial transactions with members of the Commonwealth Bank Group and other related parties. The Bank provides administrative functions to some related companies and entities for which no compensation has been received. In all other cases, arrangements with related parties were conducted on an arm's length basis and on normal commercial terms, and within the Bank's approved policies. Loans to and borrowings from related parties are unsecured.

$ millions **For the year ended 30 June**	**2026**	2025
Related party transactions		
Interest income		
Received from Commonwealth Bank Group	**23**	28
Interest expense		
Paid to Commonwealth Bank Group	**156**	383
Paid to superannuation and managed investment schemes managed by ASB Group Investments Limited	**20**	48
	176	431
Other income		
Management and administration fees received from superannuation and managed investment schemes managed by ASB Group Investments Limited	**163**	145
Other expenses		
Paid to Commonwealth Bank Group	**5**	3

$ millions **As at 30 June**	**2026**	2025
Related party balances(1)		
Commonwealth Bank Group		
Assets		
Cash and liquid assets	**858**	740
Receivables from financial institutions	**-**	153
Derivative assets	**1,630**	879
Other assets	**-**	1
	2,488	1,773
Liabilities		
Deposits and other borrowings	**30**	99
Payables to financial institutions	**2,351**	889
Derivative liabilities	**68**	132
Other liabilities	**4**	3
	2,453	1,123
Superannuation and managed investment schemes managed by ASB Group Investments Limited		
Assets		
Other assets	**23**	19
Liabilities		
Deposits and other borrowings	**953**	619
Debt issues at amortised cost	**209**	79
	1,162	698
Total related party assets	**2,511**	1,792
Total related party liabilities	**3,615**	1,821

(1) Trade Window Holdings Limited ceased to be a related party on 24 September 2025. Balances at 30 June 2026 are therefore excluded from the table. (Amounts receivable from Trade Window Holdings Limited for the year ended 30 June 2025 were $1 million).

32 Related party disclosures (continued)

Other transactions and balances

Commonwealth Bank Group provides guarantees over certain lending offered by the Bank to the value of $52 million (30 June 2025 $56 million). The Banking Group provides guarantees over certain lending offered to Commonwealth Bank Group to the value of $15 million (30 June 2025 $12 million).

The Banking Group has entered into derivatives with the Commonwealth Bank Group with an aggregate notional principal amount of $20,592 million (30 June 2025 $21,138 million).

No individually assessed allowance has been recognised in respect of loans given to related parties (30 June 2025 nil).

Refer to note 22 for details of dividends paid to the shareholder, note 21 for details of shares issued to related parties, note 33 for transactions and amounts with key management personnel and the Other registered bank disclosures for further information on superannuation and managed investment schemes managed by ASB Group Investments Limited.

33 Key management personnel

The ELT and Directors of the Bank are considered to be key management personnel.

$ millions For the year ended 30 June	2026	2025
Key management compensation [(1)]		
Short-term employee benefits	**13**	12
Share-based payments	**4**	4
Total key management compensation	**17**	17

(1) Key management compensation is presented on an underlying unrounded basis and therefore may not add down.

Key management personnel's post-employment benefits and other long-term benefits rounded to $1 million (30 June 2025 rounded to nil).

Termination benefits are included in short-term employee benefits and rounded to nil (30 June 2025 rounded to nil).

ELT of the Bank participate in CBA cash settled share-based payment plans and are awarded a number of rights that vest provided certain conditions are met (including that the participant remains in employment until the vesting date). The liability as at 30 June 2026 was $4 million (30 June 2025 $6 million).

The CEO of the Bank participates in CBA equity settled share-based payment plans and is awarded a number of rights or shares that vest provided similar conditions are met (including remaining in employment until the vesting date). Further details are provided in the CBA Remuneration Report within the CBA 2026 Annual Report.

The following table presents information about the share-based payments plan (which is classified as cash-settled for accounting purposes):

	Number of rights or shares		Fair value $ millions	
As at 30 June	2026	2025	2026	2025
CBA equity settled rights or shares granted during the year	**10,691**	15,566	**2**	2

The expense recognised on CBA equity settled rights or shares for the year ended 30 June 2026 rounded to $2 million (30 June 2025 rounded to $2 million). 16,068 CBA equity rights or shares have vested during the year (30 June 2025 14,612 CBA equity rights or shares were vested).

$ millions As at 30 June	2026	2025
Loans to key management personnel and their related parties[(1)]	**11**	14
Deposits from key management personnel and their related parties[(1)]	**6**	8

(1) Includes close family members of key management personnel and entities that are controlled or jointly controlled by key management personnel or their close family members.

Loans made to and deposits held from key management personnel were made in the ordinary course of business on normal commercial terms and conditions, no more favourable than those given to other employees of the Banking Group. Deposits consist of on call, savings, term investments and cash management balances.

No individually assessed allowance has been recognised in respect of loans provided to key management personnel. There were no debts written off or forgiven during the year ended 30 June 2026 (30 June 2025 nil).

For the year ended 30 June 2026 interest received on loans rounded to nil (30 June 2025 rounded to $1 million) and interest paid on deposits rounded to nil (30 June 2025 rounded to nil).

Other

This section includes other information to provide a more complete view of the Banking Group's business. It includes information on imputation credits attached to dividends, remuneration of auditors and details of events that have taken place subsequent to the balance date.

34 Imputation credit account

Companies may attach imputation credits to dividends paid which represent the New Zealand tax already paid by the company or tax group on profits. New Zealand resident shareholders may claim a tax credit to the value of the imputation credit attached to dividends.

The Bank and some of its subsidiaries have formed an imputation group with other members of the Commonwealth Bank of Australia Group.

The amount of imputation credits available to all members of the ICA Group as at 30 June 2026 is $1,960 million (30 June 2025 $1,567 million). This amount includes imputation credits that will arise from provisional tax payable at balance date.

35 Auditor's remuneration

$ thousands **For the year ended 30 June**	**2026**	2025
PricewaterhouseCoopers[1]		
Audit and review of financial statements[2]	**3,131**	2,733
Audit or review related services:		
Trust deed requirements[3]	**24**	17
Internal controls and capital adequacy reasonable assurance and agreed upon procedures	**719**	627
Debt programmes agreed upon procedures	**286**	83
Other assurance services and other agreed-upon procedures engagements:		
Climate and sustainability reporting related services[4]	**325**	307
Other services[5]	**58**	59
Total auditor's remuneration relating to the Banking Group	**4,543**	3,826
Auditor's remuneration related to off balance sheet funds managed by the Banking Group[6]		
Audit of financial statements	**495**	529
Audit or review related services:		
Trust deed requirements[3]	**46**	45
Total auditor's remuneration	**5,084**	4,400

(1) All fees are charged by PricewaterhouseCoopers New Zealand with the exception of fees relating to capital benchmarking of $55,000 (30 June 2025 $57,000) and subscription fees to PricewaterhouseCoopers' online accounting research tool of $3,000 (30 June 2025 $2,000) included within other services which is charged by PricewaterhouseCoopers Australia and PricewaterhouseCoopers US respectively.

(2) Fees are for both the audit of the annual financial statements and review of the interim financial statements.

(3) Fees are for register compliance assurance services and supervisor reporting services.

(4) Fees are for assurance relating to greenhouse gas emissions and sustainability metrics.

(5) Fees are for subscription to PricewaterhouseCoopers' online accounting research tool and capital benchmarking.

(6) Fees are on charged to the off balance sheet funds with the exception of the following fees which are incurred by the manager, ASB Group Investments Limited, a member of the Banking Group:
- fees for the audit of the off balance sheet funds financial statements amounting to $68,000 (2025 $122,000);
- fees for the off balance sheet funds Trust Deed requirements amounting to $19,000 (2025 $23,000).

36 Events after the reporting period

There were no events subsequent to the reporting period which would materially affect the financial statements.

Other registered bank disclosures

General disclosures

This section contains disclosures required by the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended), (the Order), to the extent they are not already provided in the financial statements.

Details of ultimate parent bank

The ultimate parent bank of the Bank is Commonwealth Bank of Australia (CBA). CBA's registered office and address for service is Commonwealth Bank Place South, Level 1, 11 Harbour Street, Sydney, NSW 2000, Australia.

Voting securities in the Registered Bank and power to appoint directors

The Bank's holding company, ASB Holdings Limited, holds 100% of the voting securities of the Bank. The Board of the Bank, and CBA, have the power to appoint the Bank's directors. In accordance with the Bank's conditions of registration, any appointment of a director is subject to the RBNZ advising that it has no objection to that appointment. The RBNZ also has the power to appoint directors in certain circumstances under section 113B of the Banking (Prudential Supervision) Act 1989, after obtaining consent from the Minister of Finance.

Directors of the Bank as at the date this Disclosure Statement was signed

Name	Dame Therese Maria Walsh DNZM	Vittoria Annabel June Shortt
Position	Chair and Independent Non-Executive Director	Managing Director
Primary occupation	Company director	Chief Executive Officer for ASB Bank Limited
Country of residence	New Zealand	New Zealand
Other company directorships	Air New Zealand Limited, Therese Walsh Consulting Limited, On Being Bold Limited, T20 World Cup 2028 Limited	Lawford Family Trustee Limited
Qualifications	BCA, FCA, CFInstD	BMS, FCA

Name	James (Jim) Alexander Brown	Ross James Patrick Buckley
Position	Independent Non-Executive Director	Independent Non-Executive Director
Primary occupation	Company director	Company director
Country of residence	New Zealand	New Zealand
Other company directorships	Secure Trust Bank PLC, Kiripaka Capital Limited, Apple Trust Holdings Limited, Grape Trust Holding Limited, Pear Trust Holdings Limited	Stride Property Limited, Stride Investment Management Limited, Stride Holdings Limited, Investore Property Limited, Service Foods Limited
Qualifications	Certified Bank Director, The Institute of Banking	BBS, FCA, FCPA, CFInstD

Name	Dr Roderick Marshall Carr	Victoria Helen Crone
Position	Independent Non-Executive Director	Independent Non-Executive Director
Primary occupation	Company director	Company director
Country of residence	New Zealand	New Zealand
Other company directorships	Waingawa Forest Corporation Limited, JRC (NZ) Limited, Great Hot Water Limited	Victory & Grace Limited, True North Seville Limited, Pyper Vision Limited
Qualifications	BCom (Hons), LLB (Hons), MBA, MA, PhD	MCA

Other registered bank disclosures

General disclosures (continued)

Directors of the Bank as at the date this Disclosure Statement was signed (continued)

Name	**Alistair Currie**	**Alan Docherty**
Position	Non-Executive Director	Non-Executive Director
Primary occupation	Company director	Chief Financial Officer for Commonwealth Bank of Australia
Country of residence	United Kingdom	Australia
Other company directorships	Commonwealth Bank of Australia	Alan Frank Docherty SMSF Pty Limited, SCEGGS Endowment Fund Limited, SCEGGS Darlinghurst, Docherty Family Investments Pty Limited
Qualifications	BSc (Design and Technology), MSc (Management)	BAccounting

Name	**Juliet Keri Tainui-Hernandez**	**Nigel Henry Murray Williams**
Position	Independent Non-Executive Director	Non-Executive Director
Primary occupation	Company director	Company director
Country of residence	New Zealand	Australia
Other company directorships	Whai Rawa Fund Limited, Te Kahui O Onuku Charitable Company Limited	Cancer Council NSW, Cancer Council Australia
Qualifications	BA, LLB	BCom

Name	**Mark John Verbiest**
Position	Independent Non-Executive Director
Primary occupation	Company director
Country of residence	New Zealand
Other company directorships	Meridian Energy Limited, Summerset Group Holdings Limited, Bear Fund NZ Limited
Qualifications	LLB, CFInstD

Communications to Directors

Communications to the Directors may be sent to the registered office of the Bank which is Level 2, ASB North Wharf, 12 Jellicoe Street, Auckland 1010, New Zealand.

