

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

FOR THE SIX MONTHS ENDED 31 MARCH 2018
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REGISTERED BANK DISCLOSURE STATEMENT

FOR THE SIX MONTHS ENDED 31 MARCH 2018

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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.

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 (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.

INCOME STATEMENT

	Note	6 months to	
		31 Mar 18 NZ\$m	31 Mar 17 NZ\$m
Interest income		3,248	3,202
Interest expense		1,676	1,668
Net interest income		1,572	1,534
Other operating income	2	372	309
Net funds management and insurance income		204	133
Share of associates' profit		1	1
Operating income		2,149	1,977
Operating expenses		747	730
Profit before credit impairment and income tax		1,402	1,247
Credit impairment charge	5	70	40
Profit before income tax		1,332	1,207
Income tax expense		368	338
Profit after income tax		964	869

STATEMENT OF COMPREHENSIVE INCOME

	6 months to	
	31 Mar 18 NZ\$m	31 Mar 17 NZ\$m
Profit after income tax	964	869
<i>Items that will not be reclassified to profit or loss</i>		
Actuarial gain on defined benefit schemes	2	19
Income tax expense relating to items that will not be reclassified	(1)	(5)
Total items that will not be reclassified to profit or loss	1	14
<i>Items that may be reclassified subsequently to profit or loss</i>		
Unrealised losses recognised directly in equity	(6)	(15)
Realised losses transferred to income statement	3	6
Income tax credit relating to items that may be reclassified	1	2
Total items that may be reclassified subsequently to profit or loss	(2)	(7)
Total comprehensive income for the period	963	876

BALANCE SHEET

As at	Note	31 Mar 18 NZ\$m	30 Sep 17 NZ\$m
Assets			
Cash		2,752	2,338
Settlement balances receivable		763	536
Collateral paid		1,634	1,415
Trading securities		8,416	7,663
Investments backing insurance contract liabilities		152	123
Derivative financial instruments		7,990	9,749
Current tax assets		8	-
Available-for-sale assets		6,609	6,360
Net loans and advances	4	123,169	121,968
Assets held for sale	11	3,225	3,065
Other assets		712	683
Life insurance contract assets		669	636
Investments in associates		-	7
Premises and equipment		354	367
Goodwill and other intangible assets		3,266	3,275
Total assets		159,719	158,185
Liabilities			
Settlement balances payable		1,742	1,687
Collateral received		760	613
Deposits and other borrowings	7	111,510	108,013
Derivative financial instruments		7,893	9,894
Current tax liabilities		-	45
Deferred tax liabilities		210	189
Liabilities held for sale	11	1,017	1,088
Payables and other liabilities		1,114	1,161
Employee entitlements		119	119
Other provisions		60	66
Debt issuances	8	23,818	23,997
Total liabilities (excluding head office account)		148,243	146,872
Net assets (excluding head office account)		11,476	11,313
Equity			
Share capital and initial head office account		8,055	8,055
Reserves		46	48
Retained earnings		3,375	3,210
Total equity and initial head office account		11,476	11,313

The notes to the financial statements form part of and should be read in conjunction with these financial statements

CONDENSED CASH FLOW STATEMENT

For the six months ended	31 Mar 18 NZ\$m	31 Mar 17 NZ\$m
Cash flows from operating activities		
Interest received	3,261	3,214
Interest paid	(1,687)	(1,666)
Other cash inflows provided by operating activities	527	447
Other cash outflows used in operating activities	(1,181)	(1,121)
<i>Cash flows from operating profits before changes in operating assets and liabilities</i>	920	874
Net changes in operating assets and liabilities	381	(847)
Net cash flows provided by operating activities	1,301	27
Cash flows from investing activities		
Cash inflows provided by investing activities	35	-
Cash outflows used in investing activities	(18)	(26)
Net cash flows used in investing activities	17	(26)
Cash flows from financing activities		
Cash inflows provided by financing activities	2,885	2,943
Cash outflows used in financing activities	(3,820)	(3,363)
Net cash flows used in financing activities	(935)	(420)
Net increase in cash and cash equivalents	383	(419)
Cash and cash equivalents at beginning of the period	2,439	2,315
Cash and cash equivalents at end of the period	2,822	1,896

STATEMENT OF CHANGES IN EQUITY

	Share capital and initial head office account NZ\$m	Available- for-sale revaluation reserve NZ\$m	Cash flow hedging reserve NZ\$m	Retained earnings NZ\$m	Total equity NZ\$m
As at 1 October 2016	8,055	-	62	3,050	11,167
Profit after income tax	-	-	-	869	869
Unrealised gains / (losses) recognised directly in equity	-	7	(22)	-	(15)
Realised losses transferred to the income statement	-	-	6	-	6
Actuarial gain on defined benefit schemes	-	-	-	19	19
Income tax credit / (expense) on items recognised directly in equity	-	(2)	4	(5)	(3)
Total comprehensive income for the period	-	5	(12)	883	876
Ordinary dividend paid	-	-	-	(765)	(765)
As at 31 March 2017	8,055	5	50	3,168	11,278
As at 1 October 2017	8,055	5	43	3,210	11,313
Profit after income tax	-	-	-	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
Ordinary dividend paid	-	-	-	(800)	(800)
As at 31 March 2018	8,055	12	34	3,375	11,476

The notes to the financial statements form part of and should be read in conjunction with these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim financial statements for ANZ New Zealand have been prepared in accordance with the requirements of the Reserve Bank of New Zealand Act 1989, and should be read in conjunction with ANZ New Zealand's financial statements for the year ended 30 September 2017.

