

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

FOR THE SIX MONTHS ENDED 31 MARCH 2019
NUMBER 40 | ISSUED MAY 2019



REGISTERED BANK DISCLOSURE STATEMENT

FOR THE SIX MONTHS ENDED 31 MARCH 2019

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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 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.

OnePath means OnePath Life (NZ) Limited.

Paymark means Paymark Limited.

UDC means UDC Finance Limited.

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 (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

INCOME STATEMENT

| | Note | 6 months to | |
|--|------|--------------------|--------------------|
| | | 31 Mar 19 NZ\$m | 31 Mar 18 NZ\$m |
| Interest income | | 3,322 | 3,248 |
| Interest expense | | (1,696) | (1,676) |
| Net interest income | | 1,626 | 1,572 |
| Other operating income | 2 | 373 | 495 |
| Net income from insurance business | 12 | 27 | 81 |
| Share of associates' profit | | 4 | 1 |
| Operating income | | 2,030 | 2,149 |
| Operating expenses | | (745) | (747) |
| Profit before credit impairment and income tax | | 1,285 | 1,402 |
| Credit impairment charge | 5 | (32) | (70) |
| Profit before income tax | | 1,253 | 1,332 |
| Income tax expense | | (324) | (368) |
| Profit for the period | | 929 | 964 |

STATEMENT OF COMPREHENSIVE INCOME

| | 6 months to | |
|--|--------------------|--------------------|
| | 31 Mar 19 NZ\$m | 31 Mar 18 NZ\$m |
| Profit for the period | 929 | 964 |
| Other comprehensive income | | |
| Items that will not be reclassified subsequently to profit or loss | (16) | 2 |
| Items that may be reclassified subsequently to profit or loss | | |
| Reserve movements: | | |
| Unrealised losses recognised directly in equity | - | (6) |
| Realised losses transferred to the income statement | 4 | 3 |
| Income tax attributable to the above items | 3 | - |
| Other comprehensive income after tax | (9) | (1) |
| Total comprehensive income for the period | 920 | 963 |

INTERIM FINANCIAL STATEMENTS

BALANCE SHEET

| As at | Note | 31 Mar 19 NZ\$m | 30 Sep 18 NZ\$m |
|--|------|--------------------|--------------------|
| Assets | | | |
| Cash and cash equivalents | | 2,697 | 2,407 |
| Settlement balances receivable | | 630 | 656 |
| Collateral paid | | 2,370 | 1,919 |
| Trading securities | | 7,543 | 8,024 |
| Derivative financial instruments | | 9,118 | 8,072 |
| Investment securities | | 6,348 | 6,502 |
| Net loans and advances | 4 | 131,788 | 128,677 |
| Assets held for sale | 12 | - | 897 |
| Investments in associates | | - | 6 |
| Current tax assets | | 32 | - |
| Goodwill and other intangible assets | | 3,279 | 3,289 |
| Premises and equipment | | 340 | 325 |
| Other assets | | 807 | 642 |
| Total assets | | 164,952 | 161,416 |
| Liabilities | | | |
| Settlement balances payable | | 2,542 | 2,066 |
| Collateral received | | 519 | 845 |
| Deposits and other borrowings | 7 | 115,091 | 112,920 |
| Derivative financial instruments | | 9,872 | 8,133 |
| Current tax liabilities | | - | 174 |
| Deferred tax liabilities | | 6 | 23 |
| Liabilities held for sale | 12 | - | 334 |
| Payables and other liabilities | | 945 | 955 |
| Provisions | 8 | 310 | 196 |
| Debt issuances | 9 | 23,939 | 24,534 |
| Total liabilities (excluding head office account) | | 153,224 | 150,180 |
| Net assets (excluding head office account) | | 11,728 | 11,236 |
| Equity | | | |
| Share capital and initial head office account | | 11,055 | 11,055 |
| Reserves | | 36 | 33 |
| Retained earnings | | 637 | 148 |
| Total equity & head office account | | 11,728 | 11,236 |

CASH FLOW STATEMENT

| For the six months ended 31 March | Note | 2019 NZ\$m | 2018 NZ\$m |
|---|------|---------------|---------------|
| Profit after income tax | | 929 | 964 |
| Adjustments to reconcile to net cash flows from operating activities: | | | |
| Depreciation and amortisation | | 41 | 41 |
| Loss on sale and impairment of premises and equipment | | 5 | - |
| Net derivatives/foreign exchange adjustment | | (16) | (412) |
| Proceeds from divestments net of intangibles disposed of, classified as investing activities | | (646) | - |
| Other non-cash movements | | (146) | (13) |
| <i>Net (increase)/decrease in operating assets:</i> | | | |
| Collateral paid | | (451) | (219) |
| Trading securities | | 481 | (753) |
| Net loans and advances | | (3,111) | (1,359) |
| Other assets | | 625 | (338) |
| <i>Net increase/(decrease) in operating liabilities:</i> | | | |
| Deposits and other borrowings (excluding borrowings from Immediate Parent and Ultimate Parent Bank) | | 2,968 | 4,365 |
| Settlement balances payable | | 476 | 40 |
| Collateral received | | (326) | 147 |
| Other liabilities | | (421) | (67) |
| Total adjustments | | (521) | 1,432 |
| Net cash flows from operating activities¹ | | 408 | 2,396 |
| Cash flows from investing activities | | | |
| Investment securities: | | | |
| Purchases | | (1,054) | (1,770) |
| Proceeds from sale or maturity | | 1,288 | 1,530 |
| Proceeds from divestments | 12 | 747 | - |
| Other assets | | (51) | 17 |
| Net cash flows from investing activities | | 930 | (223) |
| Cash flows from financing activities | | | |
| Debt issuances ² | | | |
| Issue proceeds | | 3,240 | 2,885 |
| Redemptions | | (3,145) | (3,020) |
| Borrowings from Immediate Parent and Ultimate Parent Bank: | | | |
| Loans drawn down | | 512 | 497 |
| Repayments | | (1,280) | (1,352) |
| Dividends paid | | (375) | (800) |
| Net cash flows from financing activities | | (1,048) | (1,790) |
| Net change in cash and cash equivalents | | 290 | 383 |
| Cash and cash equivalents at beginning of period | | 2,407 | 2,439 |
| Cash and cash equivalents at end of period | | 2,697 | 2,822 |

¹ Net cash provided by operating activities includes income taxes paid of NZ\$519 million (2018: NZ\$387 million).

² Movement in debt issuances (Note 9 Debt Issuances) also includes a NZ\$942 million decrease (2018: NZ\$125 million increase) from the effect of foreign exchange rates, a NZ\$341 million increase (2018: NZ\$174 million decrease) from changes in fair value hedging instruments and a NZ\$89 million decrease (2018: NZ\$5 million increase) from other changes.

³ Movement in borrowings from Immediate Parent and Ultimate Parent Bank (Note 7 Deposit and Other Borrowings) also includes a NZ\$83 million decrease (2018: NZ\$62 million decrease) from the effect of foreign exchange rates and a NZ\$54 million increase (2018: NZ\$32 million decrease) from changes in fair value hedging instruments.

