

**ANZ BANK NEW ZEALAND LIMITED
INTERIM FINANCIAL STATEMENTS**

FOR THE NINE MONTHS ENDED 30 JUNE 2018



INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 JUNE 2018

CONTENTS

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Income Statement	3
Statement of Comprehensive Income	3
Balance Sheet	4
Condensed Cash Flow Statement	5
Statement of Changes in Equity	5
Notes to the Financial Statements	6

SUPPLEMENTARY INFORMATION

Bank Financial Strength Dashboard	14
Other Information	16

GLOSSARY OF TERMS

In this Interim Financial Statement unless the context otherwise requires:

Bank means ANZ Bank New Zealand Limited.

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

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

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

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

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

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

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

OnePath means OnePath Life (NZ) Limited.

UDC means UDC Finance Limited.

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

RBNZ means the Reserve Bank of New Zealand.

APRA means the Australian Prudential Regulation Authority.

INCOME STATEMENT

	Note	3 months to		9 months to	
		30 Jun 18	30 Jun 17	30 Jun 18	30 Jun 17
		NZ\$m	NZ\$m	NZ\$m	NZ\$m
Interest income		1,597	1,545	4,767	4,620
Interest expense		801	790	2,415	2,352
Net interest income		796	755	2,352	2,268
Other operating income	2	139	112	521	413
Net funds management and insurance income		94	105	298	238
Share of associates' profit		6	4	7	5
Operating income		1,035	976	3,178	2,924
Operating expenses		374	371	1,121	1,101
Profit before credit impairment and income tax		661	605	2,057	1,823
Credit impairment charge	5	6	11	78	53
Profit before income tax		655	594	1,979	1,770
Income tax expense		181	166	547	496
Profit after income tax		474	428	1,432	1,274

STATEMENT OF COMPREHENSIVE INCOME

	3 months to		9 months to	
	30 Jun 18	30 Jun 17	30 Jun 18	30 Jun 17
	NZ\$m	NZ\$m	NZ\$m	NZ\$m
Profit after income tax	474	428	1,432	1,274
<i>Items that will not be reclassified to profit or loss</i>				
Actuarial gain on defined benefit schemes	1	-	3	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	-	2	14
<i>Items that may be reclassified subsequently to profit or loss</i>				
Unrealised losses recognised directly in equity	(7)	(3)	(13)	(18)
Realised losses transferred to income statement	1	4	4	10
Income tax credit relating to items that may be reclassified	2	-	3	2
Total items that may be reclassified subsequently to profit or loss	(4)	1	(6)	(6)
Total comprehensive income for the period	471	429	1,428	1,282

BALANCE SHEET

As at	Note	30 Jun 18 NZ\$m	30 Sep 17 NZ\$m
Assets			
Cash		3,172	2,338
Settlement balances receivable		763	536
Collateral paid		1,784	1,415
Trading securities		8,055	7,663
Investments backing insurance contract liabilities		-	123
Derivative financial instruments		10,768	9,878
Current tax assets		91	-
Available-for-sale assets		6,375	6,360
Net loans and advances	4	122,108	117,627
Assets held for sale	11	4,238	3,065
Other assets		650	683
Life insurance contract assets		-	636
Investments in associates		-	7
Premises and equipment		348	367
Goodwill and other intangible assets		3,158	3,275
Total assets		161,510	153,973
Liabilities			
Settlement balances payable		1,966	1,840
Collateral received		963	613
Deposits and other borrowings	7	107,555	101,657
Derivative financial instruments		10,262	9,826
Current tax liabilities		-	39
Deferred tax liabilities		24	187
Liabilities held for sale	11	1,367	1,088
Payables and other liabilities		1,016	1,151
Employee entitlements		122	119
Other provisions		55	66
Debt issuances	8	24,777	24,606
Total liabilities		148,107	141,192
Net assets		13,403	12,781
Equity			
Share capital		11,888	8,888
Reserves		42	48
Retained earnings		1,473	3,845
Total equity		13,403	12,781