These financial statements comply with:

- New Zealand Generally Accepted Accounting Practice, 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
- IAS 34 *Interim Financial Reporting*.

Use of estimates, assumptions and judgements

The preparation of these interim 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
- available-for-sale financial assets
- financial instruments held for trading
- 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.

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 consolidated financial statements of ANZ New Zealand comprise the financial statements of the NZ Branch and all the New Zealand businesses of all the subsidiaries of the Ultimate Parent Bank.

2. OTHER OPERATING INCOME

	Note	6 months to	
		31 Mar 18 NZ\$m	31 Mar 17 NZ\$m
i) Net fee and commission income		198	190
ii) Other income			
Net trading gains		96	109
Fair value gain / (loss) on hedging activities and financial liabilities designated at fair value		21	(33)
Net foreign exchange earnings and other financial instruments income		117	76
Derivative valuation adjustments		1	27
Gain on UDC terminated transaction	11	20	-
Insurance proceeds		20	-
Other		16	16
Other income		174	119
Total other operating income		372	309

NOTES TO THE FINANCIAL STATEMENTS

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.

Segment reporting has been updated to reflect minor changes to ANZ New Zealand's structure. Comparative data has been adjusted to be consistent with the current period's segment definitions.

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 (including asset financing) through dedicated managers focusing on privately owned medium to large enterprises and the agriculture business segment.

Institutional

The Institutional division services global institutional and business 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, structured trade and asset finance, and corporate advisory.
- Markets provide risk management services on foreign exchange, interest rates, credit, commodities, debt capital markets and wealth solutions 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.

	Retail NZ\$m	Commercial NZ\$m	Institutional NZ\$m	Other NZ\$m	Total NZ\$m
For the six months ended 31 March 2018					
External revenues	1,437	894	307	(489)	2,149
Intersegment revenues ¹	(187)	(405)	1	591	-
Total revenues	1,250	489	308	102	2,149
Profit after income tax	510	267	122	65	964

For the six months ended 31 March 2017

External revenues	1,447	893	349	(712)	1,977
Intersegment revenues ¹	(241)	(437)	17	661	-
Total revenues	1,206	456	366	(51)	1,977
Profit / (loss) after income tax	499	219	196	(45)	869

Other segment

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

	31 Mar 18 NZ\$m	31 Mar 17 NZ\$m
For the six months ended		
Central functions ²	16	(1)
Technology and Group Centre	26	15
Economic hedges	13	(24)
Revaluation of insurance policies	10	(35)
Total	65	(45)

¹ Intersegment transfers are accounted for and determined on an arm's length or cost recovery basis.

² Central functions' external revenues for the six months to 31 March 2018 includes the \$20 million insurance proceeds (note 2) that were received from a member of the Overseas Banking Group.

NOTES TO THE FINANCIAL STATEMENTS

4. NET LOANS AND ADVANCES

	Note	31 Mar 18 NZ\$m	30 Sep 17 NZ\$m
Overdrafts		861	1,040
Credit cards		1,660	1,638
Term loans - housing		78,544	76,870
Term loans - non-housing		43,990	44,227
Finance lease and hire purchase receivables		1,696	1,577
Subtotal		126,751	125,352
Unearned income		(236)	(222)
Capitalised brokerage/mortgage origination fees		319	336
Gross loans and advances (including assets classified as held for sale)		126,834	125,466
Less: Provision for credit impairment	5	(595)	(586)
Net loans and advances (including assets classified as held for sale)		126,239	124,880
Less: UDC net loans and advances held for sale	11	(3,070)	(2,912)
Net loans and advances		123,169	121,968

5. PROVISION FOR CREDIT IMPAIRMENT

Provision for credit impairment - balance sheet

	31 Mar 18 NZ\$m	30 Sep 17 NZ\$m
Individual provision	177	154
Collective provision	418	432
Total provision for credit impairment	595	586

Credit impairment charge - income statement

	6 months to	
	31 Mar 18 NZ\$m	31 Mar 17 NZ\$m
New and increased provisions	132	116
Write-backs	(30)	(35)
Recoveries of amounts previously written-off	(18)	(12)
Individual credit impairment charge	84	69
Collective credit impairment release	(14)	(29)
Total credit impairment charge	70	40

