ANZ BANK NEW ZEALAND LIMITED
REGISTERED BANK DISCLOSURE STATEMENT

FOR THE SIX MONTHS ENDED 31 MARCH 2022
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GLOSSARY OF TERMS

In this Registered Bank Disclosure Statement (Disclosure Statement) unless the context otherwise requires:

Bank means ANZ Bank New Zealand Limited.

Banking Group, We or Our means the Bank and all its controlled entities.

Immediate Parent Company means ANZ Holdings (New Zealand) Limited.

Ultimate Parent Bank means Australia and New Zealand Banking Group Limited.

Overseas Banking Group means the worldwide operations of Australia and New Zealand Banking Group Limited including its controlled entities.

New Zealand business means all business, operations, or undertakings conducted in or from New Zealand identified and treated as if it were conducted by a company formed and registered in New Zealand.

NZ Branch means the New Zealand business of the Ultimate Parent Bank.

ANZ New Zealand means the New Zealand business of the Overseas Banking Group.

Registered Office is Ground Floor, ANZ Centre, 23-29 Albert Street, Auckland, New Zealand, which is also the Banking Group's address for service.

RBNZ means the Reserve Bank of New Zealand.

APRA means the Australian Prudential Regulation Authority.

the Order means the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014.

Any term or expression which is defined in, or in the manner prescribed by, the Order shall have the meaning given in or prescribed by the Order.

INTERIM FINANCIAL STATEMENTS

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INTERIM FINANCIAL STATEMENTS

INCOME STATEMENT

For the six months ended 31 March	Note	2022 NZ$m	2021 NZ$m
Interest income		2,454	2,334
Interest expense		(685)	(661)
Net interest income		1,769	1,673
Other operating income	2	561	338
Operating income		2,330	2,011
Operating expenses	3	(826)	(772)
Profit before credit impairment and income tax		1,504	1,239
Credit impairment release	6	20	70
Profit before income tax		1,524	1,309
Income tax expense		(423)	(362)
Profit for the period		1,101	947

STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 March	2022 NZ$m	2021 NZ$m
Profit for the period	1,101	947
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss	3	43
Items that may be reclassified subsequently to profit or loss		
Reserve movements:		
Unrealised losses recognised directly in equity	(58)	(3)
Realised losses / (gains) transferred to the income statement	(29)	4
Income tax attributable to the above items	23	(11)
Other comprehensive income after tax	(61)	33
Total comprehensive income for the period	1,040	980

The notes appearing on pages 8 to 23 form an integral part of these interim financial statements

BALANCE SHEET

As at	Note	31 Mar 22 NZ$m	30 Sep 21 NZ$m
Assets			
Cash and cash equivalents		11,178	7,844
Settlement balances receivable		913	237
Collateral paid		612	537
Trading securities		7,818	9,585
Derivative financial instruments		9,000	9,304
Investment securities		10,291	11,926
Net loans and advances	5	146,121	140,756
Current tax assets		34	-
Deferred tax assets		327	390
Goodwill and other intangible assets	7	3,103	3,091
Premises and equipment		485	509
Other assets		609	590
Total assets		190,491	184,769
Liabilities			
Settlement balances payable		4,592	2,704
Collateral received		1,070	738
Deposits and other borrowings	8	138,704	133,139
Derivative financial instruments		8,376	7,727
Current tax liabilities		-	170
Payables and other liabilities		1,242	1,464
Employee entitlements		132	138
Other provisions	9	250	295
Debt issuances	10	19,097	21,502
Total liabilities		173,463	167,877
Net assets		17,028	16,892
Equity			
Share capital		11,888	11,888
Reserves		7	70
Retained earnings		5,133	4,934
Total equity		17,028	16,892

The notes appearing on pages 8 to 23 form an integral part of these interim financial statements

INTERIM FINANCIAL STATEMENTS

CASH FLOW STATEMENT

For the six months ended 31 March	2022 NZ$m	2021 NZ$m
Profit after income tax	1,101	947
Adjustments to reconcile to net cash flows from operating activities:		
Depreciation and amortisation	63	63
Loss on sale and impairment of premises and equipment	1	1
Net derivatives/foreign exchange adjustment	(106)	(776)
Other non-cash movements	(9)	115
Net (increase)/decrease in operating assets:		
Collateral paid	(75)	14
Trading securities	1,767	3,097
Net loans and advances	(5,365)	(4,790)
Other assets	(666)	(124)
Net increase/(decrease) in operating liabilities:		
Deposits and other borrowings (excluding items included in financing activities)	5,065	3,799
Settlement balances payable	1,888	(76)
Collateral received	332	(73)
Other liabilities	(415)	22
Total adjustments	2,480	1,272
Net cash flows from operating activities[1]	3,581	2,219
Cash flows from investing activities		
Investment securities:		
Purchases	(5,569)	(4,046)
Proceeds from sale or maturity	6,879	1,509
Other assets	(58)	(17)
Net cash flows from investing activities	1,252	(2,554)
Cash flows from financing activities		
Deposits and other borrowings[2]	500	-
Debt issuances[3]		
Issue proceeds	2,680	-
Redemptions	(3,753)	(2,307)
Repayment of lease liabilities	(22)	(23)
Dividends paid	(904)	(4)
Net cash flows from financing activities	(1,499)	(2,334)
Net change in cash and cash equivalents	3,334	(2,669)
Cash and cash equivalents at beginning of period	7,844	8,248
Cash and cash equivalents at end of period	11,178	5,579

1 Net cash provided by operating activities includes income taxes paid of NZ$541 million (2021: NZ$582 million).
2 Movement in deposits and other borrowings includes repurchase transactions entered into with the RBNZ under the Funding for Lending Programme of NZ$500 million.
3 Movement in debt issuances (Note 10 debt issuances) also includes a NZ$705 million decrease (2021: NZ$1,089 million decrease) from the effect of foreign exchange rates, a NZ$643 million decrease (2021: NZ$336 million decrease) from changes in fair value hedging instruments and a NZ$16 million increase (2021: NZ$45 million increase) from other changes.

The notes appearing on pages 8 to 23 form an integral part of these interim financial statements

STATEMENT OF CHANGES IN EQUITY

	Share capital NZ$m	Investment securities revaluation reserve NZ$m	Cash flow hedging reserve NZ$m	Retained earnings NZ$m	Total equity NZ$m
As at 1 October 2020	11,888	8	110	3,863	15,869
Profit or loss	-	-	-	947	947
Unrealised gains / (losses) recognised directly in equity	-	49	(52)	-	(3)
Realised losses / (gains) transferred to the income statement	-	(2)	6	-	4
Actuarial gain on defined benefit schemes	-	-	-	43	43
Income tax credit / (expense) on items recognised directly in equity	-	(13)	13	(11)	(11)
Total comprehensive income for the period	-	34	(33)	979	980
Transactions with Immediate Parent Company in its capacity as owner:					
Preference dividends paid	-	-	-	(4)	(4)
Transactions with Immediate Parent Company in its capacity as owner	-	-	-	(4)	(4)
As at 31 March 2021	11,888	42	77	4,838	16,845
As at 1 October 2021	11,888	62	8	4,934	16,892
Profit or loss	-	-	-	1,101	1,101
Unrealised losses recognised directly in equity	-	(24)	(34)	-	(58)
Realised losses / (gains) transferred to the income statement	-	(31)	2	-	(29)
Actuarial gain on defined benefit schemes	-	-	-	3	3
Income tax credit / (expense) on items recognised directly in equity	-	15	9	(1)	23
Total comprehensive income for the period	-	(40)	(23)	1,103	1,040
Transactions with Immediate Parent Company in its capacity as owner:					
Ordinary dividends paid	-	-	-	(900)	(900)
Preference dividends paid	-	-	-	(4)	(4)
Transactions with Immediate Parent Company in its capacity as owner	-	-	-	(904)	(904)
As at 31 March 2022	11,888	22	(15)	5,133	17,028

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. ABOUT OUR INTERIM FINANCIAL STATEMENTS

BASIS OF PREPARATION

These are the condensed consolidated interim financial statements (financial statements) for ANZ Bank New Zealand Limited (the Bank) and its controlled entities (together, the 'Banking Group') and should be read in conjunction with the Banking Group's financial statements for the year ended 30 September 2021.

On 6 May 2022, the Directors resolved to authorise the issue of these financial statements.

These financial statements comply with:
- New Zealand Generally Accepted Accounting Practice (NZ GAAP), as defined in the Financial Reporting Act 2013;
- NZ IAS 34 *Interim Financial Reporting* and other applicable Financial Reporting Standards, as appropriate for publicly accountable for-profit entities; and
- IAS 34 *Interim Financial Reporting*.

The financial statements consolidate the financial statements of the Bank and its subsidiaries.

We present the financial statements in New Zealand dollars and have rounded values to the nearest million dollars (NZ$m), unless otherwise stated.

The accounting policies adopted by the Banking Group are consistent with those adopted and disclosed in the previous full year financial statements.

BASIS OF MEASUREMENT

We have prepared the financial information in accordance with the historical cost basis - except for the following assets and liabilities which we have stated at their fair value:
- derivative financial instruments;
- financial instruments measured at fair value through other comprehensive income; and
- financial instruments measured at fair value through profit and loss.

KEY JUDGEMENTS AND ESTIMATES

The preparation of these financial statements requires the use of management judgement, estimates and assumptions that affect reported amounts and the application of accounting policies. Discussion of the critical accounting estimates and judgements, which include complex or subjective decisions or assessments, are provided in the previous full year financial statements. Such estimates and judgements are reviewed on an ongoing basis.

Whilst the course of the COVID-19 pandemic is moderating and its impact on economic activity and our customers is better understood, the responses of consumers, business and governments remain uncertain. New external risks are also emerging, including mounting geopolitical tensions, global supply chain disruptions, the conflict in Ukraine, and commodity price impacts. Thus there remains an elevated level of estimation uncertainty involved in the preparation of these financial statements.

The Banking Group has made various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions at 31 March 2022 about future events considered reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these estimates. Actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of these differences may significantly impact accounting estimates included in these financial statements. The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses and recoverable amounts of non-financial assets.

The impact of these uncertainties on each of these accounting estimates is discussed further in the relevant notes in these financial statements and/or in the relevant notes in the previous full year financial statements. Readers should consider these disclosures in light of the inherent uncertainties described above.

2. OTHER OPERATING INCOME

For the six months ended 31 March	2022 NZ$m	2021 NZ$m
(i) Fee and commission income		
Lending fees	13	16
Non-lending fees	341	341
Commissions	16	18
Funds management income	130	131
Fee and commission income	500	506
Fee and commission expense	(242)	(230)
Net fee and commission income	258	276
(ii) Other income		
Net trading gains	75	66
Gain on sale of investment securities designated at fair value through other comprehensive income	31	2
Fair value gain / (loss) on hedging activities and financial liabilities designated at fair value	179	(28)
Net foreign exchange earnings and other financial instruments income	285	40
Sale of legacy insurance portfolio	-	14
Release of provisions for UDC Finance Ltd and Paymark Ltd disposal costs	14	-
Other	4	8
Other income	303	62
Other operating income	561	338

3. OPERATING EXPENSES

For the six months ended 31 March	2022 NZ$m	2021 NZ$m
Personnel		
Salaries and related costs	469	421
Superannuation costs	15	14
Other	7	9
Personnel	491	444
Premises		
Rent	8	9
Depreciation	41	40
Other	18	20
Premises	67	69
Technology		
Depreciation and amortisation	22	23
Subscription licences and outsourced services	76	62
Other	16	18
Technology	114	103
Other		
Advertising and public relations	17	17
Professional fees	33	31
Freight, stationery, postage and communication	19	21
Charges from Ultimate Parent Bank	67	53
Other	18	34
Other	154	156
Operating expenses	826	772

NOTES TO THE INTERIM FINANCIAL STATEMENTS

4. SEGMENT REPORTING

The Banking Group is organised into three major business segments for segment reporting purposes - Personal, Business and Institutional. Centralised back office and corporate functions support these segments. These segments are consistent with internal reporting provided to the chief operating decision maker, being the Bank's Chief Executive Officer.

During the year ended 30 September 2021, the Banking Group reorganised into the following business segments: Personal (comprising the Personal and Funds Management business units), Business, and Institutional. These are intended to better align the Banking Group's internal business with the needs of its primary customer groups, home owners and business owners. These changes were implemented from August 2021 and have been accounted for prospectively. During the six months ended 31 March 2022, there were net movements of approximately NZ$2.0 billion of loans and advances and NZ$1.4 billion of customer deposits from Business to Personal. Comparative amounts have not been restated because the overall impact on the financial performance and financial position of the affected segments, Personal and Business, is not considered material.

Personal
Personal provides a full range of banking and wealth management services to consumer and private banking customers. We deliver our services via our internet and app-based digital solutions and network of branches, mortgage specialists, relationship managers and contact centres.

Business
Business provides a full range of banking services including small business lending, through our digital, branch and contact centres channels, and traditional relationship banking and sophisticated financial solutions through dedicated managers. These cover privately owned small, medium and large enterprises, the agricultural business segment, government and government related entities.

Institutional
The Institutional division services governments, global institutional and corporate customers via the following business units:

- Transaction Banking provides customers with working capital and liquidity solutions including documentary trade, supply chain financing, commodity financing as well as cash management solutions, deposits, payments and clearing.
- Corporate Finance provides customers with loan products, loan syndication, specialised loan structuring and execution, project and export finance, debt structuring and acquisition finance and corporate advisory services.
- Markets provide customers with risk management services on foreign exchange, interest rates, credit, commodities and debt capital markets in addition to managing the Banking Group's interest rate exposure and liquidity position.

Other
Other includes treasury and back office support functions, none of which constitutes a separately reportable segment.

