ANZ BANK NEW ZEALAND LIMITED
REGISTERED BANK DISCLOSURE STATEMENT

FOR THE SIX MONTHS ENDED 31 MARCH 2019
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REGISTERED BANK DISCLOSURE STATEMENT
FOR THE SIX MONTHS ENDED 31 MARCH 2019

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DISCLOSURE STATEMENT

SUPPLEMENTARY INFORMATION

GLOSSARY OF TERMS

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

Bank means ANZ Bank New Zealand Limited.

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

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

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

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

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

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

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

OnePath means OnePath Life (NZ) Limited.

Paymark means Paymark 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.

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	3 months to 31 Mar 19 NZ$m	3 months to 31 Mar 18 NZ$m	6 months to 31 Mar 19 NZ$m	6 months to 31 Mar 18 NZ$m
Interest income		1,628	1,577	3,284	3,170
Interest expense		(820)	(806)	(1,652)	(1,614)
Net interest income		808	771	1,632	1,556
Other operating income	2	221	233	395	505
Net income from insurance business	12	-	32	27	81
Share of associates' profit		4	-	4	1
Operating income		1,033	1,036	2,058	2,143
Operating expenses		(359)	(361)	(744)	(747)
Profit before credit impairment and income tax		674	675	1,314	1,396
Credit impairment charge	5	(21)	(60)	(34)	(72)
Profit before income tax		653	615	1,280	1,324
Income tax expense		(171)	(167)	(331)	(366)
Profit for the period		482	448	949	958

STATEMENT OF COMPREHENSIVE INCOME

	3 months to 31 Mar 19 NZ$m	3 months to 31 Mar 18 NZ$m	6 months to 31 Mar 19 NZ$m	6 months to 31 Mar 18 NZ$m
Profit for the period	482	448	949	958
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss	(16)	2	(16)	2
Items that may be reclassified subsequently to profit or loss				
Reserve movements:				
Unrealised losses recognised directly in equity	(4)	(8)	-	(6)
Realised losses transferred to the income statement	3	1	4	3
Income tax attributable to the above items	4	1	3	-
Other comprehensive income after tax	(13)	(4)	(9)	(1)
Total comprehensive income for the period	469	444	940	957

The notes appearing on pages 7 to 13 form an integral part of these financial statements

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	2,200
Settlement balances receivable		630	656
Collateral paid		2,370	1,919
Trading securities		7,543	8,024
Derivative financial instruments		9,204	8,086
Investment securities		6,348	6,502
Net loans and advances	4	130,110	126,466
Assets held for sale	12	-	897
Investments in associates		-	6
Current tax assets		45	-
Goodwill and other intangible assets		3,279	3,289
Premises and equipment		340	325
Other assets		808	642
Total assets		163,374	159,012
Liabilities			
Settlement balances payable		2,619	2,161
Collateral received		519	845
Deposits and other borrowings	7	110,965	108,008
Derivative financial instruments		9,821	8,095
Current tax liabilities		-	161
Deferred tax liabilities		11	21
Liabilities held for sale	12	-	334
Payables and other liabilities		940	947
Provisions	8	310	196
Debt issuances	9	24,598	25,135
Total liabilities		149,783	145,903
Net assets		13,591	13,109
Equity			
Share capital		11,888	11,888
Reserves		36	33
Retained earnings		1,667	1,188
Total equity		13,591	13,109

The notes appearing on pages 7 to 13 form an integral part of these financial statements

CASH FLOW STATEMENT

For the six months ended 31 March	Note	2019 NZ$m	2018 NZ$m
Profit after income tax		949	958
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		(13)	(375)
Proceeds from divestments net of intangibles disposed of, classified as investing activities		(646)	-
Other non-cash movements		(147)	(14)
Net (increase)/decrease in operating assets:			
Collateral paid		(451)	(219)
Trading securities		481	(753)
Net loans and advances		(3,644)	(2,180)
Other assets		611	(344)
Net increase/(decrease) in operating liabilities:			
Deposits and other borrowings		2,957	4,342
Settlement balances payable		458	5
Collateral received		(326)	147
Other liabilities		(398)	(62)
Total adjustments		(1,072)	588
Net cash flows from operating activities[1]		(123)	1,546
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)
Dividends paid		(405)	(805)
Net cash flows from financing activities		(310)	(940)
Net change in cash and cash equivalents		497	383
Cash and cash equivalents at beginning of period		2,200	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 an NZ$883 million decrease (2018: NZ$155 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$90 million decrease (2018: NZ$4 million increase) from other changes.