6. IMPAIRED AND PAST DUE LOANS

	31 Mar 18 NZ\$m	30 Sep 17 NZ\$m
Loans that are at least 90 days past due but not impaired	215	205
Impaired loans	347	361

NOTES TO THE FINANCIAL STATEMENTS

7. DEPOSITS AND OTHER BORROWINGS

	Note	31 Mar 18 NZ\$m	30 Sep 17 NZ\$m
Term deposits		47,721	45,457
On demand and short term deposits		42,152	41,451
Deposits not bearing interest		9,940	8,882
UDC secured investments		958	1,039
Total customer deposits		100,771	96,829
Certificates of deposit		2,020	1,916
Deposits from banks and securities sold under repurchase agreements		1,643	157
Commercial paper		2,554	3,721
Deposits and other borrowings from Ultimate Parent Bank and Immediate Parent Company		5,480	6,429
Deposits and other borrowings (including liabilities classified as held for sale)		112,468	109,052
Less: UDC secured investments held for sale	11	(958)	(1,039)
Deposits and other borrowings		111,510	108,013

8. DEBT ISSUANCES

	31 Mar 18 NZ\$m	30 Sep 17 NZ\$m
Senior debt	17,370	16,008
Covered bonds	3,802	5,315
Total unsubordinated debt	21,172	21,323
Subordinated debt		
- Additional Tier 1 capital	1,519	1,541
- Other	1,127	1,133
Total subordinated debt	2,646	2,674
Total debt issued	23,818	23,997

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 FINANCIAL STATEMENTS

9. FAIR VALUE MEASUREMENTS

Financial assets and financial liabilities measured at fair value in the balance sheet

ANZ New Zealand categorises financial 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 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. Modelled valuation techniques are used that incorporate observable market inputs for securities with similar credit risk, maturity and yield characteristics; and or/current market yields for similar instruments.
- Level 3 – valuations using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

We deem transfers into and out of Level 1 and Level 2 to have occurred as at the beginning of the reporting period in which the transfer occurred.

The table below summarises the attribution of financial instruments carried at fair value to the fair value hierarchy:

	31 Mar 18				30 Sep 17			
	Level 1 NZ\$m	Level 2 NZ\$m	Level 3 NZ\$m	Total NZ\$m	Level 1 NZ\$m	Level 2 NZ\$m	Level 3 NZ\$m	Total NZ\$m
Financial assets								
Trading securities	6,959	1,457	-	8,416	7,276	387	-	7,663
Derivative financial instruments	4	7,983	3	7,990	5	9,741	3	9,749
Available-for-sale assets	6,018	590	1	6,609	5,336	1,023	1	6,360
Investments backing insurance contract liabilities	-	152	-	152	-	123	-	123
Total financial assets held at fair value	12,981	10,182	4	23,167	12,617	11,274	4	23,895
Financial liabilities								
Deposits and other borrowings	-	2,554	-	2,554	-	3,721	-	3,721
Derivative financial instruments	13	7,879	1	7,893	24	9,869	1	9,894
Payables and other liabilities	179	-	-	179	151	-	-	151
Total financial liabilities held at fair value	192	10,433	1	10,626	175	13,590	1	13,766

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 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.

	31 Mar 18		30 Sep 17	
	Carrying amount NZ\$m	Fair value NZ\$m	Carrying amount NZ\$m	Fair value NZ\$m
Assets				
Net loans and advances ^{1,2}	126,239	126,423	124,880	124,930
Liabilities				
Deposits and other borrowings ^{2,3}	109,914	110,120	105,331	105,564
Debt issuances ¹	23,818	24,028	23,997	24,260

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 Amounts include UDC items classified as held for sale.

³ Excludes commercial paper (note 7) designated at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

10. CREDIT RELATED COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

Credit related commitments and contingencies	31 Mar 18 NZ\$m	30 Sep 17 NZ\$m
Contract amount of:		
Undrawn facilities	27,898	26,520
Guarantees and letters of credit	914	1,010
Performance related contingencies	1,669	1,598
Total	30,481	29,128

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. Globally there have been significant increases in the nature and scale of regulatory investigations and reviews, enforcement actions (whether by court action or otherwise) and the quantum of fines issued by regulators and customer claims. ANZ New Zealand also instigates engagement with its regulators. 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, wealth advice and adequacy of product disclosure documentation. ANZ New Zealand has received various notices and requests for information from its regulators as part of both industry-wide (including a recent request from the Financial Markets Authority and RBNZ for all New Zealand banks to provide an overview of both work undertaken and ongoing work to identify and address conduct and culture risk) 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.

11. ASSETS AND LIABILITIES HELD FOR SALE

UDC

On 11 January 2017, the Bank announced that it had entered into a conditional agreement to sell UDC to HNA Group (HNA). On 21 December 2017, the Bank announced that it had been informed that New Zealand's Overseas Investment Office had declined HNA's application to acquire UDC and the agreement with HNA was terminated in January 2018.

On 20 March 2018, the Bank announced that it was continuing to examine a broad range of options for UDC's future including an Initial Public Offering (IPO) and trade sale. As a result of the ongoing process, the assets and liabilities of UDC meet the criteria to be classified as held for sale as at 31 March 2018.