	Personal		Business		Institutional		Other		Total	
For the six months ended 31 March	2022 NZ$m	2021 NZ$m	2022 NZ$m	2021 NZ$m	2022 NZ$m	2021 NZ$m	2022 NZ$m	2021 NZ$m	2022 NZ$m	2021 NZ$m
Net interest income	1,020	983	575	503	158	168	16	19	1,769	1,673
Net fee and commission income										
- Lending fees	4	7	1	-	8	9	-	-	13	16
- Non-lending fees	196	308	122	5	23	28	-	-	341	341
- Commissions	15	17	-	-	1	1	-	-	16	18
- Funds management income	130	131	-	-	-	-	-	-	130	131
- Fee and commission expense	(144)	(230)	(98)	-	-	-	-	-	(242)	(230)
Net fee and commission income	201	233	25	5	32	38	-	-	258	276
Other income	1	15	-	-	79	75	223	(28)	303	62
Other operating income	202	248	25	5	111	113	223	(28)	561	338
Operating income	1,222	1,231	600	508	269	281	239	(9)	2,330	2,011
Operating expenses	(585)	(547)	(131)	(118)	(96)	(94)	(14)	(13)	(826)	(772)
Profit before credit impairment and income tax	637	684	469	390	173	187	225	(22)	1,504	1,239
Credit impairment release / (charge)	(26)	32	48	31	(2)	7	-	-	20	70
Profit / (loss) before income tax	611	716	517	421	171	194	225	(22)	1,524	1,309
Income tax expense	(171)	(197)	(145)	(118)	(48)	(54)	(59)	7	(423)	(362)
Profit after income tax	440	519	372	303	123	140	166	(15)	1,101	947

	Personal		Business		Institutional		Other		Total	
	31 Mar 22	30 Sep 21	31 Mar 22	30 Sep 21	31 Mar 22	30 Sep 21	31 Mar 22	30 Sep 21	31 Mar 22	30 Sep 21
As at	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m
Financial position										
Goodwill	**1,042**	1,042	**895**	895	**1,069**	1,069	**-**	-	**3,006**	3,006
Net loans and advances	**101,370**	95,061	**37,797**	39,158	**6,954**	6,535	**-**	2	**146,121**	140,756
Customer deposits	**84,039**	78,592	**23,671**	23,744	**21,661**	22,793	**-**	-	**129,371**	125,129

Other segment

The Other segment profit/(loss) after tax comprises:

For the six months ended 31 March	2022 NZ$m	2021 NZ$m
Personal and Business central functions	**20**	1
Group Centre	**20**	8
Economic hedges	**126**	(24)
Total	**166**	(15)

5. NET LOANS AND ADVANCES

	Note	31 Mar 22 NZ$m	30 Sep 21 NZ$m
Overdrafts		**887**	799
Credit cards		**1,169**	1,127
Term loans - housing		**102,798**	98,513
Term loans - non-housing		**41,439**	40,528
Subtotal		**146,293**	140,967
Unearned income		**(34)**	(29)
Capitalised brokerage and other origination costs		**435**	403
Gross loans and advances		**146,694**	141,341
Allowance for expected credit losses	6	**(573)**	(585)
Net loans and advances		**146,121**	140,756

The Banking Group has reviewed the historic accounting treatment of a transaction product arrangement comprised of both overdraft and deposit balances and concluded that, under NZ IAS 32 *Financial Instruments: Presentation*, the deposit amounts cannot be netted against the overdraft balances drawn under the arrangement. The application of netting reduced the amounts presented for overdrafts (above) and customer deposits (Note 8 deposits and other borrowings) by NZ$163 million as at 30 September 2021. Comparative amounts have not been restated as the impact is not considered material.

The Bank has sold residential mortgages to the NZ Branch with a net carrying value of NZ$276 million as at 31 March 2022 (30 September 2021: NZ$318 million). These assets qualify for derecognition as the Bank does not retain a continuing involvement in the transferred assets.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

6. ALLOWANCE FOR EXPECTED CREDIT LOSSES

This note should be read in conjunction with the estimates, assumptions and judgements included in Note 1 about our interim financial statements.

	31 Mar 22			30 Sep 21		
	Collectively assessed NZ$m	Individually assessed NZ$m	Total NZ$m	Collectively assessed NZ$m	Individually assessed NZ$m	Total NZ$m
Net loans and advances at amortised cost	511	62	573	525	60	585
Off-balance sheet commitments	105	14	119	107	15	122
Total	616	76	692	632	75	707

The following tables present the movement in the allowance for expected credit losses (ECL).

Net loans and advances

Allowance for ECL is included in net loans and advances.

			Stage 3		
	Stage 1 NZ$m	Stage 2 NZ$m	Collectively assessed NZ$m	Individually assessed NZ$m	Total NZ$m
As at 1 October 2021	155	314	56	60	585
Transfer between stages	16	(12)	(1)	(3)	-
New and increased provisions (net of collective provision releases)	(8)	(10)	1	39	22
Write-backs	-	-	-	(22)	(22)
Bad debts written-off (excluding recoveries)	-	-	-	(15)	(15)
Discount unwind reversal	-	-	-	3	3
As at 31 March 2022	163	292	56	62	573

Off-balance sheet credit related commitments - undrawn and contingent facilities

Allowance for ECL is included in other provisions.

As at 1 October 2021	64	39	4	15	122
Transfer between stages	5	(5)	-	-	-
New and increased provisions (net of collective provision releases)	(4)	2	-	(1)	(3)
As at 31 March 2022	65	36	4	14	119

CREDIT IMPAIRMENT CHARGE – INCOME STATEMENT

For the six months ended 31 March	2022 NZ$m	2021 NZ$m
New and increased provisions		
- Collectively assessed	(16)	(60)
- Individually assessed	35	36
Write-backs	(22)	(36)
Recoveries of amounts previously written-off	(17)	(10)
Total credit impairment release	(20)	(70)

KEY JUDGEMENTS AND ESTIMATES

The Banking Group measures the allowance for ECL using an expected credit loss impairment model as required by NZ IFRS 9 *Financial Instruments*.

COVID-19 risks are moderating however the economy continues to transition to a setting with less government stimulus and some uncertainty as to how customers will respond to expected interest rate rises and inflationary pressure, heightened geopolitical tensions across the globe, the conflict in Ukraine and global supply chain issues, commodity price impacts, and how governments, businesses and consumers respond also remains uncertain. This uncertainty is reflected in the Banking Group's assessment of expected credit losses, which are subject to a number of management judgements and estimates.

Individually assessed allowance for expected credit losses

In estimating individually assessed ECL, the Banking Group makes judgements and assumptions in relation to expected repayments, the realisable value of collateral, business prospects for the customer, competing claims and the likely cost and duration of the work-out process. Judgements and assumptions in respect of these matters have been updated to reflect amongst other things, the continuing uncertainties described above.

Collectively assessed allowance for expected credit losses

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

- the selection of an estimation technique or modelling methodology; and
- the selection of inputs for those models, and the interdependencies between those inputs.

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

The judgements and associated assumptions have been made in the context of the uncertainty of how various factors might impact the global economy, and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. The Banking Group's ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates.

Judgement / assumption	Description	Considerations for the six months ended 31 March 2022
Determining when a significant increase in credit risk (SICR) has occurred	In the measurement of ECL, judgement is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a loan, which would result in the financial asset moving from Stage 1 to Stage 2. This is a key area of judgement since transition from Stage 1 to Stage 2 increases the ECL from an allowance based on the probability of default in the next 12 months, to an allowance for lifetime expected credit losses. Subsequent decreases in credit risk resulting in transition from Stage 2 to Stage 1 may similarly result in significant changes in the ECL allowance. The setting of precise trigger points requires judgement which may have a material impact upon the size of the ECL allowance. The Banking Group monitors the effectiveness of SICR criteria on an ongoing basis.	The Banking Group has retained a portion of ECL to provide for expected delinquencies that may have been obscured by COVID-19 support measures. Although these measures have ceased, uncertainty remains on their ongoing impact on portfolio delinquency.
Measuring both 12-month and lifetime credit losses	The probability of default (PD), loss given default (LGD) and exposure at default (EAD) credit risk parameters used in determining ECL are point-in-time measures reflecting the relevant forward-looking information determined by management. Judgement is involved in determining which forward-looking information variables are relevant for particular lending portfolios and for determining each portfolio's point-in-time sensitivity.	The PD, LGD and EAD models are subject to the Banking Group's model risk policy that stipulates periodic model monitoring, periodic re-validation and defines approval procedures and authorities according to model materiality. The modelled outcome includes an amount to recognise increased model uncertainties as a result of COVID-19.
	In addition, judgement is required where behavioural characteristics are applied in estimating the lifetime of a facility to be used in measuring ECL.	There were no material changes to the policies during the six months ended 31 March 2022.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

KEY JUDGEMENTS AND ESTIMATES

Judgement / assumption	Description	Considerations for the six months ended 31 March 2022
Base case economic forecast	The Banking Group derives a forward-looking "base case" economic scenario which reflects our view of future macro-economic conditions.	There have been no changes to the types of forward-looking variables (key economic drivers) used as model inputs in the current period. As at 31 March 2022, the base case assumptions have been updated to reflect the economic impacts of the Omicron variant, supply chain pressures, and increasing inflation and expected interest rate rises. In determining the expected path of the economy, assessments of the impact of central bank policies, government actions, and the response of businesses and consumers were considered. The expected outcomes of key economic drivers for the base case scenario as at 31 March 2022 are described below under the heading "Base case economic forecast assumptions".
Probability weighting of each economic scenario (base case, upside, downside and severe downside scenarios)[1,2]	Probability weighting of each economic scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario at each measurement date.	The key considerations for probability weightings in the current period include the ongoing but increasingly known impacts of COVID-19, uncertainty as to how customers will respond to expected interest rate rises and inflationary pressures, the conflict in Ukraine, commodity price impacts and global supply chain issues. Weightings for current and prior periods are as detailed in the section on "Probability weightings" below. The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.
Management temporary adjustments	Management temporary adjustments to the ECL allowance are used in circumstances where it is judged that our existing inputs, assumptions and model techniques do not capture all the risk factors relevant to our lending portfolios. Emerging local or global macroeconomic, microeconomic or political events, and natural disasters that are not incorporated into our current parameters, risk ratings, or forward-looking information are examples of such circumstances. The use of management temporary adjustments may impact the amount of ECL recognised. The uncertainty associated with the ongoing but moderating COVID-19 pandemic, and the extent to which the actions of governments, businesses and consumers influence credit outcomes are not fully incorporated into existing ECL models which are based on historical underlying data. Accordingly, management overlays have been applied to ensure credit provisions are appropriate.	Management have continued to apply a number of adjustments to the modelled ECL primarily due to the uncertainty associated with continuing but moderating COVID-19 impacts. Management overlays (including COVID-19 overlays) which add to the modelled ECL provision have been made for risks particular to personal and business banking. Management temporary adjustments total NZ$157 million (September 2021: NZ$177 million).

1. The upside and downside scenarios are fixed by reference to average economic cycle conditions (that is, they are not based on the economic conditions prevailing at balance date) and are based on a combination of more optimistic (in the case of the upside) and pessimistic (in the case of the downside) economic conditions.
2. The severe downside scenario is fixed by reference to average economic cycle conditions and accounts for the potentially severe downside impact of less likely extremely adverse economic conditions.

KEY JUDGEMENTS AND ESTIMATES

Base case economic forecast assumptions

Continuing uncertainties described above increase the risk of the economic forecast resulting in an understatement or overstatement of the ECL balance:

The economic drivers of the base case economic forecasts, reflective of our view of future macro-economic conditions, used at 31 March 2022 are set out below. For years beyond the near term forecasts below, the ECL models project future year economic conditions which include an assumption of eventual reversion to mid-cycle economic conditions.

	Actual calendar year	Forecast calendar year	
New Zealand	2021	2022	2023
Gross domestic product (GDP) (annual % change)	5.5%	2.4%	2.8%
Unemployment rate	3.8%	3.0%	3.0%
Residential property prices (annual % change)	26.5%	-6.0%	3.3%
Consumer price index (CPI) (annual % change)	3.9%	5.3%	3.2%

The base case economic forecasts above indicate a weakening in current economic conditions adding to inflation pressure for a time and weighing on economic activity.

Probability weightings

Probability weightings for each scenario are determined by management considering the risks and uncertainties surrounding the base case economic scenario including the uncertainties described above.

The base case scenario represents a deterioration in the forecasts since September 2021. Given the uncertainties associated with a potential ongoing recovery of the economy and external factors, the average base case weighting has been reduced to 40.0% (Sep 21: 50.0%) and the severe downside scenario increased to 10.0% (Sep 21: 5.0%).

The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Banking Group considers these weightings to provide estimates of the possible loss outcomes and taking into account short and long term inter-relationships within the Banking Group's credit portfolios. The average weightings applied are set out below:

	31 Mar 22	30 Sep 21
Base	40.0%	50.0%
Upside	5.0%	4.5%
Downside	45.0%	40.5%
Severe downside	10.0%	5.0%

ECL - Sensitivity analysis

Given current economic uncertainties and the judgement applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Banking Group should be considered as a best estimate within a range of possible estimates. The table below illustrates the sensitivity of the Banking Group's allowance for collectively assessed ECL to key factors used in determining it as at 31 March 2022:

	Balance NZ$m	Profit and loss impact NZ$m
If 1% of Stage 1 facilities were included in Stage 2	622	6
If 1% of Stage 2 facilities were included in Stage 1	615	(1)
100% upside scenario	237	(379)
100% base scenario	297	(319)
100% downside scenario	563	(53)
100% severe downside scenario	756	140

NOTES TO THE INTERIM FINANCIAL STATEMENTS

7. GOODWILL AND OTHER INTANGIBLE ASSETS

	31 Mar 22 NZ$m	30 Sep 21 NZ$m
Goodwill	3,006	3,006
Management rights	76	76
Software	21	9
Goodwill and other intangible assets	**3,103**	3,091

GOODWILL AND OTHER INTANGIBLE ASSETS ALLOCATED TO CASH-GENERATING UNITS (CGUs)

Goodwill arose on the acquisition of the NBNZ Holdings Limited group on 1 December 2003, and the carrying amount reflects amortisation recognised before the application of NZ IFRS from 1 October 2004 and subsequent business disposals. Management rights, assessed as having indefinite useful lives, arose on the acquisition of the ING Holdings (NZ) Limited (now ANZ New Zealand Investments Holdings Limited) group on 30 November 2009.