INTERIM FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital NZ$m	Investment securities revaluation reserve NZ$m	Cash flow hedging reserve NZ$m	Retained earnings NZ$m	Total equity NZ$m
As at 1 October 2017		8,888	5	43	3,845	12,781
Profit or loss		-	-	-	958	958
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)	959	957
Transactions with Immediate Parent Company in its capacity as owner:						
Ordinary dividends paid		-	-	-	(800)	(800)
Preference dividends paid		-	-	-	(5)	(5)
Transactions with Immediate Parent Company in its capacity as owner		-	-	-	(805)	(805)
As at 31 March 2018		8,888	12	34	3,999	12,933
As at 1 October 2018		11,888	11	22	1,188	13,109
NZ IFRS 9 transition adjustment	1	-	-	-	(53)	(53)
As at 1 October 2018 (adjusted)		11,888	11	22	1,135	13,056
Profit or loss		-	-	-	949	949
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	937	940
Transactions with Immediate Parent Company in its capacity as owner:						
Ordinary dividends paid		-	-	-	(400)	(400)
Preference dividends paid		-	-	-	(5)	(5)
Transactions with Immediate Parent Company in its capacity as owner		-	-	-	(405)	(405)
As at 31 March 2019		11,888	6	30	1,667	13,591

The notes appearing on pages 7 to 13 form an integral part of these financial statements

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim financial statements (financial statements) for the Banking Group were issued on 17 May 2019 and should be read in conjunction with the Banking Group'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 the Banking Group are consistent with those adopted and disclosed in the previous full year financial statements, except as disclosed below.

The following new standards relevant to the Banking Group 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 the Banking Group 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 the Banking Group 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 the Banking Group 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 the Banking Group 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. The Banking Group 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 the Banking Group of 1 October 2018. The classification and measurement, and impairment requirements, are applied retrospectively by adjusting opening retained earnings at 1 October 2018. The Banking Group 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$72 million, with an associated decrease in deferred tax liabilities of approximately NZ$19 million. The net impact on total equity is a reduction of approximately NZ$53 million. These remain subject to change until the Banking Group 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 the Banking Group 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.

The Banking Group 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 the Banking Group revenues are outside the scope of the standard. The Banking Group 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 Bank and its subsidiaries.

2. OTHER OPERATING INCOME

		3 months to		6 months to	
	Note	31 Mar 19 NZ$m	31 Mar 18 NZ$m	31 Mar 19 NZ$m	31 Mar 18 NZ$m
(i) Fee and commission revenue					
Lending fees		8	7	16	15
Non-lending fees		206	196	410	403
Commissions		12	11	23	21
Funds management income		63	61	127	122
Fee and commission income		289	275	576	561
Fee and commission expense		(117)	(114)	(241)	(230)
Net fee and commission income		172	161	335	331
(ii) Other income					
Net trading gains		60	35	73	100
Fair value gain / (loss) on hedging activities and financial liabilities designated at fair value		(57)	11	(121)	24
Net foreign exchange earnings and other financial instruments income		3	46	(48)	124
Loss on sale of mortgages to NZ Branch		-	-	-	(1)
Gain on UDC terminated transaction		-	20	-	20
Insurance proceeds		-	-	-	20
Sale of OnePath	12	1	-	59	-
Sale of Paymark	12	39	-	39	-
Other		6	6	10	11
Other income		49	72	60	174
Other operating income		221	233	395	505

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.

Comparative data has been adjusted to reflect a change in the methodology for allocating earnings on capital to each segment. While neutral at the Banking Group 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 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.

Operating segment analysis

	Retail		Commercial		Institutional		Other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
For the six months ended 31 March	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m
Net interest income	926	897	517	495	169	157	20	7	1,632	1,556
Fee and commission revenue										
- Lending fees	8	8	-	-	8	7	-	-	16	15
- Non-lending fees	371	358	9	9	30	36	-	-	410	403
- 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	288	279	9	9	38	43	-	-	335	331
Other income	7	3	1	-	75	104	(23)	67	60	174
Net income from insurance business	19	67	-	-	-	-	8	14	27	81
Share of associates' profits	4	1	-	-	-	-	-	-	4	1
Operating income	1,244	1,247	527	504	282	304	5	88	2,058	2,143
Profit after income tax	499	501	286	279	140	119	24	59	949	958