Paymark Limited (Paymark)

On 17 January 2018, the Bank entered into an agreement to sell its 25% shareholding in Paymark to Ingenico Group. The carrying amount of the Banking Group's investment in Paymark at 31 March 2018 was NZ\$7 million and the asset is classified as held for sale. The transaction is subject to regulatory consents.

12. SUBSEQUENT EVENTS

On 13 April 2018, ANZ Holdings (New Zealand) Limited issued NZ\$3,000 million of preference shares and paid an ordinary dividend of NZ\$3,000 million to the Immediate Parent Company.

On 30 May 2018, the Bank announced that it had entered into an agreement to sell OnePath Life (NZ) Limited to Cigna Corporation. The sale is subject to certain conditions, including regulatory approvals.

REGISTERED BANK DISCLOSURES

B1. GENERAL DISCLOSURES

Guarantors

No material obligations of the NZ Branch are guaranteed as at 30 May 2018.

Covered bonds issued by ANZ New Zealand (Int'l) Limited, a subsidiary of the Bank, are guaranteed. Refer to page 8 for further details.

Changes in the Ultimate Parent Bank's Board of Directors

As at 30 May 2018 there has been one change to the Directors of the Ultimate Parent Bank since 30 September 2017, the balance date of the last full year disclosure statement. The Rt Hon Sir John Philip Key, GNZM, AC was appointed as a Non-Executive Director on 28 February 2018.

Auditor

ANZ New Zealand's auditor is KPMG, Chartered Accountants, Level 9, 10 Customhouse Quay, Wellington, New Zealand.

Credit Rating Information

The Ultimate Parent Bank has three credit ratings, which are applicable to its long-term senior unsecured obligations.

As at 30 May 2018, the Ultimate Parent Bank's credit ratings are:

Rating agency	Credit rating	Qualification
Standard & Poor's	AA-	Outlook Negative
Fitch Ratings	AA-	Outlook Stable
Moody's Investors Service	Aa3	Outlook Stable

Financial Support

APRA has reviewed the level of financial exposures that can be provided to the respective New Zealand banking subsidiaries and branches (New Zealand operations) of the four Australian parent banks, including the Ultimate Parent Bank.

APRA has confirmed that by 1 January 2021 no more than 5% of the Ultimate Parent Bank's Level 1 Tier 1 capital base can comprise non-equity exposures to its New Zealand operations during ordinary times. Exposures in excess of this limit as at 1 January 2016 must be reduced in equal percentages over the five year transition period and may not increase above the exposures as at 30 June 2015. This limit does not include holdings of capital instruments or eligible secured contingent funding support provided to the Bank during times of financial stress.

The Ultimate Parent Bank established a New Zealand branch which was registered on 5 January 2009. The Bank sells, from time-to-time, residential mortgages into the NZ Branch to provide funding for the Bank's business. As at 31 March 2018, the NZ Branch held approximately NZ\$3.5 billion of residential mortgages. To satisfy APRA's requirements described above, the Bank intends to repay this funding at approximately NZ\$1.6 billion per annum over the transition period ending 31 December 2020.

APRA has also stated that contingent funding support by the Ultimate Parent Bank to the Bank during times of financial stress must be provided on terms that are acceptable to APRA and the Ultimate Parent Bank's exposures to the Bank and its other New Zealand operations must not exceed 50% of the Ultimate Parent Bank's Level 1 Tier 1 capital base. At present, only covered bonds meet APRA's criteria for contingent funding. On this basis, the Ultimate Parent Bank believes it will be able to continue to provide financial support to the Bank.

Further, from 1 July 2017, APRA's Level 3 Conglomerates regulations became effective which limit the financial and operational assistance the Ultimate Parent Bank can provide the Bank. These requirements are not expected to place additional restrictions on the Ultimate Parent Bank's ability to provide financial or operational support to the Bank.

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 the 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.

REGISTERED BANK DISCLOSURES

B2. ADDITIONAL FINANCIAL DISCLOSURES

Additional information on the balance sheet

As at 31 March 2018	NZ\$m
Total interest earning and discount bearing assets	146,093
Total interest and discount bearing liabilities	127,939
Total amounts due from related entities	2,645
Total amounts due to related entities	8,656
Total liabilities of the NZ Branch less amounts due to related entities	1,057

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 amortised cost of assets pledged as security are as follows:

As at 31 March 2018	Note	NZ\$m
Securities sold under agreements to repurchase		1,610
Residential mortgages pledged as security for covered bonds	8	10,865
Assets pledged as collateral for UDC secured investments		3,151

Additional information on the income statement

The amounts of net trading gains or losses and other fair value adjustments are included in note 2 to the financial statements. 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, Insurance proceeds and Other (all in note 2), Net funds management and insurance income and Share of associates' profit (both shown on the income statement).

REGISTERED BANK DISCLOSURES

Additional information on concentrations of credit risk

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

Analysis of financial assets by industry sector 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.