Responsible persons

The Chair of the Board, Dame Therese Walsh, and the Managing Director, Ms Vittoria Shortt, have been authorised in writing to sign this Disclosure Statement in accordance with section 82 of the Banking (Prudential Supervision) Act 1989, on behalf of the other directors.

Conflicts of interest

ASB maintains a register of Directors' interests that have been disclosed by Directors in accordance with the Companies Act 1993. Under the Bank's Conflicts Management Policy, disclosure by Directors of actual, potential and perceived conflicts of interests relating to outside business interests is required. Conflicts are managed by either controlling, disclosing or avoiding them or a combination of these methods.

Transactions with Directors

There have been no transactions by any Director, or any immediate relative or close business associate of any Director, with the Bank or any member of the Banking Group, that:

- Have been entered into on terms other than those which would, in the ordinary course of business of the Bank or any member of the Banking Group, be given to any other person of like circumstances or means; or
- Could otherwise be reasonably likely to influence materially the exercise of that Director's duties.

Other registered bank disclosures

General disclosures (continued)

Board Audit Committee

There is a Board Audit Committee (BAC) that covers audit matters. The BAC has eight members, all being members of the Board, other than the Managing Director. The BAC has seven non-executive independent directors and one non-executive non-independent director.

Credit ratings

As at the signing date of this Disclosure Statement, the following long-term ratings were assigned to the Bank by these rating agencies:

Rating agency	Current long-term credit rating	Credit rating outlook
Moody's Investors Service Pty Limited (Moody's)	Aa3	Stable
S&P Global Ratings Australia Pty Limited (S&P)	AA-	Stable
Fitch Ratings (Fitch)	AA-	Stable

- The Moody’s and S&P ratings have remained unchanged during the two years immediately preceding the signing date.
- On 28 March 2025, Fitch upgraded ASB’s ratings outlook to positive from stable and affirmed the long-term credit rating at A+. On 9 March 2026, Fitch upgraded ASB’s long-term credit rating to AA- from A+ and set the outlook to stable from positive.

The table below provides a description of the steps in the rating scales used by the different rating agencies.

Long-term credit rating definitions	Moody's[(a)]	S&P[(b)]	Fitch[(c)]
Highest quality/extremely strong capacity to pay interest and principal	Aaa	AAA	AAA
High quality/very strong	Aa	AA	AA
Upper medium grade/strong	A	A	A
Medium grade (lowest investment grade)/adequate	Baa	BBB	BBB
Predominantly speculative/less near-term vulnerability to default	Ba	BB	BB
Speculative, low grade/greater vulnerability	B	B	B
Poor to default/identifiable vulnerability	Caa	CCC	CCC
Highest speculations	Ca	CC	CC
Lowest quality, no interest	C	C	C
In payment default, in arrears - questionable value	-	D	RD & D

(a) Moody's applies numeric modifiers 1, 2 and 3 to each generic rating category from Aa to Caa, indicating that the counterparty is (1) in the higher end of its letter rating category, (2) in the mid-range and (3) in the lower end.
(b) S&P applies plus (+) or minus (-) signs to ratings from 'AA' to 'CCC' to indicate relative standing within the major rating categories.
(c) Fitch applies plus (+) or minus (-) signs to ratings from 'AA' to 'CCC' to indicate relative standing within the major rating categories.

Pending proceedings or arbitration

Refer to note 20 for a description of any pending legal proceedings concerning any member of the Banking Group, that may have a material adverse effect on the Bank or the Banking Group.

Auditor

PricewaterhouseCoopers New Zealand (PricewaterhouseCoopers) is the appointed auditor of the Bank. The auditor's address is PwC Tower, 15 Customs Street West, Auckland 1010, New Zealand.

Priority of creditors’ claims

In the event that the Bank was put into liquidation or ceased to trade, claims of secured creditors and those creditors set out in Schedule 7 of the Companies Act 1993 would rank ahead of the claims of unsecured creditors. Customer deposits are unsecured and rank equally with other unsecured unsubordinated liabilities of the Bank and rank ahead of any subordinated instruments issued by the Bank.

Other registered bank disclosures

General disclosures (continued)

Guarantees

On 11 August 2011, the ASB Covered Bond Trust (the Covered Bond Trust) was established to acquire and hold certain residential mortgage loans (Mortgage Loans) originated by the Bank. ASB Covered Bond Trustee Limited (the Covered Bond Guarantor), solely in its capacity as trustee of the Covered Bond Trust provides guarantees over certain debt securities (Covered Bonds) issued by the Bank.

The Covered Bond Guarantor has guaranteed payments of interest and principal under the Covered Bonds pursuant to a guarantee which is secured over the mortgage loans, related security and other assets of the Covered Bond Trust. Covered Bonds (including accrued interest) of $3.5 billion were guaranteed as at the signing date of this Disclosure Statement. The amount of the guarantee is limited to the assets of the Covered Bond Trust. There are no material conditions applicable to the guarantee other than non-performance. There are no material legislative or regulatory restrictions in New Zealand which would have the effect of subordinating the claims under the guarantee of any creditors of the Bank on the assets of the Covered Bond Guarantor, to other claims on the Covered Bond Guarantor, in a winding up of the Covered Bond Guarantor.

The Covered Bond Guarantor's address for service is Level 16, SAP Tower, 151 Queen Street, Auckland 1010, New Zealand. The Covered Bond Guarantor is not a member of the Banking Group and has no credit ratings applicable to its long term senior unsecured obligations payable in New Zealand dollars. As at 30 June 2026, the Covered Bonds issued have been assigned a long-term rating of 'AAA' by Fitch and 'Aaa' by Moody's.

Restrictions on CBA's ability to provide material financial support to the Bank

CBA does not guarantee the obligations of the Bank or its subsidiaries.

Under the Banking Act 1959 (Commonwealth of Australia) (Australian Banking Act), the Australian Prudential Regulation Authority (APRA), may determine prudential standards which must be complied with by CBA. Further, regulations made under the Australian Banking Act may specify prudential requirements which must be observed by CBA. These prudential standards and requirements may affect the ability of CBA to provide material financial support to the Bank or its subsidiaries.

Unless APRA provides otherwise, CBA must comply with APRA's prudential standard APS 222: *Associations with Related Entities* (APS 222). APS 222 contains the following prudential requirements:

- CBA's exposure to the Bank must not exceed 25% of CBA's Level 1 Tier 1 Capital (as defined in APS 222) and its aggregate exposure to all related Authorised Deposit-taking Institutions (ADI's) (including ASB and overseas based equivalents) cannot exceed 75% of that capital base;
- CBA must not enter into cross-default clauses whereby a default by the Bank on an obligation (whether financial or otherwise) triggers or is deemed to trigger a default by CBA in its obligations;
- CBA must not have unlimited exposures to the Bank (such as providing a general guarantee covering any of the Bank's obligations); and
- CBA's limits on acceptable levels of exposure to the Bank must have regard to the level of exposures that would be approved to third parties of broadly equivalent credit status to the Bank, the impact on CBA's stand-alone capital and liquidity positions, and its ability to continue operating in the event of a failure by the Bank or any other related entity to which it is exposed.

Based on enquiries that the Bank has made of CBA, to the best of the Bank's knowledge and belief, CBA expects that sufficient capacity exists under the limits to accommodate CBA's exposures to its related entities, including ASB. From 1 January 2027 the removal of AT1 capital from APRA's prudential framework will come into effect, with the above 25% and 75% limits to be based on CBA's Level 1 CET1 capital. This may, therefore, incrementally decrease the limit amount although capacity is expected to remain sufficient.

APRA requires CBA to limit its non-equity exposure to the Bank and its subsidiaries to below a limit of 5% of CBA's Level 1 Tier 1 Capital. For the purposes of this limit, exposures include all committed, non-intraday, non-equity exposures, including derivatives and off balance sheet exposures, however, exclude equity investments and holdings of capital instruments in the Bank and its subsidiaries. APRA confirmed it will allow, on agreeable terms, the Australian parent banks to provide contingent funding support to their New Zealand banking subsidiaries in times of financial stress. At this time, only Covered Bonds meet the criteria for contingent funding arrangements. As at 30 June 2026, CBA's non-equity exposures to the Bank are below 5% of CBA's Level 1 Tier 1 Capital. APRA will discuss with impacted entities the specific arrangements in relation to the 1 January 2027 changes above, noting it is not intended to additionally restrict Trans-Tasman funding arrangements following removal of AT1.

Under section 13A(3) of the Australian Banking Act, if an ADI (which includes CBA) becomes unable to meet its obligations or suspends payment of its obligations, the assets of the ADI in Australia are to be made available to meet the ADI's liabilities in the following order: first, the ADI's liabilities to APRA, to the extent that APRA has made, or is required to make, payments to depositors under the Australian Government's Financial Claims Scheme (Scheme); second, the ADI's debts to APRA for costs incurred by APRA in the administration of the Scheme in respect of that ADI; third, in payment of the ADI's liabilities in Australia in relation to protected accounts; fourth, the ADI's debts to the Reserve Bank of Australia; fifth, the ADI's liabilities under a certified industry support contract; and sixth, the ADI's other liabilities in the order of their priority apart from section 13A(3) of the Australian Banking Act.

The assets of an ADI are taken for the purposes of section 13A(3) of the Australian Banking Act not to include any interest in an asset or part of an asset in a cover pool for which the ADI is the issuing ADI.

Depositor Compensation Scheme

The Deposit Takers Act 2023 was enacted in July 2023 and established the Depositor Compensation Scheme (DCS) with effect from 1 July 2025. Under the DCS, if a licensed deposit taker (including the Bank) fails, eligible deposits up to $100,000 in aggregate per eligible depositor, per deposit taker are protected. The DCS is administered by the RBNZ. For further information on the DCS, refer to the RBNZ's website at rbnz.govt.nz/dcs.