Goodwill and management rights are allocated to CGUs as follows:

	Goodwill		Management rights	
Cash generating unit	31 Mar 22 NZ$m	30 Sep 21 NZ$m	31 Mar 22 NZ$m	30 Sep 21 NZ$m
Personal	980	980	-	-
Funds Management	62	62	76	76
Personal segment	1,042	1,042	76	76
Business	895	895	-	-
Institutional	1,069	1,069	-	-
Total	**3,006**	3,006	**76**	76

Annual goodwill impairment test

The annual impairment test is performed as at the end of February each year. Goodwill is considered to be impaired if the carrying amount of the relevant CGU exceeds its recoverable amount. The recoverable amount of a CGU is the higher of its fair value less costs of disposal (FVLCOD) and its value-in use (VIU). We use a value-in-use approach to estimate the recoverable amount of the CGU to which each goodwill component is allocated. Based on this assessment no impairment was identified for any CGU, and therefore a FVLCOD calculation was not required.

VALUE-IN-USE

These calculations use cash flow projections based on a number of financial budgets within each CGU covering an initial forecast period. These projections also incorporate economic assumptions including GDP, inflation, unemployment, residential and commercial property prices, the impact of the restriction imposed by RBNZ on the payment of ordinary dividends by all New Zealand incorporated registered banks, and the implementation of RBNZ's new capital adequacy requirements. Cash flows beyond the forecast period are extrapolated using the terminal growth rate. These cash flow projections are discounted using a discount rate derived using a capital asset pricing model.

Future changes in the assumptions upon which the calculation is based may materially impact this assessment, resulting in the potential impairment of part or all of the goodwill balances.

Input / assumption	Values applied in the 28 February 2022 impairment test
Forecast period and projections	To 30 September 2028 - an extended forecast period was used to cover the implementation of RBNZ's new capital adequacy requirements over the transition period ending on 1 July 2028.
Revenue growth over forecast period	Comprises impacts of net interest margin and volume growth, arising from planned responses to known regulatory and economic forecasts. Average annual forecast revenue growth rates are shown below.
Credit impairment over forecast period	Varies by CGU, based on ECL modelling for 2022 to 2024, before returning to long run experience levels for 2025 to 2028. Long run experience levels are based on the Banking Group's bad debts written off, net of recoveries, since 2004 of 0.15% of gross loans and advances. Credit impairment for each CGU as a percentage of forecast gross loans and advances for 2025 to 2028 is shown below.
Terminal growth rate	2.0% - based on 2025 forecast inflation from RBNZ's February 2022 Monetary Policy Statement.
Discount rate	Post tax: 10.7% (February 2021: 9.4%). The main variables in the calculation of the discount rate used are the risk free rate, beta and the market risk premium. The risk free rate was the monthly average traded 10 year New Zealand government bond yield for February 2022 of 2.7%. The market risk premium was estimated using a range of methods incorporating historical and forward looking market data. Beta was consistent with observable measures applied in the regional banking sector.

The values of the average revenue growth, credit impairment as a percentage of forecast gross loans and advances, and pre-tax discount rates assumptions by CGU are shown in the table below. The implied pre-tax discount rates are significantly higher than the post-tax discount rate above because regulatory capital retention over the forecast period is not tax effected.

	Revenue growth		Credit impairment		Pre-tax discount rate	
Cash generating unit	28 Feb 22	28 Feb 21	28 Feb 22	28 Feb 21	28 Feb 22	28 Feb 21
Personal (previously Retail and Business Banking)	5.1%	6.1%	0.12%	0.13%	20.8%	17.5%
Funds Management (previously Wealth)	6.4%	3.4%	n/a	0.10%	18.6%	16.4%
Business (previously Commercial)	5.3%	4.2%	0.21%	0.21%	20.8%	17.8%
Institutional	3.6%	4.5%	0.22%	0.21%	20.6%	17.3%

We performed stress tests for key sensitivities in each CGU. A change, considered to be reasonably possible by management, in key assumptions would not cause the carrying amount of any CGU to exceed its recoverable amount.

KEY JUDGEMENTS AND ESTIMATES

Management judgement is used to assess the recoverable value of goodwill and other intangible assets, and the useful economic life of an asset, or if an asset has an indefinite life. We reassess the recoverability of the carrying value at each reporting date.

Goodwill

A number of key judgements are required in the determination of whether or not a goodwill balance is impaired:

- the level at which goodwill is allocated – consistent with prior periods the CGUs to which goodwill is allocated are the Banking Group's four revenue generating segments that benefit from relevant historical business combinations generating goodwill.
- determination of the carrying amount of each CGU which includes an allocation, on a reasonable and consistent basis of corporate assets and liabilities that are not directly attributable to the CGUs to which goodwill is allocated.
- assessment of the recoverable amount of each CGU used to determine whether the carrying amount of goodwill is supported is based on judgements including the selection of the model and key assumptions used to calculate the recoverable amount.

The assessment of the recoverable amount of each CGU has been made within the context of the ongoing impact of COVID-19 and other factors outlined in Note 1 about our interim financial statements, and reflects expectations of future events that are believed to be reasonable under the circumstances. Changes in conditions could have a positive or adverse impact on the determination of recoverable amounts.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

8. DEPOSITS AND OTHER BORROWINGS

	31 Mar 22 NZ$m	30 Sep 21 NZ$m
Term deposits	41,890	40,668
On demand and short term deposits	64,119	62,648
Deposits not bearing interest	23,362	21,813
Total customer deposits	129,371	125,129
Certificates of deposit	2,171	1,875
Commercial paper	4,892	4,433
Securities sold under repurchase agreements	2,226	1,663
Deposits from Immediate Parent Company and NZ Branch	44	39
Deposits and other borrowings	138,704	133,139

9. OTHER PROVISIONS

	Note	31 Mar 22 NZ$m	30 Sep 21 NZ$m
Allowance for ECL on undrawn and contingent facilities	6	119	122
Customer remediation		79	98
Restructuring costs		15	25
Leasehold make good		21	22
Other[1]		16	28
Total other provisions		250	295

1 Other comprise various other provisions including losses arising from other legal action, operational issues, and warranties and indemnities provided in connection with various disposals of businesses and assets.

10. DEBT ISSUANCES

The Banking Group uses a variety of funding programmes to issue unsubordinated debt (including senior debt and covered bonds) and subordinated debt. The difference between unsubordinated debt and subordinated debt is that holders of unsubordinated debt take priority over holders of subordinated debt owed by the relevant issuer and subordinated debt will be repaid by the relevant issuer only after the repayment of claims of depositors, other creditors and the senior debt holders.

	31 Mar 22 NZ$m	30 Sep 21 NZ$m
Senior debt	12,589	14,220
Covered bonds	3,973	4,248
Total unsubordinated debt	16,562	18,468
Subordinated debt		
- Additional Tier 1 capital	1,941	2,441
- Tier 2 capital	594	593
Total subordinated debt	2,535	3,034
Total debt issued	19,097	21,502

Covered bonds are guaranteed by ANZNZ Covered Bond Trust Limited (the Covered Bond Guarantor), solely in its capacity as trustee of ANZNZ Covered Bond Trust (the Covered Bond Trust). The Covered Bond Trust is a member of the Banking Group, whereas the Covered Bond Guarantor is not a member of the Banking Group.

Substantially all of the assets of the Covered Bond Trust are made up of certain housing loans and related securities originated by the Bank which are security for the guarantee by the Covered Bond Guarantor as trustee of the Covered Bond Trust of issuances of covered bonds by the Bank, or its wholly owned subsidiary ANZ New Zealand (Int'l) Limited, from time to time. The assets of the Covered Bond Trust are not available to creditors of the Bank, although the Bank (or its liquidator or statutory manager) may have a claim against the residual assets of the Covered Bond Trust (if any) after all prior ranking creditors of the Covered Bond Trust have been satisfied.

11. CREDIT RISK

This note should be read in conjunction with the estimates, assumptions and judgements included in Note 1 about our interim financial statements and Note 6 allowance for expected credit losses.

Maximum exposure to credit risk

For financial assets recognised on the balance sheet, the maximum exposure to credit risk is the carrying amount. In certain circumstances there may be differences between the carrying amounts reported on the balance sheet and the amounts reported in the tables below. Principally, these differences arise in respect of financial assets that are subject to risks other than credit risk, such as equity instruments which are primarily subject to market risk, or bank notes and coins.

For undrawn facilities, this maximum exposure to credit risk is the full amount of the committed facilities. For contingent exposures, the maximum exposure to credit risk is the maximum amount the Banking Group would have to pay if the instrument is called upon.

The table below shows our maximum exposure to credit risk of on-balance sheet and off-balance sheet positions before taking account of any collateral held or other credit enhancements.

	Reported		Excluded[1]		Maximum exposure to credit risk	
	31 Mar 22 NZ$m	30 Sep 21 NZ$m	31 Mar 22 NZ$m	30 Sep 21 NZ$m	31 Mar 22 NZ$m	30 Sep 21 NZ$m
On-balance sheet positions						
Net loans and advances	146,121	140,756	-	-	146,121	140,756
Other financial assets:						
Cash and cash equivalents	11,178	7,844	185	163	10,993	7,681
Settlement balances receivable	913	237	-	-	913	237
Collateral paid	612	537	-	-	612	537
Trading securities	7,818	9,585	-	-	7,818	9,585
Derivative financial instruments	9,000	9,304	-	-	9,000	9,304
Investment securities	10,291	11,926	-	-	10,291	11,926
Other financial assets[2]	500	496	-	-	500	496
Total other financial assets	40,312	39,929	185	163	40,127	39,766
Subtotal	186,433	180,685	185	163	186,248	180,522
Off-balance sheet commitments						
Undrawn and contingent facilities[3]	31,112	30,030	-	-	31,112	30,030
Total	217,545	210,715	185	163	217,360	210,552

1 Bank notes and coins and cash at bank within cash and cash equivalents.
2 Other financial assets mainly comprise accrued interest and acceptances.
3 Undrawn facilities and contingent facilities include guarantees, letters of credit and performance related contingencies, net of collectively assessed and individually assessed allowance for expected credit losses.

Credit quality

We use the Banking Group's internal customer credit rating (CCR) to manage the credit quality of financial assets. To enable wider comparisons, the Banking Group's CCRs are mapped to external rating agency scales as follows:

Credit quality description	Internal CCR	The Banking Group customer requirements	Moody's Rating	S&P Global Ratings
Strong	CCR 0+ to 4-	Demonstrated superior stability in their operating and financial performance over the long-term, and whose earnings capacity is not significantly vulnerable to foreseeable events.	Aaa – Baa3	AAA – BBB-
Satisfactory	CCR 5+ to 6-	Demonstrated sound operational and financial stability over the medium to long-term even though some may be susceptible to cyclical trends or variability in earnings.	Ba1 – B1	BB+ – B+
Weak	CCR 7+ to 8=	Demonstrated some operational and financial instability, with variability and uncertainty in profitability and liquidity projected to continue over the short and possibly medium term.	B2 – Caa	B - CCC
Defaulted	CCR 8- to 10	When doubt arises as to the collectability of a credit facility, the financial instrument (or 'the facility') is classified as defaulted.	n/a	n/a

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Net loans and advances

As at 31 March 2022	Stage 1 NZ$m	Stage 2 NZ$m	Stage 3 Collectively assessed NZ$m	Stage 3 Individually assessed NZ$m	Total NZ$m
Strong	121,131	2,232	-	-	123,363
Satisfactory	17,756	2,701	-	-	20,457
Weak	316	1,430	-	-	1,746
Defaulted	-	-	577	150	727
Subtotal	139,203	6,363	577	150	146,293
Allowance for ECL	(163)	(292)	(56)	(62)	(573)
Net loans and advances at amortised cost	139,040	6,071	521	88	145,720
Coverage ratio	0.12%	4.59%	9.71%	41.33%	0.39%
Unearned income					(34)
Capitalised brokerage and other origination costs					435
Net carrying amount					146,121

As at 30 September 2021	Stage 1 NZ$m	Stage 2 NZ$m	Stage 3 Collectively assessed NZ$m	Stage 3 Individually assessed NZ$m	Total NZ$m
Strong	116,578	1,620	-	-	118,198
Satisfactory	17,122	3,134	-	-	20,256
Weak	293	1,447	-	-	1,740
Defaulted	-	-	618	155	773
Subtotal	133,993	6,201	618	155	140,967
Allowance for ECL	(155)	(314)	(56)	(60)	(585)
Net loans and advances at amortised cost	133,838	5,887	562	95	140,382
Coverage ratio	0.12%	5.06%	9.06%	38.71%	0.41%
Unearned income					(29)
Capitalised brokerage and other origination costs					403
Net carrying amount					140,756

Off-balance sheet commitments - undrawn and contingent facilities

As at 31 March 2022	Stage 1 NZ$m	Stage 2 NZ$m	Stage 3 Collectively assessed NZ$m	Stage 3 Individually assessed NZ$m	Total NZ$m
Strong	25,773	184	-	-	25,957
Satisfactory	4,258	854	-	-	5,112
Weak	17	107	-	-	124
Defaulted	-	-	16	22	38
Gross undrawn and contingent facilities	30,048	1,145	16	22	31,231
Allowance for ECL included in other provisions (refer to Note 9)	(65)	(36)	(4)	(14)	(119)
Net undrawn and contingent facilities	29,983	1,109	12	8	31,112
Coverage ratio	0.22%	3.14%	25.00%	63.64%	0.38%

As at 30 September 2021	Stage 1 NZ$m	Stage 2 NZ$m	Stage 3 Collectively assessed NZ$m	Stage 3 Individually assessed NZ$m	Total NZ$m
Strong	25,072	142	-	-	25,214
Satisfactory	3,734	1,037	-	-	4,771
Weak	12	100	-	-	112
Defaulted	-	-	32	23	55
Gross undrawn and contingent facilities	28,818	1,279	32	23	30,152
Allowance for ECL included in other provisions (refer to Note 9)	(64)	(39)	(4)	(15)	(122)
Net undrawn and contingent facilities	28,754	1,240	28	8	30,030
Coverage ratio	0.22%	3.05%	12.50%	65.22%	0.40%

12. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value hierarchy

The Banking Group categorises assets and liabilities carried at fair value into a fair value hierarchy as required by NZ IFRS 13 *Fair Value Measurement* based on the observability of inputs used to measure the fair value:

- Level 1 – valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuations using inputs other than quoted prices included within Level 1 that are observable for a similar asset or liability, either directly or indirectly; and
- Level 3 – valuations where significant unobservable inputs are used to measure the fair value of the asset or liability.