As at 31 March 2018	Cash, settlements receivable and collateral paid NZ\$m	Trading securities and available-for-sale assets NZ\$m	Derivative financial instruments NZ\$m	Net loans and advances ³ NZ\$m	Other financial assets NZ\$m	Credit related commitments ⁴ NZ\$m	Total NZ\$m
New Zealand residents							
Agriculture	-	-	24	17,602	60	1,396	19,082
Forestry and fishing, agriculture services	-	-	2	1,549	5	215	1,771
Manufacturing	-	29	136	2,764	9	1,737	4,675
Electricity, gas, water and waste services	-	19	431	1,575	5	1,732	3,762
Construction	-	-	15	1,698	6	1,134	2,853
Wholesale trade	-	-	64	1,549	5	1,651	3,269
Retail trade and accommodation	-	-	20	3,091	10	877	3,998
Transport, postal and warehousing	-	29	56	1,358	5	589	2,037
Finance and insurance services	2,788	2,237	814	908	373	1,038	8,158
Public administration and safety ¹	-	8,606	631	300	5	1,213	10,755
Rental, hiring & real estate services	-	5	113	31,527	107	2,263	34,015
Professional, scientific, technical, administrative and support services	-	-	4	1,210	4	503	1,721
Households	-	-	-	56,499	191	14,235	70,925
All other New Zealand residents ²	-	31	224	2,505	9	1,750	4,519
	2,788	10,956	2,534	124,135	794	30,333	171,540
Overseas							
Finance and insurance services	2,101	4,006	4,979	137	-	148	11,371
Households	-	-	-	1,553	5	-	1,558
All other non-NZ residents	1	63	477	926	3	-	1,470
	2,102	4,069	5,456	2,616	8	148	14,399
Less: Provision for credit impairment	-	-	-	(523)	-	(72)	(595)
Less: Unearned income	-	-	-	(236)	-	-	(236)
Add: Capitalised brokerage / mortgage origination fees	-	-	-	319	-	-	319
Total financial assets	4,890	15,025	7,990	126,311	802	30,409	185,427

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 credit related commitments.

⁴ Credit related commitments comprise undrawn facilities, customer contingent liabilities and letters of offer.

REGISTERED BANK DISCLOSURES

Additional information on concentrations of funding

ANZ New Zealand actively uses balance sheet disciplines to prudently manage the funding mix. ANZ New Zealand employs funding metrics to ensure that an appropriate proportion of its assets are funded from stable sources, including customer liabilities, longer-dated wholesale debt (with remaining term exceeding one year) and equity.

Analysis of funding liabilities by industry is based on ANZSIC codes. The significant categories shown are the level one New Zealand Standard Industry Output Categories (NZSIOC).

Funding composition	Note	31 Mar 18 NZ\$m
Customer deposits	7	100,771
<i>Wholesale funding</i>		
Debt issuances	8	23,818
Certificates of deposit	7	2,020
Commercial paper	7	2,554
Other borrowings	7	7,123
Total wholesale funding		35,515
Total funding		136,286
Concentrations of funding by industry		
<i>Customer deposits - New Zealand residents</i>		
Agriculture, forestry and fishing		3,722
Manufacturing		2,152
Construction		1,913
Wholesale trade		1,548
Retail trade and accommodation		1,691
Financial and insurance services		9,798
Rental, hiring and real estate services		2,741
Professional, scientific, technical, administrative and support services		5,081
Public administration and safety		1,403
Arts, recreation and other services		1,914
Households		54,747
All other New Zealand residents ¹		3,926
		90,636
<i>Customer deposits - overseas</i>		
Households		9,570
All other non-NZ residents		565
		10,135
Total customer deposits		100,771
<i>Wholesale funding (financial and insurance services industry)</i>		
New Zealand		7,927
Overseas		27,588
Total wholesale funding		35,515
Total funding		136,286
Concentrations of funding by geography		
New Zealand		98,563
Australia		6,980
United States		12,670
Europe		10,735
Other countries		7,338
Total funding		136,286

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 2018	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	2,752	2,493	-	-	-	-	259
Settlement balances receivable	763	132	-	-	-	-	631
Collateral paid	1,634	1,634	-	-	-	-	-
Trading securities	8,416	1,140	380	1,567	597	4,732	-
Derivative financial instruments	7,990	-	-	-	-	-	7,990
Available-for-sale assets	6,609	665	260	1,243	283	4,157	1
Net loans and advances	126,239	63,118	10,127	21,074	21,363	10,976	(419)
Other financial assets	802	119	27	4	2	-	650
Total financial assets	155,205	69,301	10,794	23,888	22,245	19,865	9,112
Liabilities							
Settlement balances payable	1,742	653	-	-	-	-	1,089
Collateral received	760	760	-	-	-	-	-
Deposits and other borrowings	112,468	74,352	13,170	9,365	3,471	2,170	9,940
Derivative financial instruments	7,893	-	-	-	-	-	7,893
Debt issuances	23,818	2,990	1,439	2,770	1,126	15,493	-
Payables and other liabilities	756	180	-	-	-	-	576
Total financial liabilities	147,437	78,935	14,609	12,135	4,597	17,663	19,498
Hedging instruments	-	4,284	5,135	(6,211)	(8,071)	4,863	-
Interest sensitivity gap	7,768	(5,350)	1,320	5,542	9,577	7,065	(10,386)

Additional information on liquidity risk

Maturity analysis of financial liabilities

The table below provides residual contractual maturity analysis of financial liabilities at 31 March 2018 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 balance sheet.