Other registered bank disclosures

General disclosures (continued)

Other material matters

There are no other matters relating to the business or affairs of the Bank or the Banking Group which 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 Bank or any member of the Banking Group is the issuer.

Historical summary of Financial Statements

The amounts disclosed in the historical summary of Financial Statements have been taken from the audited Financial Statements of the Banking Group.

$ millions **For the year ended 30 June**	**2026**	2025	2024	2023	2022
Income Statement					
Interest income	**6,927**	7,739	7,568	5,806	3,603
Interest expense	**3,671**	4,681	4,640	2,761	1,004
Net interest income	**3,256**	3,058	2,928	3,045	2,599
Other income	**411**	444	465	444	585
Total operating income	**3,667**	3,502	3,393	3,489	3,184
Impairment losses on financial assets	**78**	60	70	64	41
Total operating income after impairment losses/(recoveries)	**3,589**	3,442	3,323	3,425	3,143
Total operating expenses	**1,649**	1,427	1,296	1,258	1,108
Net profit before tax	**1,940**	2,015	2,027	2,167	2,035
Tax expense	**542**	566	572	608	564
Net profit after tax	**1,398**	1,449	1,455	1,559	1,471
Dividends paid					
Ordinary dividends paid	**375**	1,800	800	700	975
Perpetual preference dividends paid	**-**	-	-	25	33
Total dividends paid	**375**	1,800	800	725	1,008

$ millions **As at 30 June**	**2026**	2025	2024	2023	2022
Balance Sheet					
Total assets	**143,577**	135,164	127,089	126,896	121,522
Individually impaired assets	**416**	445	373	321	212
Total liabilities	**130,943**	123,672	116,021	116,217	111,591
Total shareholders' equity	**12,634**	11,492	11,068	10,679	9,931

Other registered bank disclosures

Additional financial disclosures

Additional information on interest rate sensitivity

The following tables present a breakdown of the Banking Group's assets and liabilities by their contractual repricing. The carrying amounts of derivative financial instruments, which are principally used to reduce the Banking Group's exposure to interest rate movements, are included under the heading "Non-interest bearing". The Banking Group does not manage its interest rate risk on the basis of the information below. The management of interest rate risk is set out in note 26.

$ millions As at 30 June 2026	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 Year	Over 1 year and up to 2 years	Over 2 years	Non-interest Bearing	Total
Assets							
Cash and liquid assets	5,061	-	-	-	-	115	5,176
Receivables from financial institutions	416	-	-	-	-	-	416
Securities:							
At fair value through Income Statement	85	107	48	116	805	-	1,161
At fair value through Other Comprehensive Income	440	225	879	1,374	8,356	6	11,280
Derivative assets	-	-	-	-	-	2,312	2,312
Advances to customers	46,882	14,104	27,862	25,021	7,725	(20)	121,574
Other financial assets	-	-	-	-	-	413	413
Total financial assets	52,884	14,436	28,789	26,511	16,886	2,826	142,332
Non-financial assets							1,245
Total assets							143,577
Liabilities							
Deposits and other borrowings	55,797	14,514	8,806	2,793	2,736	12,466	97,112
Payables to financial institutions	3,289	-	-	-	-	52	3,341
Derivative liabilities	-	-	-	-	-	224	224
Other financial liabilities	-	-	-	-	-	1,013	1,013
Debt issues:							
At fair value through Income Statement	176	907	862	-	-	-	1,945
At amortised cost	6,148	2,407	1,825	2,341	13,796	(657)	25,860
Loan capital	-	-	1,059	-	-	(9)	1,050
Total financial liabilities	65,410	17,828	12,552	5,134	16,532	13,089	130,545
Non-financial liabilities							398
Total liabilities							130,943
Net derivative notionals	16,593	(2,033)	(11,221)	(13,362)	10,023		
Interest rate sensitivity gap	4,067	(5,425)	5,016	8,015	10,377		

Additional financial disclosures (continued)

Additional information on interest rate sensitivity (continued)

$ millions **As at 30 June 2025**	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Non-interest bearing	Total
Assets							
Cash and liquid assets	5,486	-	-	-	-	98	5,584
Receivables from financial institutions	578	-	-	-	-	-	578
Securities:							
At fair value through Income Statement	114	79	299	58	533	-	1,083
At fair value through Other Comprehensive Income	967	239	517	1,059	7,699	2	10,483
Derivative assets	-	-	-	-	-	1,244	1,244
Advances to customers	50,216	17,722	26,130	18,064	2,771	(176)	114,727
Other financial assets	-	-	-	-	-	408	408
Total financial assets	57,361	18,040	26,946	19,181	11,003	1,576	134,107
Non-financial assets							1,057
Total assets							135,164
Liabilities							
Deposits and other borrowings	55,511	15,633	7,872	1,724	2,015	10,667	93,422
Payables to financial institutions	1,490	-	-	-	-	49	1,539
Derivative liabilities	-	-	-	-	-	410	410
Other financial liabilities	-	-	-	-	-	1,187	1,187
Debt issues:							
At fair value through Income Statement	1,473	486	-	-	-	-	1,959
At amortised cost	5,758	1,216	1,593	3,995	11,787	(541)	23,808
Loan capital	-	-	-	984	-	(12)	972
Total financial liabilities	64,232	17,335	9,465	6,703	13,802	11,760	123,297
Non-financial liabilities							375
Total liabilities							123,672
Net derivative notionals	9,250	4,051	(18,402)	(6,879)	11,980		
Interest rate sensitivity gap	2,379	4,756	(921)	5,599	9,181		

Other registered bank disclosures

Capital adequacy

Unaudited

This note is subject to limited assurance procedures which do not constitute an audit. These sections are clearly labelled as "Unaudited". Refer to the Independent assurance report for further information.

Regulatory requirements – Basel III

The Banking Group is subject to regulation by the RBNZ. The RBNZ has set regulatory capital adequacy requirements for New Zealand registered banks, which are based on the internationally agreed framework developed by the Basel Committee on banking supervision, commonly known as Basel III. These requirements define what qualifies as capital and provides methods of measuring risks incurred by the Banking Group.

The Banking Group must comply with RBNZ minimum capital adequacy ratios under the Bank's Conditions of Registration. These Conditions of Registration require capital adequacy ratios for the Banking Group to be calculated in accordance with the RBNZ's capital requirements detailed in their Banking Prudential Requirements (BPRs).

As a condition of registration, the Banking Group must comply with the following minimum requirements set by the RBNZ for the year ended 30 June 2026:

- Total regulatory capital must not be less than 9% of risk-weighted exposures;
- Tier 1 capital must not be less than 7% of risk-weighted exposures;
- CET1 capital must not be less than 4.5% of risk-weighted exposures; and
- Total regulatory capital must not be less than $30 million.

In addition, if the Banking Group's prudential capital buffer (PCB) falls below the Buffer Trigger Ratio set by the RBNZ, the Bank may be subject to dividend restrictions and be required to implement a capital restoration or recapitalisation plan according to the RBNZ's Capital Buffer Response Framework, depending on the level of PCB. The RBNZ set the Banking Group's Buffer Trigger Ratio at 5.5%.

Regulatory capital is divided into Tier 1 capital, comprising CET1 capital and AT1 capital, and Tier 2 capital.

CET1 and AT1 capital primarily consist of shareholders' equity and qualifying Tier 1 capital instruments as per BPR110: *Capital Definitions*, less intangible and deferred tax assets, and other prescribed deductions. Tier 2 capital as per BPR110: *Capital Definitions,* comprises the asset revaluation reserve and subordinated debt securities.

Regulatory capital adequacy ratios are calculated by expressing capital (CET1, AT1, Tier 2 or total regulatory capital) as a percentage of risk-weighted assets. Risk-weighted assets represent risks associated with the Banking Group's credit risk exposures, as well as operational risk and both traded and non-traded market risk, calculated in accordance with RBNZ's BPRs. The Banking Group has been accredited by the RBNZ to adopt the internal ratings based (IRB) approach for calculating credit risk-weighted assets, which includes the use of IRB models and credit models described in note 25 (using PD, EAD and LGD).

RBNZ Capital review

In December 2025, the RBNZ released decisions following its 2025 review of key capital settings. For ASB and other Group 1 deposit takers, the revised Total capital requirement will be 15% of RWA, which comprises 12% CET1 capital (including a 6% PCB ratio) and 3% Tier 2 capital. Additionally, the RBNZ will introduce a Loss Absorbing Capacity (LAC) requirement of 6% of RWA, bringing the total requirement including LAC to 21%. Both Tier 2 and LAC instruments must be issued to the Australian parent bank. The timeline for the implementation of the new requirements is not yet confirmed, with consultation on the detailed design of Tier 2 and LAC instruments expected to occur in 2026 and 2027.

Other registered bank disclosures

Capital adequacy (continued)

Unaudited

Capital management policies

The Banking Group's objectives for the management of capital are to:

- Comply at all times with the regulatory capital requirements set by the RBNZ;
- Maintain a strong capital base to cover the inherent risks of the business; and
- Support the future development and growth of the business.

The Banking Group has an internal capital adequacy assessment process (ICAAP) which complies with the requirements set out in the RBNZ document BPR100: *Capital Adequacy, Part D*. The ICAAP is an integrated process used to assess the appropriate level and quality of capital that is required now and in the future, given the risk profile of the Banking Group. A key component of the Banking Group's ICAAP is the establishment of target ranges for capital levels to reduce the risk of breaching the Banking Group's Conditions of Registration, support business growth and to provide a buffer for unexpected losses.

The Banking Group's ICAAP is approved by the Board. Underlying component parts of the Banking Group's ICAAP are reviewed on a regular basis by senior management and the Board.

The Banking Group's current and forecast capital adequacy is actively monitored and reported on a regular basis to senior management and the Board. Where required, capital transactions are executed to optimise the Banking Group's capital structure and ensure that capital levels remain within target ranges.

The material terms and conditions of loan capital and ordinary shares are disclosed in notes 16 and 21.

The capital adequacy tables set out below summarise the composition of regulatory capital and the capital adequacy ratios for the Banking Group for the year ended 30 June 2026. During the current financial year and the comparative year shown, the Banking Group complied with the RBNZ minimum capital ratios to which it is subject.