Other segment

The Other segment profit after income tax comprises:

For the six months ended 31 March	2019 NZ$m	2018 NZ$m
Central functions[1]	-	14
Technology and Group Centre[2, 3]	195	19
Economic hedges	(90)	16
Revaluation of insurance policies from changes in interest rates[3]	(81)	10
Total	24	59

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		81,194	78,395
Term loans - non-housing		44,803	44,169
Finance lease and hire purchase receivables		1,830	1,791
Subtotal		130,532	126,904
Unearned income		(246)	(239)
Capitalised brokerage/mortgage origination fees		308	313
Gross loans and advances		130,594	126,978
Provision for credit impairment	5	(484)	(512)
Net loans and advances		130,110	126,466

The Bank has sold residential mortgages to the NZ Branch with a net carrying value of NZ$1,677 million as at 31 March 2019 (30 September 2018: NZ$2,210 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

	Net loans and advances		Off-balance sheet credit related commitments[1]		Total	
Provision for credit impairment	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
Individual provision[2]	111	130	-	-	111	130
Collective provision[3]	373	311	82	71	455	382
Total provision for credit impairment	484	441	82	71	566	512

[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.

Collective provision reconciliation	Net loans and advances NZ$m	Off-balance sheet credit related commitments NZ$m	Total NZ$m
As at 30 September 2018	311	71	382
NZ IFRS 9 transition adjustment	60	12	72
As at 1 October 2018	371	83	454
Collective credit impairment charge / (release)	2	(1)	1
As at 31 March 2019	373	82	455

CREDIT IMPAIRMENT CHARGE – INCOME STATEMENT

	3 months to		6 months to	
Credit impairment charge	31 Mar 19 NZ$m	31 Mar 18 NZ$m	31 Mar 19 NZ$m	31 Mar 18 NZ$m
New and increased provisions	32	92	64	132
Write-backs	(10)	(18)	(20)	(30)
Recoveries of amounts previously written-off	(5)	(12)	(11)	(18)
Individual credit impairment charge	17	62	33	84
Collective credit impairment charge / (release)	4	(2)	1	(12)
Total credit impairment charge	21	60	34	72

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	275	205
Impaired loans	291	321

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
Deposits from Immediate Parent Company and NZ Branch	29	40
Deposits and other borrowings	110,965	108,008

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 (Additional Tier 1 capital)	2,439	2,439
Total debt issued	24,598	25,135

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.

10. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

The Banking Group 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 date (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	9,188	8,076	5	3	9,204	8,086
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	9,527	9,476	6	4	23,095	22,739
Liabilities								
Deposits and other borrowings	-	-	2,240	2,486	-	-	2,240	2,486
Derivative financial instruments	15	10	9,803	8,084	3	1	9,821	8,095
Other financial liabilities	159	110	-	-	-	-	159	110
Total	174	120	12,043	10,570	3	1	12,220	10,691

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]	130,110	126,466	130,553	126,745
Total	130,110	126,466	130,553	126,745
Financial liabilities				
Deposits and other borrowings[2]	108,725	105,522	108,826	105,592
Debt issuances[1]	24,598	25,135	24,862	25,462
Total	133,323	130,657	133,688	131,054

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

Credit related commitments and contingencies	31 Mar 19 NZ$m	30 Sep 18 NZ$m
Contract amount of:		
Undrawn facilities	26,903	27,245
Guarantees and letters of credit	1,351	1,531
Performance related contingencies	1,460	1,329
Total	29,714	30,105

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. 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. 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.

Warranties and indemnities

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

12. DIVESTMENTS

OnePath and Paymark

On 30 November 2018, the Banking Group sold OnePath to Cigna Corporation and on 11 January 2019, the Banking Group sold its 25% shareholding in Paymark to Ingenico Group. The Banking Group 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

The Bank has guaranteed the payment of interest and principal of covered bonds issued by its subsidiary ANZ New Zealand (Int'l) Limited. This obligation is guaranteed by ANZNZ Covered Bond Trust Limited (the Covered Bond Guarantor), solely in its capacity as trustee of ANZNZ Covered Bond Trust. The Covered Bond Guarantor's address for service is Level 9, 34 Shortland Street, Auckland, New Zealand. The Covered Bond Guarantor is not a member of the Banking Group and has no credit ratings applicable to its long term senior unsecured obligations. The covered bonds have been assigned a long term rating of Aaa and AAA by Moody's Investors Service and Fitch Ratings respectively. Refer to page 11 for further details, and to page 15 for the amount of assets of the ANZ Covered Bond Trust pledged as security for covered bonds.

