AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED - ANZ NEW ZEALAND REGISTERED BANK DISCLOSURE STATEMENT

FOR THE SIX MONTHS ENDED 31 MARCH 2022
NUMBER 46 | ISSUED MAY 2022

CONTENTS

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 means the Bank and all its controlled entities.

Immediate Parent Company means ANZ Funds Pty Limited, which is the immediate parent company of 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, We or Our means the New Zealand business of the Overseas Banking Group.

Registered Office is Level 10, 171 Featherston Street, Wellington, New Zealand, which is also ANZ New Zealand'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 (Overseas 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

Condensed consolidated interim financial statements

Notes to the condensed consolidated interim financial statements

INTERIM FINANCIAL STATEMENTS

INCOME STATEMENT

For the six months ended 31 March	Note	2022 NZ$m	2021 NZ$m
Interest income		2,458	2,338
Interest expense		(697)	(677)
Net interest income		1,761	1,661
Other operating income	2	563	327
Operating income		2,324	1,988
Operating expenses	3	(826)	(772)
Profit before credit impairment and income tax		1,498	1,216
Credit impairment release	6	20	70
Profit before income tax		1,518	1,286
Income tax expense		(422)	(356)
Profit for the period		1,096	930

STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 March	2022 NZ$m	2021 NZ$m
Profit for the period	1,096	930
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	1,035	963

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		8,938	9,283
Investment securities		10,291	11,926
Net loans and advances	5	146,397	141,074
Investments in associates		5	5
Current tax assets		44	-
Deferred tax assets		328	390
Goodwill and other intangible assets	7	3,103	3,091
Premises and equipment		485	509
Other assets		609	591
Total assets		190,721	185,072
Liabilities			
Settlement balances payable		4,551	2,663
Collateral received		1,070	738
Deposits and other borrowings	8	141,420	135,986
Derivative financial instruments		8,326	7,680
Current tax liabilities		-	161
Payables and other liabilities		1,258	1,483
Employee entitlements		132	138
Other provisions	9	250	295
Debt issuances	10	18,483	20,852
Total liabilities (excluding head office account)		175,490	169,996
Net assets (excluding head office account)		15,231	15,076
Equity			
Share capital and initial head office account		11,055	11,055
Reserves		7	70
Retained earnings		4,169	3,951
Total equity & head office account		15,231	15,076

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	1,096	930
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	(103)	(765)
Other non-cash movements	(8)	117
Net (increase)/decrease in operating assets:		
Collateral paid	(75)	14
Trading securities	1,767	3,097
Net loans and advances	(5,323)	(4,802)
Other assets	(676)	(124)
Net increase/(decrease) in operating liabilities:		
Deposits and other borrowings (excluding items included in financing activities)	5,060	3,810
Settlement balances payable	1,888	(78)
Collateral received	332	(73)
Other liabilities	(409)	19
Total adjustments	2,517	1,279
Net cash flows from operating activities[1]	3,613	2,209
Cash flows from investing activities		
Investment securities:		
Purchases	(5,569)	(4,046)
Proceeds from sale or maturity	6,879	1,509
Purchases of investments in associates	-	(6)
Other assets	(58)	(17)
Net cash flows from investing activities	1,252	(2,560)
Cash flows from financing activities		
Deposits and other borrowings (excluding borrowings from Immediate Parent and Ultimate Parent Bank)[2]	500	-
Debt issuances[3]		
Issue proceeds	2,680	-
Redemptions	(3,753)	(2,307)
Borrowings from Immediate Parent and Ultimate Parent Bank:[4]		
Loans drawn down	709	910
Repayments	(765)	(898)
Repayment of lease liabilities	(22)	(23)
Dividends paid	(880)	-
Net cash flows from financing activities	(1,531)	(2,318)
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$542 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$670 million decrease (2021: NZ$1,077 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$17 million increase (2021: NZ$46 million increase) from other changes.
4 Movement in borrowings from Immediate Parent and Ultimate Parent Bank (Note 8 deposit and other borrowings) also includes a NZ$9 million decrease (2021: NZ$54 million decrease) from the effect of foreign exchange rates, a NZ$61 million decrease (2021: NZ$44 million decrease) from changes in fair value hedging instruments and nil from other changes (2021: NZ$1 million increase).