The following table presents assets and liabilities carried at fair value in accordance with the fair value hierarchy:

	Fair value measurements							
	Quoted market price (Level 1)		Using observable inputs (Level 2)		Using unobservable inputs (Level 3)		Total	
	31 Mar 22 NZ$m	30 Sep 21 NZ$m	31 Mar 22 NZ$m	30 Sep 21 NZ$m	31 Mar 22 NZ$m	30 Sep 21 NZ$m	31 Mar 22 NZ$m	30 Sep 21 NZ$m
Assets								
Trading securities	6,003	8,276	1,815	1,309	-	-	7,818	9,585
Derivative financial instruments	84	19	8,916	9,284	-	1	9,000	9,304
Investment securities	10,014	11,925	276	-	1	1	10,291	11,926
Total	16,101	20,220	11,007	10,593	1	2	27,109	30,815
Liabilities								
Deposits and other borrowings	-	-	4,892	4,433	-	-	4,892	4,433
Derivative financial instruments	5	5	8,367	7,722	4	-	8,376	7,727
Other financial liabilities	478	676	-	-	-	-	478	676
Total	483	681	13,259	12,155	4	-	13,746	12,836

Financial assets and financial liabilities not measured at fair value

Below is a comparison of the carrying amounts as reported on the balance sheet and fair values of financial asset and financial liability categories other than those categories where the carrying amount is at fair value or considered a reasonable approximation of fair value.

The fair values below have been calculated using discounted cash flow techniques where contractual future cash flows of the instrument are discounted using discount rates incorporating wholesale market rates or market borrowing rates of debt with similar maturities or a yield curve appropriate for the remaining term to maturity.

	Carrying amount		Fair value	
	31 Mar 22 NZ$m	30 Sep 21 NZ$m	31 Mar 22 NZ$m	30 Sep 21 NZ$m
Financial assets				
Net loans and advances[1]	146,121	140,756	144,943	140,703
Total	146,121	140,756	144,943	140,703
Financial liabilities				
Deposits and other borrowings[2]	133,812	128,706	133,725	128,726
Debt issuances[1]	19,097	21,502	19,221	21,902
Total	152,909	150,208	152,946	150,628

1 Fair value hedging is applied to certain financial instruments within these categories. The resulting fair value adjustments mean that the carrying value differs from the amortised cost.
2 Excludes commercial paper (Note 8 deposits and other borrowings) designated at fair value through profit or loss.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

13. COMMITMENTS AND CONTINGENT LIABILITIES

Credit related commitments and contingencies	31 Mar 22 NZ$m	30 Sep 21 NZ$m
Contract amount of:		
Undrawn facilities	28,380	27,420
Guarantees and letters of credit	1,187	1,181
Performance related contingencies	1,664	1,551
Total	31,231	30,152

The Banking Group guarantees the performance of customers by issuing standby letters of credit and guarantees to third parties, including its Ultimate Parent Bank. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers, therefore these transactions are subjected to the same credit origination, portfolio management and collateral requirements for customers applying for loans. As the facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.

OTHER CONTINGENT LIABILITIES

There are outstanding court proceedings, claims and possible claims for and against the Banking Group. Where relevant, expert legal advice has been obtained and, in the light of such advice, provisions (refer to Note 9 other provisions) and/or disclosures as deemed appropriate have been made. In some instances we have not disclosed the estimated financial impact of the individual items either because it is not practicable to do so or because such disclosure may prejudice seriously the interests of the Banking Group.

REGULATORY AND CUSTOMER EXPOSURES

In recent years there has been an increase in the number of matters on which the Banking Group engages with its regulators. There have also been significant increases in the nature and scale of regulatory investigations, surveillance and reviews, civil and criminal enforcement actions (whether by court action or otherwise), formal and informal inquiries, regulatory supervisory activities and the quantum of fines issued by regulators, particularly against financial institutions both in New Zealand and globally. The Banking Group has received various notices and requests for information from its regulators as part of both industry-wide and Banking Group-specific reviews, and has also made disclosures to its regulators at its own instigation. The nature of these interactions can be wide ranging and, for example, may include a range of matters including responsible lending practices, regulated lending requirements, product suitability and distribution, interest and fees and the entitlement to charge them, customer remediation, wealth advice, insurance distribution, pricing, competition, conduct in financial markets and financial transactions, capital market transactions, anti-money laundering and counter-terrorism financing obligations, reporting and disclosure obligations and product disclosure documentation. There may be exposures to customers which are additional to any regulatory exposures. These could include class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with such reviews and possible exposures remain uncertain.

The Bank self-identified three prescribed transaction reporting (PTR) matters to the RBNZ, where transaction reports had not been filed within the prescribed timeframe. The RBNZ has informed the Bank that it considers one of these matters (related to 6,409 transaction reports of a certain SWIFT message type) to be a material breach, and the other two to be minor breaches, of the Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) Act 2009 relating to PTR. These matters have been referred to the RBNZ's enforcement team for review. The potential outcome of these matters remains uncertain at this time.

LOAN INFORMATION LITIGATION

In September 2021, representative proceedings were brought against the Bank, alleging breaches of disclosure requirements under consumer credit legislation in respect of variation letters sent to certain loan customers. The Bank is defending the allegations. The proceedings are still at an early stage. A hearing of the plaintiff's application for leave to bring representative proceedings is scheduled for May 2022.

WARRANTIES AND INDEMNITIES

The Banking Group has provided warranties, indemnities and other commitments in favour of the purchaser in connection with various disposals of businesses and assets and other transactions, covering a range of matters and risks. It is exposed to potential claims under those warranties, indemnities and commitments.

REVIEWS UNDER SECTION 95 OF THE RESERVE BANK OF NEW ZEALAND ACT 1989 (RBNZ ACT)

Following a RBNZ notice under section 95 of the RBNZ Act in July 2019, the Bank obtained two external reviews. The first review was on the Bank's compliance with certain aspects of the RBNZ Banking Supervision Handbook document Capital Adequacy Framework (Internal Models Based Approach) (BS2B) (Capital Adequacy Review), and the second review was on the effectiveness of the Bank's directors' attestation and assurance framework (Attestation Review).

A summary of the final Attestation Review was published in March 2022. The report found that the Bank has taken appropriate steps to address the recommendations from the 2019 Attestation Review report. The review noted that there has been a marked uplift in the overall capabilities within the Bank in respect to the attestation process, with heightened focus and scrutiny from management, executives and the Bank's board. The review also noted while there are elements of the framework still in the process of being embedded, the key changes recommended in the 2019 Attestation Review report have been appropriately addressed.

The final Capital Adequacy Review was completed in December 2021. The report found that the Bank had made significant progress to address non-compliance issues and improvement items identified by the 2019 Capital Adequacy Review report. In particular, all non-compliant capital models have been submitted to the RBNZ for approval. As at 31 March 2022, all but three non-compliant models have been approved by RBNZ.

14. SUBSEQUENT EVENTS

The Overseas Banking Group intends to lodge a formal application with APRA, the Federal Treasurer and other applicable regulators to establish a non-operating holding company and create distinct banking and non-banking groups within the organisation. Following preliminary discussions, APRA has advised they have no in-principle objection to the proposed restructure. The Overseas Banking Group has also consulted other key Australian and New Zealand regulators and to date has not received any objections. Consultation and engagement remains ongoing. Further information about the proposal can be found at http://shareholder.anz.com.

There have been no other significant events from 31 March 2022 to the date of signing the financial statements.

REGISTERED BANK DISCLOSURES

This section contains the additional disclosures required by the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014.

Section		Order reference	Page
B1.	General disclosures	Schedule 3	25
B2.	Additional financial disclosures	Schedule 5	27
B3.	Asset quality	Schedule 7	32
B4.	Capital adequacy under the internal models based approach, and regulatory liquidity ratios	Schedule 11	37
B5.	Concentration of credit exposures to individual counterparties	Schedule 13	44
B6.	Insurance business	Schedule 16	44

REGISTERED BANK DISCLOSURES

B1. GENERAL DISCLOSURES

Guarantees

The Bank has guaranteed the payment of interest and principal of covered bonds issued by its subsidiary ANZ New Zealand (Int'l) Limited. This obligation is guaranteed by ANZNZ Covered Bond Trust Limited (the Covered Bond Guarantor), solely in its capacity as trustee of ANZNZ Covered Bond Trust. 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. The covered bonds have been assigned a long term rating of Aaa and AAA by Moody's Investors Service and Fitch Ratings respectively. Refer to page 18 for further details, and to page 27 for the amount of assets of the ANZ Covered Bond Trust pledged as security for covered bonds.

No other material obligations of the Bank are guaranteed as at 6 May 2022.

Changes in the Bank's Board of Directors

Maile Carnegie resigned as a Non-Executive Director on 11 April 2022. As at 6 May 2022, there have been no other changes to the Directors of the Bank since 30 September 2021, the balance date of the last full year disclosure statement.

Auditors

KPMG, 18 Viaduct Harbour Avenue, Auckland, New Zealand.

Conditions of registration

Changes to the Bank's conditions of registration

The Bank's conditions of registration have been amended to:

- implement the new Banking Prudential Requirements (BPRs) which implement the capital review decisions (effective 1 October 2021);
- include further changes on high loan-to-valuation residential mortgage lending to investors (effective 1 November 2021); and
- increase the minimum core funding ratio to 75% (effective 1 January 2022).

Material non-compliance with conditions of registration: Condition of registration 1B – non-compliance with BPR120: Capital adequacy process requirements

As first reported in the disclosure statement for the year ended 30 September 2019, the Bank has not complied with condition of registration 1B in relation to the implementation of changes to 17 rating models and processes that were not approved by RBNZ. Applying the last RBNZ approved methodologies to the affected exposures as at 30 September 2019 would have decreased Risk Weighted Assets (RWA) by NZ$47 million (0.05%) in aggregate, which was not sufficient to affect the reported capital ratios.

As at 31 March 2022, all non-compliant models had been submitted to RBNZ for approval, with all but three approved. The final model was submitted to RBNZ on 16 December 2021. The three remaining unapproved models and the initial dates of non-compliance are:

- Bank rating – 2008
- Project and structured finance - 2009
- Commercial property: special purpose asset investment - 2011

The Bank's model compendium required under Part E1.5 of BPR120 was non-compliant as it included unapproved model changes. An updated model compendium was submitted to RBNZ in April 2021, and RBNZ confirmed the compendium as being compliant in October 2021.

Other matters relevant to the conditions of registration

There are other matters currently under review where there may be more than one valid interpretation of the respective policy wording or requirement. Where there may be some uncertainty about the interpretation the Bank has applied, where appropriate it has sought guidance from, and will be liaising with, RBNZ on these matters.

Pending proceedings or arbitration

A description of any pending legal proceedings or arbitration concerning any member of the Banking Group that may have a material adverse effect on the Bank or the Banking Group is included in Note 13 commitments and contingent liabilities.

REGISTERED BANK DISCLOSURES

Credit rating

The Bank has three credit ratings, which are applicable to its long-term senior unsecured obligations which are payable in New Zealand in New Zealand dollars.

As at 6 May 2022, the Bank's credit ratings are:

Rating agency	Credit rating	Qualification
S&P Global Ratings	AA-	Outlook Stable
Fitch Ratings	A+	Outlook Stable
Moody's Investors Service	A1	Outlook Stable

Other material matters

New RBNZ capital requirements

RBNZ has released new bank capital adequacy requirements applying to New Zealand locally incorporated registered banks, which are set out in RBNZ's Banking Prudential Requirements documents. The new capital adequacy requirements are being implemented in stages during a transition period from October 2021 to July 2028. The key requirements are:

- The Banking Group's total capital requirement will increase to 18% of RWA, including tier 1 capital of at least 16% of RWA. Up to 2.5% of the tier 1 capital requirement can be made up of additional tier 1 (AT1) capital, with the remainder of the tier 1 requirement made up of common equity tier 1 (CET1) capital. The increased capital ratios requirement will be implemented progressively from 1 July 2022 to 1 July 2028. AT1 capital must consist of perpetual preference shares, which may be redeemable. The total capital requirement can also include tier 2 capital of up to 2% of RWA. Tier 2 capital must consist of long-term subordinated debt.
- The tier 1 capital requirement will include a CET1 prudential capital buffer of 9% of RWA. This will include: a 2% domestic, systemically important bank capital buffer; a 1.5% 'early-set' counter-cyclical capital buffer (which can be temporarily reduced to 0% following a financial crisis, or temporarily increased to prevent asset price bubbles from developing); and a 5.5% capital conservation buffer.
- Contingent capital instruments will no longer be treated as eligible regulatory capital. As at 30 September 2021, the Bank had approximately NZ$2,741 million of AT1 instruments that will progressively lose eligible regulatory capital treatment over a six and a half year transition period from 1 January 2022 to 1 July 2028, should these instruments remain outstanding. The Bank redeemed NZ$500 million of these AT1 instruments in December 2021, and has NZ$2,241 million on issue as at 31 March 2022.
- As an internal ratings based approach accredited bank, the Banking Group's RWA outcomes will be increased to approximately 90% of what would be calculated under the standardised approach. This will be achieved by applying an 85% output floor, which took effect on 1 January 2022, and increasing the credit RWA scalar from 1.06 to 1.20 from 1 October 2022.
- RBNZ has proposed requiring internal ratings based approach accredited banks to report RWA, and resulting capital ratios, using both the internal models and the standardised approaches from 30 September 2022. RBNZ's consultation process is in progress as at 6 May 2022.