INTERIM FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

| | Note | 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 2017 | | 8,055 | 5 | 43 | 3,210 | 11,313 |
| Profit or loss | | - | - | - | 964 | 964 |
| Unrealised gains / (losses) recognised directly in equity | | - | 9 | (15) | - | (6) |
| Realised losses transferred to the income statement | | - | - | 3 | - | 3 |
| Actuarial gain on defined benefit schemes | | - | - | - | 2 | 2 |
| Income tax credit / (expense) on items recognised directly in equity | | - | (2) | 3 | (1) | - |
| Total comprehensive income for the period | | - | 7 | (9) | 965 | 963 |
| Transactions with Immediate Parent Company in its capacity as owner: | | | | | | |
| Ordinary dividends paid | | - | - | - | (800) | (800) |
| Transactions with Immediate Parent Company in its capacity as owner | | - | - | - | (800) | (800) |
| As at 31 March 2018 | | 8,055 | 12 | 34 | 3,375 | 11,476 |

| | | | | | | |
|---|---|--------|-----|-----|-------|--------|
| As at 1 October 2018 | | 11,055 | 11 | 22 | 148 | 11,236 |
| NZ IFRS 9 transition adjustment | 1 | - | - | - | (53) | (53) |
| As at 1 October 2018 (adjusted) | | 11,055 | 11 | 22 | 95 | 11,183 |
| Profit or loss | | - | - | - | 929 | 929 |
| Unrealised gains / (losses) recognised directly in equity | | - | (7) | 7 | - | - |
| Realised losses transferred to the income statement | | - | - | 4 | - | 4 |
| Actuarial loss on defined benefit schemes | | - | - | - | (16) | (16) |
| Income tax credit / (expense) on items recognised directly in equity | | - | 2 | (3) | 4 | 3 |
| Total comprehensive income for the period | | - | (5) | 8 | 917 | 920 |
| Transactions with Immediate Parent Company in its capacity as owner: | | | | | | |
| Ordinary dividends paid | | - | - | - | (375) | (375) |
| Transactions with Immediate Parent Company in its capacity as owner | | - | - | - | (375) | (375) |
| As at 31 March 2019 | | 11,055 | 6 | 30 | 637 | 11,728 |

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim financial statements (financial statements) for ANZ New Zealand were issued on 20 May 2019 and should be read in conjunction with ANZ New Zealand's financial statements for the year ended 30 September 2018.

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*.

Use of estimates, assumptions and judgements

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.

Basis of measurement

These financial statements have been prepared on a going concern basis in accordance with historical cost concepts except that the following assets and liabilities are stated at their fair value:

- derivative financial instruments;
- financial instruments measured at fair value through other comprehensive income;
- financial instruments held for trading; and
- financial instruments designated at fair value through profit and loss.

Changes in accounting policies

The accounting policies adopted by ANZ New Zealand are consistent with those adopted and disclosed in the previous full year financial statements, except as disclosed below.

The following new standards relevant to ANZ New Zealand have been adopted from 1 October 2018 and have been applied in the preparation of these financial statements:

NZ IFRS 9 Financial Instruments (NZ IFRS 9)

NZ IFRS 9 was effective for ANZ New Zealand from 1 October 2018. NZ IFRS 9 stipulates new requirements for the impairment of financial assets, classification and measurement of financial assets and financial liabilities and general hedge accounting. Details of the key requirements and estimated impacts on ANZ New Zealand are outlined below.

Impairment

NZ IFRS 9 replaced the incurred loss impairment model under NZ IAS 39: *Financial Instruments: Recognition and Measurement* (NZ IAS 39) with an expected credit loss (ECL) model incorporating forward looking information. The ECL model has been applied to all financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, lease receivables, certain loan commitments and financial guarantees. Under the ECL model, the following three-stage approach is applied to measuring ECL based on credit migration between the stages since origination:

- Stage 1: At the origination of a financial asset, a provision equivalent to 12 months ECL is recognised.
- Stage 2: Where there has been a significant increase in credit risk since origination, a provision equivalent to lifetime ECL is recognised.
- Stage 3: Similar to the previous NZ IAS 39 requirements for individual impairment provisions, lifetime ECL is recognised for loans where there is objective evidence of impairment.

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

Classification and measurement

There are three measurement classifications under NZ IFRS 9: Amortised cost, Fair Value through Profit or Loss and Fair Value through Other Comprehensive Income. Financial assets are classified into these measurement classifications taking into account the business model within which they are managed, and their contractual cash flow characteristics.

The classification and measurement requirements for financial liabilities under NZ IFRS 9 are largely consistent with NZ IAS 39 with the exception that for financial liabilities designated as measured at fair value, gains or losses relating to changes in the entity's own credit risk are included in other comprehensive income. This part of the standard was early adopted by ANZ New Zealand on 1 October 2013.

General hedge accounting

NZ IFRS 9 introduces new hedge accounting requirements which more closely align accounting with risk management activities undertaken when hedging financial and non-financial risks.

NZ IFRS 9 provides ANZ New Zealand with an accounting policy choice to continue to apply the NZ IAS 39 hedge accounting requirements until the International Accounting Standards Board's ongoing project on macro hedge accounting is completed. ANZ New Zealand has continued to apply the hedge accounting requirements of NZ IAS 39.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Transition to NZ IFRS 9

Other than as noted above under classification and measurement of financial liabilities, NZ IFRS 9 had a date of initial application for ANZ New Zealand of 1 October 2018. The classification and measurement, and impairment requirements, are applied retrospectively by adjusting opening retained earnings at 1 October 2018. ANZ New Zealand has not restated comparatives.

Impact

Impairment

The application of NZ IFRS 9 as at 1 October 2018 resulted in higher aggregate impairment provisions of approximately NZ\$73 million, with an associated decrease in deferred tax liabilities of approximately NZ\$20 million. The net impact on total equity is a reduction of approximately NZ\$53 million. These remain subject to change until ANZ New Zealand finalises its financial statements for the year ending 30 September 2019.

Classification and measurement of financial assets

There have been no changes in classification and measurement as a result of the application of the business model and contractual cash flow characteristics tests.

NZ IFRS 15 Revenue from Contracts with Customers (NZ IFRS 15)

NZ IFRS 15 is effective for ANZ New Zealand from 1 October 2018 and replaces existing guidance on the recognition of revenue from contracts with customers. The standard requires identification of distinct performance obligations within a contract, and allocation of the transaction price of the contract to those performance obligations. Revenue is then recognised as each performance obligation is satisfied. The standard also provides guidance on whether an entity is acting as a principal or an agent which impacts the presentation of revenue on a gross or net basis.

ANZ New Zealand has assessed all revenue streams existing at the date of transition to the new standard and determined that the impact of NZ IFRS 15 is immaterial given the majority of ANZ New Zealand revenues are outside the scope of the standard. ANZ New Zealand has adopted NZ IFRS 15 retrospectively including restatement of prior period comparatives.

Presentation currency and rounding

The amounts contained in the financial statements are presented in millions of New Zealand dollars, unless otherwise stated.

Comparatives

Certain amounts in the comparative information have been reclassified to ensure consistency with the current period's presentation.

Principles of consolidation

The financial statements consolidate the financial statements of the NZ Branch and all of the New Zealand businesses of all the subsidiaries of the Ultimate Parent Bank.