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

STATEMENT OF CHANGES IN EQUITY

	Share capital and initial head office account 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	11,055	8	110	2,837	14,010
Profit or loss	-	-	-	930	930
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)	962	963
As at 31 March 2021	11,055	42	77	3,799	14,973
As at 1 October 2021	11,055	62	8	3,951	15,076
Profit or loss	-	-	-	1,096	1,096
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)	1,098	1,035
Transactions with Immediate Parent Company in its capacity as owner:					
Ordinary dividends paid	-	-	-	(880)	(880)
Transactions with Immediate Parent Company in its capacity as owner	-	-	-	(880)	(880)
As at 31 March 2022	11,055	22	(15)	4,169	15,231

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

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 New Zealand and should be read in conjunction with ANZ New Zealand'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 consolidated financial statements of ANZ New Zealand comprise the financial statements of the NZ Branch and all of the New Zealand businesses of all the subsidiaries of the Ultimate Parent Bank.

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 ANZ New Zealand 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.

ANZ New Zealand 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	74	65
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	183	(38)
Net foreign exchange earnings and other financial instruments income	288	29
Sale of legacy insurance portfolio	-	14
Release of provisions for UDC Finance Ltd and Paymark Ltd disposal costs	14	-
Other	3	8
Other income	305	51
Other operating income	563	327

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

ANZ New Zealand 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, ANZ New Zealand reorganised into the following business segments: Personal (comprising the Personal and Funds Management business units), Business, and Institutional. These are intended to better align ANZ New Zealand'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 ANZ New Zealand'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	1,024	986	575	503	158	168	4	4	1,761	1,661
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	225	(39)	305	51
Other operating income	202	248	25	5	111	113	225	(39)	563	327
Operating income	1,226	1,234	600	508	269	281	229	(35)	2,324	1,988
Operating expenses	(585)	(547)	(131)	(118)	(96)	(94)	(14)	(13)	(826)	(772)
Profit before credit impairment and income tax	641	687	469	390	173	187	215	(48)	1,498	1,216
Credit impairment release / (charge)	(26)	32	48	31	(2)	7	-	-	20	70
Profit / (loss) before income tax	615	719	517	421	171	194	215	(48)	1,518	1,286
Income tax expense	(173)	(198)	(145)	(118)	(48)	(54)	(56)	14	(422)	(356)
Profit after income tax	442	521	372	303	123	140	159	(34)	1,096	930

	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	101,646	95,379	37,797	39,158	6,954	6,535	-	2	146,397	141,074
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	11	(3)
Economic hedges	128	(32)
Total	159	(34)

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		103,074	98,831
Term loans - non-housing		41,439	40,528
Subtotal		146,569	141,285
Unearned income		(34)	(29)
Capitalised brokerage and other origination costs		435	403
Gross loans and advances		146,970	141,659
Allowance for expected credit losses	6	(573)	(585)
Net loans and advances		146,397	141,074

ANZ New Zealand 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.

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

ANZ New Zealand 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 ANZ New Zealand'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, ANZ New Zealand 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, ANZ New Zealand 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. ANZ New Zealand'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. ANZ New Zealand monitors the effectiveness of SICR criteria on an ongoing basis.	ANZ New Zealand 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 ANZ New Zealand'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	ANZ New Zealand 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. ANZ New Zealand considers these weightings to provide estimates of the possible loss outcomes and taking into account short and long term inter-relationships within ANZ New Zealand'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 ANZ New Zealand should be considered as a best estimate within a range of possible estimates. The table below illustrates the sensitivity of ANZ New Zealand'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 ANZ New Zealand'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 ANZ New Zealand'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
Borrowings from Ultimate Parent Bank and Immediate Parent Company	2,760	2,886
Deposits and other borrowings	141,420	135,986

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

ANZ New Zealand 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		
- ANZ Capital Notes	1,042	1,513
- Other subordinated debt	879	871
Total subordinated debt	1,921	2,384
Total debt issued	18,483	20,852

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 ANZ New Zealand 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	146,397	141,074	-	-	146,397	141,074
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	8,938	9,283	-	-	8,938	9,283
Investment securities	10,291	11,926	-	-	10,291	11,926
Other financial assets[2]	500	497	-	-	500	497
Total other financial assets	40,250	39,909	185	163	40,065	39,746
Subtotal	186,647	180,983	185	163	186,462	180,820
Off-balance sheet commitments						
Undrawn and contingent facilities[3]	30,862	29,780	-	-	30,862	29,780
Total	217,509	210,763	185	163	217,324	210,600