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 nine months ended	30 Jun 18 NZ\$m	30 Jun 17 NZ\$m
Cash flows from operating activities		
Interest received	4,807	4,649
Interest paid	(2,341)	(2,301)
Other cash inflows provided by operating activities	772	689
Other cash outflows used in operating activities	(1,679)	(1,617)
<i>Cash flows from operating profits before changes in operating assets and liabilities</i>	1,559	1,420
Net changes in operating assets and liabilities	445	(140)
Net cash flows provided by operating activities	2,004	1,280
Cash flows from investing activities		
Cash inflows provided by investing activities	35	-
Cash outflows used in investing activities	(30)	(41)
Net cash flows used in investing activities	5	(41)
Cash flows from financing activities		
Proceeds from debt issuances	3,385	2,943
Redemptions of debt issuances	(3,855)	(3,499)
Proceeds from issue of ordinary shares	3,000	-
Dividends paid	(3,806)	(790)
Net cash flows used in financing activities	(1,276)	(1,346)
Net increase in cash and cash equivalents	733	(107)
Cash and cash equivalents at beginning of the period	2,439	2,315
Cash and cash equivalents at end of the period¹	3,172	2,208

¹ Settlement balances due within 3 months have been recognised in cash and cash equivalents on the balance sheet from 30 June 2018.

STATEMENT OF CHANGES IN EQUITY

	Share capital 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	8,888	-	62	3,760	12,710
Profit after income tax	-	-	-	1,274	1,274
Unrealised gains / (losses) recognised directly in equity	-	10	(28)	-	(18)
Realised losses transferred to the income statement	-	-	10	-	10
Actuarial gain on defined benefit schemes	-	-	-	19	19
Income tax credit / (expense) on items recognised directly in equity	-	(3)	5	(5)	(3)
Total comprehensive income for the period	-	7	(13)	1,288	1,282
Ordinary dividend paid	-	-	-	(785)	(785)
Preference dividend paid	-	-	-	(5)	(5)
As at 30 June 2017	8,888	7	49	4,258	13,202
As at 1 October 2017	8,888	5	43	3,845	12,781
Profit after income tax	-	-	-	1,432	1,432
Unrealised gains / (losses) recognised directly in equity	-	8	(21)	-	(13)
Realised losses transferred to the income statement	-	-	4	-	4
Actuarial gain on defined benefit schemes	-	-	-	3	3
Income tax credit / (expense) on items recognised directly in equity	-	(2)	5	(1)	2
Total comprehensive income for the period	-	6	(12)	1,434	1,428
Ordinary shares issued	3,000	-	-	-	3,000
Ordinary dividend paid	-	-	-	(3,800)	(3,800)
Preference dividend paid	-	-	-	(6)	(6)
As at 30 June 2018	11,888	11	31	1,473	13,403

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 the Banking Group were issued on 13 August 2018 and should be read in conjunction with the Banking Group'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*.

There is no requirement for the Bank's directors to approve these financial statements.

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 the Banking Group 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 financial statements consolidate the financial statements of the Bank and its subsidiaries.

2. OTHER OPERATING INCOME

	Note	3 months to		9 months to	
		30 Jun 18 NZ\$m	30 Jun 17 NZ\$m	30 Jun 18 NZ\$m	30 Jun 17 NZ\$m
i) Net fee and commission income		97	108	300	305
ii) Other income					
Net trading gains		48	34	147	143
Fair value gain / (loss) on hedging activities and financial liabilities designated at fair value		(20)	(41)	4	(90)
Net foreign exchange earnings and other financial instruments income		28	(7)	151	53
Derivative valuation adjustments		6	4	7	31
Loss on sale of mortgages to NZ Branch		-	-	(1)	(1)
Gain on UDC terminated transaction	11	-	-	20	-
Insurance proceeds		-	-	20	-
Other		8	7	24	25
Other income		42	4	221	108
Other operating income		139	112	521	413

NOTES TO THE FINANCIAL STATEMENTS

3. SEGMENT REPORTING

The Banking Group 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 the Banking Group'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 the Banking Group's interest rate exposure and liquidity position.