2. OTHER OPERATING INCOME

| | Note | 6 months to | |
|---|------|--------------------|--------------------|
| | | 31 Mar 19 NZ\$m | 31 Mar 18 NZ\$m |
| (i) Fee and commission revenue | | | |
| Lending fees | | 16 | 15 |
| Non-lending fees | | 407 | 398 |
| Commissions | | 23 | 21 |
| Funds management income | | 127 | 122 |
| Fee and commission income | | 573 | 556 |
| Fee and commission expense | | (241) | (230) |
| Net fee and commission income | | 332 | 326 |
| (ii) Other income | | | |
| Net trading gains | | 73 | 96 |
| Fair value gain / (loss) on hedging activities and financial liabilities designated at fair value | | (140) | 22 |
| Net foreign exchange earnings and other financial instruments income | | (67) | 118 |
| Gain on UDC terminated transaction | | - | 20 |
| Insurance proceeds | | - | 20 |
| Sale of OnePath | 12 | 59 | - |
| Sale of Paymark | 12 | 39 | - |
| Other | | 10 | 11 |
| Other income | | 41 | 169 |
| Other operating income | | 373 | 495 |

3. SEGMENT REPORTING

ANZ New Zealand is organised into three major business segments for segment reporting purposes - Retail, Commercial 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.

Comparative data has been adjusted to reflect a change in the methodology for allocating earnings on capital to each segment. While neutral at the ANZ New Zealand level, this change has impacted net interest income and profit after income tax at the segment level.

Retail

Retail provides a full range of banking and wealth management services to consumer, private banking and small business 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.

Commercial

Commercial provides a full range of banking services including traditional relationship banking and sophisticated financial solutions through dedicated managers focusing on privately owned medium to large enterprises and the agricultural business segment.

Institutional

The Institutional division services global institutional and corporate customers across three product sets: Transaction Banking, Loans & Specialised Finance and Markets.

- Transaction Banking provides working capital and liquidity solutions including documentary trade, supply chain financing as well as cash management solutions, deposits, payments and clearing.
- Loans & Specialised Finance provides loan products, loan syndication, specialised loan structuring and execution, project and export finance, debt structuring and acquisition finance and corporate advisory.
- Markets provide risk management services on foreign exchange, interest rates, credit, commodities, 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.

Operating segment analysis

| | Retail | | Commercial | | Institutional | | Other | | Total | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2019 NZ\$m | 2018 NZ\$m | 2019 NZ\$m | 2018 NZ\$m | 2019 NZ\$m | 2018 NZ\$m | 2019 NZ\$m | 2018 NZ\$m | 2019 NZ\$m | 2018 NZ\$m |
| For the six months ended 31 March | | | | | | | | | | |
| Net interest income | 940 | 929 | 517 | 495 | 169 | 158 | - | (10) | 1,626 | 1,572 |
| Fee and commission revenue | | | | | | | | | | |
| - Lending fees | 8 | 8 | - | - | 8 | 7 | - | - | 16 | 15 |
| - Non-lending fees | 368 | 353 | 9 | 9 | 30 | 36 | - | - | 407 | 398 |
| - Commissions | 23 | 21 | - | - | - | - | - | - | 23 | 21 |
| - Funds management fees | 127 | 122 | - | - | - | - | - | - | 127 | 122 |
| - Fee and commission expense | (241) | (230) | - | - | - | - | - | - | (241) | (230) |
| Net fee and commission income | 285 | 274 | 9 | 9 | 38 | 43 | - | - | 332 | 326 |
| Other income | 5 | 4 | 1 | - | 75 | 104 | (40) | 61 | 41 | 169 |
| Net income from insurance business | 19 | 67 | - | - | - | - | 8 | 14 | 27 | 81 |
| Share of associates' profits | 4 | 1 | - | - | - | - | - | - | 4 | 1 |
| Operating income | 1,253 | 1,275 | 527 | 504 | 282 | 305 | (32) | 65 | 2,030 | 2,149 |
| Profit / (loss) after income tax | 510 | 525 | 286 | 279 | 140 | 120 | (7) | 40 | 929 | 964 |

Other segment

The Other segment profit after income tax comprises:

| | 2019 NZ\$m | 2018 NZ\$m |
|---|---------------|---------------|
| For the six months ended 31 March | | |
| Central functions ¹ | - | 14 |
| Technology and Group Centre ^{2,3} | 178 | 3 |
| Economic hedges | (104) | 13 |
| Revaluation of insurance policies from changes in interest rates ³ | (81) | 10 |
| Total | (7) | 40 |

¹ Central functions' other income for the six months ended 31 March 2018 includes the NZ\$20 million insurance proceeds (Note 2 Other Operating Income) that were received from a member of the Overseas Banking Group.

² Technology and Group Centre's other income for the six months ended 31 March 2019 includes the NZ\$59 million gain on sale of OnePath and the NZ\$39 million gain on sale of Paymark (Note 2 Other Operating Income).

³ Amounts for the six months ended 31 March 2019 include the transfer of NZ\$86 million of accumulated after tax gains previously recognised in revaluation of insurance policies from changes in interest rates to Technology and Group Centre. These gains were transferred upon the sale of OnePath.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

4. NET LOANS AND ADVANCES

| | Note | 31 Mar 19 NZ\$m | 30 Sep 18 NZ\$m |
|---|------|--------------------|--------------------|
| Overdrafts | | 1,085 | 905 |
| Credit cards | | 1,620 | 1,644 |
| Term loans - housing | | 82,874 | 80,609 |
| Term loans - non-housing | | 44,803 | 44,169 |
| Finance lease and hire purchase receivables | | 1,830 | 1,791 |
| Subtotal | | 132,212 | 129,118 |
| Unearned income | | (246) | (239) |
| Capitalised brokerage/mortgage origination fees | | 309 | 314 |
| Gross loans and advances | | 132,275 | 129,193 |
| Provision for credit impairment | 5 | (487) | (516) |
| Net loans and advances | | 131,788 | 128,677 |

5. PROVISION FOR CREDIT IMPAIRMENT

PROVISION FOR CREDIT IMPAIRMENT - BALANCE SHEET

| | Net loans and advances | | Off-balance sheet credit related commitments ¹ | | Total | |
|--|------------------------|--------------------|---|--------------------|--------------------|--------------------|
| | 31 Mar 19 NZ\$m | 30 Sep 18 NZ\$m | 31 Mar 19 NZ\$m | 30 Sep 18 NZ\$m | 31 Mar 19 NZ\$m | 30 Sep 18 NZ\$m |
| Provision for credit impairment | | | | | | |
| Individual provision ² | 112 | 132 | - | - | 112 | 132 |
| Collective provision ³ | 375 | 312 | 82 | 72 | 457 | 384 |
| Total provision for credit impairment | 487 | 444 | 82 | 72 | 569 | 516 |

¹ Collective provision relating to off-balance sheet credit related commitments is included in provisions from 1 October 2018.

² Individual provision comprises Stage 3 ECL assessed individually from 1 October 2018.