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

Credit quality description	Internal CCR	ANZ New Zealand 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			Stage 3		
As at 31 March 2022	Stage 1 NZ$m	Stage 2 NZ$m	Collectively assessed NZ$m	Individually assessed NZ$m	Total NZ$m
Strong	121,386	2,236	-	-	123,622
Satisfactory	17,766	2,703	-	-	20,469
Weak	317	1,432	-	-	1,749
Defaulted	-	-	579	150	729
Subtotal	139,469	6,371	579	150	146,569
Allowance for ECL	(163)	(292)	(56)	(62)	(573)
Net loans and advances at amortised cost	139,306	6,079	523	88	145,996
Coverage ratio	0.12%	4.58%	9.67%	41.33%	0.39%
Unearned income					(34)
Capitalised brokerage and other origination costs					435
Net carrying amount					146,397
As at 30 September 2021					
Strong	116,875	1,625	-	-	118,500
Satisfactory	17,133	3,136	-	-	20,269
Weak	294	1,447	-	-	1,741
Defaulted	-	-	620	155	775
Subtotal	134,302	6,208	620	155	141,285
Allowance for ECL	(155)	(314)	(56)	(60)	(585)
Net loans and advances at amortised cost	134,147	5,894	564	95	140,700
Coverage ratio	0.12%	5.06%	9.03%	38.71%	0.41%
Unearned income					(29)
Capitalised brokerage and other origination costs					403
Net carrying amount					141,074

Off-balance sheet commitments - undrawn and contingent facilities			Stage 3		
As at 31 March 2022	Stage 1 NZ$m	Stage 2 NZ$m	Collectively assessed NZ$m	Individually assessed NZ$m	Total NZ$m
Strong	25,523	184	-	-	25,707
Satisfactory	4,258	854	-	-	5,112
Weak	17	107	-	-	124
Defaulted	-	-	16	22	38
Gross undrawn and contingent facilities	29,798	1,145	16	22	30,981
Allowance for ECL included in other provisions (refer to Note 9)	(65)	(36)	(4)	(14)	(119)
Net undrawn and contingent facilities	29,733	1,109	12	8	30,862
Coverage ratio	0.22%	3.14%	25.00%	63.64%	0.38%
As at 30 September 2021					
Strong	24,822	142	-	-	24,964
Satisfactory	3,734	1,037	-	-	4,771
Weak	12	100	-	-	112
Defaulted	-	-	32	23	55
Gross undrawn and contingent facilities	28,568	1,279	32	23	29,902
Allowance for ECL included in other provisions (refer to Note 9)	(64)	(39)	(4)	(15)	(122)
Net undrawn and contingent facilities	28,504	1,240	28	8	29,780
Coverage ratio	0.22%	3.05%	12.50%	65.22%	0.41%

12. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value hierarchy

ANZ New Zealand 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	8,854	9,263	-	1	8,938	9,283
Investment securities	10,014	11,925	276	-	1	1	10,291	11,926
Total	16,101	20,220	10,945	10,572	1	2	27,047	30,794
Liabilities								
Deposits and other borrowings	-	-	4,892	4,433	-	-	4,892	4,433
Derivative financial instruments	5	5	8,317	7,675	4	-	8,326	7,680
Other financial liabilities	478	676	-	-	-	-	478	676
Total	483	681	13,209	12,108	4	-	13,696	12,789

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]	146,397	141,074	145,216	141,021
Total	146,397	141,074	145,216	141,021
Financial liabilities				
Deposits and other borrowings[2]	136,528	131,553	136,548	131,713
Debt issuances[1]	18,483	20,852	18,495	21,108
Total	155,011	152,405	155,043	152,821

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	28,130	27,170
Guarantees and letters of credit	1,187	1,181
Performance related contingencies	1,664	1,551
Total	30,981	29,902

ANZ New Zealand 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 ANZ New Zealand. 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 ANZ New Zealand.

REGULATORY AND CUSTOMER EXPOSURES

In recent years there has been an increase in the number of matters on which ANZ New Zealand 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. ANZ New Zealand has received various notices and requests for information from its regulators as part of both industry-wide and ANZ New Zealand-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

ANZ New Zealand 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 (Overseas Incorporated Registered Banks) Order 2014.

REGISTERED BANK DISCLOSURES

B1. GENERAL DISCLOSURES

Guarantees
No material obligations of the NZ Branch are guaranteed as at 6 May 2022.