$ millions **As at 30 June**	**2026**
Tier 1 capital	
CET1 capital	
Issued and fully paid-up ordinary share capital	**6,873**
Retained earnings	**5,692**
Accumulated Other Comprehensive Income and other disclosed reserves[1]	**53**
Deductions from CET1 capital:	
Goodwill and other intangible assets	**(449)**
Deferred tax assets	**(260)**
Cash flow hedge reserve	**(49)**
Total CET1 capital	**11,860**
AT1 capital	**-**
Total Tier 1 capital	**11,860**
Tier 2 capital	
Loan capital	**1,063**
Asset revaluation reserve	**16**
Eligible impairment allowance in excess of expected loss	**27**
Total Tier 2 capital	**1,106**
Total capital	**12,966**

(1) Accumulated Other Comprehensive Income and other disclosed reserves include the fair value through Other Comprehensive Income reserve ($4 million), and the cash flow hedge reserve ($49 million).

Other registered bank disclosures

Capital adequacy (continued)

Unaudited

Capital ratios

As at 30 June	RBNZ minimum 2026	RBNZ minimum 2025	Banking Group 2026	Banking Group 2025	Bank 2026	Bank 2025
CET1 capital ratio	**4.5%**	4.5%	**14.7%**	14.4%	**14.6%**	14.4%
Tier 1 capital ratio	**7.0%**	7.0%	**14.7%**	14.4%	**14.6%**	14.4%
Total capital ratio	**9.0%**	9.0%	**16.0%**	15.8%	**16.0%**	15.7%
Prudential capital buffer ratio	**5.5%**	4.5%	**7.0%**	6.8%	**N/A**	N/A

Total capital requirements

$ millions As at 30 June 2026	Total exposure[(1)]	RWE[(2)]	Total capital requirement[(3)]
Total credit risk	**158,702**	**67,778**	**6,100**
Operational risk	**N/A**	**8,743**	**787**
Market risk	**N/A**	**4,332**	**390**
Total		**80,853**	**7,277**

As at 30 June 2026, the Banking Group held $5,692 million of capital in excess of its regulatory capital requirement.

(1) Total exposure is after credit risk mitigation.

(2) RWE is risk weighted exposure or implied risk weighted exposure.

(3) Total capital requirement is calculated based on minimum capital requirement ratio which is 9%, effective from 1 July 2024.

Other registered bank disclosures

Capital adequacy (continued)

Unaudited

IRB credit risk exposures by asset class and exposure-weighted PD grade

As at 30 June 2026	Weighted average PD	Exposure amount $ millions	Exposure-weighted LGD used for the capital calculation	Exposure-weighted risk weight	Risk weighted assets[1] $ millions
Exposures secured by residential mortgages					
Less than and including 0.50%	0.33%	33,526	17%	11%	4,466
Over 0.50% up to and including 1.00%	0.79%	27,846	20%	25%	8,227
Over 1.00% up to and including 1.50%	1.19%	11,585	22%	35%	4,899
Over 1.50% up to and including 3.00%	2.07%	18,816	24%	54%	12,173
Over 3.00% up to and including 99.99%	5.94%	760	25%	101%	923
Default PD grade	100.00%	1,162	23%	193%	2,691
Total exposures secured by residential mortgages	2.20%	93,695	20%	30%	33,379
Other retail exposures					
Less than and including 0.50%	0.33%	996	81%	45%	537
Over 0.50% up to and including 1.00%	0.75%	467	81%	72%	402
Over 1.00% up to and including 1.50%	1.11%	258	81%	86%	266
Over 1.50% up to and including 3.00%	1.73%	255	81%	100%	306
Over 3.00% up to and including 99.99%	3.29%	120	81%	114%	165
Default PD grade	100.00%	16	81%	515%	98
Total other retail exposures	1.61%	2,112	81%	70%	1,774
Corporate exposures - small and medium enterprises					
Less than and including 0.20%	0.14%	2,688	17%	11%	345
Over 0.20% up to and including 0.50%	0.33%	5,620	27%	30%	2,045
Over 0.50% up to and including 1.00%	0.68%	9,897	26%	41%	4,830
Over 1.00% up to and including 2.30%	1.43%	5,795	25%	49%	3,422
Over 2.30% up to and including 99.99%	7.24%	1,723	26%	79%	1,638
Default PD grade	100.00%	226	39%	185%	500
Total corporate exposures - small and medium enterprises	2.01%	25,949	25%	41%	12,780
Other corporate exposures					
Less than and including 0.20%	0.10%	2,430	50%	29%	832
Over 0.20% up to and including 0.50%	0.32%	3,161	32%	38%	1,438
Over 0.50% up to and including 1.00%	0.66%	2,206	35%	58%	1,536
Over 1.00% up to and including 2.30%	1.33%	920	32%	66%	730
Over 2.30% up to and including 99.99%	7.51%	506	45%	153%	930
Default PD grade	100.00%	53	40%	139%	88
Total other corporate exposures	1.40%	9,276	38%	50%	5,554
Total credit risk exposures subject to the IRB approach		131,032			53,487

(1) Risk-weighted assets include a scalar of 1.2 in accordance with BPR130: *Credit Risk RWAs Overview*.

Other registered bank disclosures

Capital adequacy (continued)

Unaudited

Included in the tables on the previous page are the following off-balance sheet exposures:

$ millions	Undrawn Commitments and Other off-Balance Sheet Contingent Liabilities		Counterparty Credit Risk on Derivatives and Securities Financing Transactions	
As at 30 June 2026	**Value**	**Exposure at Default**	**Value**	**Exposure at Default**
Exposures secured by residential mortgages	8,891	9,087	-	-
Other retail exposures	1,920	1,234	-	-
Corporate exposures - small and medium enterprises	3,870	3,104	2,727	33
Other corporate exposures	3,134	2,758	5,763	138
	17,815	16,183	8,490	171

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

$ millions **LVR range** **As at 30 June 2026**	**Does not exceed 60%**	**Exceeds 60% and not 70%**	**Exceeds 70% and not 80%**	**Exceeds 80% and not 90%**	**Exceeds 90%**	**Total**
On-balance sheet exposures	36,310	17,677	24,172	6,745	1,161	86,065
Off-balance sheet exposures	6,923	1,061	1,067	74	148	9,273
Total value of exposures	43,233	18,738	25,239	6,819	1,309	95,338
Expressed as a percentage of total exposures	45.3%	19.7%	26.5%	7.1%	1.4%	100.0%

As required by the RBNZ, LVR is calculated as the total exposure amount divided by the valuation of the security at the date of loan origination. Off-balance sheet exposures include lending commitments. On-balance sheet and off-balance sheet exposures for which no LVR information is available are included in the exceeds 90% range.

Reconciliation of mortgage-related amounts

$ millions **As at 30 June**	**2026**
Residential mortgages in Advances to customers (refer to note 6)[1]	85,826
Add/(less):	
Off-balance sheet exposures	9,273
Exposure at default adjustments	855
Unamortised loan establishment fees and expenses	(616)
Residential mortgages in LVR disclosure	95,338
Add/(less):	
Corporate lending secured by residential mortgages (subject to the Standardised Approach)	(1,515)
Residential mortgages (subject to the Standardised Approach)	(128)
Residential mortgages subject to the IRB approach	93,695

(1) Residential mortgages include loans secured over residential property for owner-occupier and residential property investment.

Other registered bank disclosures

Capital adequacy (continued)

Unaudited

Specialised lending subject to the slotting approach

As at 30 June 2026	Total exposure after credit risk mitigation $ millions	Risk weight	Risk weighted assets[1] $ millions
On-balance sheet exposures			
Strong	1,612	70%	1,354
Good	2,275	90%	2,457
Satisfactory	783	115%	1,081
Weak	42	250%	125
Default	16	-	-

As at 30 June 2026	Exposure at default $ millions	Average risk weight	Risk weighted assets[1] $ millions
Off-balance sheet exposures			
Undrawn commitments and other off-balance sheet exposures	274	81%	267
Total specialised lending subject to the slotting approach	5,002		5,284

(1) Risk-weighted assets include a scalar of 1.2 in accordance with BPR130: *Credit Risk RWAs Overview.*

Credit risk exposures subject to the standardised approach

As at 30 June 2026	Total exposure after credit risk mitigation $ millions	Average risk weight	Risk weighted assets $ millions
On-balance sheet exposures by separate risk weight			
Cash and gold bullion	117	0%	-
Sovereigns and central banks	10,380	0%	-
	-	20%	-
	-	50%	-
	-	100%	-
	-	150%	-
Multilateral development banks and other international organisations	2,709	0%	-
	441	20%	88
	-	50%	-
	-	100%	-
	-	150%	-
Public sector entities	971	20%	194
	-	50%	-
	-	100%	-
	-	150%	-
Banks	157	20%	31
	712	50%	356
	-	100%	-
	-	150%	-

Other registered bank disclosures

Capital adequacy (continued)

Unaudited

Credit risk exposures subject to the standardised approach (continued)

As at 30 June 2026	Total exposure after credit risk mitigation $ millions	Average risk weight	Risk weighted assets $ millions
Other on-balance sheet exposures by average risk weight			
Corporate	1,235	99%	1,218
Residential mortgages	1,446	37%	536
Past due assets	24	111%	26
Other assets	1,803	100%	1,803

As at 30 June 2026	Total exposure or principal amount $ millions	Average credit conversion factor	Credit equivalent amount $ millions	Average risk weight	Risk weighted assets $ millions
Total off-balance sheet exposures subject to the standardised approach	1,474	53%	784	60%	470
Memo item: Undrawn commitment to the Business Growth Fund	-	-	-	-	-

As at 30 June 2026	Total exposure or principal amount $ millions	Credit equivalent amount $ millions	Average risk weight	Risk weighted assets $ millions
Counterparty credit risk subject to the standardised approach				
Foreign exchange contracts	34,299	1,232	24%	301
Interest rate contracts	2,790	18	20%	4
Other	4	8	20%	2

As at 30 June 2026	Trade exposure or collateral amount $ millions	Average risk weight	Risk weighted assets $ millions
Exposures arising from trades settled on Qualifying Central Counterparties (QCCPs)			
Bank as QCCP clearing member, clearing own trades	-	-	-
Collateral posted for clearing own trades	-	-	-
Bank as client of QCCP member, clearing trades through that member	188	4%	8
Collateral posted for clearing via member bank	436	4%	17

Other registered bank disclosures

Capital adequacy (continued)

Unaudited

As at 30 June 2026	Total exposure $ millions	Risk weight	Risk weighted exposures $ millions
Equity exposures			
Equity holdings in the Business Growth Fund that qualify for 250% risk weight	-	250%	-
Equity holdings (not deducted from capital) included in the NZX 50 or overseas equivalent index	-	300%	-
All equity holdings (not deductible from capital)	7	400%	26
Total for exposures subject to the standardised approach	22,668		5,080

$millions As at 30 June 2026	Total exposure after credit risk mitigation	Total risk weighted exposure	Total capital requirement
Total credit risk			
Exposures subject to the IRB approach	131,032	53,487	4,814
Specialised lending subject to the slotting approach	5,002	5,284	476
Standardised floor impact(1)	-	3,425	308
Exposures subject to the standardised approach	22,668	5,080	457
Credit valuation adjustment	-	502	45
Total credit risk (including standardised floor impact)	158,702	67,778	6,100

(1) The standardised floor relates to exposures subject to the IRB approach and exposures subject to the slotting approach.