Other

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

	Retail NZ\$m	Commercial NZ\$m	Institutional NZ\$m	Other NZ\$m	Total NZ\$m
For the nine months ended 30 June 2018					
External revenues	2,040	1,342	447	(651)	3,178
Intersegment revenues ¹	(194)	(608)	6	796	-
Total revenues	1,846	734	453	145	3,178
Profit after income tax	743	402	193	94	1,432

For the nine months ended 30 June 2017

External revenues	1,979	1,337	511	(903)	2,924
Intersegment revenues ¹	(202)	(651)	4	849	-
Total revenues	1,777	686	515	(54)	2,924
Profit / (loss) after income tax	718	328	280	(52)	1,274

Other segment

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

	30 Jun 18 NZ\$m	30 Jun 17 NZ\$m
For the nine months ended		
Central functions ²	20	2
Technology and Group Centre	59	36
Economic hedges	7	(65)
Revaluation of insurance policies	8	(25)
Total	94	(52)

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

² Central functions' external revenues for the nine months to 30 June 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	30 Jun 18 NZ\$m	30 Sep 17 NZ\$m
Overdrafts		914	1,040
Credit cards		1,652	1,638
Term loans - housing		76,684	72,524
Term loans - non-housing		44,781	44,227
Finance lease and hire purchase receivables		1,744	1,577
Subtotal		125,775	121,006
Unearned income		(239)	(222)
Capitalised brokerage/mortgage origination fees		319	334
Gross loans and advances (including assets classified as held for sale)		125,855	121,118
Less: Provision for credit impairment	5	(577)	(579)
Net loans and advances (including assets classified as held for sale)		125,278	120,539
Less: UDC net loans and advances held for sale	11	(3,170)	(2,912)
Net loans and advances		122,108	117,627

The Bank has sold residential mortgages to the NZ Branch with a net carrying value of NZ\$3,114 million as at 30 June 2018 (30 September 2017: NZ\$4,337 million). These assets qualify for derecognition as the Bank does not retain a continuing involvement in the transferred assets.

5. PROVISION FOR CREDIT IMPAIRMENT

Provision for credit impairment - balance sheet

	30 Jun 18 NZ\$m	30 Sep 17 NZ\$m
Individual provision	172	152
Collective provision	405	427
Total provision for credit impairment	577	579

Credit impairment charge - income statement

	3 months to		9 months to	
	30 Jun 18 NZ\$m	30 Jun 17 NZ\$m	30 Jun 18 NZ\$m	30 Jun 17 NZ\$m
New and increased provisions	33	61	165	177
Write-backs	(11)	(31)	(41)	(65)
Recoveries of amounts previously written-off	(6)	(5)	(24)	(17)
Individual credit impairment charge	16	25	100	95
Collective credit impairment release	(10)	(14)	(22)	(42)
Total credit impairment charge	6	11	78	53

6. IMPAIRED AND PAST DUE LOANS

	30 Jun 18 NZ\$m	30 Sep 17 NZ\$m
Loans that are at least 90 days past due but not impaired	216	182
Impaired loans	311	357

NOTES TO THE FINANCIAL STATEMENTS

7. DEPOSITS AND OTHER BORROWINGS

	Note	30 Jun 18 NZ\$m	30 Sep 17 NZ\$m
Term deposits		49,605	45,457
On demand and short term deposits		42,059	41,451
Deposits not bearing interest		10,059	8,882
UDC secured investments		933	1,039
Total customer deposits		102,656	96,829
Certificates of deposit		2,721	1,916
Securities sold under repurchase agreements		958	157
Commercial paper		2,114	3,721
Deposits from Immediate Parent Company and NZ Branch		39	73
Deposits and other borrowings (including liabilities classified as held for sale)		108,488	102,696
Less: UDC secured investments held for sale	11	(933)	(1,039)
Deposits and other borrowings		107,555	101,657

8. DEBT ISSUANCES

	30 Jun 18 NZ\$m	30 Sep 17 NZ\$m
Senior debt	18,476	16,008
Covered bonds	3,852	5,315
Total unsubordinated debt	22,328	21,323
Subordinated debt		
- Additional Tier 1 capital	2,438	2,438
- Other	11	845
Total subordinated debt	2,449	3,283
Total debt issued	24,777	24,606

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

The Banking Group 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:

	30 Jun 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	6,740	1,315	-	8,055	7,276	387	-	7,663
Derivative financial instruments	4	10,761	3	10,768	5	9,870	3	9,878
Available-for-sale assets	6,131	243	1	6,375	5,336	1,023	1	6,360
Investments backing insurance contract liabilities ¹	-	130	-	130	-	123	-	123
Total	12,875	12,449	4	25,328	12,617	11,403	4	24,024
Financial liabilities								
Deposits and other borrowings	-	2,114	-	2,114	-	3,721	-	3,721
Derivative financial instruments	13	10,248	1	10,262	24	9,801	1	9,826
Payables and other liabilities ¹	159	-	-	159	151	-	-	151
Total	172	12,362	1	12,535	175	13,522	1	13,698

¹ Amounts include OnePath items classified 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 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.