³ Collective provision comprises Stage 1, 2 and 3 ECL assessed collectively from 1 October 2018.

| | Net loans and advances NZ\$m | Off-balance sheet credit related commitments NZ\$m | Total NZ\$m |
|---|---------------------------------|---|----------------|
| Collective provision reconciliation | | | |
| As at 30 September 2018 | | 312 | 384 |
| NZ IFRS 9 transition adjustment | | 60 | 73 |
| As at 1 October 2018 | | 372 | 457 |
| Collective credit impairment charge / (release) | | 3 | - |
| As at 31 March 2019 | | 375 | 457 |

CREDIT IMPAIRMENT CHARGE - INCOME STATEMENT

| | 6 months to | |
|--|--------------------|--------------------|
| | 31 Mar 19 NZ\$m | 31 Mar 18 NZ\$m |
| Credit impairment charge | | |
| New and increased provisions | 64 | 132 |
| Write-backs | (21) | (30) |
| Recoveries of amounts previously written-off | (11) | (18) |
| Individual credit impairment charge | 32 | 84 |
| Collective credit impairment release | - | (14) |
| Total credit impairment charge | 32 | 70 |

6. IMPAIRED AND PAST DUE LOANS

| | 31 Mar 19 NZ\$m | 30 Sep 18 NZ\$m |
|---|--------------------|--------------------|
| Loans that are at least 90 days past due but not impaired | 288 | 221 |
| Impaired loans | 292 | 323 |

7. DEPOSITS AND OTHER BORROWINGS

| | 31 Mar 19 NZ\$m | 30 Sep 18 NZ\$m |
|---|--------------------|--------------------|
| Term deposits | 53,109 | 51,298 |
| On demand and short term deposits | 42,800 | 41,602 |
| Deposits not bearing interest | 10,836 | 10,224 |
| UDC secured investments | 783 | 931 |
| Total customer deposits | 107,528 | 104,055 |
| Certificates of deposit | 912 | 910 |
| Deposits from banks and securities sold under repurchase agreements | 256 | 517 |
| Commercial paper | 2,240 | 2,486 |
| Borrowings from Ultimate Parent Bank and Immediate Parent Company | 4,155 | 4,952 |
| Deposits and other borrowings | 115,091 | 112,920 |

8. PROVISIONS

| | Note | 31 Mar 19 NZ\$m | 30 Sep 18 NZ\$m |
|---|------|--------------------|--------------------|
| Employee entitlements | | 123 | 120 |
| Collective provision on undrawn commitments | 5 | 82 | - |
| Other ¹ | | 105 | 76 |
| Provisions | | 310 | 196 |

¹ Other provisions include provisions relating to customer remediation, make-good of leased premises and restructuring (including OnePath separation).

9. DEBT ISSUANCES

| | 31 Mar 19 NZ\$m | 30 Sep 18 NZ\$m |
|----------------------------------|--------------------|--------------------|
| Senior debt | 17,995 | 18,767 |
| Covered bonds | 4,164 | 3,929 |
| Total unsubordinated debt | 22,159 | 22,696 |
| Subordinated debt | | |
| - ANZ Capital Notes | 1,503 | 1,549 |
| - Other | 277 | 289 |
| Total subordinated debt | 1,780 | 1,838 |
| Total debt issued | 23,939 | 24,534 |

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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

10. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities carried at fair value on the balance sheet

ANZ New Zealand categorises financial assets and financial 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 fair value:

- Level 1 – valuations based on quoted prices (unadjusted) in active markets for identical financial instruments;
- Level 2 – valuations using inputs other than quoted prices included within Level 1 that are observable for a similar financial asset or liability, either directly or indirectly; and
- Level 3 – valuations using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below summarises the attribution of financial instruments carried at fair value to 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 19 NZ\$m | 30 Sep 18 NZ\$m | 31 Mar 19 NZ\$m | 30 Sep 18 NZ\$m | 31 Mar 19 NZ\$m | 30 Sep 18 NZ\$m | 31 Mar 19 NZ\$m | 30 Sep 18 NZ\$m |
| Assets | | | | | | | | |
| Trading securities | 7,204 | 6,795 | 339 | 1,229 | - | - | 7,543 | 8,024 |
| Derivative financial instruments | 11 | 7 | 9,102 | 8,062 | 5 | 3 | 9,118 | 8,072 |
| Investment securities | 6,347 | 6,457 | - | 44 | 1 | 1 | 6,348 | 6,502 |
| Investments backing insurance contract liabilities ¹ | - | - | - | 127 | - | - | - | 127 |
| Total | 13,562 | 13,259 | 9,441 | 9,462 | 6 | 4 | 23,009 | 22,725 |
| Liabilities | | | | | | | | |
| Deposits and other borrowings | - | - | 2,240 | 2,486 | - | - | 2,240 | 2,486 |
| Derivative financial instruments | 15 | 10 | 9,854 | 8,122 | 3 | 1 | 9,872 | 8,133 |
| Other financial liabilities | 159 | 110 | - | - | - | - | 159 | 110 |
| Total | 174 | 120 | 12,094 | 10,608 | 3 | 1 | 12,271 | 10,729 |

¹ Including items reclassified as held for sale.

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 19 NZ\$m | 30 Sep 18 NZ\$m | 31 Mar 19 NZ\$m | 30 Sep 18 NZ\$m |
| Financial assets | | | | |
| Net loans and advances ¹ | 131,788 | 128,677 | 132,235 | 128,959 |
| Total | 131,788 | 128,677 | 132,235 | 128,959 |
| Financial liabilities | | | | |
| Deposits and other borrowings ² | 112,851 | 110,434 | 113,052 | 110,643 |
| Debt issuances ¹ | 23,939 | 24,534 | 24,087 | 24,724 |
| Total | 136,790 | 134,968 | 137,139 | 135,367 |

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 7 Deposits and Other Borrowings) designated at fair value through profit or loss.

11. COMMITMENTS AND CONTINGENT LIABILITIES

| | 31 Mar 19 NZ\$m | 30 Sep 18 NZ\$m |
|---|--------------------|--------------------|
| Credit related commitments and contingencies | | |
| Contract amount of: | | |
| Undrawn facilities | 26,653 | 26,995 |
| Guarantees and letters of credit | 1,351 | 1,531 |
| Performance related contingencies | 1,460 | 1,329 |
| Total | 29,464 | 29,855 |

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 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 the interests of ANZ New Zealand.

In recent years there has been an increase in the number of matters on which ANZ New Zealand engages with its regulators. There have been significant increases in the nature and scale of regulatory investigations and reviews, civil and criminal enforcement actions (whether by court action or otherwise) and the quantum of fines issued by regulators, particularly against financial institutions globally. The nature of these investigations and reviews can be wide ranging and, for example, may include a range of matters including responsible lending practices, product suitability and distribution, interest and fees and the entitlement to charge them, wealth advice, insurance distribution, pricing, competition, conduct in financial markets and capital market transactions, reporting and disclosure obligations and product disclosure documentation. 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. 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.

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.

12. DIVESTMENTS

OnePath and Paymark

On 30 November 2018, ANZ New Zealand sold OnePath to Cigna Corporation and on 11 January 2019, ANZ New Zealand sold its 25% shareholding in Paymark to Ingenico Group. ANZ New Zealand recognised net gains on sale of NZ\$59 million and NZ\$39 million respectively, which are included in other operating income.

Assets and liabilities sold

| | NZ\$m |
|--|------------|
| Investments backing insurance contract liabilities | 101 |
| Other assets, net of amounts payable to the Bank | 6 |
| Life insurance contract assets | 675 |
| Investments in associates - Paymark | 7 |
| Goodwill and other intangible assets | 101 |
| Total assets | 890 |
| Deposits and other borrowings (deposits with the Bank) | (50) |
| Current tax liabilities | 18 |
| Deferred tax liabilities | 178 |
| Payables and other liabilities | 146 |
| Provisions | 2 |
| Total liabilities | 294 |
| Net assets sold | 596 |

REGISTERED BANK DISCLOSURES

B1. GENERAL DISCLOSURES

Guarantees

No material obligations of the NZ Branch are guaranteed as at 20 May 2019.