Exposures subject to the IRB approach

Secured by residential mortgages	Home lending fully or partially secured by residential property.
Other retail exposures	Personal credit cards.
Corporate exposures	Corporate exposures - clients where turnover exceeds $50 million; small and medium enterprises (SME) - clients where turnover is less than $50 million and group exposure exceeds $1 million.

Exposures subject to the slotting approach

Specialised lending	Income-producing real estate.

Exposures subject to the standardised approach

Sovereign and central banks	Exposures to the Crown; RBNZ; any other sovereign or its central bank.
Multilateral development banks and other international organisations	Specified multilateral development banks.
Public sector entities	Exposures to local authorities.
Banks	Exposures to banks.
Secured by residential mortgages	A small non-scored home loan portfolio and SME where group exposure is less than $1 million that is secured by residential property.
Other assets	SME where group exposure is less than $1 million and not secured by residential property, personal lending, and all other assets not falling within any other asset class.

Capital adequacy (continued)

Unaudited

Impact of the standardised floor on total credit risk RWAs

BPR130 requires IRB Banks to calculate total credit risk RWA as the sum of:

- The greater of:
  - total RWA's calculated using the IRB approach on all credit exposures (as shown in tables in the sections above Credit Risk subject to the IRB approach and Specialised lending subject to the slotting approach, with the risk-weighted asset amount disclosed including a scalar of 1.2 in accordance with BPR130); and
  - 0.85 x total standardised equivalent RWA for each credit risk exposure subject to the IRB RWA treatment (commonly referred to as the standardised floor); and
- 1.0 x total RWA calculated using the standardised approach on all credit and other exposures.

The table below shows the Banking Group's application of the standardised floor to calculate total reported credit risk RWA as at 30 June 2026.

$ millions	Risk weighted assets	
As at 30 June 2026	**Calculated for compliance purposes**	**Recalculated using the standardised approach**
Total IRB and supervisory slotting exposures	**58,771**	**73,172**
Standardised floor at 85% of standardised equivalents	**n/a**	**62,196**
IRB and slotting RWAs with floor applied	**62,196**	**n/a**
RWAs for standardised exposures	**5,582**	**n/a**
Total credit risk RWAs	**67,778**	**n/a**

Credit risk mitigation

The Banking Group assesses the integrity and ability of debtors or counterparties to meet their contracted financial obligations for repayment. Collateral security in the form of real property or a security interest in personal property is generally taken for business credit except for major government, bank and corporate counterparties of strong financial standing. Housing loans and some small business loans are secured against residential real estate, while credit cards, personal loans and overdrafts are generally unsecured.

Information of the credit risk exposures subject to the standardised approach covered by eligible financial collateral (i.e. cash, debt securities or equity securities) is disclosed in the table below. Across all portfolios, no exposures are covered by credit derivatives. Information on the total value of exposures covered by financial guarantees is not disclosed, as the effect of these guarantees on the underlying credit risk exposures is not considered to be material.

$ millions **As at 30 June 2026**	**For portfolios subject to the standardised approach: Total value of exposures covered by eligible financial collateral (after haircutting)**	**For all portfolios: Total value of exposures covered by guarantees or credit derivatives**
Exposure class		
Sovereign	**-**	**-**
Bank	**5,008**	**-**
Corporate (including specialised lending)	**73**	**-**
Residential mortgage	**2**	**-**
Other	**-**	**-**

Capital adequacy (continued)

Unaudited

Additional information about credit risk

The RBNZ has accredited the Banking Group to report capital adequacy under BPR133: *IRB Credit Risk RWAs.*

Under the internal ratings-based approach the measurement of credit risk utilises analytical tools to calculate both expected and unexpected loss probabilities for the credit portfolio. This includes consideration of the PD, the EAD and the LGD that would likely be experienced as a consequence. Refer to note 25 for more information about the Banking Group's credit risk management.

For exposures classified as specialised lending, the Banking Group uses risk weight percentages supplied by the RBNZ rather than internal estimates.

The RBNZ requires accredited IRB banks to calculate the total Standardised Equivalent RWA per BPR131: *Standardised credit RWAs* for each credit risk exposure subject to the IRB RWA treatment (including specialised lending), with credit RWA of IRB banks floored at 85% of the requirement under a standardised approach (commonly referred to as the standardised floor). Refer to the section "Dual Reporting Disclosures for IRB Banks" for more information on Standardised Equivalents.

For exposures classified as sovereign and central banks, multilateral development banks and other international organisations, public sector entities and banks, the RBNZ require these to be measured under the standardised approach as per BPR131: *Standardised credit RWAs*.

The Banking Group also has a number of portfolios that due to size, systems or other constraints are not yet part of the IRB approach and are assessed for capital adequacy under the standardised approach - prescribed by the RBNZ under the document BPR131: *Standardised Credit Risk RWAs*. The major portfolio segments in this category relate to personal lending exposures and small business lending that does not meet the corporate criteria, as they are not individually risk rated. The summary table above shows the approach for calculating risk weights for different asset types.

Controls surrounding credit risk ratings systems

Credit risk rating systems and policy cover all of the methods, processes, controls, data collection and technology that support the assessment of credit risk, the assignment of credit risk ratings and the quantification of associated default and loss estimates.

The Chief Risk Officer has ultimate responsibility for the on-going review and amendment of credit risk rating models. The Credit Risk Management division actively participates in the development, selection, implementation and validation of rating models.

Internal Audit regularly reviews the Banking Group's credit risk rating system and its operations, including the operations of the credit function and the estimation of PD, LGD and EAD.

All material aspects of rating and estimation processes must be approved by the Board. Senior management are required to:

- Provide notice to the Board of material changes or exceptions from established policies that will materially impact the operations of the credit risk rating system;
- Approve material differences between established procedure and actual practice;
- Ensure, on an on-going basis, that the rating system operates properly; and
- Regularly assess the performance and improvement areas, including efforts to improve previously identified deficiencies of the credit risk rating systems.

Refer to note 25 for more details of credit risk management controls.

Operational risk

The Banking Group elected to utilise the standardised approach set out in BPR150: *Standardised Operational Risk* to calculate capital requirements for operational risk.

The total operational risk capital requirement as at 30 June 2026 was $699 million.

The implied risk-weighted exposure(1) for operational risk as at 30 June 2026 was $8,743 million.

(1) The implied risk weighted exposure is equal to 12.5 x total operational risk capital requirement in accordance with BPR100: *Capital Adequacy* and as prescribed by the Order.

Other registered bank disclosures

Capital adequacy (continued)

Unaudited

Market risk capital charges

The Banking Group's aggregate market risk exposure is derived in accordance with BPR140: *Market Risk*. The peak end-of-day capital charges is derived by taking the highest market exposure over the six months ended 30 June 2026.

$ millions **As at 30 June 2026**	**Interest rate risk**	**Foreign currency risk**	**Equity risk**
Market risk end-period capital charges			
Implied risk-weighted exposure[(1)]	**4,306**	**26**	**-**
Aggregate capital charge	**344**	**2**	**-**

$ millions **For the six months ended 30 June 2026**	**Interest rate risk**	**Foreign currency risk**	**Equity risk**
Peak end-of-day capital charge			
Implied risk-weighted exposure[(1)]	**4,961**	**29**	**-**
Aggregate capital charge	**397**	**2**	**-**

(1) Implied risk weighted exposures are equal to 12.5 x aggregate capital charge in accordance with BPR100: Capital Adequacy and as prescribed by the Order.

Capital for other material risks

The Banking Group's ICAAP includes an assessment of capital required to cover material risks not already captured in the measurement of regulatory capital. Other material risks considered by the Banking Group include strategic and reputational risk, funding and liquidity risk, compliance risk, concentration risk. As at 30 June 2026 internal capital allocations of $234 million (30 June 2025 $265 million) had been made for other material risks.

Capital adequacy of ultimate parent bank and ultimate parent banking group

The ultimate parent bank of the Banking Group is CBA. The ultimate parent banking group is the Commonwealth Bank Group.

The ultimate parent banking group and ultimate parent bank are predominantly accredited to use the Advanced Internal-Ratings Based (AIRB) Approach for credit risk and for the Standardised Measurement Approach for operational risk. The ultimate parent banking group is also required to assess its traded market risk and Interest Rate Risk in the Banking Book requirements under Pillar 1 of the Basel capital framework.

APRA's prudential standards require the ultimate parent banking group and ultimate parent bank to have minimum capital ratios at least equal to those specified under the Basel II capital framework, including a minimum CET1 ratio of 4.5%. APRA's prudential standards also require the ultimate parent banking group and ultimate parent bank to have an additional CET1 capital conservation buffer of 5.75%, inclusive of a domestically systematically important banks (D-SIB) requirement of 1.0% and a Countercyclical Capital Buffer (CCyB) of 1.0%[(1)], which brings the CET1 requirement to at least 10.25%.

The ultimate parent banking group is required to disclose capital adequacy information quarterly. This information is made available via Pillar 3 documents on the ultimate parent banking group's corporate website www.commbank.com.au.

As at 30 June 2026, the minimum capital requirements were met (30 June 2025 minimum capital requirements were met).

	Ultimate parent bank		**Ultimate parent banking group**	
As at 30 June	**2026**	2025	**2026**	2025
CET1 capital ratio	**12.1%**	12.4%	**12.0%**	12.3%
Tier 1 capital ratio	**13.7%**	14.1%	**13.5%**	13.9%
Total capital ratio	**21.5%**	21.8%	**20.8%**	20.9%

(1) In May 2026, APRA announced that the CCyB for Australian exposures will remain at 1%. The ultimate parent banking group has limited exposures to those offshore jurisdictions which a CCyB in excess of 0% has been imposed. The CCyB, which may be varied by APRA in the range of 0-350 basis points, can be released in times of systemic stress and post-stress recovery.

Other registered bank disclosures

Capital adequacy (continued)

Unaudited

Dual reporting disclosures for IRB banks

The RBNZ requires IRB accredited banks to include additional information in their disclosure statements for standardised RWA's (as required per BPR131: *Standardised Credit RWAs*) and resulting capital ratios recalculated as if the banks were subject to the standardised approach. This is referred to as dual reporting. These disclosures are for dual reporting disclosure purposes only and compare IRB modelled outcomes to standardised outcomes. They do not relate to the Banking Group's compliance with RBNZ regulatory capital requirements.