As at 31 March 2018	Total NZ\$m	On demand NZ\$m	Up to 3 months NZ\$m	Over 3 to 12 months NZ\$m	Over 1 to 5 years NZ\$m	Over 5 years NZ\$m
Financial liabilities						
Settlement balances payable	1,753	1,160	593	-	-	-
Collateral received	760	-	760	-	-	-
Deposits and other borrowings	122,083	59,784	27,422	26,994	6,789	1,094
Derivative financial liabilities (trading)	6,071	-	6,071	-	-	-
Debt issuances	26,099	-	919	3,949	15,712	5,519
Other financial liabilities	407	-	46	23	87	251
Derivative financial instruments (balance sheet management)						
- gross inflows	17,311	-	1,146	4,195	8,771	3,199
- gross outflows	(17,150)	-	(1,228)	(4,442)	(8,691)	(2,789)

As at 31 March 2018	Total NZ\$m	Less than 1 year NZ\$m	Beyond 1 year NZ\$m
Off-balance sheet commitments and contingent liabilities			
Non-credit related commitments	457	56	401
Credit related commitments and contingencies	30,481	30,481	-

REGISTERED BANK DISCLOSURES

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 2018	NZ\$m
Cash and balances with central banks	1,919
Certificates of deposit	425
Government, local body stock and bonds	6,765
Government treasury bills	1,026
Reserve Bank bills	370
Other bonds	5,544
Total liquidity portfolio	16,049

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\$6,843 million at 31 March 2018.

Reconciliation of mortgage-related amounts

As at 31 March 2018	Note	NZ\$m
Term loans - housing ¹	4	78,544
Less: fair value hedging adjustment		(28)
Less: housing loans made to corporate customers		(2,275)
On-balance sheet retail mortgage exposures	B4	76,241
Add: off-balance sheet retail mortgage exposures	B4	8,264
Total retail mortgage exposures as per LVR analysis	B4	84,505

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 18
Net profit after tax for the six months ended 31 March 2018 (AUDm) ¹	3,330
Net profit after tax for the year ended 31 March 2018 as a percentage of average total assets	0.77%
Total assets (AUDm)	935,116
Percentage change in total assets in the 12 months to 31 March 2018	4.21%

¹ Net profit after tax for the year includes AUD 7 million of profit attributable to non-controlling interests.

REGISTERED BANK DISCLOSURES

B3. ASSET QUALITY

Past due assets

	Retail mortgages NZ\$m	Other retail exposures NZ\$m	Non-retail exposures NZ\$m	Total NZ\$m
As at 31 March 2018				
Less than 30 days past due	633	177	607	1,417
At least 30 days but less than 60 days past due	147	42	96	285
At least 60 days but less than 90 days past due	126	19	10	155
At least 90 days past due	161	36	18	215
Total past due but not impaired	1,067	274	731	2,072

Movement in individually impaired assets

	Retail mortgages NZ\$m	Other retail exposures NZ\$m	Non-retail exposures NZ\$m	Total NZ\$m
For the six months ended 31 March 2018				
Balance at beginning of the period	35	20	306	361
Additions	12	53	116	181
Amounts written off	(2)	(38)	(38)	(78)
Deletions	(22)	(12)	(83)	(117)
Balance at end of the period	23	23	301	347
Individual provision	23	7	147	177

Movement in balances of individual credit impairment allowances

	Retail mortgages NZ\$m	Other retail exposures NZ\$m	Non-retail exposures NZ\$m	Total NZ\$m
For the six months ended 31 March 2018				
Balance at beginning of the period	27	6	121	154
<i>Individual credit impairment charge / (release)</i>				
New and increased provisions	3	45	84	132
Write-backs	(5)	(6)	(19)	(30)
Recoveries of amounts previously written off	-	(11)	(7)	(18)
Individual credit impairment charge / (release)	(2)	28	58	84
Bad debts written off	(2)	(38)	(38)	(78)
Add back recoveries of amounts previously written off	-	11	7	18
Discount unwind	-	-	(1)	(1)
Balance at end of the period	23	7	147	177

Movement in balances of collective credit impairment allowances

	Retail mortgages NZ\$m	Other retail exposures NZ\$m	Non-retail exposures NZ\$m	Total NZ\$m
For the six months ended 31 March 2018				
Balance at beginning of the period	80	121	231	432
Charge / (release) to income statement	4	5	(23)	(14)
Balance at end of the period	84	126	208	418

Asset quality for assets designated at fair value

The Banking Group does not have any loans and advances designated at fair value through profit or loss.