No other material obligations of the Bank are guaranteed as at 17 May 2019.

Changes in the Bank's Board of Directors

There have been no changes to the Directors of the Bank since 30 September 2018, the balance date of the last full year disclosure statement.

Conditions of registration

Changes between 30 September 2018 and 31 March 2019

The conditions of registration applying to the Bank were amended on 1 October 2018, to reflect changes in liquidity requirements, and again on 1 January 2019 to reflect changes to the loan-to-valuation (LVR) requirements applicable to residential mortgage lending. These amendments refer to revised versions of the RBNZ Banking Supervision Handbook documents *Liquidity Policy Annex: Liquid Assets* (BS13A) and *Framework for Restrictions on High-LVR Residential Mortgage Lending* (BS19) respectively. The 1 January 2019 amendments also detailed specific sections of the RBNZ Banking Supervision Handbook document *Capital Adequacy Framework (Internal Models Based Approach)* (BS2B) to be complied with.

Non-compliance

In April 2019, the Bank informed RBNZ that in the course of a self-review, the Bank discovered that it had not been using an approved model for the calculation of the operational risk capital (ORC) requirement since December 2014.

ORC was calculated for the Bank by the Ultimate Parent Bank. A failure of systems and controls, as well as no verification being undertaken by the Bank, meant that the Ultimate Parent Bank decommissioned the RBNZ approved model without the Bank ensuring that it had the necessary regulatory approvals in place to move to a new model. Calculation of the ORC requirement since December 2014 was based on a previous RBNZ approved ORC model output last run in September 2014, with an adjustment to reflect the growth of the Banking Group's business. The Bank accepts that this was not in compliance with condition of registration 1B.

The adoption of this calculation and decommissioning of the authorised ORC model occurred following development of a new ORC model in 2015 to be used by the Overseas Banking Group that better reflected the risks in the business. This new ORC model was approved by APRA in September 2015 and subsequently submitted to RBNZ for approval in June 2016. In 2016, RBNZ suspended approval of capital models and, the new ORC model has not been approved.

The RBNZ decided that the Banking Group's ORC requirement will be calculated in accordance with the RBNZ Banking Supervision Handbook document *Capital Adequacy Framework (Standardised Approach)* (BS2A). As a result, as at 31 March 2019, the Banking Group's ORC requirement has increased by NZ$277 million, and its capital ratios have decreased by 0.4% for common equity tier 1 capital and 0.6% for total capital. Restatement of prior period comparatives is not required.

The Bank is working to provide the RBNZ with further information to show there are no other similar capital model compliance issues. A governance framework including appropriate systems and controls has been put in place to ensure the Ultimate Parent Bank cannot decommission an RBNZ approved model without required approvals.

Changes since 31 March 2019

Effective 15 May 2019, the Bank's conditions of registration have been amended to require the Banking Group's ORC requirement to be calculated in accordance with BS2A.

Effective 30 June 2019, the Bank's conditions of registration have been amended to include a supervisory adjustment to the Banking Group's capital adequacy calculations. This supervisory adjustment introduces minimum pre-scalar risk weightings for residential mortgage exposures and corporate farm lending exposures and is expected to increase risk weighted assets by approximately NZ$10.1 billion, based on 31 March 2019 exposures.

Auditors

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

Pending proceedings or arbitration

A description of any pending legal proceedings or arbitration concerning any member of the Banking Group that may have a material adverse effect on the Bank or the Banking Group is included in Note 11 Commitments and Contingent Liabilities.

Credit rating

As at 17 May 2019 the Bank has three credit ratings, which are applicable to its long-term senior unsecured obligations which are payable in New Zealand in New Zealand dollars.

The 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	A1	Outlook Stable

Directors' statements

The Directors' statement is included on page 32.

Auditor's review report

The auditor's review report is included on page 33.