	30 Jun 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}	125,278	125,560	120,539	120,588
Liabilities				
Deposits and other borrowings ^{2,3}	106,374	106,442	98,975	99,030
Debt issuances ¹	24,777	25,065	24,606	25,018

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	30 Jun 18 NZ\$m	30 Sep 17 NZ\$m
Contract amount of:		
Undrawn facilities	27,802	26,769
Guarantees and letters of credit	1,191	1,010
Performance related contingencies	1,706	1,598
Total	30,699	29,377

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

Other contingent liabilities

There are outstanding court proceedings, claims and possible claims for and against the Banking Group. Where relevant, expert legal advice has been obtained and, in the light of such advice, provisions 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 the Banking Group.

In recent years there has been an increase in the number of matters on which the Banking Group 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. The Banking Group 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. The Banking Group has received various notices and requests for information from its regulators as part of both industry-wide and Banking Group specific reviews, and has also made disclosures to its regulators at its own instigation. 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.

NOTES TO THE FINANCIAL STATEMENTS

11. ASSETS AND LIABILITIES HELD FOR SALE

UDC

On 12 January 2018, the Bank announced that the agreement to sell UDC to HNA Group (HNA) had been terminated and that the proposed divestment would not be completed following the New Zealand Overseas Investment Office's decision to decline HNA's application to acquire UDC. The Bank continues to examine a broad range of options for UDC's future. 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 30 June 2018.

OnePath

On 30 May 2018, the Bank announced that it had entered into an agreement to sell OnePath to Cigna Corporation. The sale includes a 20-year strategic alliance for Cigna Corporation to provide insurance solutions for Banking Group customers. The sale remains subject to regulatory approval and is expected to complete in 2019.

Paymark Limited (Paymark)

On 17 January 2018, the Bank entered into an agreement to sell its 25% shareholding in Paymark to Ingenico Group. The transaction is subject to regulatory consents.

	30 Jun 18				30 Sep 17
	UDC NZ\$m	OnePath NZ\$m	Paymark NZ\$m	Total NZ\$m	UDC NZ\$m
Investments backing insurance contract liabilities	-	130	-	130	-
Net loans and advances	3,170	-	-	3,170	2,912
Other assets	18	5	-	23	20
Life insurance contract assets	-	673	-	673	-
Investments in associates	-	-	7	7	-
Goodwill and other intangible assets	132	103	-	235	133
Total assets held for sale	3,320	911	7	4,238	3,065
Deposits and other borrowings	933	-	-	933	1,039
Current tax liabilities	44	29	-	73	24
Deferred tax liabilities	(10)	170	-	160	(9)
Payables and other liabilities	30	169	-	199	33
Employee entitlements	-	-	-	-	1
Other provisions	1	1	-	2	-
Total liabilities held for sale	998	369	-	1,367	1,088

12. SUBSEQUENT EVENTS

On 10 August 2018, the Bank's Board resolved to pay a preference dividend of NZ\$5.7 million on or before 6 September 2018 and to pay an ordinary dividend of NZ\$800 million on or before 28 September 2018.

This page has been left blank intentionally

BANK FINANCIAL STRENGTH DASHBOARD

Background

This section does not form part of the Interim Financial Statements and contains the information in respect of the Banking Group 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 Interim Financial Statements where there are classification differences between the financial statements and the Dashboard.

D2. CAPITAL ADEQUACY

Capital ratios

As at 30 June 2018	
Total capital ratio	14.8%
Common equity tier 1 (CET1) capital ratio	11.4%
Tier 1 capital ratio	14.8%
Buffer ratio	6.8%
Total capital ratio regulatory minimum	8.0%

Capital

As at 30 June 2018	NZ\$m
CET1 capital	13,103
CET1 deductions	(3,738)
Net CET1 capital	9,365
Additional tier 1 instruments	2,779
Total tier 1 capital	12,144
Total capital	12,144

D1. CREDIT RATINGS

As at 30 June 2018	Credit rating
S&P Global	AA-
Fitch	AA-
Moody's	A1

Risk weighted assets

As at 30 June 2018	NZ\$m
Sovereign / quasi-sovereign	117
Public sector entities	320
Registered banks	2,303
Corporates	36,322
Residential mortgages	16,856
Problem loans	298
Equity holdings	34
Credit risk supervisory adjustment	2,067
All other assets	13,001
Credit risk	71,318
Market risk	4,827
Operational risk	5,921
Total risk weighted assets	82,066