Covered bonds issued by ANZ New Zealand (Int'l) Limited, a subsidiary of the Bank, are guaranteed. Refer to page 11 for further details.

Changes in the Ultimate Parent Bank's Board of Directors

Lee Hsien Yang retired as a Non-Executive Director on 19 December 2018. There have been no other changes to the Directors of the Ultimate Parent Bank since 30 September 2018, the balance date of the last full year disclosure statement.

Auditors

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

Credit rating

As at 20 May 2019 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.

The Ultimate Parent Bank's credit ratings are:

| Rating Agency | Credit Rating | Qualification |
|---------------------------|---------------|------------------|
| S&P Global Ratings | AA- | Outlook Negative |
| Fitch Ratings | AA- | Outlook Stable |
| Moody's Investors Service | Aa3 | Outlook Stable |

Directors' and New Zealand Chief Executive Officer's statements

The Directors' and New Zealand Chief Executive Officer's statement is included on page 23.

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 shareholder.anz.com.

Auditor's review report

The auditor's review report is included on page 24.

B2. ADDITIONAL FINANCIAL DISCLOSURES

Additional information on the balance sheet

| As at 31 March 2019 | NZ\$m |
|---|---------|
| Total interest earning and discount bearing assets | 150,770 |
| Total interest and discount bearing liabilities | 129,656 |
| Total amounts due from related entities | 4,202 |
| Total amounts due to related entities | 8,738 |
| Total liabilities of the NZ Branch less amounts due to related entities | 1,058 |

Assets charged as security for liabilities

These amounts exclude the amounts disclosed as collateral paid on the balance sheet that relate to derivative liabilities. The terms and conditions of the collateral agreements are included in the standard Credit Support Annex that forms part of the International Swaps and Derivatives Association Master Agreement.

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.
- UDC secured investments are secured by a security interest granted under the trust deed over all of UDC's present and future assets and undertakings, to Trustees Executors Limited, as supervisor. The assets subject to the security interest comprise mainly loans to UDC's customers and certain plant and equipment. The security interest secures all amounts payable by UDC on the UDC secured investments and all other moneys payable by UDC under the trust deed.
- Specified residential mortgages provided as security for notes and bonds issued to investors as part of the Bank's covered bond programme.

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

| As at 31 March 2019 | NZ\$m |
|---|--------|
| Securities sold under agreements to repurchase | 151 |
| Assets pledged as collateral for UDC secured investments | 3,374 |
| Residential mortgages pledged as security for covered bonds | 10,330 |

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, all other items of other income (all in Note 2 Other Operating Income), net income from insurance business and share of associates' profit (both shown on the income statement).

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 2019 | Loans and advances ³ NZ\$m | Other financial assets NZ\$m | Off-balance sheet credit related commitments ⁴ NZ\$m | Total NZ\$m |
|--|--|---------------------------------|--|----------------|
| New Zealand residents | | | | |
| Agriculture | 17,907 | 85 | 1,502 | 19,494 |
| Forestry and fishing, agriculture services | 1,392 | 7 | 261 | 1,660 |
| Manufacturing | 2,936 | 197 | 1,709 | 4,842 |
| Electricity, gas, water and waste services | 1,306 | 437 | 1,600 | 3,343 |
| Construction | 1,866 | 28 | 977 | 2,871 |
| Wholesale trade | 1,496 | 59 | 1,736 | 3,291 |
| Retail trade and accommodation | 2,971 | 31 | 1,034 | 4,036 |
| Transport, postal and warehousing | 1,336 | 94 | 755 | 2,185 |
| Finance and insurance services | 827 | 5,344 | 1,396 | 7,567 |
| Public administration and safety ¹ | 248 | 8,606 | 1,070 | 9,924 |
| Rental, hiring & real estate services | 33,157 | 737 | 3,466 | 37,360 |
| Professional, scientific, technical, administrative and support services | 1,229 | 9 | 582 | 1,820 |
| Households | 60,394 | 199 | 11,317 | 71,910 |
| All other New Zealand residents ² | 2,423 | 195 | 1,942 | 4,560 |
| Subtotal | 129,488 | 16,028 | 29,347 | 174,863 |
| Overseas | | | | |
| Finance and insurance services | 283 | 13,017 | 117 | 13,417 |
| Households | 1,595 | 5 | - | 1,600 |
| All other non-NZ residents | 846 | 91 | - | 937 |
| Subtotal | 2,724 | 13,113 | 117 | 15,954 |
| Gross subtotal | 132,212 | 29,141 | 29,464 | 190,817 |
| Provision for credit impairment | (487) | - | (82) | (569) |
| Subtotal | 131,725 | 29,141 | 29,382 | 190,248 |
| Unearned income | (246) | - | - | (246) |
| Capitalised brokerage / mortgage origination fees | 309 | - | - | 309 |
| Maximum exposure to credit risk | 131,788 | 29,141 | 29,382 | 190,311 |

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.

³ Excludes individual and collective provisions for credit impairment held in respect of off-balance sheet credit related commitments.

⁴ Off-balance sheet credit related commitments comprise undrawn facilities, customer contingent liabilities and letters of offer.

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 2019 | Note | NZ\$m |
|--|------|----------------|
| Funding composition | | |
| Customer deposits | 7 | 107,528 |
| <i>Wholesale funding</i> | | |
| Debt issuances | | 23,939 |
| Certificates of deposit and commercial paper | | 3,152 |
| Other borrowings | | 4,411 |
| Total wholesale funding | | 31,502 |
| Total funding | | 139,030 |
| Customer deposits by industry - New Zealand residents | | |
| Agriculture, forestry and fishing | | 3,935 |
| Manufacturing | | 2,128 |
| Construction | | 2,128 |
| Wholesale trade | | 1,573 |
| Retail trade and accommodation | | 1,618 |
| Financial and insurance services | | 12,136 |
| Rental, hiring and real estate services | | 3,058 |
| Professional, scientific, technical, administrative and support services | | 5,377 |
| Public administration and safety | | 1,286 |
| Arts, recreation and other services | | 1,966 |
| Households | | 57,902 |
| All other New Zealand residents ¹ | | 4,043 |
| | | 97,150 |
| Customer deposits by industry - overseas | | |
| Households | | 9,821 |
| All other | | 557 |
| | | 10,378 |
| Total customer deposits | | 107,528 |
| Wholesale funding (financial and insurance services industry) | | |
| New Zealand | | 5,514 |
| Overseas | | 25,988 |
| Total wholesale funding | | 31,502 |
| Total funding | | 139,030 |
| Concentrations of funding by geography | | |
| New Zealand | | 102,664 |
| Australia | | 5,355 |
| United States | | 13,360 |
| Europe | | 10,360 |
| Other countries | | 7,291 |
| Total funding | | 139,030 |