Credit risk: standardised equivalents of IRB risk-weighted assets

The standardised equivalents of the Banking Group's IRB exposures classes at 30 June 2026 is disclosed in the table below.

$ millions **As at 30 June 2026**	**Exposure under the IRB approach**	**IRB risk weighted assets**	**Equivalent exposure under standardised approach**	**Standardised equivalents of risk weighted assets**
IRB exposure class				
Exposures secured by residential mortgages	**93,695**	**33,379**	**89,361**	**34,742**
Other retail exposures	**2,112**	**1,774**	**813**	**815**
Corporate exposures - small and medium enterprises	**25,949**	**12,780**	**25,738**	**24,234**
Other corporate exposures	**9,276**	**5,554**	**9,177**	**8,852**
Specialised lending subject to the slotting approach	**5,002**	**5,284**	**4,974**	**4,529**
Total credit risk	**136,034**	**58,771**	**130,063**	**73,172**

Standardised equivalent capital ratios

The standardised equivalents of the Banking Group's capital ratios at 30 June 2026 are disclosed in the table below. The standardised equivalent capital amount and the Banking Group's reported total capital values (refer table 'Capital under Basel III IRB approach' above) differ under the two approaches due to the 'Eligible impairment allowance in excess of expected loss' that only applies under the IRB approach. The standardised equivalent total RWAs and the Banking Group's reported total RWA differ under the two approaches due to credit RWA, with the Banking Group accredited to report under BPR133: *IRB Credit Risk RWAs* for compliance purposes, whereas for the purposes of dual reporting, the risk weighted assets of these exposures have been recalculated under the requirements of BPR131: *Standardised Credit RWAs.*

$ millions **As at 30 June 2026**	**CET1 capital**	**Tier 1 capital**	**Total capital**
Standardised equivalent capital ratios			
Standardised equivalent capital amount	**11,860**	**11,860**	**12,939**
Standardised equivalent total RWAs	**91,829**	**91,829**	**91,829**
Ratio	**12.9%**	**12.9%**	**14.1%**

Other registered bank disclosures

Capital adequacy (continued)

Unaudited

Historical comparison with standardised capital ratios and risk weights

The below table discloses reported total capital ratios and average risk weights under the Banking Group's compliance obligations compared to the standardised equivalents as at 30 June 2026 and full-year reporting dates on or after 30 June 2024.

As at 30 June	2026	2025	2024
Capital ratios			
Total capital ratio(1)	**16.0%**	15.8%	16.3%
Total capital ratio recalculated as if the bank were not an IRB bank(2)	**14.1%**	13.9%	14.4%
Actual average risk weight for all modelled credit risk exposures(3)	**43.2%**	44.0%	44.1%
Standardised equivalent average risk weight for all modelled credit risk exposures(4)	**56.3%**	55.9%	56.0%

(1) Total capital ratio is calculated by dividing the total capital amount by the total risk weighted exposures as required under the Banking Group's compliance obligations.

(2) Total capital ratio recalculated as if the bank were not an IRB bank is calculated by dividing the standardised equivalent capital amount by total risk weighted assets calculated under the standardised approach.

(3) Actual average risk weight for all modelled credit risk exposures is calculated by dividing the total risk weighted assets for all exposures that are subject to IRB modelling approach or the supervisory slotting approach (including any applicable scalar), by the EAD of these exposures as required under the Banking Group's compliance obligations.

(4) Standardised equivalent average risk weight for all modelled credit risk exposures is calculated by dividing the total risk weighted assets subject to the IRB modelling approach or the supervisory slotting approach recalculated as if the bank were a standardised bank, by the total on-balance sheet and credit equivalent amounts for these exposures in accordance with the standardised risk weighting approach in BPR131: Standardised Credit Risk RWAs.

Other registered bank disclosures

Concentrations of credit exposures to individual counterparties

The basis of calculation of the Banking Group's gross aggregate concentration of credit exposure to individual counterparties is the actual credit exposure. Credit exposures to the central government or central bank 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, and connected persons are excluded.

The peak end-of-day aggregate concentration of credit exposure to individual counterparties has been calculated by determining the maximum end-of-day aggregate amount of credit exposure over the relevant six-month period and then dividing that amount by the Banking Group's CET1 capital as at 30 June 2026.

Number of exposures that equals or exceeds 10% of CET1 capital	Exposure as at 30 June 2026	Peak end-of-day exposure over six months to 30 June 2026
Exposures to banks		
With a long-term credit rating of A- or A3 or above, or its equivalent		
10% to less than 15% of CET1 capital	-	1
15% to less than 20% of CET1 capital	-	1
With a long-term credit rating of at least BBB- or Baa3, or its equivalent, and at most BBB+ or Baa1, or its equivalent	-	-
Exposures to non-banks		
With a long-term credit rating of A- or A3 or above, or its equivalent	-	-
With a long-term credit rating of at least BBB- or Baa3, or its equivalent, and at most BBB+ or Baa1, or its equivalent	-	-

Credit exposures to connected persons

Aggregate credit exposure	Peak end-of-day exposure over the year to 30 June 2026: $ millions	Peak end-of-day exposure over the year to 30 June 2026: % of tier 1 capital	Exposure as at 30 June 2026: $ millions	Exposure as at 30 June 2026: % of tier 1 capital
All connected persons	**3,607**	**30.4%**	**2,469**	**20.8%**
Non-bank connected persons	**14**	**0.1%**	**11**	**0.1%**

Information on the Banking Group's credit exposures to connected persons has been derived in accordance with the conditions of registration and RBNZ document *Connected Exposures Policy* (BS8) dated October 2023, is net of individual credit impairment allowances and excludes advances to connected persons of a capital nature.

Aggregate credit exposure to connected persons has been calculated on a gross basis. The peak end-of-day aggregate credit exposure to connected persons has been calculated by determining the maximum end-of-day aggregate amount of credit exposure over the year and then dividing that amount by the Banking Group's Tier 1 capital as at 30 June 2026.

The Banking Group has a contingent exposure to its ultimate parent, CBA, arising from unfunded contingent credit protection arrangements provided by any connected persons in respect of credit exposures to counterparties (excluding counterparties that are connected persons) which amounted to $52 million as at 30 June 2026.

The Banking Group had no credit exposures to connected persons that were credit impaired and no loss allowance for credit exposures to connected persons at 30 June 2026.

As at 30 June 2026, the rating-contingent limit that applied to the Banking Group was 70% of Tier 1 capital. During March 2026, the rating-contingent limit increased from 60% to 70% of Tier 1 capital after Fitch Ratings upgraded the Bank's external credit rating from A+ to AA-. Within the overall rating-contingent limit, there is a sub-limit of 15% of Tier 1 capital which applies to aggregate credit exposures to non-bank connected persons.

Other registered bank disclosures

Securitisation, funds management, other fiduciary activities and the marketing and distribution of insurance products

Insurance business

The Banking Group does not conduct any insurance business.

Involvement in securitisation, funds management, other fiduciary activities and marketing and distribution of insurance products

Activity	Details
Securitisation	The Banking Group originates securitised assets in the form of RMBS through the Medallion NZ Series Trust 2009-1R. Refer to note 29 for more information. Other than these activities, the Banking Group is not involved in the marketing or servicing of securitisation schemes.
Funds management	The Banking Group markets and distributes managed fund products which are managed and issued by a wholly owned subsidiary, ASB Group Investments Limited (refer to note 31 and note 32). Funds under management distributed by the Banking Group totalled $27,680 million as at 30 June 2026 (30 June 2025 $23,606 million).
Other fiduciary activities	The Banking Group provides custodial services relating to holding interest-bearing instruments and equity securities on behalf of clients. Funds under custodial arrangements totalled $1,237 million as at 30 June 2026 (30 June 2025 $1,097 million).
Marketing and distribution of insurance products	Certain general, travel and life insurance products are marketed and distributed by the Banking Group for the following entities: IAG New Zealand Limited, AIG Insurance New Zealand Limited and AIA New Zealand Limited. None of these are affiliated insurance entities.

Arrangements to ensure no adverse impacts arising from the above activities

Frameworks, policies and procedures are in place to ensure that difficulties arising from the above activities would not impact adversely on the Banking Group. These include, where appropriate, disclosure of information regarding products (including rates, terms and conditions), and formal and regular review of products and processes.

Financial services provided to entities conducting the above activities

During the year, financial services (including deposit taking and foreign exchange services) provided by any member of the Banking Group to entities that conduct the above activities, have been provided on arm's length terms and conditions and at fair value.

Assets purchased from entities conducting the above activities

During the year, any assets purchased by any member of the Banking Group from entities that conduct the above activities, have been purchased on arm’s length terms and conditions and at fair value.

During the year ended 30 June 2026, the peak end-of-day aggregate amount of funding provided by the Banking Group to entities that conduct funds management activities was nil (30 June 2025 $7 million), which was 0% (30 June 2025 0.1%) of the Banking Group’s Tier 1 capital.

No funding external to the Banking Group was provided to entities that conduct securitisation and other fiduciary activities (30 June 2025 nil).

Method for deriving peak end-of-day amount of funding in aggregate and individually

The peak end-of-day amount of funding is the maximum end-of-day aggregate amount of funding over the full year accounting period, divided by the Banking Group’s Tier 1 capital as at 30 June 2026.

Conditions of registration

Conditions of registration for ASB Bank Limited

The following conditions were applicable as at 30 June 2026 and came into effect on 1 December 2025.

The registration of ASB 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,–

    - "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*, except that in the formulae for calculating the ratios, the term "total capital requirement for operational risk" included in "total RWA equivalents" has the same meaning as in BPR150: *Standardised Operational Risk*;
    - "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 the bank must–

(a) comply with the minimum requirements for using the IRB approach set out in BPR134: *IRB Minimum System Requirements,* except in the circumstances described in (i) below:

(i) notwithstanding the above, the six month period stated in section E2.5(2) of BPR134 does not apply in circumstances where a modified item is covered by the North Island Weather Event Loan Guarantee Scheme, and the bank may, in this limited case, re-rate a modified item from a defaulted grade to a non-defaulted grade before the six month period is met;

(b) comply with the minimum qualitative requirements for using the AMA approach for operational risk set out in subpart B1 of BPR151: *AMA Operational Risk*;

(c) follow the process in Part E of BPR120: *Capital Adequacy Process Requirements* for obtaining Reserve Bank approval for any changes to any IRB credit risk model;

(d) maintain a compendium of approved models in accordance with the requirements of section E1.5 of BPR120: *Capital Adequacy Process Requirements*.

1C. That, if the Prudential Capital Buffer (PCB) ratio of the banking group is 5.5% 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 the 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% - 3.5%	30%	Stage 2
>3.5% - 5%	60%	Stage 1
>5% - 5.5%	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*, except that in the formula for calculating the prudential capital buffer ratio, the term "total capital requirement for operational risk" included in "total RWA equivalents" has the same meaning as in BPR150: *Standardised Operational Risk*;
- 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*.