Covered bonds issued by ANZ New Zealand (Int'l) Limited, a subsidiary of the Bank, are guaranteed. Refer to page 18 for further details.

Changes in the Ultimate Parent Bank's Board of Directors
Christine O'Reilly was appointed as an Independent Non-Executive Director of the Ultimate Parent Bank on 1 November 2021. Paula Dwyer ceased as an Independent Non-Executive Director of the Ultimate Parent Bank on 16 December 2021. There have been no other changes to the Directors of the Ultimate Parent Bank since 30 September 2021, the balance date of the last full year disclosure statement.

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

Pending proceedings or arbitration
A description of any pending legal proceedings or arbitration concerning any member of ANZ New Zealand that may have a material adverse effect on the NZ Branch or ANZ New Zealand is included in Note 13 commitments and contingent liabilities.

Credit rating
The Ultimate Parent 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 Ultimate Parent 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	Aa3	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.

Financial statements of the Ultimate Parent Bank and Overseas Banking Group
Copies of the most recent publicly available financial statements of the Ultimate Parent Bank and Overseas Banking Group will be provided immediately, free of charge, to any person requesting a copy where request is made at the Registered Office. The most recent publicly available financial statements for the Ultimate Parent Bank and Overseas Banking Group can also be accessed at the website anz.com/shareholder/centre/.

REGISTERED BANK DISCLOSURES

B2. ADDITIONAL FINANCIAL DISCLOSURES

Additional information on the balance sheet

As at 31 March 2022	NZ$m
Total interest earning and discount bearing assets	176,557
Total interest and discount bearing liabilities	140,942
Total amounts due from related entities	6,030
Total amounts due to related entities	9,005
Total liabilities of the NZ Branch less amounts due to related entities	1,074

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. ANZ New Zealand 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).

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	992	51	782	1,825
Finance and insurance services	1,070	14,964	1,617	17,651
Public administration and safety[1]	317	9,874	806	10,997
Rental, hiring & real estate services	38,685	1,597	3,073	43,355
Professional, scientific, technical, administrative and support services	824	3	450	1,277
Households	75,264	4	13,761	89,029
All other New Zealand residents[2]	2,109	114	1,823	4,046
Subtotal	144,434	27,095	30,888	202,417
Overseas				
Finance and insurance services	81	12,885	93	13,059
Households	1,353	-	-	1,353
All other non-NZ residents	701	85	-	786
Subtotal	2,135	12,970	93	15,198
Gross subtotal	146,569	40,065	30,981	217,615
Allowance for ECL	(573)	-	(119)	(692)
Subtotal	145,996	40,065	30,862	216,923
Unearned income	(34)	-	-	(34)
Capitalised brokerage and other origination costs	435	-	-	435
Maximum exposure to credit risk	146,397	40,065	30,862	217,324

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.

REGISTERED BANK DISCLOSURES

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		18,483
Certificates of deposit and commercial paper		7,063
Other borrowings		4,986
Total wholesale funding		30,532
Total funding		159,903
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		6,269
Overseas		24,263
Total wholesale funding		30,532
Total funding		159,903
Concentrations of funding by geography		
New Zealand		126,331
Australia		4,221
United States		12,883
Europe		9,733
Other countries		6,735
Total funding		159,903

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.

Additional information on interest rate sensitivity

The following table represents the interest rate sensitivity of ANZ New Zealand'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	8,938	-	-	-	-	-	8,938
Investment securities	10,291	12	-	307	1,404	8,567	1
Net loans and advances	146,397	67,247	15,331	24,488	23,975	15,867	(511)
Other financial assets	500	-	-	-	-	-	500
Total financial assets	186,647	80,278	15,859	25,067	25,884	29,469	10,090
Liabilities							
Settlement balances payable	4,551	2,619	-	-	-	-	1,932
Collateral received	1,070	1,070	-	-	-	-	-
Deposits and other borrowings	141,420	90,467	12,833	10,002	2,255	2,501	23,362
Derivative financial instruments	8,326	-	-	-	-	-	8,326
Debt issuances	18,483	348	1,600	1,079	5,439	10,017	-
Lease liabilities	234	11	11	21	80	111	-
Other financial liabilities	821	478	-	-	-	-	343
Total financial liabilities	174,905	94,993	14,444	11,102	7,774	12,629	33,963
Hedging instruments	-	(7,429)	14,797	607	(4,948)	(3,027)	-
Interest sensitivity gap	11,742	(22,144)	16,212	14,572	13,162	13,813	(23,873)