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 tables represent 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 2019 | 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 NZ\$m |
|------------------------------------|----------------|----------------------------|--------------------------------|---------------------------------|-------------------------------|--------------------------|----------------------------------|
| Assets | | | | | | | |
| Cash and cash equivalents | 2,697 | 2,355 | - | - | - | - | 342 |
| Settlement balances receivable | 630 | - | - | - | - | - | 630 |
| Collateral paid | 2,370 | 2,370 | - | - | - | - | - |
| Trading securities | 7,543 | 503 | 107 | 388 | 928 | 5,617 | - |
| Derivative financial instruments | 9,118 | - | - | - | - | - | 9,118 |
| Investment securities | 6,348 | 253 | 15 | 149 | 1,210 | 4,720 | 1 |
| Net loans and advances | 131,788 | 64,605 | 11,602 | 25,373 | 22,724 | 7,851 | (367) |
| Other financial assets | 728 | - | - | - | - | - | 728 |
| Total financial assets | 161,222 | 70,086 | 11,724 | 25,910 | 24,862 | 18,188 | 10,452 |
| Liabilities | | | | | | | |
| Settlement balances payable | 2,542 | 784 | - | - | - | - | 1,758 |
| Collateral received | 519 | 519 | - | - | - | - | - |
| Deposits and other borrowings | 115,091 | 74,763 | 14,102 | 10,602 | 2,469 | 2,319 | 10,836 |
| Derivative financial instruments | 9,872 | - | - | - | - | - | 9,872 |
| Debt issuances | 23,939 | 2,325 | 2,018 | 443 | 4,969 | 14,184 | - |
| Other financial liabilities | 700 | 159 | - | - | - | - | 541 |
| Total financial liabilities | 152,663 | 78,550 | 16,120 | 11,045 | 7,438 | 16,503 | 23,007 |
| Hedging instruments | - | 21,534 | (8,670) | (7,689) | (12,226) | 7,051 | - |
| Interest sensitivity gap | 8,559 | 13,070 | (13,066) | 7,176 | 5,198 | 8,736 | (12,555) |

Additional information on liquidity risk

Maturity analysis of financial liabilities

The table below provides residual contractual maturity analysis of financial liabilities at 31 March 2019 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 2019 | 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 | 1,470 | 1,087 | - | - | - | 2,557 |
| Collateral received | - | 519 | - | - | - | 519 |
| Deposits and other borrowings | 53,845 | 28,976 | 28,623 | 4,652 | 1,120 | 117,216 |
| Derivative financial liabilities (trading) | - | 7,623 | - | - | - | 7,623 |
| Debt issuances ¹ | - | 58 | 2,318 | 19,948 | 3,227 | 25,551 |
| Other financial liabilities | - | 95 | 6 | 138 | 22 | 261 |
| Derivative financial instruments (balance sheet management) | | | | | | |
| - gross inflows | - | 1,453 | 3,134 | 9,145 | 937 | 14,669 |
| - gross outflows | - | (1,572) | (3,540) | (9,870) | (994) | (15,976) |

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

At 31 March 2019, NZ\$67 million of ANZ New Zealand's NZ\$409 million of non-credit related commitments and all NZ\$29,464 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.

Liquidity portfolio

ANZ New Zealand holds a diversified portfolio of cash and high quality liquid securities to support liquidity risk management. The size of ANZ New Zealand's liquidity portfolio is based on the amount required to meet its internal and regulatory liquidity scenario metrics.

| As at 31 March 2019 | NZ\$m |
|--|---------------|
| Cash and balances with central banks | 2,273 |
| Certificates of deposit | 144 |
| Government, local body stock and bonds | 7,645 |
| Reserve Bank bills | 55 |
| Other bonds | 5,663 |
| Total liquidity portfolio | 15,780 |

The Bank also held unencumbered internal residential mortgage backed securities which would entitle ANZ New Zealand to enter into repurchase transactions with a value of NZ\$7,434 million at 31 March 2019.

Reconciliation of mortgage related amounts

| As at 31 March 2019 | Note | NZ\$m |
|---|-----------|---------------|
| Term loans - housing ¹ | 4 | 82,874 |
| Less: fair value hedging adjustment | | (8) |
| Less: housing loans made to corporate customers | | (2,179) |
| On-balance sheet residential mortgage exposures | B4 | 80,687 |
| Add: off-balance sheet residential mortgage exposures | B4 | 8,242 |
| Total residential mortgage exposures as per LVR analysis | B4 | 88,929 |

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

Overseas Banking Group Profitability and Size

| | 31 Mar 19 |
|---|-----------|
| Net Profit for the six months ended 31 March 2019 (AUDm) ¹ | 3,182 |
| Net profit after tax for the year ended 31 March 2019 as a percentage of average total assets | 0.65% |
| Total assets (AUDm) | 980,244 |
| Percentage change in total assets in the 12 months to 31 March 2019 | 4.76% |

¹ Net profit after tax for the period includes AUD 9 million of profit attributable to non-controlling interests.

REGISTERED BANK DISCLOSURES

B3. ASSET QUALITY

Movements in components of loss allowance - total

| | Stage 1 NZ\$m | Stage 2 NZ\$m | Stage 3 | | Total NZ\$m |
|---|------------------|------------------|-----------------------------------|-----------------------------------|----------------|
| | | | Collectively assessed NZ\$m | Individually assessed NZ\$m | |
| Net loans and advances - total | | | | | |
| As at 1 October 2018 | 160 | 171 | 41 | 132 | 504 |
| Transfer between stages | 19 | (20) | 2 | (1) | - |
| New and increased provisions (net of collective provision releases) | (22) | 22 | 2 | 65 | 67 |
| Write-backs | - | - | - | (21) | (21) |
| Recoveries of amounts previously written off | - | - | - | (11) | (11) |
| Credit impairment charge / (release) | (3) | 2 | 4 | 32 | 35 |
| Bad debts written-off (excluding recoveries) | - | - | - | (58) | (58) |
| Add back recoveries of amounts previously written off | - | - | - | 11 | 11 |
| Discount unwind | - | - | - | (5) | (5) |
| As at 31 March 2019 | 157 | 173 | 45 | 112 | 487 |

Off-balance sheet credit related commitments - total

| | Stage 1 NZ\$m | Stage 2 NZ\$m | Stage 3 | | Total NZ\$m |
|---|------------------|------------------|-----------------------------------|-----------------------------------|----------------|
| | | | Collectively assessed NZ\$m | Individually assessed NZ\$m | |
| As at 1 October 2018 | 60 | 23 | 2 | - | 85 |
| Transfer between stages | 3 | (3) | - | - | - |
| New and increased provisions (net of collective provision releases) | (8) | 5 | - | - | (3) |
| Write-backs | - | - | - | - | - |
| Recoveries of amounts previously written off | - | - | - | - | - |
| Credit impairment charge / (release) | (5) | 2 | - | - | (3) |
| Bad debts written-off (excluding recoveries) | - | - | - | - | - |
| Add back recoveries of amounts previously written off | - | - | - | - | - |
| Discount unwind | - | - | - | - | - |
| As at 31 March 2019 | 55 | 25 | 2 | - | 82 |