B2. ADDITIONAL FINANCIAL DISCLOSURES

Additional information on the balance sheet

As at 31 March 2019	NZ$m
Total interest earning and discount bearing assets	149,092
Total interest and discount bearing liabilities	126,189
Total amounts due from related entities	4,288
Total amounts due to related entities	6,298

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. The Banking Group does not have any loans and advances designated at fair value through profit or loss. Other operating income for the purposes of the Order comprises net fee and commission income, 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	17,906	85	1,502	19,493
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	2,970	31	1,034	4,035
Transport, postal and warehousing	1,335	94	755	2,184
Finance and insurance services	827	5,430	1,646	7,903
Public administration and safety[1]	248	8,606	1,070	9,924
Rental, hiring & real estate services	32,786	737	3,466	36,989
Professional, scientific, technical, administrative and support services	1,217	9	582	1,808
Households	59,170	199	11,317	70,686
All other New Zealand residents[2]	2,418	196	1,942	4,556
Subtotal	127,873	16,115	29,597	173,585
Overseas				
Finance and insurance services	283	13,017	117	13,417
Households	1,557	5	-	1,562
All other non-NZ residents	819	91	-	910
Subtotal	2,659	13,113	117	15,889
Gross subtotal	130,532	29,228	29,714	189,474
Provision for credit impairment	(484)	-	(82)	(566)
Subtotal	130,048	29,228	29,632	188,908
Unearned income	(246)	-	-	(246)
Capitalised brokerage / mortgage origination fees	308	-	-	308
Maximum exposure to credit risk	130,110	29,228	29,632	188,970

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
Wholesale funding		
Debt issuances		24,598
Certificates of deposit and commercial paper		3,152
Other borrowings		285
Total wholesale funding		28,035
Total funding		135,563
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		7,484
Overseas		20,551
Total wholesale funding		28,035
Total funding		135,563
Concentrations of funding by geography		
New Zealand		104,634
Australia		824
United States		13,360
Europe		9,454
Other countries		7,291
Total funding		135,563

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

As at 31 March 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	9,204	-	-	-	-	-	9,204
Investment securities	6,348	253	15	149	1,210	4,720	1
Net loans and advances	130,110	63,993	11,368	24,968	22,363	7,785	(367)
Other financial assets	729	-	-	-	-	-	729
Total financial assets	159,631	69,474	11,490	25,505	24,501	18,122	10,539
Liabilities							
Settlement balances payable	2,619	784	-	-	-	-	1,835
Collateral received	519	519	-	-	-	-	-
Deposits and other borrowings	110,965	71,543	14,102	10,602	2,469	1,413	10,836
Derivative financial instruments	9,821	-	-	-	-	-	9,821
Debt issuances	24,598	3,263	1,739	443	4,969	14,184	-
Other financial liabilities	697	159	-	-	-	-	538
Total financial liabilities	149,219	76,268	15,841	11,045	7,438	15,597	23,030
Hedging instruments	-	21,217	(8,059)	(7,206)	(11,841)	5,889	-
Interest sensitivity gap	10,412	14,423	(12,410)	7,254	5,222	8,414	(12,491)

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 the Banking Group may be required to pay. The amounts represent principal and interest cash flows – so they may differ from equivalent amounts reported on the balance sheet.

As at 31 March 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	1,163	-	-	-	2,633
Collateral received	-	519	-	-	-	519
Deposits and other borrowings	53,845	28,386	26,080	4,226	-	112,537
Derivative financial liabilities (trading)	-	7,666	-	-	-	7,666
Debt issuances[1]	-	37	2,309	19,660	4,165	26,171
Other financial liabilities	-	95	6	138	22	261
Derivative financial instruments (balance sheet management)						
- gross inflows	-	1,049	2,389	8,731	795	12,964
- gross outflows	-	(1,156)	(2,739)	(9,408)	(832)	(14,135)

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

At 31 March 2019, NZ$67 million of the Banking Group's NZ$409 million of non-credit related commitments and all NZ$29,714 million of its credit related commitments and contingent liabilities mature in less than 1 year, based on the earliest date on which the Banking Group may be required to pay.