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 ANZ New Zealand 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	978	-	-	-	4,557
Collateral received	-	1,070	-	-	-	1,070
Deposits and other borrowings	87,482	24,394	23,247	7,445	-	142,568
Derivative financial liabilities (trading)	-	8,219	-	-	-	8,219
Debt issuances[1]	-	34	2,670	12,564	4,733	20,001
Lease liabilities	-	13	38	180	30	261
Other financial liabilities	-	118	16	257	408	799
Derivative financial instruments (balance sheet management)						
- gross inflows	-	740	1,500	5,499	298	8,037
- gross outflows	-	(737)	(1,564)	(5,330)	(235)	(7,866)

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

At 31 March 2022, NZ$30,981 million of its credit related commitments and contingent liabilities mature in less than 1 year, based on the earliest date on which ANZ New Zealand may be required to pay.

REGISTERED BANK DISCLOSURES

Liquidity portfolio management

ANZ New Zealand holds a diversified portfolio of cash and high quality liquid securities primarily to support liquidity risk management. The size of ANZ New Zealand'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 ANZ New Zealand'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.

Overseas Banking Group Profitability and Size

	31 Mar 22
Net profit for the six months ended 31 March 2022 (AUDm)	3,530
Net profit after tax for the 12 months ended 31 March 2022 as a percentage of average total assets	0.66%
Total assets (AUDm)	1,017,361
Percentage change in total assets in the 12 months to 31 March 2022	-0.10%

Reconciliation of mortgage related amounts

As at 31 March 2022	Note	NZ$m
Term loans - housing[1]	5	103,074
Less: housing loans made to corporate customers		(1,333)
On-balance sheet residential mortgage exposures (per LVR analysis)	B4	101,741
Add: off-balance sheet residential mortgage exposures (per LVR analysis)	B4	9,315
Total residential mortgage exposures (per LVR analysis)	B4	111,056

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

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

Gross loans and advances - total	Stage 1	Stage 2	Stage 3 Collectively assessed	Stage 3 Individually assessed	Total
As at 1 October 2021	134,302	6,208	620	155	141,285
Net transfers in to each stage	109	584	94	2	789
Amounts drawn from new or existing facilities	21,870	607	15	90	22,582
Additions	21,979	1,191	109	92	23,371
Net transfers out of each stage	(678)	(97)	(13)	(1)	(789)
Amounts repaid	(16,134)	(931)	(137)	(81)	(17,283)
Deletions	(16,812)	(1,028)	(150)	(82)	(18,072)
Amounts written off	-	-	-	(15)	(15)
As at 31 March 2022	139,469	6,371	579	150	146,569
Loss allowance as at 31 March 2022	163	292	56	62	573
Off-balance sheet credit related commitments - total					
As at 1 October 2021	28,568	1,279	32	23	29,902
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	29,798	1,145	16	22	30,981
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.

REGISTERED BANK DISCLOSURES

Past due assets and other asset quality information

As at 31 March 2022	Total NZ$m
Past due assets	
Less than 30 days past due	738
At least 30 days but less than 60 days past due	229
At least 60 days but less than 90 days past due	104
At least 90 days past due	398
Total past due but not individually impaired	**1,469**
Other asset quality information	
Undrawn facilities with impaired customers	22
Other assets under administration	3

ANZ New Zealand does not have any loans and advances designated at fair value.

Overseas Banking Group asset quality

As at 31 March 2022	
Gross impaired assets (AUDm)	1,709
Gross impaired assets as a percentage of total assets	0.2%
Individual provision (AUDm)	636
Individual provision as a percentage of gross impaired assets	37.2%
Collective provision (AUDm)	3,757

B4. CREDIT AND MARKET RISK EXPOSURES AND CAPITAL ADEQUACY

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.

Market risk

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

	Implied risk weighted exposure		Notional capital charge	
As at 31 March 2022	Period end NZ$m	Peak NZ$m	Period end NZ$m	Peak NZ$m
Interest rate risk	6,127	7,266	490	581
Foreign currency risk	46	84	4	7
Equity risk	1	1	-	-

Additional mortgage information

As required by RBNZ, LVRs are calculated as the current exposure secured by a residential mortgage divided by ANZ New Zealand'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%	55,115	6,803	61,918
Exceeds 60% and not 70%	20,108	1,151	21,259
Exceeds 70% and not 80%	20,381	1,070	21,451
Does not exceed 80%	95,604	9,024	104,628
Exceeds 80% and not 90%	4,508	105	4,613
Exceeds 90%	1,629	186	1,815
Total	101,741	9,315	111,056

B5. INSURANCE BUSINESS

As at 31 March 2022, ANZ New Zealand does not conduct any insurance business.