1CA. 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

Conditions of registration for ASB Bank Limited (continued)

1D. 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*.

1E. That for the purposes of LGD estimates for farm lending exposures covered by a Deed of Indemnity from the Crown under the North Island Weather Events Loan Guarantee Scheme, the bank may choose to apply either the relevant minimum LGD in Table C3.2 of BPR133, or an LGD of 8.5%.

For the purposes of this condition of registration, "LGD" (loss given default) has the meaning in BPR001: *Glossary*.

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.

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.

Conditions of registration

Conditions of registration for ASB Bank Limited (continued)

7. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the 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 bank must comply with the Reserve Bank of New Zealand document "*Outsourcing Policy*" (BS11) dated September 2022.
12. That:
   (a) the business and affairs of the bank are managed by, or under the direction or supervision of, the board of the bank;
   (b) the employment contract of the chief executive officer of the bank or person in an equivalent position (together "CEO") is with the bank, and the terms and conditions of the CEO's employment agreement are determined by, and any decisions relating to the employment or termination of employment of the CEO are made by, the board of the bank; and
   (c) all staff employed by the bank will have their remuneration determined by (or under the delegated authority of) the board or the CEO of the bank and be accountable (directly or indirectly) to the CEO of the bank.
13. 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 bank must calculate the banking group's one-week mismatch ratio, one-month mismatch ratio and one-year core funding ratio 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.
14. 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.
15. 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.

Conditions of registration

Conditions of registration for ASB Bank Limited (continued)

16. 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 RBNZ 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.

17. 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 9am 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.

18. 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.

19. 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.

20. 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.

21. That for a loan-to-valuation measurement period ending on or after 28 February 2026, 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 10% 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.

Conditions of registration

Conditions of registration for ASB Bank Limited (continued)

22. That, for a loan-to-valuation measurement period ending on or after 28 February 2026, 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 25% 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.
23. 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.
24. 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.
25. 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 ASB 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

In conditions of registration 21 and 22,—

- "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", 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-LVR Residential Mortgage Lending*" (BS19) dated October 2021:
- "loan-to-valuation measurement period" means a rolling period of three calendar months ending on the last day of the third calendar month.

In conditions of registration 23 and 24, —

- "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:

Conditions of registration

Conditions of registration for ASB Bank Limited (continued)

- "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 25, —

- "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.

Changes to conditions of registration

There have been no changes to the Bank's conditions of registration since the 31 December 2025 Disclosure Statement.

Directors' statement

After due enquiry, each Director believes that, over the year ended 30 June 2026:

- The Bank complied in all material respects with each condition of registration that applied during the period;
- Credit exposures to connected persons were not contrary to the interests of the Banking Group; and
- The Bank had systems in place to monitor and control adequately the material risks of the Banking Group 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.

After due enquiry, each Director believes that, as at the date on which the Disclosure Statement is signed:

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

The Disclosure Statement is signed by Dame Therese Walsh and Ms Vittoria Shortt as Directors and as responsible persons on behalf of all the other Directors.

Dame Therese Walsh
Chair

Vittoria Shortt
Managing Director

12 August 2026

Glossary of terms

Term	Definition
ALCO	Asset and Liability Committee.
ANZSIC	Australian and New Zealand Standard Industrial Classification.
APRA	Australian Prudential Regulation Authority.
ASB, "the Bank", or the "Registered Bank"	ASB Bank Limited.
BAC	Board Audit Committee.
Banking Group	The Bank and its subsidiaries.
the "Board" or the "Directors"	The Board of Directors of ASB Bank Limited.
BPR	Banking Prudential Requirement.
BRCC	Board Risk and Compliance Committee.
Cash profit	A non-NZ IFRS measure which represents how segments are managed internally.
CB/Covered bonds	Certain debt securities issued by the Bank over which the ASB Covered Bond Trust provides guarantees.
CBA	Commonwealth Bank of Australia, the ultimate parent of the Bank.
CET1	Common Equity Tier 1.
CFP	Contingency Funding Plan.
CMF	Compliance Management Framework.
Covered Bond Guarantor	ASB Covered Bond Trustee Limited, which provides guarantees over covered bonds issued by the Bank.
CP	Commercial paper.
CRR	Credit risk rating.
CSA	Credit Support Annexes.
DTA	Deposit Takers Act 2023.
E&S	Environmental and Social.
Earnings Risk	Interest rate risk from an earnings perspective.
ECL/expected credit loss	Probability weighted credit losses estimated by evaluating a range of possible outcomes and taking into account the time value of money, past events, current conditions and forecasts of future economic conditions.
EL	Expected loss, being the product of PD, EAD and LGD. The same methodology is also used to calculate ECL.
ELT	The ASB Executive Leadership Team.
ESG	Environmental, Social and Governance.
Financial statements	The consolidated financial statements of ASB Bank Limited and its subsidiaries.

Glossary of terms

Term	Definition
FMA	Financial Markets Authority.
FRC	Financial Risk Committee.
FVTIS	Fair value through Income Statement.
FVOCI	Fair value through Other Comprehensive Income.
ICAAP	Internal Capital Adequacy Assessment Process.
IFRS	International Financial Reporting Standards.
IRB	Internal Ratings-Based.
IRRBB	Interest rate risk in the Banking Book.
ISDA	International Swap and Derivatives Association.
LLPC	Loan Loss Provisioning Committee.
LVR	Loan-to-valuation ratio.
MTN	Medium Term Note.
MvS	Market Value Sensitivity.
NFRC	Non-financial Risk Committee.
NZ GAAP	New Zealand Generally Accepted Accounting Practice.
NZ IFRS	New Zealand equivalents to International Financial Reporting Standards.
NZSIOC	New Zealand Standard Industry Output Categories.
OCI	Other Comprehensive Income.
the "Order"	The Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended).
Overseas Banking Group	Commonwealth Bank of Australia, its worldwide activities and its subsidiaries.
RAS	Risk Appetite Statement.
RBNZ	Reserve Bank of New Zealand - Te Pūtea Matua.
RCSA	Risk and Control Self-Assessment.
RM	Retail Masterscale.
RMBS	Residential mortgage-backed securities.
RMF	ASB's Risk Management Framework.
RWA/RWE	Risk weighted assets or risk weighted exposures.
SICR	Significant increase in credit risk. Assessed by comparing the risk of default at the reporting date to the corresponding risk of default at origination.
Statutory profit	The Banking Group's net profit after tax derived in accordance with NZ IFRS.
VaR	Value-at-Risk.

Independent auditor's report

To the shareholder of ASB Bank Limited

Our opinion

In our opinion, the accompanying:

- consolidated financial statements, excluding the information disclosed in accordance with Schedules 4, 7, 11, 13, 14, 15 and 17 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the Order), of ASB Bank Limited (the Bank) and its subsidiaries (the Banking Group), present fairly, in all material respects, the financial position of the Banking Group as at 30 June 2026, its financial performance, and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards Accounting Standards (IFRS Accounting Standards); and
- information disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order (the Supplementary Information), in all material respects:
  - presents fairly the matters to which it relates; and
  - is disclosed in accordance with those schedules.

What we have audited

- The Banking Group's consolidated financial statements (the Financial Statements) required by clause 24 of the Order, comprise:
  - the balance sheet as at 30 June 2026;
  - the income statement for the year then ended;
  - the statement of comprehensive income for the year then ended;
  - the statement of changes in equity for the year then ended;
  - the cash flow statement for the year then ended; and
  - the notes to the Financial Statements, excluding the information disclosed in accordance with Schedules 4, 7, 11, 13, 14, 15 and 17 of the Order within notes 7, 8, 24, 25(a), 25(d), 25(e), 26, 27(a), 27(b) and 27(c) comprising material accounting policy information and other explanatory information.
- The Supplementary Information within notes 7, 8, 24, 25(a), 25(d), 25(e), 26, 27(b) and 27(c) of the Financial Statements and pages 81 to 82 and 96 to 97 of the ASB Disclosure Statement and Annual Report for the year ended 30 June 2026 of the Banking Group.

We have not audited the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 11 of the Order within note 27(a) of the Financial Statements or pages 83 to 95 of the ASB Disclosure Statement and Annual Report and our opinion does not extend to this information.

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Basis for opinion

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

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

Independence

We are independent of the Banking Group 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 (PES 1) and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with PES 1 and the IESBA Code.

In our capacity as auditor and assurance practitioner, our firm also provides review, other assurance, agreed-upon procedures and other services for the Banking Group or in respect of funds managed by the Banking Group. Our firm carries out other assignments in the areas of other services relating to generic training and advisory services relating to capital benchmarking. In addition, certain partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of trading activities of the Banking Group. The firm has no other relationship with, or interests in, the Banking Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements and the Supplementary Information of the current year. These matters were addressed in the context of our audit of the Financial Statements and the Supplementary Information as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	How our audit addressed the key audit matter
Allowance for expected credit loss	
NZ IFRS 9 *Financial Instruments* requires the recognition of an allowance for expected credit loss (ECL) against the gross carrying amount of the Bank's advances to customers, the measurement of which is required to incorporate reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The Bank utilises complex models to calculate ECL on a collective basis. These models have been developed using internal historic default data and incorporate various forward-looking assumptions, such as forecasts of future economic conditions across multiple economic scenarios. In addition, significant judgemental adjustments are applied to the modelled ECL outcomes (including overlays and forward-looking adjustments). Individually assessed allowances are also recognised by the Bank for advances to customers that are known to be impaired at the reporting date.	We developed an understanding of the control activities relevant to our audit over the Bank's allowance for ECL. For certain control activities, we assessed whether they were appropriately designed and were operating effectively, on a sample basis, throughout the year ended 30 June 2026. This included control activities relevant to: • The completeness and accuracy of certain inputs and outputs from the ECL models; and • The review and approval of forward-looking assumptions, management adjustments, overlays and overall adequacy of ECL allowances by the Bank's Loan Loss Provisioning Committee. In addition to controls testing we, along with our credit risk modelling experts, performed the following procedures, amongst others, on a sample basis, to assess the reasonableness of the Bank's allowance for ECL as at 30 June 2026:

Description of the key audit matter	How our audit addressed the key audit matter
We consider the allowance for ECL a key audit matter due to the significant audit effort required and the inherent estimation uncertainty present in its determination, which is specifically due to the complexity, subjectivity and extent of judgement used by the Bank in its recognition and measurement. Specific drivers of this uncertainty include the following: • The models which are used to calculate ECL (ECL models) are inherently complex and judgement is applied in determining the appropriate construct of each ECL model; • Multiple assumptions are made by the Bank concerning the future occurrence of events and conditions, as well as their probabilities, for which there is inherently heightened levels of estimation uncertainty given the forward-looking nature of these assumptions; and • The determination of the need for and quantification of significant management adjustments and overlays to modelled assumptions and model outputs. **Relevant references in the Financial Statements** Refer to notes 7, 25(a) and 25(d) for further information.	• Assessed the appropriateness of the ECL model methodology applied by the Bank for a selection of the Bank's loan portfolios, with consideration to model performance and model validation for newly implemented models; • Tested the accuracy of the ECL model calculations for a selection of the Bank's loan portfolios; • Assessed the appropriateness of certain forward-looking assumptions incorporated into the ECL models, including the macroeconomic scenarios developed, underlying forecasts and probability weightings applied; • Assessed the appropriateness of certain management adjustments and overlays identified by the Bank; • Tested the completeness and accuracy of a sample of certain critical data elements used as inputs to the ECL models to relevant source documentation; • Tested the appropriateness of individually assessed corporate allowances recognised by the Bank for a selection of loan assets identified as impaired as at the reporting date; and • Considered the impact of relevant events occurring after the end of the financial year until the date of signing the independent auditor's report. Where applicable, we also considered the competency, capabilities, objectivity and nature of the work of certain experts used by the Bank to assist in the development of significant assumptions used in determining the allowance for ECL. We also assessed the reasonableness of the related disclosures in the Financial Statements against the requirements of NZ IFRS.
Operation of financial reporting Information Technology (IT) systems and controls The Banking Group's operations and financial reporting processes are heavily dependent on IT systems for the processing and recording of a significant volume of transactions. Due to this, we consider the operation of financial reporting IT systems and controls to be a key audit matter. In particular, in common with all banks, access rights to technology are important because they are intended to ensure that changes to applications and data are appropriately authorised. Ensuring that only appropriate staff have access to IT systems, that the level of access itself is appropriate, and that access is periodically monitored, are key controls in mitigating the potential for fraud or error as a result of a change to an application or underlying data. The Banking Group's controls over IT systems are intended to ensure that: • New systems or changes to existing systems operate as intended and are authorised; • Access to process transactions or change data is appropriate and maintains an intended segregation of duties; • The use of privileged access to systems and data is restricted and monitored; and	For material financial statement transactions and balances we developed an understanding of the business processes, IT systems used to generate and support those transactions and balances, associated IT application controls and IT dependencies in manual controls. Our procedures included evaluating and testing the design and operating effectiveness of certain controls over the continued integrity of the IT systems that are relevant to financial reporting. This involved assessing, where relevant to the audit: • Change management: the processes and controls used to develop, test and authorise changes to the functionality and configurations within systems; • System development: the project disciplines which ensure that significant developments or implementations are appropriately tested before implementation and that data is converted and transferred completely and accurately; • Security: the access controls designed to enforce segregation of duties, govern the use of generic and privileged accounts or ensure that data is only changed through authorised means; and • IT operations: the controls over IT operations used to ensure that any issues that arise are managed appropriately.

Description of the key audit matter	How our audit addressed the key audit matter
• IT processing is approved and where issues arise they are resolved.	Within the scope of our audit where technology services are provided by a third party, we considered: • Assurance reports from the third party’s auditor on the design and operating effectiveness of controls; and • Management’s monitoring controls over the third party; or • Where an assurance report was not available we performed alternative procedures to test any IT dependencies relied upon. We also carried out tests, on a sample basis, of IT application controls, and IT dependencies in IT dependent manual controls, that were key to our audit testing in order to assess the accuracy of certain system calculations, the generation of certain reports, and the operation of certain system-enforced access controls. Where we identified design or operating effectiveness matters relating to IT systems, IT application controls, or IT dependencies in IT dependent manual controls relevant to our audit, we performed alternative audit procedures. We also considered mitigating controls in order to respond to the impact on our overall audit approach.

Our audit approach

Overview

The overall Banking Group materiality is $97.0 million, which represents approximately 5% of net profit before tax.

We chose net profit before tax because, in our view, it is the benchmark against which the performance of the Banking Group is most commonly measured by users, and is a generally accepted benchmark.

A full scope audit was performed for the Bank based on its financial significance. Specified audit and analytical review procedures were performed on the remaining entities including elimination entities required for the consolidation.

As reported above, we have two key audit matters, being:

- Allowance for expected credit loss; and
- Operation of financial reporting Information Technology (IT) systems and controls.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Financial Statements and the Supplementary Information. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the Financial Statements and the Supplementary Information are free from material misstatement. Misstatements may arise due to fraud or error. They 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 the Financial Statements and the Supplementary Information.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Banking Group materiality for the Financial Statements and the Supplementary Information as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures, and to evaluate the effect of misstatements, both individually and in the aggregate, on the Financial Statements and the Supplementary Information as a whole.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the Financial Statements and the Supplementary Information as a whole, taking into account the structure of the Banking Group, the accounting processes and controls, and the industry in which the Banking Group operates.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the ASB Disclosure Statement and Annual Report presented in accordance with Schedule 2 of the Order on pages 76 to 80 and 98 to 104, the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 11 of the Order within note 27(a) and on pages 83 to 95, and the information relating to the Annual Report, and the Sustainability Report and Climate Statement, but does not include the Financial Statements, the Supplementary Information and our auditor's report thereon.

Our opinion on the Financial Statements and the Supplementary Information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon. We issue a separate limited assurance report on the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 11 of the Order. We also issue a separate combined reasonable and limited assurance report on the Sustainability Report and Climate Statement.

In connection with our audit of the Financial Statements and the 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 and the Supplementary Information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

Independent auditor’s report (continued)

Responsibilities of the Directors for the ASB Disclosure Statement and Annual Report

The Directors are responsible, on behalf of the Bank, for the preparation and fair presentation of the Financial Statements in accordance with NZ IFRS, IFRS Accounting Standards and clause 24 of the Order, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements and the Supplementary Information that are free from material misstatement, whether due to fraud or error.

In addition, the Directors are responsible, on behalf of the Bank, for the preparation and fair presentation of the ASB Disclosure Statement and Annual Report, which includes:

- all of the information prescribed in Schedule 2 of the Order; and
- the information prescribed in Schedules 4, 7, 11, 13, 14, 15 and 17 of the Order.

In preparing the Financial Statements, the Directors are responsible for assessing the Banking Group’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 Banking Group or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the Financial Statements and the Supplementary Information, as a whole, 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 ISAs (NZ) and ISAs 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 the Supplementary Information.

A further description of our responsibilities for the audit of the Financial Statements and the Supplementary Information is located at the External Reporting Board’s website at:

https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-1-1/

This description forms part of our auditor’s report.

Who we report to

This report is made solely to the Bank’s shareholder. Our audit work has been undertaken so that we might state those matters which 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.

The engagement partner on the audit resulting in this independent auditor’s report is Lisa Crooke.

For and on behalf of:

PricewaterhouseCoopers

PricewaterhouseCoopers Auckland
12 August 2026

Independent assurance report

To the shareholder of ASB Bank Limited

Limited assurance report on compliance with the information required on capital adequacy and regulatory liquidity requirements

Our conclusion

We have undertaken a limited assurance engagement on ASB Bank Limited (the Bank)'s compliance, in all material respects, with clause 21 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the Order) which requires information prescribed in Schedule 11 of the Order relating to capital adequacy and regulatory liquidity requirements to be disclosed in its full year disclosure statement for the year ended 30 June 2026 (the Disclosure Statement). The Disclosure Statement containing the information prescribed in Schedule 11 of the Order relating to capital adequacy and regulatory liquidity requirements will accompany our report, for the purpose of reporting to the shareholder of ASB Bank Limited.

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 Bank's information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 21 of the Order and disclosed in note 27(a) of the financial statements and on pages 83 to 95 of the ASB Disclosure Statement and Annual Report, is not, in all material respects, disclosed in accordance with Schedule 11 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 that 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:

- compliance with the Order, including clause 21 of the Order which requires information prescribed in Schedule 11 of the Order relating to capital adequacy and regulatory liquidity requirements to be included in the Disclosure Statement;
- the identification of risks that may threaten compliance with that clause;
- implementing and operating controls which would mitigate those risks; and
- monitoring ongoing compliance.

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Our independence and quality management

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

We apply 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 our 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.

In our capacity as auditor and assurance practitioner, our firm also provides audit, review, other assurance, agreed-upon procedures and other services for the Bank and its subsidiaries (the Banking Group) or in respect of funds managed by the Banking Group. Our firm carries out other assignments in the areas of other services relating to generic training and advisory services relating to capital benchmarking. In addition, certain partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of trading activities of the Banking Group. The firm has no other relationship with, or interests in, the Banking Group.

Assurance practitioner's responsibilities

Our responsibility is to express a limited assurance conclusion on whether the Bank's information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 21 of the Order is not, in all material respects, disclosed in accordance with Schedule 11 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 information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 21 of the Order, is not, in all material respects, disclosed in accordance with Schedule 11 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 clause 21 of the Order in respect of the information relating to capital adequacy and regulatory liquidity requirements is likely to arise.

Given the circumstances of the engagement, we:

- obtained an understanding of the process, models, data and internal controls implemented over the preparation of the information relating to capital adequacy and regulatory liquidity requirements;
- obtained an understanding of the Bank's compliance framework and internal control environment to ensure the information relating to capital adequacy and regulatory liquidity requirements is in compliance with the Reserve Bank of New Zealand's (the RBNZ) prudential requirements for banks;
- obtained an understanding and assessed the impact of any matters of non-compliance with the RBNZ's prudential requirements for banks that relate to capital adequacy and regulatory liquidity requirements and inspected relevant correspondence with the RBNZ;
- performed analytical and other procedures on the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 11 of the Order, and considered its consistency with the annual financial statements; and
- agreed the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 11 of the Order to information extracted from the Bank's models, accounting records or other supporting documentation, which included publicly available information as prescribed by clause 18 of Schedule 11 of the Order.

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 the compliance requirements.

Inherent limitations

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

A limited assurance engagement on the Bank's information relating to capital adequacy and regulatory liquidity requirements prescribed in Schedule 11 of the Order to be included in the Disclosure Statement in compliance with clause 21 of the Order does not provide assurance on whether compliance will continue in the future.

Use of report

This report has been prepared for use by the Bank's shareholder for the purpose of establishing that these compliance requirements have been met.

Our report should not be used for any other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for any reliance on this report to anyone other than the Bank and the Bank's shareholder, or for any purpose other than that for which it was prepared.

The engagement partner on the engagement resulting in this independent assurance report is Lisa Crooke.

For and on behalf of:

PricewaterhouseCoopers

PricewaterhouseCoopers
12 August 2026

Auckland

ASB Bank Limited 6031 1302B 0726