Liquidity portfolio

The Banking Group holds a diversified portfolio of cash and high quality liquid securities to support liquidity risk management. The size of the Banking Group'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 the Banking Group 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	81,194
Less: fair value hedging adjustment		(5)
Less: housing loans made to corporate customers		(2,176)
On-balance sheet residential mortgage exposures as per LVR analysis	B4	79,013
Add: off-balance sheet residential mortgage exposures as per LVR analysis	B4	8,242
Total residential mortgage exposures subject to the IRB approach and as per LVR analysis	B4	**87,255**

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

B3. ASSET QUALITY

Collectively assessed loss allowances

Collectively assessed loss allowances - Total	Note	Residential mortgages NZ$m	Other retail exposures NZ$m	Corporate exposures NZ$m	Total NZ$m
As at 30 September 2018 (NZ IAS 39)		82	118	182	382
NZ IFRS 9 transition adjustment	1,5	(36)	20	88	72
As at 1 October 2018 (NZ IFRS 9)		46	138	270	454
Collectively assessed loss allowances - recognised in:					
Net loans and advances		46	108	217	371
Provisions		-	30	53	83
As at 1 October 2018 (NZ IFRS 9)		46	138	270	454

Movements in components of loss allowance - total

Net loans and advances - total	Stage 1 NZ$m	Stage 2 NZ$m	Stage 3 Collectively assessed NZ$m	Stage 3 Individually assessed NZ$m	Total NZ$m
As at 1 October 2018	160	171	40	130	501
Transfer between stages	19	(20)	2	(1)	-
New and increased provisions (net of collective provision releases)	(22)	21	2	65	66
Write-backs	-	-	-	(20)	(20)
Recoveries of amounts previously written off	-	-	-	(11)	(11)
Credit impairment charge / (release)	(3)	1	4	33	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	172	44	111	484
Off-balance sheet credit related commitments - total					
As at 1 October 2018	59	22	2	-	83
Transfer between stages	3	(3)	-	-	-
New and increased provisions (net of collective provision releases)	(7)	6	-	-	(1)
Write-backs	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Credit impairment charge / (release)	(4)	3	-	-	(1)
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

Gross loans and advances - total	Stage 1 NZ$m	Stage 2 NZ$m	Stage 3 Collectively assessed NZ$m	Stage 3 Individually assessed NZ$m	Total NZ$m
As at 1 October 2018	118,878	7,448	331	321	126,978
Additions	11,485	1,298	193	129	13,105
Deletions	(8,762)	(500)	(69)	(100)	(9,431)
Amounts written off	-	-	-	(58)	(58)
As at 31 March 2019	121,601	8,246	455	292	130,594
Loss allowance as at 31 March 2019	157	172	44	111	484
Off-balance sheet credit related commitments - total					
As at 1 October 2018	28,882	1,198	11	14	30,105
Additions	282	1,284	60	7	1,633
Deletions	(1,933)	(80)	(3)	(8)	(2,024)
Amounts written off	-	-	-	-	-
As at 31 March 2019	27,231	2,402	68	13	29,714
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$18 million (3%) driven by NZ$58 million of amounts written off. The remaining NZ$40 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.

Movements in components of loss allowance - residential mortgages

Net loans and advances - residential mortgages	Stage 1 NZ$m	Stage 2 NZ$m	Stage 3 Collectively assessed NZ$m	Stage 3 Individually assessed NZ$m	Total NZ$m
As at 1 October 2018	13	26	7	21	67
Transfer between stages	7	(8)	1	-	-
New and increased provisions (net of collective provision releases)	(7)	10	2	2	7
Write-backs	-	-	-	(2)	(2)
Recoveries of amounts previously written off	-	-	-	-	-
Credit impairment charge / (release)	-	2	3	-	5
Bad debts written-off (excluding recoveries)	-	-	-	-	-
Add back recoveries of amounts previously written off	-	-	-	-	-
Discount unwind	-	-	-	-	-
As at 31 March 2019	13	28	10	21	72
Off-balance sheet credit related commitments - residential mortgages					
As at 1 October 2018	-	-	-	-	-
Transfer between stages	-	-	-	-	-
New and increased provisions (net of collective provision releases)	-	-	-	-	-
Write-backs	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Credit impairment charge / (release)	-	-	-	-	-
Bad debts written-off (excluding recoveries)	-	-	-	-	-
Add back recoveries of amounts previously written off	-	-	-	-	-
Discount unwind	-	-	-	-	-
As at 31 March 2019	-	-	-	-	-