DIRECTORS' AND NEW ZEALAND CHIEF EXECUTIVE OFFICER'S STATEMENT

As at the date on which this Disclosure Statement is signed, after due enquiry, each Director of the Ultimate Parent Bank and the Chief Executive Officer – NZ Branch believes that:

- The Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statements (Overseas 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 of the Ultimate Parent Bank and the Chief Executive Officer – NZ Branch believes that:

- The Ultimate Parent Bank has complied in all material respects with each condition of registration that applied during that period[1]; and
- The NZ Branch and the Bank had systems in place to monitor and control adequately the material risks of Relevant Members of ANZ New Zealand including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk and other business risks, and that those systems were being properly applied.

1. In accordance with the Order, Australia and New Zealand Banking Group Limited - ANZ New Zealand 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 Australia and New Zealand Banking Group Limited - ANZ New Zealand of any material breach.

Signed by the Chief Executive Officer – NZ Branch

Chris O'Neale
Chief Executive Officer – NZ Branch
6 May 2022

Signed on behalf of all the Directors of the Ultimate Parent Bank

Antonia Watson
Responsible Person
6 May 2022

on behalf of the Directors of the Ultimate Parent Bank:
Ilana Atlas, AO
Shayne Elliott
Jane Halton, AO PSM
Rt Hon Sir John Key, GNZM AC
Graeme Liebelt
John Macfarlane
Christine O'Reilly
Paul O'Sullivan

INDEPENDENT AUDITOR'S REVIEW REPORT

KPMG

TO THE DIRECTORS OF AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

REPORT ON THE HALF YEAR DISCLOSURE STATEMENT

CONCLUSION

Based on our review of the interim financial statements and registered bank disclosures (together referred to as 'the half year disclosure statement') of the New Zealand business of Australia and New Zealand Banking Group Limited and its subsidiaries (ANZ New Zealand) on pages 4 to 33, 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, ANZ New Zealand'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 registered bank disclosures in sections B2, B3 and B5 disclosed in accordance with Schedules 5, 7, 12 and 14 of the Registered Bank Disclosure Statements (Overseas 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; and
- the registered bank disclosures relating to credit and market risk exposures and capital adequacy in section B4 are not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

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

- the interim financial statements formed of:
  - the 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, 9, 12 and 14 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 ANZ New Zealand, 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 ANZ New Zealand 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 ANZ New Zealand on normal terms within the ordinary course of trading activities of the business of ANZ New Zealand. These matters have not impaired our independence as reviewer of ANZ New Zealand. The firm has no other relationship with, or interest in, ANZ New Zealand.

RESPONSIBILITIES OF THE DIRECTORS FOR THE HALF YEAR DISCLOSURE STATEMENT

The Directors, on behalf of ANZ New Zealand, are responsible for:

- the preparation and fair presentation of the half year disclosure statement in accordance with IAS 34, NZ IAS 34 and Schedules 3, 5, 7, 12 and 14 of the Order;
- the preparation and fair presentation of ANZ New Zealand's disclosures in regards to credit and market risk exposures and capital adequacy in accordance with ANZ New Zealand's condition of registration, the Reserve Bank of New Zealand's Banking Prudential Requirements and Schedule 9 of the Order;
- implementing necessary internal controls to enable the preparation of a half year disclosure statement that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE REVIEW OF THE HALF YEAR DISCLOSURE STATEMENT

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

- the interim financial statements do not present fairly in all material respects, ANZ New Zealand'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;

INDEPENDENT AUDITOR'S REVIEW REPORT

- the registered bank disclosures in sections B2, B3, and B5 do not, fairly state, in all material respects, the matters to which it relates in accordance with Schedules 5, 7, 12 and 14 of the Order; and
- the registered bank disclosures relating to credit and market risk exposures and capital adequacy in section B4 is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

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

USE OF THE INDEPENDENT REVIEW REPORT

This independent review report is made solely to the Directors of ANZ New Zealand. Our review work has been undertaken so that we might state to the Directors 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 Directors 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

This page has been left blank intentionally anz.co.nz