REGISTERED BANK DISCLOSURES

Other asset quality information

As at 31 March 2018	Retail mortgages NZ\$m	Other retail exposures NZ\$m	Non-retail exposures NZ\$m	Total NZ\$m
Undrawn facilities with impaired customers	-	-	12	12
Other assets under administration	9	3	-	12

Overseas Banking Group asset quality

As at 31 March 2018

Gross impaired assets (AUDm)	2,034
Gross impaired assets as a percentage of total assets	0.2%
Individual provision (AUDm)	1,016
Individual provision as a percentage of gross impaired assets	50.0%
Collective provision (AUDm)	2,579

B4. CREDIT AND MARKET RISK EXPOSURES AND CAPITAL ADEQUACY

Additional mortgage information

As required by the 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 2018	On-balance sheet NZ\$m	Off-balance sheet NZ\$m	Total NZ\$m
LVR range			
Does not exceed 60%	37,264	5,445	42,709
Exceeds 60% and not 70%	17,266	1,379	18,645
Exceeds 70% and not 80%	17,571	1,110	18,681
Does not exceed 80%	72,101	7,934	80,035
Exceeds 80% and not 90%	2,690	150	2,840
Exceeds 90%	1,450	180	1,630
Total retail mortgage exposures	76,241	8,264	84,505

Market risk

ANZ New Zealand's aggregate market risk exposures below have been calculated in accordance with the RBNZ Banking Supervision Handbook document *Capital Adequacy Framework (Standardised Approach)* (BS2A).

As at 31 March 2018	Implied risk weighted exposure		Notional capital charge		Peak occurred on
	Period end NZ\$m	Peak NZ\$m	Period end NZ\$m	Peak NZ\$m	
Interest rate risk	3,833	6,391	307	511	24/01/2018
Foreign currency risk	53	183	4	15	6/02/2018
Equity risk	1	1	-	-	31/03/2018
	3,887		311		

REGISTERED BANK DISCLOSURES

APRA Basel III capital ratios

As at	Overseas Banking Group		Ultimate Parent Bank (Extended Licensed Entity)	
	31 Mar 18	31 Mar 17	31 Mar 18	31 Mar 17
Common equity tier 1 capital	11.0%	10.1%	10.9%	10.2%
Tier 1 capital	12.9%	12.1%	12.9%	12.3%
Total capital	14.9%	14.5%	15.1%	14.8%

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 several 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 requirement set by APRA as at 31 March 2018.

The Overseas Banking Group is required to publicly disclose Pillar 3 financial information as at 31 March 2018. The Overseas Banking Group's Pillar 3 disclosure document for the quarter ended 31 March 2018, 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.

B5. INSURANCE BUSINESS

ANZ New Zealand conducts insurance business through its subsidiary OnePath Life (NZ) Limited (OnePath Life). ANZ New Zealand's aggregate amount of insurance business comprises the total assets of OnePath Life of NZ\$984 million, which is 0.6% of the total consolidated assets of ANZ New Zealand.

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:

- (i) The Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014
- (ii) The Disclosure Statement is not false or misleading.

Over the six months ended 31 March 2018, after due enquiry, each Director of the Ultimate Parent Bank and the Chief Executive Officer – NZ Branch believes that:

- (i) The Ultimate Parent Bank has complied with all Conditions of Registration that applied during that period
- (ii) 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.

This Disclosure Statement is dated 30 May 2018, and has been signed by the Chairman of the Ultimate Parent Bank, on behalf of all Directors, and by the Chief Executive Officer – NZ Branch.



David Gonski, AC
Chairman,
on behalf of the Directors:



Penny Dell
Chief Executive Officer – NZ Branch

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



Independent Review Report

To the directors of Australia and New Zealand Banking Group Limited – ANZ New Zealand

Report on the half year disclosure statement

Conclusion

Based on our review of the interim financial statements and the registered bank disclosures (together referred to as 'the disclosure statement'), of the Australia and New Zealand Banking Group Limited – ANZ New Zealand ('ANZ New Zealand') on pages 2 to 20, nothing has come to our attention that causes us to believe that:

- i. the interim financial statements on pages 2 to 10 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 2018 and its financial performance and cash flows for the 6 month period ended on that date;
- ii. the registered bank disclosures in sections B1, B2, B3, B5 and B6 disclosed in accordance with schedules 5, 7, 10, 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
- iii. 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.

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 2018;
 - the consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the 6 month period then ended; and
 - notes, including a summary of significant accounting policies and other explanatory information.
- the supplementary information prescribed in Schedules 5, 7, 9, 10, 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 Australia and New Zealand Banking Group Limited – 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 this 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 review work, this independent review report, or any of the opinions we have formed.