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

| | Stage 1 NZ\$m | Stage 2 NZ\$m | Stage 3 | | Total NZ\$m |
|---|------------------|------------------|-----------------------------------|-----------------------------------|----------------|
| | | | Collectively assessed NZ\$m | Individually assessed NZ\$m | |
| Gross loans and advances - total | | | | | |
| As at 1 October 2018 | 120,971 | 7,550 | 349 | 323 | 129,193 |
| Additions | 11,485 | 1,298 | 202 | 129 | 13,114 |
| Deletions | (9,252) | (551) | (69) | (102) | (9,974) |
| Amounts written off | - | - | - | (58) | (58) |
| As at 31 March 2019 | 123,204 | 8,297 | 482 | 292 | 132,275 |
| Loss allowance as at 31 March 2019 | 157 | 173 | 45 | 112 | 487 |

Off-balance sheet credit related commitments - total

| | Stage 1 NZ\$m | Stage 2 NZ\$m | Stage 3 | | Total NZ\$m |
|---|------------------|------------------|-----------------------------------|-----------------------------------|----------------|
| | | | Collectively assessed NZ\$m | Individually assessed NZ\$m | |
| As at 1 October 2018 | 28,632 | 1,198 | 11 | 14 | 29,855 |
| Additions | 282 | 1,284 | 60 | 7 | 1,633 |
| Deletions | (1,933) | (80) | (3) | (8) | (2,024) |
| Amounts written off | - | - | - | - | - |
| As at 31 March 2019 | 26,981 | 2,402 | 68 | 13 | 29,464 |
| Loss allowance as at 31 March 2019 | 55 | 25 | 2 | - | 82 |

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

Overall, loss allowances on gross loans and advances have remained stable at approximately 0.4% of gross loans and advances. Loss allowances have decreased by NZ\$17 million (3%) driven by NZ\$58 million of amounts written off. The remaining NZ\$41 million increase in loss allowances is driven by an increase in past due but not impaired assets, which have increased from 1.5% to 1.8% of gross exposures.

Past due assets and other asset quality information

| As at 31 March 2019 | Total NZ\$m |
|---|----------------|
| Past due assets | |
| Less than 30 days past due | 1,647 |
| At least 30 days but less than 60 days past due | 340 |
| At least 60 days but less than 90 days past due | 165 |
| At least 90 days past due | 288 |
| Total past due but not impaired | 2,440 |
| Other asset quality information | |
| Undrawn facilities with impaired customers | 13 |
| Other assets under administration | 11 |

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

Overseas Banking Group asset quality

| As at 31 March 2019 | |
|---|-------|
| Gross impaired assets (AUDm) | 2,022 |
| Gross impaired assets as a percentage of total assets | 0.2% |
| Individual provision (AUDm) | 891 |
| Individual provision as a percentage of gross impaired assets | 44.1% |
| Collective provision (AUDm) | 3,378 |

REGISTERED BANK DISCLOSURES

B4. CREDIT AND MARKET RISK EXPOSURES AND CAPITAL ADEQUACY

APRA Basel III capital ratios

| As at 31 March | Overseas Banking Group | | Ultimate Parent Bank (Extended Licensed Entity) | |
|------------------------------|------------------------|-------|--|-------|
| | 2019 | 2018 | 2019 | 2018 |
| Common equity tier 1 capital | 11.5% | 11.0% | 11.2% | 10.9% |
| Tier 1 capital | 13.4% | 12.9% | 13.2% | 12.9% |
| Total capital | 15.3% | 14.9% | 15.3% | 15.1% |

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. There are however small portfolios (mainly retail and local corporates in Asia Pacific) where 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 2019 and for the comparative prior periods.

The Overseas Banking Group is required to publicly disclose Pillar 3 financial information as at 31 March 2019. The Overseas Banking Group's Pillar 3 disclosure document for the quarter ended 31 March 2019, 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

The aggregate market risk exposures below have been calculated in accordance with the RBNZ Banking Supervision Handbook document *Capital Adequacy Framework (Standardised Approach) BS2A*. The peak end-of-day market risk exposures are for the six months ended 31 March 2019.

| As at 31 March 2019 | Implied risk weighted exposure | | Notional capital charge | |
|-----------------------|--------------------------------|---------------|-------------------------|---------------|
| | Period end NZ\$m | Peak NZ\$m | Period end NZ\$m | Peak NZ\$m |
| Interest rate risk | 4,586 | 6,605 | 367 | 528 |
| Foreign currency risk | 111 | 157 | 9 | 13 |
| Equity risk | 1 | 1 | - | - |

Additional mortgage information

As required by RBNZ, loan-to-valuation-ratios (LVR) 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 2019 | On-balance sheet NZ\$m | Off-balance sheet NZ\$m | Total NZ\$m |
|-------------------------|------------------------------|-------------------------------|----------------|
| LVR range | | | |
| Does not exceed 60% | 40,201 | 5,623 | 45,824 |
| Exceeds 60% and not 70% | 18,309 | 1,339 | 19,648 |
| Exceeds 70% and not 80% | 17,933 | 969 | 18,902 |
| Does not exceed 80% | 76,443 | 7,931 | 84,374 |
| Exceeds 80% and not 90% | 2,993 | 139 | 3,132 |
| Exceeds 90% | 1,251 | 172 | 1,423 |
| Total | 80,687 | 8,242 | 88,929 |

B5. INSURANCE BUSINESS

ANZ New Zealand previously conducted insurance business through its subsidiary OnePath. OnePath was sold to Cigna Corporation on 30 November 2018, and as at 31 March 2019, ANZ New Zealand does not conduct any insurance business. ANZ New Zealand continues to market and distribute life insurance products provided by OnePath.

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 2019, after due enquiry, each Director of the Ultimate Parent Bank and the Chief Executive Officer – NZ Branch believes that:

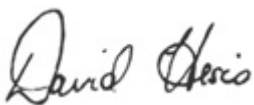
- The Ultimate Parent Bank has complied with all Conditions of Registration that applied during that period; and
- The NZ Branch and the Bank had systems in place to monitor and control adequately the material risks of Relevant Members of ANZ New Zealand including credit risk, concentration of credit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

Signed by the Chief Executive Officer – NZ Branch



Penny Dell
Chief Executive Officer – NZ Branch
20 May 2019

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



David Hisco
Responsible Person
20 May 2019

on behalf of the Directors of the Ultimate Parent Bank:

Ilana Atlas
Paula Dwyer
Shayne Elliott
David Gonski, AC
Jane Halton, AO, PSM
Rt Hon Sir John Key, GNZM AC
Graeme Liebelt
John Macfarlane

INDEPENDENT AUDITOR'S REVIEW REPORT



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 disclosure statement') of the New Zealand business of Australia and New Zealand Banking Group Limited and its subsidiaries (ANZ New Zealand) on pages 3 to 22, nothing has come to our attention that causes us to believe that:

- the interim financial statements on pages 3 to 13 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 2019 and its financial performance and cash flows for the 6 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 2019;
 - the consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the year then 6 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 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.

USE OF THE INDEPENDENT REVIEW REPORT

This independent review report is made solely to the directors as a body 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 work, this independent review report, or any of the opinions we have formed.

INDEPENDENT AUDITOR'S REVIEW REPORT

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 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 2019 and its financial performance and cash flows for the 6 month period ended on that date;
- the interim financial statements do not, in all material respects, comply with IAS 34 and NZ IAS 34;
- 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.



KPMG
Auckland

20 May 2019

BANK FINANCIAL STRENGTH DASHBOARD

Background

This section does not form part of the Disclosure Statement. It contains information in respect of ANZ New Zealand included on the Bank Financial Strength Dashboard (Dashboard) published on RBNZ's website. There is no requirement for the Directors to review or approve this information.