RBNZ's reforms will result in a material increase in the level of capital that the Banking Group is required to hold. The reforms could have a material impact on the Banking Group and its business, including on its capital allocation and business planning.

B2. ADDITIONAL FINANCIAL DISCLOSURES

Additional information on the balance sheet

As at 31 March 2022	NZ$m
Total interest earning and discount bearing assets	176,281
Total interest and discount bearing liabilities	138,840
Total amounts due from related entities	6,087
Total amounts due to related entities	8,020

Assets charged as security for liabilities

The following disclosure excludes the amounts presented as collateral paid and received on the balance sheet that relate to derivative liabilities and derivative assets respectively. The terms and conditions of those collateral agreements are included in the standard Credit Support Annex that forms part of the International Swaps and Derivatives Association Master Agreement under which most of our derivatives are executed.

Assets charged as security for liabilities include the following types of instruments:

- securities provided as collateral for repurchase transactions. These transactions are governed by standard industry agreements;
- specified residential mortgages provided as security for notes and bonds issued to investors as part of the Banking Group's covered bond programmes; and
- collateral provided to the RBNZ under the Term Lending Facility (TLF) and Funding for Lending Programme (FLP).

The carrying amounts of assets pledged as security are as follows:

As at 31 March 2022	NZ$m
Securities sold under agreements to repurchase	427
Residential mortgages pledged as security for repurchase agreements with RBNZ	2,165
Total assets of the ANZNZ Covered Bond Trust pledged as security for covered bonds	9,877

Additional information on the income statement

The amounts of net trading gains or losses and other fair value adjustments are included in Note 2 other operating income. The Banking Group does not have any loans and advances designated at fair value through profit or loss. Other operating income for the purposes of the Order comprises net fee and commission income, and all other items of other income (all in Note 2 other operating income).

REGISTERED BANK DISCLOSURES

Additional information on concentrations of credit risk

Analysis of financial assets by industry is based on Australian and New Zealand Standard Industrial Classification (ANZSIC) codes. The significant categories shown are the level one New Zealand Standard Industry Output Categories (NZSIOC), except that Agriculture is shown separately as required by the Order.

Composition of financial instruments that give rise to credit risk by industry group are presented below:

As at 31 March 2022	Loans and advances NZ$m	Other financial assets NZ$m	Off-balance sheet credit related commitments NZ$m	Total NZ$m
New Zealand residents				
Agriculture	15,912	3	1,272	17,187
Forestry and fishing, agriculture services	658	1	121	780
Manufacturing	2,457	92	1,824	4,373
Electricity, gas, water and waste services	933	312	1,573	2,818
Construction	1,201	1	853	2,055
Wholesale trade	1,357	71	2,172	3,600
Retail trade and accommodation	2,655	8	761	3,424
Transport, postal and warehousing	991	51	782	1,824
Finance and insurance services	1,070	15,026	1,867	17,963
Public administration and safety[1]	317	9,874	806	10,997
Rental, hiring & real estate services	38,631	1,597	3,073	43,301
Professional, scientific, technical, administrative and support services	823	3	450	1,276
Households	75,052	4	13,761	88,817
All other New Zealand residents[2]	2,109	114	1,823	4,046
Subtotal	144,166	27,157	31,138	202,461
Overseas				
Finance and insurance services	81	12,885	93	13,059
Households	1,348	-	-	1,348
All other non-NZ residents	698	85	-	783
Subtotal	2,127	12,970	93	15,190
Gross subtotal	146,293	40,127	31,231	217,651
Allowance for ECL	(573)	-	(119)	(692)
Subtotal	145,720	40,127	31,112	216,959
Unearned income	(34)	-	-	(34)
Capitalised brokerage and other origination costs	435	-	-	435
Maximum exposure to credit risk	146,121	40,127	31,112	217,360

1 Public administration and safety includes exposures to local government administration and central government administration, defence and public safety.
2 Other includes exposures to mining, information media and telecommunications, education and training, health care and social assistance and arts, recreation and other services.

Additional information on concentrations of funding

Analysis of funding liabilities by industry is based on ANZSIC codes. The significant categories shown are the level one NZSIOC.

As at 31 March 2022	Note	NZ$m
Funding composition		
Customer deposits	8	129,371
Wholesale funding		
Debt issuances		19,097
Certificates of deposit and commercial paper		7,063
Other borrowings		2,270
Total wholesale funding		28,430
Total funding		157,801
Customer deposits by industry - New Zealand residents		
Agriculture, forestry and fishing		4,786
Manufacturing		2,970
Construction		2,830
Wholesale trade		2,597
Retail trade and accommodation		2,425
Financial and insurance services		12,539
Rental, hiring and real estate services		4,352
Professional, scientific, technical, administrative and support services		6,860
Public administration and safety		1,758
Arts, recreation and other services		2,171
Households		71,053
All other New Zealand residents[1]		5,721
		120,062
Customer deposits by industry - overseas		
Households		8,739
All other non-NZ residents		570
		9,309
Total customer deposits		129,371
Wholesale funding (financial and insurance services industry)		
New Zealand		8,254
Overseas		20,176
Total wholesale funding		28,430
Total funding		157,801
Concentrations of funding by geography		
New Zealand		128,316
Australia		1,030
United States		12,883
Europe		8,837
Other countries		6,735
Total funding		157,801

1 Other includes mining; electricity, gas, water and waste services; transport, postal and warehousing; information media and telecommunications; education and training; health care and social assistance.

REGISTERED BANK DISCLOSURES

Additional information on interest rate sensitivity

The following table represents the interest rate sensitivity of the Banking Group's assets, liabilities and off-balance sheet instruments by showing the periods in which these instruments may reprice, that is, when interest rates applicable to each asset or liability can be changed.

As at 31 March 2022	Total NZ$m	Up to 3 months NZ$m	Over 3 to 6 months NZ$m	Over 6 to 12 months NZ$m	Over 1 to 2 years NZ$m	Over 2 years NZ$m	Not bearing interest[1] NZ$m
Assets							
Cash and cash equivalents	11,178	10,929	-	-	-	-	249
Settlement balances receivable	913	-	-	-	-	-	913
Collateral paid	612	612	-	-	-	-	-
Trading securities	7,818	1,478	528	272	505	5,035	-
Derivative financial instruments	9,000	-	-	-	-	-	9,000
Investment securities	10,291	12	-	307	1,404	8,567	1
Net loans and advances	146,121	67,168	15,279	24,434	23,912	15,839	(511)
Other financial assets	500	-	-	-	-	-	500
Total financial assets	186,433	80,199	15,807	25,013	25,821	29,441	10,152
Liabilities							
Settlement balances payable	4,592	2,619	-	-	-	-	1,973
Collateral received	1,070	1,070	-	-	-	-	-
Deposits and other borrowings	138,704	89,824	12,833	10,002	1,666	1,017	23,362
Derivative financial instruments	8,376	-	-	-	-	-	8,376
Debt issuances	19,097	1,286	1,276	1,079	5,439	10,017	-
Lease liabilities	234	11	11	21	80	111	-
Other financial liabilities	806	478	-	-	-	-	328
Total financial liabilities	172,879	95,288	14,120	11,102	7,185	11,145	34,039
Hedging instruments	-	(6,666)	15,123	364	(4,888)	(3,933)	-
Interest sensitivity gap	13,554	(21,755)	16,810	14,275	13,748	14,363	(23,887)

1 Excludes non-coupon bearing discount financial assets and financial liabilities which are shown as repricing on their maturity date.

Additional information on liquidity risk

Maturity analysis of financial liabilities

The table below provides residual contractual maturity analysis of financial liabilities at 31 March 2022 within relevant maturity groupings. All outstanding debt issuances are profiled on the earliest date on which the Banking Group may be required to pay. The amounts represent principal and interest cash flows – so they may differ from equivalent amounts reported on the balance sheet.

As at 31 March 2022	On demand NZ$m	Less than 3 months NZ$m	3 to 12 months NZ$m	1 to 5 years NZ$m	After 5 years NZ$m	Total NZ$m
Settlement balances payable	3,579	1,019	-	-	-	4,598
Collateral received	-	1,070	-	-	-	1,070
Deposits and other borrowings	87,482	24,337	23,201	4,472	-	139,492
Derivative financial liabilities (trading)	-	8,286	-	-	-	8,286
Debt issuances[1]	-	25	2,618	13,215	4,733	20,591
Lease liabilities	-	13	38	180	30	261
Other financial liabilities	-	112	16	257	408	793
Derivative financial instruments (balance sheet management)						
- gross inflows	-	726	1,454	5,298	298	7,776
- gross outflows	-	(724)	(1,524)	(5,154)	(235)	(7,637)

1 Any callable wholesale debt instruments have been included at their next call date.

At 31 March 2022, NZ$31,231 million of its credit related commitments and contingent liabilities mature in less than 1 year, based on the earliest date on which the Banking Group may be required to pay.

Liquidity portfolio management

The Banking Group holds a diversified portfolio of cash and high quality liquid securities primarily to support liquidity risk management. The size of the Banking Group's liquidity portfolio is determined with consideration of the amount required to meet the requirements of its internal and regulatory liquidity scenario metrics.

As at 31 March 2022	NZ$m
Central and local government bonds	8,172
Government treasury bills	909
Certificates of deposit	838
Other bonds	7,896
Securities eligible to be accepted as collateral in repurchase transactions	17,815
Cash and balances with central banks	10,346
Total liquidity portfolio	28,161

Assets held in the Banking Group's liquidity portfolio include short term cash held with RBNZ, New Zealand Government securities, securities issued by supranational agencies, securities issued by highly rated banks and securities issued by State Owned Enterprises, Local Authorities and highly rated New Zealand domestic corporates.

The Bank also held unencumbered internal residential mortgage backed securities (RMBS) which would be accepted as collateral by RBNZ in repurchase transactions. These holdings would entitle the Bank to enter into repurchase transactions with RBNZ with a value of NZ$10,790 million at 31 March 2022.

RBNZ Term Lending Facility (TLF) and Funding for Lending Programme (FLP)

- Between May 2020 and July 2021, RBNZ made funds available under the TLF to promote lending to businesses. The TLF is a five-year secured funding facility for New Zealand banks at a fixed rate of 0.25%.
- In November 2020, RBNZ announced the FLP which aims to lower the cost of borrowing for New Zealand businesses and households. The FLP is a three-year secured funding facility for New Zealand banks at a floating rate of the New Zealand Official Cash Rate (OCR). New Zealand banks can obtain initial funding of up to 4% of their lending to New Zealand resident households, non-financial businesses and non-profit institutions serving households as at 31 October 2020 (eligible loans). An additional allocation of up to 2% of eligible loans is available, subject to certain conditions. The Bank's initial allocation is NZ$5,223 million and its additional allocation is NZ$2,611 million. The additional allocation is available until 6 December 2022, and the initial allocation is available until 6 June 2022.

As at 31 March 2022, the Bank had drawn NZ$300 million under the TLF and NZ$1,500 million under the FLP. These amounts are included in securities sold under repurchase agreements in Note 8 deposits and other borrowings.

Reconciliation of mortgage related amounts

As at 31 March 2022	Note	NZ$m
Term loans - housing[1]	5	102,798
Less: housing loans made to corporate customers		(1,333)
On-balance sheet residential mortgage exposures subject to the IRB approach (per asset quality and LVR analysis)	B3, B4	101,465
Add: off-balance sheet residential mortgage exposures subject to the IRB approach (per asset quality and LVR analysis)	B3, B4	9,315
Total residential mortgage exposures subject to the IRB approach (per LVR analysis)	B4	110,780

1 Term loans – housing includes loans secured over residential property for owner-occupier, residential property investment and business purposes.

REGISTERED BANK DISCLOSURES

B3. ASSET QUALITY

This section should be read in conjunction with the estimates, assumptions and judgements included in Note 1 about our interim financial statements, Note 6 allowance for expected credit losses and Note 11 credit risk.