D3. ASSET QUALITY

As at 30 June 2018	Housing NZ\$m	Consumer NZ\$m	Business NZ\$m	Agriculture NZ\$m	All other NZ\$m	Total NZ\$m
Total loans	74,071	3,568	29,077	17,390	1,781	125,887
Impaired loans	36	11	124	69	71	311
Loans 90 days past due but not impaired	158	25	29	3	1	216
Total non-performing loans	194	36	153	72	72	527
Non-performing loans ratio (%)	0.26%	1.01%	0.53%	0.41%	4.04%	0.42%
Individual provisions	8	6	76	26	56	172
Collective provisions	70	66	95	42	132	405
<i>On-balance sheet residential mortgage exposures with LVRs that:</i>						
Exceeds 80% and not 90%						3.4%
Exceeds 90%						1.8%

A reconciliation of the amounts in this table to the financial statements is included in the Other Information on page 16.

BANK FINANCIAL STRENGTH DASHBOARD

D4. PROFITABILITY / PERFORMANCE

	Financial statements NZ\$m	Classification differences		Dashboard NZ\$m
		Funds management income and other commissions NZ\$m		
3 months to 30 June 2018				
Interest income	1,597	-		1,597
Interest expense	801	-		801
Net interest income	796	-		796
Gains / losses on trading and hedging	34	-		34
Fee and commission income	97	70		167
All other income	108	(70)		38
Operating expenses	374	-		374
Impaired asset expense	6	-		6
Profit before tax	655	-		655
Tax expense	181	-		181
Profit after tax	474	-		474
Return on assets				1.2%
Return on equity				14.4%
Net interest margin				2.2%

D5. 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 debt issued to related parties NZ\$m	
As at 30 June 2018					
Cash and bank deposits ¹	4,956	72	(560)	-	4,468
Debt securities held ²	14,560	(76)	-	-	14,484
Net loans and advances	125,278	-	-	-	125,278
Derivatives in an asset position	10,768	-	-	-	10,768
All other assets	5,948	4	560	-	6,512
Total assets	161,510	-	-	-	161,510
Deposits	102,656	-	-	-	102,656
Debt securities issued ³	29,612	-	-	(1,951)	27,661
Other borrowings ⁴	1,960	1,124	-	1,951	5,035
Derivatives in a liability position	10,262	-	-	-	10,262
All other liabilities	3,617	(1,124)	-	-	2,493
Total liabilities	148,107	-	-	-	148,107
Equity	13,403	-	-	-	13,403

¹ Comprises cash and cash equivalents 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

D6. LIQUIDITY

3 months to 30 June 2018

Quarterly average core funding ratio	89.6%
Quarterly average 1-month mismatch ratio	4.5%
Quarterly average 1-week mismatch ratio	4.7%

D7. LARGE EXPOSURES

As at 30 June 2018

Top 5 credit exposures to non-bank counterparties (ie corporates) as a ratio of CET1 capital	30.5%
Credit exposures to non-bank counterparties (ie corporates) that are greater than 10% of CET1 capital	-
Top 5 credit exposures to banks as a ratio of CET1 capital	69.0%
Credit exposures to banks that are greater than 10% of CET1 capital	3

OTHER INFORMATION

Reconciliation of total loans by purpose 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 Interim Financial Statements.

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 30 June 2018	Note	Housing NZ\$m	Consumer NZ\$m	Business NZ\$m	Agriculture NZ\$m	All other NZ\$m	Total NZ\$m
Total loans per Balance Sheet	4	76,684	n/a	n/a	n/a	49,091	125,775
Fair value hedge adjustment		(14)	-	-	-	-	(14)
Business loans secured by residential property		(2,599)	-	-	329	2,270	-
Unearned income on finance leases		-	-	-	-	(201)	(201)
Deposit components of overdraft product		-	-	-	-	327	327
Consumer, business and agriculture lending		-	3,568	28,708	17,390	(49,666)	-
Loans by purpose (RBNZ series S31)		74,071	3,568	28,708	17,719	1,821	125,887
Business loans secured by residential property		-	-	369	(329)	(40)	-
Total loans per Dashboard	D3	74,071	3,568	29,077	17,390	1,781	125,887