Amounts below may differ slightly from those published by RBNZ due to rounding differences. The tables include reconciliations to amounts included in the Disclosure Statement where there are classification differences between the financial statements and the Dashboard.

D1. ASSET QUALITY

| As at 31 March 2019 | Housing NZ\$m | Consumer NZ\$m | Business NZ\$m | Agriculture NZ\$m | All other NZ\$m | Total NZ\$m |
|--|------------------|-------------------|-------------------|----------------------|--------------------|----------------|
| Total loans | 80,432 | 3,524 | 29,533 | 17,483 | 1,306 | 132,278 |
| Impaired loans | 36 | 12 | 44 | 156 | 44 | 292 |
| Loans 90 days past due but not impaired | 200 | 25 | 50 | 13 | - | 288 |
| Total non-performing loans | 236 | 37 | 94 | 169 | 44 | 580 |
| Non-performing loans ratio (%) | 0.29% | 1.05% | 0.32% | 0.97% | 3.37% | 0.44% |
| Individual provisions | 11 | 6 | 29 | 31 | 35 | 112 |
| Collective provisions | 54 | 68 | 188 | 61 | 4 | 375 |
| <i>On-balance sheet residential mortgage exposures with LVRs that:</i> | | | | | | |
| Exceeds 80% and not 90% | | | | | | 3.7% |
| Exceeds 90% | | | | | | 1.6% |

A reconciliation of the amounts in this table to the financial statements is included in the Other Information on page 27.

D2. PROFITABILITY / PERFORMANCE

| | Financial statements | Dashboard | |
|-------------------------------------|---|--|---|
| | For the 6 months ended 31 March 2019 NZ\$m | Less: for the 3 months ended 31 December 2018 NZ\$m | For the 3 months ended 31 March 2019 NZ\$m |
| Interest income | 3,322 | (1,675) | 1,647 |
| Interest expense | 1,696 | (854) | 842 |
| Net interest income | 1,626 | (821) | 805 |
| Gains/losses on trading and hedging | (67) | 62 | (5) |
| Fee and commission income | 332 | (162) | 170 |
| All other income | 139 | (89) | 50 |
| Operating expenses | 745 | (385) | 360 |
| Impaired asset expense | 32 | (13) | 19 |
| Profit before tax | 1,253 | (612) | 641 |
| Tax expense | 324 | (156) | 168 |
| Profit after tax | 929 | (456) | 473 |
| Return on assets (%) | | | 1.2% |
| Return on equity (%) | | | 16.3% |
| Net interest margin (%) | | | 2.2% |

BANK FINANCIAL STRENGTH DASHBOARD

D3. FINANCIAL POSITION

| | Financial statements NZ\$m | Classification differences | | | Dashboard NZ\$m |
|--|-------------------------------|---|---|---|--------------------|
| | | Other bank deposits and other assets NZ\$m | Securities purchased under agreements to re-sell NZ\$m | Subordinated loan from related party NZ\$m | |
| As at 31 March 2019 | | | | | |
| Cash and bank deposits ¹ | 5,067 | (83) | (336) | - | 4,648 |
| Debt securities held ² | 13,891 | - | - | - | 13,891 |
| Net loans and advances | 131,788 | - | - | - | 131,788 |
| Derivatives in an asset position | 9,118 | - | - | - | 9,118 |
| All other assets | 5,088 | 83 | 336 | - | 5,507 |
| Total assets | 164,952 | - | - | - | 164,952 |
| Deposits | 107,528 | - | - | - | 107,528 |
| Debt securities issued ³ | 27,091 | - | - | (277) | 26,814 |
| Other borrowings ⁴ | 4,930 | 1,469 | - | 277 | 6,676 |
| Derivatives in a liability position | 9,872 | - | - | - | 9,872 |
| All other liabilities | 3,803 | (1,469) | - | - | 2,334 |
| Total liabilities (excluding head office account) | 153,224 | - | - | - | 153,224 |
| Equity | 11,728 | - | - | - | 11,728 |

¹ Comprises cash and cash equivalents and collateral paid

² Comprises trading securities and investment securities

³ Comprises debt issuances plus certificates of deposit and commercial paper from deposits and other borrowings

⁴ Comprises collateral received and the remaining items of deposits and other borrowings

OTHER INFORMATION

Reconciliation of total loans by industry and sector

The financial statements and Dashboard include amounts for total loans which are based on different definitions. The table below reconciles the various amounts. This information does not form part of the Disclosure Statement.

Housing loans and residential mortgage definitions

Housing loans comprise loans for owner occupier property use and residential investor property use. Owner occupiers are borrowers who own or are in the process of buying or building the house or flat they will live in as their principal place of residence. An owner can occupy more than one property e.g. a family home and a holiday home. Only households can have owner occupier property use loans. Investors are entities or persons borrowing for the purpose of building or purchasing residential property to rent. This includes 'Mum and dad' investor loans and any person(s) that have a separate residential investor property use loan which is not for their normal business purpose.

Residential mortgage exposures used in the loan-to-valuation ratio analysis are based on the definition of residential mortgage loans as defined in the Banking Supervision Handbook document *Capital Adequacy Framework (internal models based approach)* (BS2B). This metric is based on a collateral definition and may include some other lending that is not defined as Housing lending in the asset quality section of the Dashboard. See the Banking Supervision Handbook for a more detailed definition.

| As at 31 March 2019 | Note | Housing NZ\$m | Consumer NZ\$m | Business NZ\$m | Agriculture NZ\$m | All other ¹ NZ\$m | Total NZ\$m |
|--|------|------------------|-------------------|-------------------|----------------------|---------------------------------|----------------|
| Total loans per Balance Sheet | 4 | 82,874 | n/a | n/a | n/a | 49,338 | 132,212 |
| Fair value hedge adjustment | | (8) | - | - | - | 8 | - |
| Business loans secured by residential property | | (2,434) | - | - | 326 | 2,108 | - |
| Residential investor property | | (21,967) | - | - | 53 | 21,914 | - |
| Other household and agriculture industry loans | | - | 3,524 | - | 17,528 | (21,052) | - |
| Concentration of loans by industry ² | B2 | 58,465 | 3,524 | - | 17,907 | 52,316 | 132,212 |
| Fair value hedge adjustments | | - | - | - | - | (8) | (8) |
| Unearned income on finance leases | | - | - | - | - | (203) | (203) |
| Deposit components of overdraft product | | - | - | - | - | 277 | 277 |
| Residential investor property | | 21,967 | - | - | (53) | (21,914) | - |
| Business lending | | - | - | 29,166 | (45) | (29,121) | - |
| Loans by purpose (RBNZ series S31) | | 80,432 | 3,524 | 29,166 | 17,809 | 1,347 | 132,278 |
| Other business loans secured by residential property | | - | - | 367 | (326) | (41) | - |
| Total loans per Dashboard | D1 | 80,432 | 3,524 | 29,533 | 17,483 | 1,306 | 132,278 |

¹ All other in RBNZ series S31 and the Dashboard comprises: Depository and other financial institutions, Central and Local Government, Non-profit institutions serving households.

² Household exposures (resident and non-resident) in Note B2 comprise Housing and Consumer.

The Supplementary Information does not form part of the Disclosure Statement