Movements in components of loss allowance – total

			Stage 3		
Net loans and advances - total	Stage 1 NZ$m	Stage 2 NZ$m	Collectively assessed NZ$m	Individually assessed NZ$m	Total NZ$m
As at 1 October 2021	155	314	56	60	585
Transfer between stages	16	(12)	(1)	(3)	-
New and increased provisions (net of collective provision releases)	(8)	(10)	1	39	22
Write-backs	-	-	-	(22)	(22)
Recoveries of amounts previously written off	-	-	-	(17)	(17)
Credit impairment charge / (release)	8	(22)	-	(3)	(17)
Bad debts written-off (excluding recoveries)	-	-	-	(15)	(15)
Add back recoveries of amounts previously written off	-	-	-	17	17
Discount unwind	-	-	-	3	3
As at 31 March 2022	163	292	56	62	573
Off-balance sheet credit related commitments - total					
As at 1 October 2021	64	39	4	15	122
Transfer between stages	5	(5)	-	-	-
New and increased provisions (net of collective provision releases)	(4)	2	-	(1)	(3)
Credit impairment charge / (release)	1	(3)	-	(1)	(3)
As at 31 March 2022	65	36	4	14	119

Impacts of changes in gross financial assets on loss allowances - total

Gross loans and advances - total	Stage 1	Stage 2	Collectively assessed	Individually assessed	Total
As at 1 October 2021	133,993	6,201	618	155	140,967
Net transfers in to each stage	109	582	93	2	786
Amounts drawn from new or existing facilities	21,870	607	15	90	22,582
Additions	21,979	1,189	108	92	23,368
Net transfers out of each stage	(675)	(97)	(13)	(1)	(786)
Amounts repaid	(16,094)	(930)	(136)	(81)	(17,241)
Deletions	(16,769)	(1,027)	(149)	(82)	(18,027)
Amounts written off	-	-	-	(15)	(15)
As at 31 March 2022	139,203	6,363	577	150	146,293
Loss allowance as at 31 March 2022	163	292	56	62	573
Off-balance sheet credit related commitments - total					
As at 1 October 2021	28,818	1,279	32	23	30,152
Net transfers in to each stage	39	18	3	10	70
New and increased facilities and drawn amounts repaid	6,052	84	3	(3)	6,136
Additions	6,091	102	6	7	6,206
Net transfers out of each stage	(20)	(50)	-	-	(70)
Reduced facilities and amounts drawn	(4,841)	(186)	(22)	(8)	(5,057)
Deletions	(4,861)	(236)	(22)	(8)	(5,127)
As at 31 March 2022	30,048	1,145	16	22	31,231
Loss allowance as at 31 March 2022	65	36	4	14	119

Explanation of how changes in the gross carrying amounts of gross loans and advances contributed to changes in loss allowance

Overall, loss allowances are 0.39% of gross balances as at 31 March 2022, down from 0.41% as at 30 September 2021. The NZ$15 million (2.1%) decrease in loss allowances was driven by a decrease in the proportion of gross balances in Stage 2 and Stage 3, and changes in the forward looking economic scenarios as described in Note 6 allowance for expected credit losses.

Movements in components of loss allowance - residential mortgages

Net loans and advances - residential mortgages	Stage 1 NZ$m	Stage 2 NZ$m	Stage 3 Collectively assessed NZ$m	Stage 3 Individually assessed NZ$m	Total NZ$m
As at 1 October 2021	23	53	17	9	102
Transfer between stages	6	(7)	1	-	-
New and increased provisions (net of collective provision releases)	-	16	5	2	23
Write-backs	-	-	-	(1)	(1)
Recoveries of amounts previously written off	-	-	-	-	-
Credit impairment charge	6	9	6	1	22
Bad debts written-off (excluding recoveries)	-	-	-	-	-
Add back recoveries of amounts previously written off	-	-	-	-	-
Discount unwind	-	-	-	-	-
As at 31 March 2022	29	62	23	10	124
Off-balance sheet credit related commitments - residential mortgages					
As at 1 October 2021	-	-	-	-	-
Transfer between stages	-	-	-	-	-
New and increased provisions (net of collective provision releases)	-	-	-	-	-
Credit impairment charge / (release)	-	-	-	-	-
As at 31 March 2022	-	-	-	-	-

Impacts of changes in gross financial assets on loss allowances - residential mortgages

Gross loans and advances - residential mortgages	Stage 1 NZ$m	Stage 2 NZ$m	Stage 3 Collectively assessed NZ$m	Stage 3 Individually assessed NZ$m	Total NZ$m
As at 1 October 2021	94,857	1,846	356	19	97,078
Net transfers in to each stage	-	578	86	-	664
Amounts drawn from new or existing facilities	14,872	273	-	3	15,148
Additions	14,872	851	86	3	15,812
Net transfers out of each stage	(663)	-	-	(1)	(664)
Amounts repaid	(10,477)	(232)	(46)	(6)	(10,761)
Deletions	(11,140)	(232)	(46)	(7)	(11,425)
Amounts written off	-	-	-	-	-
As at 31 March 2022	98,589	2,465	396	15	101,465
Loss allowance as at 31 March 2022	29	62	23	10	124
Off-balance sheet credit related commitments - residential mortgages					
As at 1 October 2021	9,040	40	1	-	9,081
Net transfers in to each stage	-	17	-	-	17
New and increased facilities and drawn amounts repaid	1,521	7	-	-	1,528
Additions	1,521	24	-	-	1,545
Net transfers out of each stage	(17)	-	-	-	(17)
Reduced facilities and amounts drawn	(1,288)	(6)	-	-	(1,294)
Deletions	(1,305)	(6)	-	-	(1,311)
As at 31 March 2022	9,256	58	1	-	9,315
Loss allowance as at 31 March 2022	-	-	-	-	-

Explanation of how changes in the gross carrying amounts of residential mortgages contributed to changes in loss allowance

The NZ$22 million (21.6%) increase in loss allowances on residential mortgage exposures is driven by a combination of these increases in gross balances, including an increases in the proportion of gross balances in Stage 2 and Stage 3, and changes in the forward looking economic scenarios as described in Note 6 allowance for expected credit losses. Overall loss allowances and individually impaired exposures remain low, reflecting that approximately 94% of on-balance sheet residential mortgage exposures have loan to valuation ratios not exceeding 80% (refer to page 41).

REGISTERED BANK DISCLOSURES

Movements in components of loss allowance - other retail exposures

Net loans and advances - other retail exposures	Stage 1 NZ$m	Stage 2 NZ$m	Stage 3 Collectively assessed NZ$m	Stage 3 Individually assessed NZ$m	Total NZ$m
As at 1 October 2021	10	49	17	6	82
Transfer between stages	5	(5)	-	-	-
New and increased provisions (net of collective provision releases)	(4)	1	2	15	14
Write-backs	-	-	-	(1)	(1)
Recoveries of amounts previously written off	-	-	-	(6)	(6)
Credit impairment charge / (release)	1	(4)	2	8	7
Bad debts written-off (excluding recoveries)	-	-	-	(13)	(13)
Add back recoveries of amounts previously written off	-	-	-	6	6
Discount unwind	-	-	-	-	-
As at 31 March 2022	11	45	19	7	82
Off-balance sheet credit related commitments - other retail exposures					
As at 1 October 2021	15	12	3	-	30
Transfer between stages	3	(3)	-	-	-
New and increased provisions (net of collective provision releases)	(4)	1	-	-	(3)
Credit impairment charge / (release)	(1)	(2)	-	-	(3)
As at 31 March 2022	14	10	3	-	27

Impacts of changes in gross financial assets on loss allowances - other retail exposures

Gross loans and advances - other retail exposures	Stage 1 NZ$m	Stage 2 NZ$m	Stage 3 Collectively assessed NZ$m	Stage 3 Individually assessed NZ$m	Total NZ$m
As at 1 October 2021	2,271	132	34	9	2,446
Net transfers in to each stage	-	4	7	1	12
Amounts drawn from new or existing facilities	250	15	4	16	285
Additions	250	19	11	17	297
Net transfers out of each stage	(12)	-	-	-	(12)
Amounts repaid	(332)	(29)	(11)	(2)	(374)
Deletions	(344)	(29)	(11)	(2)	(386)
Amounts written off	-	-	-	(13)	(13)
As at 31 March 2022	2,177	122	34	11	2,344
Loss allowance as at 31 March 2022	11	45	19	7	82
Off-balance sheet credit related commitments - other retail exposures					
As at 1 October 2021	5,091	38	13	-	5,142
Net transfers in to each stage	-	1	2	-	3
New and increased facilities and drawn amounts repaid	143	3	2	-	148
Additions	143	4	4	-	151
Net transfers out of each stage	(3)	-	-	-	(3)
Reduced facilities and amounts drawn	(299)	(7)	(7)	-	(313)
Deletions	(302)	(7)	(7)	-	(316)
As at 31 March 2022	4,932	35	10	-	4,977
Loss allowance as at 31 March 2022	14	10	3	-	27

Explanation of how changes in the gross carrying amounts of other retail exposures contributed to changes in loss allowance

The NZ$3 million (2.7%) decrease in loss allowances is primarily driven by a decrease in the amount of gross balances in Stage 2.

Movements in components of loss allowance - corporate exposures[1]

Net loans and advances - corporate exposures	Stage 1 NZ$m	Stage 2 NZ$m	Stage 3 Collectively assessed NZ$m	Stage 3 Individually assessed NZ$m	Total NZ$m
As at 1 October 2021	122	212	22	45	401
Transfer between stages	5	-	(2)	(3)	-
New and increased provisions (net of collective provision releases)	(4)	(27)	(6)	22	(15)
Write-backs	-	-	-	(20)	(20)
Recoveries of amounts previously written off	-	-	-	(11)	(11)
Credit impairment charge / (release)	1	(27)	(8)	(12)	(46)
Bad debts written-off (excluding recoveries)	-	-	-	(2)	(2)
Add back recoveries of amounts previously written off	-	-	-	11	11
Discount unwind	-	-	-	3	3
As at 31 March 2022	123	185	14	45	367
Off-balance sheet credit related commitments - corporate exposures					
As at 1 October 2021	49	27	1	15	92
Transfer between stages	2	(2)	-	-	-
New and increased provisions (net of collective provision releases)	-	1	-	(1)	-
Credit impairment charge / (release)	2	(1)	-	(1)	-
As at 31 March 2022	51	26	1	14	92

Impacts of changes in gross financial assets on loss allowances - corporate exposures

Gross loans and advances - corporate exposures	Stage 1 NZ$m	Stage 2 NZ$m	Stage 3 Collectively assessed NZ$m	Stage 3 Individually assessed NZ$m	Total NZ$m
As at 1 October 2021	36,865	4,223	228	127	41,443
Net transfers in to each stage	109	-	-	1	110
Amounts drawn from new or existing facilities	6,748	319	11	71	7,149
Additions	6,857	319	11	72	7,259
Net transfers out of each stage	-	(97)	(13)	-	(110)
Amounts repaid	(5,285)	(669)	(79)	(73)	(6,106)
Deletions	(5,285)	(766)	(92)	(73)	(6,216)
Amounts written off	-	-	-	(2)	(2)
As at 31 March 2022	38,437	3,776	147	124	42,484
Loss allowance as at 31 March 2022	123	185	14	45	367
Off-balance sheet credit related commitments - corporate exposures					
As at 1 October 2021	14,687	1,201	18	23	15,929
Net transfers in to each stage	39	-	1	10	50
New and increased facilities and drawn amounts repaid	4,388	74	1	(3)	4,460
Additions	4,427	74	2	7	4,510
Net transfers out of each stage	-	(50)	-	-	(50)
Reduced facilities and amounts drawn	(3,254)	(173)	(15)	(8)	(3,450)
Deletions	(3,254)	(223)	(15)	(8)	(3,500)
As at 31 March 2022	15,860	1,052	5	22	16,939
Loss allowance as at 31 March 2022	51	26	1	14	92

1 Also includes all other non-retail exposure classes in net loans and advances and off balance sheet credit related commitments to reconcile to the respective totals for the Banking Group.

Explanation of how changes in the gross carrying amounts of corporate exposures contributed to changes in loss allowance

The NZ$34 million (6.9%) decrease in loss allowances is primarily driven by a decrease in the proportion of gross balances in Stage 2 and Stage 3, and the release of temporary adjustments partially offset by changes in the forward looking economic scenarios as described in Note 6 allowance for expected credit losses.

REGISTERED BANK DISCLOSURES

Past due assets and other asset quality information

As at 31 March 2022	Residential mortgages NZ$m	Other retail exposures NZ$m	Corporate exposures NZ$m	Total NZ$m
Past due assets				
Less than 30 days past due	415	67	252	734
At least 30 days but less than 60 days past due	148	12	68	228
At least 60 days but less than 90 days past due	94	5	5	104
At least 90 days past due	367	22	7	396
Total past due but not individually impaired	1,024	106	332	1,462
Other asset quality information				
Undrawn facilities with impaired customers	-	-	22	22
Other assets under administration	2	1	-	3

The Banking Group does not have any loans and advances designated at fair value.

B4. CAPITAL ADEQUACY UNDER THE INTERNAL MODELS BASED APPROACH, AND REGULATORY LIQUIDITY RATIOS

RBNZ capital ratios

	Banking Group			Bank (Solo Consolidated)	
As at 31 March	RBNZ minimum	2022	2021	2022	2021
Common equity tier 1 capital	4.5%	**12.4%**	13.1%	**12.2%**	12.7%
Tier 1 capital	6.0%	**14.5%**	15.9%	**14.3%**	15.5%
Total capital	8.0%	**15.1%**	15.9%	**14.9%**	15.5%
Prudential capital buffer ratio	2.5%	**7.1%**	7.9%	**n/a**	n/a

Capital

As at 31 March 2022	NZ$m
Tier 1 capital	
Common equity tier 1 (CET1) capital	
Paid up ordinary shares issued by the Bank	11,588
Retained earnings (net of appropriations)	5,133
Accumulated other comprehensive income and other disclosed reserves[1]	7
Less deductions from common equity tier 1 capital	
Goodwill and intangible assets, net of associated deferred tax liabilities	(3,103)
Deferred tax assets less deferred tax liabilities relating to temporary differences	(353)
Cash flow hedge reserve	15
Defined benefit superannuation plan surplus	(8)
Expected losses to the extent greater than total eligible allowances for impairment	(62)
Common equity tier 1 capital	13,217
Additional tier 1 (AT1) capital	
Retained earnings of the Bonus Bonds Scheme[2]	19
Transitional AT1 capital instruments	
Preference shares[3]	300
NZD 1,003m ANZ New Zealand Internal Capital Notes (ANZ NZ ICN)[4]	1,003
NZD 938m ANZ New Zealand Internal Capital Notes (ANZ NZ ICN2)[4]	938
Less deductions from additional tier 1 capital	
Surplus retained earnings of the Bonus Bonds Scheme[2]	(19)
Additional tier 1 capital	2,241
Total tier 1 capital	15,458
Tier 2 capital	
NZD 600m subordinated notes[4]	600
Eligible impairment allowance in excess of expected loss	4
Tier 2 capital	604
Total capital	16,062

1 Includes the investment securities revaluation reserve of NZ$22 million less the cash flow hedging reserve of NZ$15 million as at 31 March 2022.
2 Bonus Bonds Scheme (the Scheme) is not consolidated on the balance sheet under NZ GAAP but its retained earnings are included in AT1 capital for capital adequacy purposes, subject to a cap of 8.5% of the consolidated RWA that relate to the Scheme, as set out in BPR110: *Capital Definitions*.
3 Classified as equity on the balance sheet under NZ GAAP.
4 Classified as a liability on the balance sheet under NZ GAAP.