Responsibilities of the Directors for the half year disclosure statement

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

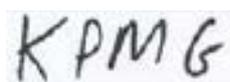
- the preparation and fair presentation of the half year disclosure statement in accordance with NZ IAS 34 and Schedules 2, 5, 7, 10, 12 and 14 of the Order;
- the preparation and fair presentation of ANZ New Zealand's disclosures in regards to credit and market risk exposures and capital adequacy in accordance with Schedule 9 of the Order;
- implementing necessary internal control to enable the preparation of a half year disclosure statement that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

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

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

- the interim financial statements do not present fairly in all material respects ANZ New Zealand's financial position as at 31 March 2018 and its financial performance and cash flows for the 6 month period ended on that date;
- the interim financial statements do not, in all material respects, comply with NZ IAS 34;
- the registered bank disclosures in sections B1, B2, B3, B5 and B6 does not, fairly state, in all material respects, the matters to which it relates in accordance with Schedules 5, 7, 13, 16 and 18 of the Order; 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

30 May 2018

BANK FINANCIAL STRENGTH DASHBOARD

Background

This section does not form part of the Disclosure Statement and contains the information in respect of the ANZ New Zealand included on the Bank Financial Strength Dashboard (Dashboard) published on the RBNZ's website. Amounts below may differ slightly from those published by the RBNZ due to rounding differences. The tables below 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 2018	Housing NZ\$m	Consumer NZ\$m	Business NZ\$m	Agriculture NZ\$m	All other NZ\$m	Total NZ\$m
Total loans	75,894	3,538	28,844	17,166	1,374	126,816
Impaired loans	48	8	130	75	87	348
Loans 90 days past due but not impaired	159	28	23	5	-	215
Total non-performing loans	207	36	153	80	87	563
Non-performing loans ratio (%)	0.27%	1.02%	0.53%	0.47%	6.33%	0.44%
Individual provisions	12	6	78	24	56	176
Collective provisions	71	66	91	42	148	418
<i>On-balance sheet residential mortgage exposures with LVRs that:</i>						
Exceeds 80% and not 90%						3.5%
Exceeds 90%						1.9%

A reconciliation of the amounts in this table to the financial statements is included in the Other Information on page 24.

D2. PROFITABILITY / PERFORMANCE

3 months to 31 March 2018	Classification differences		Dashboard NZ\$m
	Financial statements NZ\$m	Funds management income and other commissions NZ\$m	
Total interest income	1,609	-	1,609
Total interest expense	830	-	830
Net interest income	779	-	779
Gains/losses on trading and hedging	33	-	33
Fee and commission income	96	62	158
All other income	121	(62)	59
Operating expenses	361	-	361
Impaired asset expense	59	-	59
Profit before tax	609	-	609
Tax expense	165	-	165
Profit after tax	444	-	444
Return on assets (%)			1.1%
Return on equity (%)			15.2%
Net interest margin (%)			2.2%

BANK FINANCIAL STRENGTH DASHBOARD

D3. FINANCIAL POSITION

As at 31 March 2018	Financial statements NZ\$m	Classification differences			Dashboard NZ\$m
		Nostros / vostos and other bank deposits NZ\$m	Securities purchased under agreements to re-sell NZ\$m	Subordinated debt issued to related parties NZ\$m	
Cash and bank deposits ¹	4,386	247	(862)	-	3,771
Debt securities held ²	15,177	(86)	-	-	15,091
Net loans and advances	126,239	-	-	-	126,239
Derivatives in an asset position	7,990	-	-	-	7,990
All other assets	5,927	(161)	862	-	6,628
Total assets	159,719	-	-	-	159,719
Deposits	100,771	-	-	-	100,771
Debt securities issued ³	28,392	-	-	(292)	28,100
Other borrowings ⁴	7,883	1,161	-	292	9,336
Derivatives in a liability position	7,893	-	-	-	7,893
All other liabilities	3,304	(1,161)	-	-	2,143
Total liabilities (excluding head office account)	148,243	-	-	-	148,243
Equity	11,476	-	-	-	11,476

¹ Comprises cash and collateral paid

² Comprises trading securities, investments backing insurance contract liabilities and available-for-sale assets

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.

As at 31 March 2018	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	78,544	n/a	n/a	n/a	48,207	126,751
Fair value hedge adjustment		(28)	-	-	-	28	-
Business loans secured by residential property		(2,622)	-	-	337	2,285	-
Residential investor property		(21,380)	-	-	49	21,331	-
Other household and agriculture industry loans		-	3,538	-	17,216	(20,754)	-
Concentration of loans by industry ²	B2	54,514	3,538	-	17,602	51,097	126,751
Fair value hedge adjustments		-	-	-	-	(28)	(28)
Unearned income on finance leases		-	-	-	-	(197)	(197)
Deposit components of overdraft product		-	-	-	-	290	290
Residential investor property		21,380	-	-	(49)	(21,331)	-
Business lending		-	-	28,470	(50)	(28,420)	-
Loans by purpose (RBNZ series S31)		75,894	3,538	28,470	17,503	1,411	126,816
Other business loans secured by residential property		-	-	374	(337)	(37)	-
Total loans per Dashboard	D1	75,894	3,538	28,844	17,166	1,374	126,816

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.