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

Gross loans and advances - residential mortgages	Stage 1 NZ$m	Stage 2 NZ$m	Stage 3 Collectively assessed NZ$m	Stage 3 Individually assessed NZ$m	Total NZ$m
As at 1 October 2018	73,992	1,948	203	25	76,168
Additions	7,836	303	150	18	8,307
Deletions	(5,129)	(276)	(41)	(16)	(5,462)
Amounts written off	-	-	-	-	-
As at 31 March 2019	76,699	1,975	312	27	79,013
Loss allowance as at 31 March 2019	13	28	10	21	72
Off-balance sheet credit related commitments - residential mortgages					
As at 1 October 2018	8,206	26	-	-	8,232
Additions	18	3	-	-	21
Deletions	(11)	-	-	-	(11)
Amounts written off	-	-	-	-	-
As at 31 March 2019	8,213	29	-	-	8,242
Loss allowance as at 31 March 2019	-	-	-	-	-

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

The NZ$5 million (7.5%) increase in loss allowances on residential mortgage exposures is driven primarily by an increase in past due but not impaired exposures, which have increased from 1.3% to 1.6% of gross exposures. Overall loss allowances and individually impaired exposures remain low, reflecting that approximately 95% of on-balance sheet residential mortgage exposures have loan to valuation ratios not exceeding 80% (refer to page 28).

REGISTERED BANK DISCLOSURES

Movements in components of loss allowance - other retail exposures

Net loans and advances - other retail exposures	Stage 1 NZ$m	Stage 2 NZ$m	Stage 3 Collectively assessed NZ$m	Stage 3 Individually assessed NZ$m	Total NZ$m
As at 1 October 2018	28	55	25	11	119
Transfer between stages	8	(8)	-	-	-
New and increased provisions (net of collective provision releases)	(9)	10	-	44	45
Write-backs	-	-	-	(5)	(5)
Recoveries of amounts previously written off	-	-	-	(10)	(10)
Credit impairment charge / (release)	(1)	2	-	29	30
Bad debts written-off (excluding recoveries)	-	-	-	(38)	(38)
Add back recoveries of amounts previously written off	-	-	-	10	10
Discount unwind	-	-	-	-	-
As at 31 March 2019	27	57	25	12	121
Off-balance sheet credit related commitments - other retail exposures					
As at 1 October 2018	18	10	2	-	30
Transfer between stages	3	(3)	-	-	-
New and increased provisions (net of collective provision releases)	(3)	3	-	-	-
Write-backs	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Credit impairment charge / (release)	-	-	-	-	-
Bad debts written-off (excluding recoveries)	-	-	-	-	-
Add back recoveries of amounts previously written off	-	-	-	-	-
Discount unwind	-	-	-	-	-
As at 31 March 2019	18	10	2	-	30

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

Gross loans and advances - other retail exposures	Stage 1 NZ$m	Stage 2 NZ$m	Stage 3 Collectively assessed NZ$m	Stage 3 Individually assessed NZ$m	Total NZ$m
As at 1 October 2018	3,288	315	48	25	3,676
Additions	340	32	16	53	441
Deletions	(292)	(35)	(18)	(13)	(358)
Amounts written off	-	-	-	(38)	(38)
As at 31 March 2019	3,336	312	46	27	3,721
Loss allowance as at 31 March 2019	27	57	25	12	121
Off-balance sheet credit related commitments - other retail exposures					
As at 1 October 2018	4,859	54	4	-	4,917
Additions	-	175	59	-	234
Deletions	(612)	-	-	-	(612)
Amounts written off	-	-	-	-	-
As at 31 March 2019	4,247	229	63	-	4,539
Loss allowance as at 31 March 2019	18	10	2	-	30

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

The NZ$2 million (1.7%) increase in loss allowances was primarily driven by Stage 2 and individually assessed exposures, reflecting the increase in past due but not impaired assets and impaired assets respectively, offset by amounts written off.

Movements in components of loss allowance - corporate exposures

Net loans and advances - corporate exposures	Stage 1 NZ$m	Stage 2 NZ$m	Stage 3 Collectively assessed NZ$m	Stage 3 Individually assessed NZ$m	Total NZ$m
As at 1 October 2018	119	90	8	98	315
Transfer between stages	4	(4)	1	(1)	-
New and increased provisions (net of collective provision releases)	(6)	1	-	19	14
Write-backs	-	-	-	(13)	(13)
Recoveries of amounts previously written off	-	-	-	(1)	(1)
Credit impairment charge / (release)	(2)	(3)	1	4	-
Bad debts written-off (excluding recoveries)	-	-	-	(20)	(20)
Add back recoveries of amounts previously written off	-	-	-	1	1
Discount unwind	-	-	-	(5)	(5)
As at 31 March 2019	117	87	9	78	291
Off-balance sheet credit related commitments - corporate exposures					
As at 1 October 2018	41	12	-	-	53
Transfer between stages	-	-	-	-	-
New and increased provisions (net of collective provision releases)	(4)	3	-	-	(1)
Write-backs	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Credit impairment charge / (release)	(4)	3	-	-	(1)
Bad debts written-off (excluding recoveries)	-	-	-	-	-
Add back recoveries of amounts previously written off	-	-	-	-	-
Discount unwind	-	-	-	-	-
As at 31 March 2019	37	15	-	-	52