REGISTERED BANK DISCLOSURES

Capital requirements of the Banking Group

As at 31 March 2022	Total exposure after credit risk mitigation NZ$m	Risk weighted exposure or implied risk weighted exposure[1] NZ$m	Total capital requirement NZ$m
Total credit risk	212,932	64,664	5,173
Operational risk	n/a	11,385	911
Market risk	n/a	6,352	508
Supervisory adjustment[2]	n/a	23,867	1,910
Total	n/a	106,268	8,502

1 The calculation of risk weighted credit exposures includes a scalar of 1.06 in accordance with the Bank's Conditions of Registration.
2 The supervisory adjustment includes RWA of NZ$5,079 million for corporate exposures, NZ$13,780 million for residential mortgage exposures and NZ$5,008 million for a standardised floor adjustment.

Capital structure

Ordinary shares– CET1 capital

All ordinary shares share equally in dividends and any proceeds available to ordinary shareholders on winding up of the Bank. On a show of hands every member who is present at a meeting in person or by proxy or by representative is entitled to one vote, and upon a poll every member shall have one vote for each share held.

Transitional AT1 capital instruments

Certain instruments issued by the Bank qualify as transitional AT1 capital instruments and are subject to phase-out under BPR110. Fixing the base at the aggregate nominal amount of such instruments outstanding as at 30 September 2021 (NZ$2,741 million), their recognition is capped at 87.5% of that base from 1 January 2022; 75% from 1 January 2023; 62.5% from 1 January 2024; 50% from 1 January 2025; 37.5% from 1 January 2026; 25% from 1 January 2027; 12.5% from 1 January 2028; and from 1 July 2028 onwards these instruments will not be included in regulatory capital.

Preference shares – transitional AT1 capital instrument

All preference shares were issued by the Bank to the Immediate Parent Company and do not carry any voting rights. The preference shares are wholly classified as equity instruments as there is no contractual obligation for the Bank to either deliver cash or another financial instrument or to exchange financial instruments on a potentially unfavourable basis.

The key terms of the preference shares are as follows:

Dividends are payable at the discretion of the directors of the Bank and are non-cumulative. The Bank must not resolve to pay any dividend or make any other distribution on its ordinary shares until the next preference dividend payment date if the dividend on the preference shares is not paid.

Should the Bank elect to pay a dividend, the dividend is based on a floating rate equal to the aggregate of the New Zealand 6 month bank bill rate plus a 325 basis point margin, multiplied by one minus the New Zealand company tax rate, with dividend payments due on 1 March and 1 September each year.

The preference shares are redeemable, subject to prior written approval of the RBNZ, by the Bank providing notice in writing to holders of the preference shares. As a result of being transitional AT1 instruments subject to phase-out under RBNZ's new capital requirements, the Bank has determined that a regulatory event has occurred in respect of the preference shares. The occurrence of a regulatory event means that the Bank may choose to redeem the preference shares at its discretion. As at 6 May 2022, no decision has been made on whether the Bank will redeem the preference shares.

The preference shares may be redeemed for nil consideration should a non-viability trigger event occur.

In the event of liquidation, holders of preference shares are entitled to available subscribed capital per share, pari passu with all holders of existing preference shares and AT1 capital notes but in priority to all holders of ordinary shares. They have no entitlement to participate in further distribution of profits or assets.

AT1 capital notes – transitional AT1 capital instruments

AT1 capital notes are fully paid convertible non-cumulative perpetual subordinated notes. Holders of AT1 capital notes do not have any right to vote in general meetings of the Bank.

AT1 capital notes are classified as debt given there are circumstances beyond the Bank's control where the principal is converted into a variable number of ordinary shares of the Bank.

Interest payments on the AT1 capital notes are non-cumulative and subject to the issuer's absolute discretion and certain payment conditions (including regulatory requirements).

Where specified, AT1 capital notes provide the Bank with an early redemption or conversion option on a specified date and in certain other circumstances (such as a tax or regulatory event). Early redemption is subject to RBNZ's prior written approval.

Each of the AT1 capital notes will immediately convert into a variable number of ordinary shares of the Bank based on the net assets per share in the Bank's most recently published Disclosure Statement if:

- the Banking Group's, common equity tier 1 capital ratio is equal to or less than 5.125% - known as a Common Equity Capital Trigger Event; or
- RBNZ directs the Bank to convert or write-off the notes or a statutory manager is appointed to the Bank and decides that the Bank must convert or write-off the notes.

Where specified, AT1 capital notes mandatorily convert into a variable number of ordinary shares of the Bank (based on the net assets per share in the Bank's most recently published Disclosure Statement):

- on a specified mandatory conversion date; or
- on an earlier date under certain circumstances as set out in the terms.

However, the mandatory conversion is deferred for a specified period if certain conversion tests are not met.

As a result of being transitional AT1 instruments subject to phase-out under RBNZ's new capital requirements, the Bank has determined that a regulatory event has occurred in respect of these notes. The occurrence of a regulatory event means that the Bank may choose to redeem any of the AT1 capital notes at its discretion. A redemption of the AT1 capital notes is subject to certain conditions, including regulatory approvals. As at 6 May 2022, no decision has been made on whether the Bank will redeem the AT1 capital notes.

The table below shows the key details of the AT1 capital notes on issue at 31 March 2022:

	ANZ NZ ICN	ANZ NZ ICN2
Issue date	5 March 2015	15 June 2016
Issue amount	NZ$1,003 million	NZ$938 million
Face value	NZ$100	NZ$100
Interest frequency	Semi-annually in arrears	Semi-annually in arrears
Interest rate	Floating rate: (New Zealand 6 month Bank Bill rate + 3.8%)	Floating rate: (New Zealand 6 month Bank Bill rate + 6.29%)
Issuer's early redemption or conversion option	24 March 2023	15 June 2026 and each 5th anniversary
Mandatory conversion date	24 March 2025	n/a
Common equity capital trigger event	Yes	Yes
Non-viability trigger event	Yes	Yes

Tier 2 capital

Tier 2 capital notes are fully paid unsecured subordinated notes. As at 31 March 2022 the notes carried an A- credit rating from S&P Global Ratings. Interest payments are subject to the Bank being solvent at the time of, and immediately following, the payment. Unpaid interest accumulates, and will be paid at the earlier of when the Bank is solvent again or at maturity. The Bank may repay the notes early on the dates specified below, or in certain other circumstances (such as a tax or regulatory event). Early repayment is subject to certain conditions, including approval from RBNZ.

Issue date	17 September 2021
Issue amount and carrying value	Issue amount: NZ$600 million; Carrying value (net of issue costs): NZ$594 million
Face value	NZ$1
Interest frequency	Quarterly in arrears
Interest rate	Fixed at 2.999% p.a. until 17 September 2026. Resets on 17 September 2026 to a floating rate: New Zealand 3 month Bank bill rate + 1.25%
Issuer's early redemption	17 September 2026 or any interest payment date thereafter
Maturity	17 September 2031

REGISTERED BANK DISCLOSURES

Credit risk subject to the Internal Ratings Based (IRB) approach

IRB credit exposures by exposure class and customer credit rating

As at 31 March 2022	Probability of default %	Total value NZ$m	Exposure at default NZ$m	Exposure-weighted LGD used for the capital calculation %	Exposure-weighted risk weight %	Risk weighted assets NZ$m	Minimum capital requirement NZ$m
Corporate							
0 - 2	0.05	73,607	6,863	62	32	2,315	185
3 - 4	0.31	46,628	24,374	37	41	10,621	850
5	1.00	13,396	10,837	32	55	6,270	502
6	2.22	2,654	2,444	33	73	1,890	151
7 - 8	16.20	1,261	1,181	39	165	2,066	165
Default	100.00	247	244	36	80	208	17
Total corporate exposures[1]	1.47	137,793	45,943	40	48	23,370	1,870
Residential mortgages							
0 - 3	0.20	41,211	41,605	12	5	2,361	189
4	0.44	44,960	45,095	19	15	7,403	592
5	0.88	21,216	21,288	24	31	7,087	567
6	1.96	2,808	2,811	25	59	1,751	140
7 - 8	4.88	165	165	25	86	152	12
Default	100.00	420	421	13	6	28	2
Total residential mortgages exposures[2]	0.86	110,780	111,385	18	16	18,782	1,502
Other retail							
0 - 2	0.10	539	541	77	49	283	23
3 - 4	0.23	4,014	4,060	77	54	2,327	186
5	0.99	1,448	1,484	79	79	1,236	99
6	2.79	573	600	83	109	690	55
7 - 8	8.42	700	726	87	137	1,054	84
Default	100.00	47	47	81	48	24	2
Total other retail exposures	2.00	7,321	7,458	79	71	5,614	449
Total credit risk exposures subject to the IRB approach[3]	1.08	255,894	164,786	27	27	47,766	3,821

1 The supervisory adjustment on page 38 includes NZ$5,079 million of RWA for corporate exposures. This increases the pre-scalar exposure–weighted risk weight to 58% and the minimum capital requirement to NZ$2,276 million.
2 The supervisory adjustment on page 38 includes NZ$13,780 million of RWA for residential mortgage exposures. This increases the pre-scalar exposure-weighted risk weight to 28% and the minimum capital requirement to NZ$2,604 million.
3 The supervisory adjustment on page 38 of NZ$23,867 million of RWA (including NZ$5,008 million for a standardised floor) increases the pre-scalar IRB exposure-weighted risk weight to 41% and the related minimum capital requirement to NZ$5,731 million.

IRB credit exposures include the following undrawn commitments and other off-balance sheet contingent liabilities:

As at 31 March 2022	Total value NZ$m	Exposure at default NZ$m
Undrawn commitments and other off-balance sheet contingent liabilities		
Corporate	13,319	12,463
Residential mortgages	9,315	9,763
Other retail	4,977	5,058
Counterparty credit risk on derivatives and securities financing transactions		
Corporate	92,247	1,369
Residential mortgages	-	-
Other retail	-	-

Additional mortgage information

As required by RBNZ, LVRs are calculated as the current exposure secured by a residential mortgage divided by the Banking Group's valuation of the security property at origination of the exposure. Off-balance sheet exposures include undrawn and partially drawn residential mortgage loans as well as commitments to lend. Commitments to lend are formal offers for housing lending which have been accepted by the customer.

As at 31 March 2022	On-balance sheet NZ$m	Off-balance sheet NZ$m	Total NZ$m
LVR range			
Does not exceed 60%	55,011	6,803	61,814
Exceeds 60% and not 70%	20,063	1,151	21,214
Exceeds 70% and not 80%	20,269	1,070	21,339
Does not exceed 80%	95,343	9,024	104,367
Exceeds 80% and not 90%	4,496	105	4,601
Exceeds 90%	1,626	186	1,812
Total	101,465	9,315	110,780

Specialised lending subject to the slotting approach

As at 31 March 2022	Total exposures after credit risk mitigation NZ$m	Risk weight %	Risk weighted assets NZ$m	Minimum Pillar 1 capital requirement NZ$m
On-balance sheet exposures				
Strong	6,526	70	4,842	387
Good	5,471	90	5,219	418
Satisfactory	302	115	368	29
Weak	93	250	249	21
Default	47	-	-	-

As at 31 March 2022	Exposure at default NZ$m	Average risk weight %	Risk weighted assets NZ$m	Minimum Pillar 1 capital requirement NZ$m
Off-balance sheet exposures				
Undrawn commitments and other off-balance sheet exposures	1,550	84	1,379	110

The supervisory categories of specialised lending above are associated with specific risk-weights. These categories broadly correspond to the following external credit assessments using S&P Global Ratings' rating scale, Strong: BBB- or better, Good: BB+ or BB, Satisfactory: BB- or B+ and Weak: B to C-.

REGISTERED BANK DISCLOSURES

Credit risk exposures subject to the standardised approach

As at 31 March 2022	Total exposure after credit risk mitigation NZ$m	Average risk weight %	Risk weighted exposure NZ$m	Minimum Pillar 1 capital requirement NZ$m
On-balance sheet exposures				
Cash and gold bullion	185	-	-	-
Sovereign and central banks	18,630	-	-	-
Multilateral development banks and other international organisations	4,339	-	-	-
Public sector entities	1,639	20	348	28
Banks	2,257	44	1,041	83
Corporate	61	104	67	5
Residential mortgages	-	-	-	-
Past due assets	-	-	-	-
Other assets	1,182	100	1,253	100

As at 31 March 2022	Total exposure or principal amount NZ$m	Average credit conversion factor %	Credit equivalent amount NZ$m	Average risk weight %	Risk weighted exposure NZ$m	Minimum Pillar 1 capital requirement NZ$m
Off-balance sheet exposures						
Total off balance sheet exposures subject to the standardised approach	1,903	53	1,000	56	594	48
Counterparty credit risk for counterparties subject to the standardised approach						
Foreign exchange contracts	239,778	n/a	2,526	24	633	51
Interest rate contracts	1,727,957	n/a	2,012	15	317	25
Other[1]	1,387	n/a	325	29	584	47

1 Risk weighted exposure includes an additional NZ$483 million for credit valuation adjustment.

Credit risk mitigation

Information on the total value of exposures covered by financial guarantees and eligible financial collateral is not disclosed, as the effect of these guarantees and collateral on the underlying credit risk exposures is not considered to be material.

As at 31 March 2022	For portfolios subject to the standardised approach: total value of exposures covered by eligible financial collateral (after haircut) NZ$m	For all portfolios: total value of exposures covered by guarantees or credit derivatives[1] NZ$m
Exposure class		
Sovereign	-	-
Bank	-	-
Corporate (including specialised lending)	-	435
Residential mortgage	-	-
Other	-	-

1 Covered by guarantees where the presence of the guarantees was judged to reduce the underlying credit risk of the exposures.

Equity exposures

As at 31 March 2022	Exposure at default NZ$m	Risk weight %	Risk weighted exposure NZ$m	Minimum Pillar 1 capital requirement NZ$m
Equity holdings (not deducted from capital) that are publicly traded	-	300	-	-
All other equity holdings (not deducted from capital)	1	400	5	-

Operational risk

As required by its conditions of registration, the Banking Group uses the standardised approach to the calculation of its operational risk capital requirement. As at 31 March 2022, the Banking Group had an implied risk weighted exposure of NZ$11,385 million for operational risk and an operational risk capital requirement of NZ$911 million.

Market risk

The aggregate market risk exposures below have been calculated in accordance with BPR140: *Market Risk*. The peak end-of-day market risk exposures are for the six months ended 31 March 2022.

	Implied risk weighted exposure		Aggregate capital charge	
As at 31 March 2022	Period end NZ$m	Peak NZ$m	Period end NZ$m	Peak NZ$m
Interest rate risk	6,305	7,398	504	592
Foreign currency risk	46	84	4	7
Equity risk	1	1	-	-

Capital for other material risks

The Banking Group has an Internal Capital Adequacy Assessment Process (ICAAP) which complies with the requirements of the Bank's Conditions of Registration. Under the Banking Group's ICAAP it identifies and measures all "other material risks", which are those material risks that are not explicitly captured in the calculation of the Banking Group's tier 1 and total capital ratios. The other material risks identified by the Banking Group include fixed asset risk and deferred acquisition cost risk. As at 31 March 2022, the Banking Group's internal capital allocation for these other material risks is NZ$326 million (March 2021: NZ$330 million, updated from NZ$274 million for revised methodology).

Information about Ultimate Parent Bank and Overseas Banking Group

APRA Basel III capital ratios

	Overseas Banking Group		Ultimate Parent Bank (Extended Licensed Entity)	
As at 31 March	2022	2021	2022	2021
Common equity tier 1 capital	11.5%	12.4%	11.1%	12.2%
Tier 1 capital	13.2%	14.3%	13.1%	14.2%
Total capital	16.6%	18.3%	17.1%	18.6%

The Ultimate Parent Bank and the Overseas Banking Group are required to hold minimum capital as determined by APRA, which is at least equal to that specified under the Basel III capital framework.

APRA has authorised the Ultimate Parent Bank and the Overseas Banking Group to use:

- the Advanced Internal Ratings Based (AIRB) methodology for calculation of credit risk weighted assets. Where the Overseas Banking Group is not accredited to use the AIRB methodology the Overseas Banking Group applies the standardised approach.
- the Advanced Measurement Approach (AMA) for the operational risk weighted asset equivalent.

The Overseas Banking Group exceeded the minimum capital requirements set by APRA as at 31 March 2022 and for the comparative prior periods.

The Overseas Banking Group is required to publicly disclose Pillar 3 financial information as at 31 March 2022. The Overseas Banking Group's Pillar 3 disclosure document for the quarter ended 31 March 2022, in accordance with APS 330: *Public Disclosure of Prudential Information*, discloses capital adequacy ratios and other prudential information. This document can be accessed at the website anz.com.

Regulatory liquidity ratios

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 1-month or 1-week period of stress. It is expressed as a ratio over the bank's total funding. The Banking Group must maintain its 1-month and 1-week mismatch ratios above zero on a daily basis. The 1-month and 1-week mismatch ratios are averaged over the quarter.

RBNZ requires banks to get a minimum amount of funding from stable sources called core funding. From 1 January 2022, the minimum amount of core funding was increased from 50% to 75% of a bank's total loans. The Banking Group must maintain its core funding ratio above the regulatory minimum on a daily basis. This measure of the core funding ratio is averaged over the quarter.

For the three months ended	31 Mar 22	31 Dec 21
Quarterly average 1-week mismatch ratio	7.6%	8.7%
Quarterly average 1-month mismatch ratio	7.0%	7.9%
Quarterly average core funding ratio	91.4%	91.3%

REGISTERED BANK DISCLOSURES

B5. CONCENTRATION OF CREDIT EXPOSURES TO INDIVIDUAL COUNTERPARTIES

The Banking Group measures its concentration of credit exposures to individual counterparties at the reporting date on the basis of actual exposures. Peak end-of-day aggregate credit exposures are measured on the basis of internal limits that were not materially exceeded between the reporting date for the previous disclosure statement and the reporting date for the Disclosure Statement.

The exposure information in the table below excludes exposures to:

- connected persons (i.e. other members of the Overseas Banking Group and Directors of the Bank);
- 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.

	As at 31 Mar 22	Peak end of day over 6 months to 31 Mar 22
Exposures to banks		
Total number of exposures to banks that are greater than 10% of CET1 capital	-	1
with a long-term credit rating of A- or A3 or above, or its equivalent	-	1
- 10% to less than 15% 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		
Total number of exposures to non-banks that are greater than 10% of CET1 capital	2	2
with a long-term credit rating of A- or A3 or above, or its equivalent	2	2
- 10% to less than 15% of CET1 capital	2	2
with a long-term credit rating of at least BBB- or Baa3, or its equivalent, and at most BBB+ or Baa1, or its equivalent	-	-

B6. INSURANCE BUSINESS

As at 31 March 2022, the Banking Group does not conduct any insurance business.

DIRECTORS' STATEMENT

As at the date on which this Disclosure Statement is signed, after due enquiry, each Director believes that:

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

Over the six months ended 31 March 2022, after due enquiry, each Director believes that:

- ANZ Bank New Zealand Limited has complied in all material respects with each condition of registration that applied during that period except as noted on page 25[1];
- Credit exposures to connected persons were not contrary to the interests of the Banking Group; and
- ANZ Bank New Zealand Limited had systems in place to monitor and control adequately the Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied.

1. In accordance with the Order, ANZ Bank New Zealand Limited has complied in all material respects with each of its conditions of registration that applied during the period if the RBNZ has not published any information about a breach on its website, and has not notified ANZ Bank New Zealand Limited of any material breach.

This Disclosure Statement is dated, and has been signed by all Directors of the Bank on, 6 May 2022.

Shayne Elliott

Alison Gerry

Rt Hon Sir John Key, GNZM AC

Scott St John

Mark Verbiest

Antonia Watson

Joan Withers

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE SHAREHOLDER OF ANZ BANK NEW ZEALAND LIMITED

REPORT ON THE HALF YEAR DISCLOSURE STATEMENT

REPORT ON THE INTERIM FINANCIAL STATEMENTS AND REGISTERED BANK DISCLOSURES IN SECTIONS B2, B3, B5, B6

CONCLUSION

Based on our review of the interim financial statements and the registered bank disclosures (together referred to as 'the half year disclosure statement') of ANZ Bank New Zealand Limited and its subsidiaries (the Banking Group) on pages 4 to 44, nothing has come to our attention that causes us to believe that:

- the interim financial statements on pages 4 to 23 do not present fairly in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*, in all material respects, the Banking Group's financial position as at 31 March 2022 and its financial performance and cash flows for the six month period ended on that date; and
- the registered bank disclosures in sections B2, B3, B5 and B6 disclosed in accordance with Schedules 5, 7, 13, 16 and 18 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the Order) respectively, do not fairly state, in all material respects, the matters to which they relate in accordance with those schedules.

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

- the interim financial statements formed of:
  - the consolidated balance sheet as at 31 March 2022;
  - the consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the six month period then ended; and
  - notes, including a summary of significant accounting policies and other explanatory information.
- the registered bank disclosures prescribed in Schedules 5, 7, 13, 16 and 18 of the Order.

BASIS FOR CONCLUSION

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

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

Our firm has also provided other services to the Banking Group in relation to review of regulatory returns, internal controls reports, prospectus assurance, agreed upon procedures and other assurance engagements. Subject to certain restrictions, partners and employees of our firm may also deal with the Banking Group on normal terms within the ordinary course of trading activities of the business of the Banking Group. These matters have not impaired our independence as reviewer of the Banking Group. The firm has no other relationship with, or interest in, the Banking Group.

EMPHASIS OF MATTER – NON-COMPLIANCE WITH CERTAIN CONDITIONS OF REGISTRATION

We draw attention to section B1 of the half year disclosure statement, in which the Banking Group discloses that it has identified non-compliance with aspects of its Conditions of Registration relating to capital adequacy.

Further details of the matters relating to capital adequacy are described below in our qualified review conclusion on the registered bank disclosures in section B4 relating to capital adequacy and regulatory liquidity ratios.

Our conclusion on the interim financial statements and registered bank disclosures in sections B2, B3, B5, and B6 is not modified in respect of these matters.

RESPONSIBILITIES OF THE DIRECTORS FOR THE INTERIM FINANCIAL STATEMENTS AND REGISTERED BANK DISCLOSURES IN SECTIONS B1, B2, B3, B5, AND B6

The Directors, on behalf of the Banking Group, are responsible for:

- the preparation and fair presentation of the interim financial statements and registered bank disclosures in accordance with IAS 34, NZ IAS 34 and Schedules 3, 5, 7, 13, 16 and 18 of the Order;
- implementing necessary internal controls to enable the preparation of interim financial statements that are fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE REVIEW OF THE INTERIM FINANCIAL STATEMENTS AND REGISTERED BANK DISCLOSURES IN SECTIONS B2, B3, B5, AND B6

Our responsibility is to express a conclusion on the interim financial statements and registered bank disclosure statements in sections B2, B3, B5, and B6 based on our review. We conducted our review in accordance with NZ SRE 2410. NZ SRE 2410 requires us to conclude whether anything has come to attention that causes us to believe that:

- the interim financial statements do not present fairly in all material respects the Banking Group's financial position as at 31 March 2022 and its financial performance and cash flows for the six month period ended on that date;
- the interim financial statements do not, in all material respects, comply with IAS 34 and NZ IAS 34; and
- the registered bank disclosures in sections B2, B3, B5 and B6 does not, fairly state, in all material respects, the matters to which it relates in accordance with Schedules 5, 7, 13, 16 and 18 of the Order.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on the interim financial statements and the registered bank disclosures in sections B2, B3, B5, and B6. This description forms part of our independent review report.

REPORT ON THE REGISTERED BANK DISCLOSURES IN SECTION B4 RELATING TO CAPITAL ADEQUACY AND REGULATORY LIQUIDITY RATIOS (SECTION B4)

QUALIFIED REVIEW CONCLUSION

We have reviewed the registered bank disclosures, as disclosed in section B4 of the half year disclosure statement for the six month period ended 31 March 2022, which are required to be disclosed in accordance with Schedule 11 of the Order.

Based on our review, with the exception of the matter described below, nothing has come to our attention that causes us to believe that the information relating to Capital Adequacy and Regulatory Liquidity Ratios, disclosed in section B4 of the half year disclosure statement, is not, in all material respects disclosed in accordance with Schedule 11 of the Order.

BASIS FOR QUALIFIED CONCLUSION ON THE REGISTERED BANK DISCLOSURES IN SECTION B4

A review of the registered bank disclosures in section B4 in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity (*NZSRE 2410) is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Our responsibilities under that standard are further described in the 'Auditor's Responsibilities for the review of the registered bank disclosures in section B4' section of our report.

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

As described in section B1, the Banking Group has identified that it was not compliant with Condition of Registration 1B in relation to the operation of versions of the following rating models and processes, which were not approved by the Reserve Bank of New Zealand (in some cases since 2008):

- Bank Rating;
- Project and Structured Finance; and
- Commercial Property: Special Purpose Asset Investment.

In this respect, the Capital Adequacy Ratios disclosed in section B4 of the half year disclosure statement have not been disclosed in accordance with Schedule 11 of the Order, with section B1 disclosing the Banking Group's calculation of the corresponding impact on risk weighted assets. The Banking Group has remediated these models and submitted all affected models to the Reserve Bank of New Zealand for approval.

The above matters do not affect the Regulatory Liquidity information, which is also disclosed in section B4.

RESPONSIBILITIES OF THE DIRECTORS FOR THE REGISTERED BANK DISCLOSURES IN SECTION B4

The Directors, on behalf of the Banking Group, are responsible for the preparation and fair presentation of the registered bank disclosures in section B4 of the half year disclosure statement in accordance with the registered bank's Conditions of Registration, the Reserve Bank of New Zealand's Banking Prudential Requirements and Schedule 11 of the Order.

AUDITOR'S RESPONSIBILITIES FOR THE REVIEW OF THE REGISTERED BANK DISCLOSURES IN SECTION B4

Our responsibility is to express a conclusion on the registered bank disclosures in section B4 based on our review. We conducted our review in accordance with NZ SRE 2410 issued by the New Zealand External Reporting Board. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the registered bank disclosures in section B4 is not, in all material respects, disclosed in accordance with Schedule 11 of the Order.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on the registered bank disclosures in section B4. This description forms part of our independent review report.

INDEPENDENT AUDITOR'S REVIEW REPORT

USE OF THIS INDEPENDENT REVIEW REPORT

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

KPMG

KPMG
Auckland

6 May 2022

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