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

Gross loans and advances - corporate exposures	Stage 1 NZ$m	Stage 2 NZ$m	Stage 3 Collectively assessed NZ$m	Stage 3 Individually assessed NZ$m	Total NZ$m
As at 1 October 2018	41,598	5,185	80	271	47,134
Additions	3,309	963	27	58	4,357
Deletions	(3,341)	(189)	(10)	(71)	(3,611)
Amounts written off	-	-	-	(20)	(20)
As at 31 March 2019	41,566	5,959	97	238	47,860
Loss allowance as at 31 March 2019	117	87	9	78	291
Off-balance sheet credit related commitments - corporate exposures					
As at 1 October 2018	15,817	1,118	7	14	16,956
Additions	264	1,106	1	7	1,378
Deletions	(1,310)	(80)	(3)	(8)	(1,401)
Amounts written off	-	-	-	-	-
As at 31 March 2019	14,771	2,144	5	13	16,933
Loss allowance as at 31 March 2019	37	15	-	-	52

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

The NZ$25 million (6.8%) decrease in loss allowances on corporate exposures was primarily driven by the NZ$33 million reduction in individually impaired assets, which includes NZ$20 million of amounts written off.

Past due assets and other asset quality information

As at 31 March 2019	Residential mortgages NZ$m	Other retail exposures NZ$m	Corporate exposures NZ$m	Total NZ$m
Past due assets				
Less than 30 days past due	716	337	572	1,625
At least 30 days but less than 60 days past due	191	47	92	330
At least 60 days but less than 90 days past due	131	22	3	156
At least 90 days past due	193	44	38	275
Total past due but not impaired	1,231	450	705	2,386
Other asset quality information				
Undrawn facilities with impaired customers	-	-	13	13
Other assets under administration	8	2	-	10

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

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

RBNZ Basel III capital ratios

		Banking Group		Bank (Solo Consolidated)	
As at 31 March	RBNZ minimum	2019	2018	2019	2018
Common equity tier 1 capital	4.5%	11.4%	11.0%	10.2%	9.5%
Tier 1 capital	6.0%	14.6%	14.4%	13.5%	13.0%
Total capital	8.0%	14.6%	14.4%	13.5%	13.0%
Buffer ratio	2.5%	6.6%	6.4%	n/a	n/a

Capital of the Banking Group

As at 31 March 2019	NZ$m
Tier 1 capital	
Common equity tier 1 (CET1) capital	
Paid up ordinary shares issued by the Bank	11,588
Retained earnings (net of appropriations)	1,667
Accumulated other comprehensive income and other disclosed reserves	36
Less deductions from common equity tier 1 capital	
Goodwill and intangible assets, net of associated deferred tax liabilities	(3,279)
Deferred tax assets less deferred tax liabilities relating to temporary differences	(23)
Cash flow hedge reserve	(30)
Expected losses to the extent greater than total eligible allowances for impairment	(276)
Common equity tier 1 capital	9,683
Additional tier 1 capital	
Preference shares[1]	300
NZD 500m ANZ New Zealand Capital Notes (ANZ NZ CN)[2]	500
NZD 1,003m ANZ New Zealand Internal Capital Notes (ANZ NZ ICN)[2]	1,003
NZD 938m ANZ New Zealand Internal Capital Notes (ANZ NZ ICN2)[2]	938
Retained earnings of the Bonus Bonds Scheme [3]	56
Less deductions from additional tier 1 capital	
Surplus retained earnings of the Bonus Bonds Scheme [3]	(20)
Additional tier 1 capital	2,777
Total tier 1 capital	12,460
Tier 2 capital	-
Total capital	12,460

1 Classified as equity on the balance sheet under NZ GAAP.
2 Classified as a liability on the balance sheet under NZ GAAP.
3 Bonus Bonds Scheme is not consolidated on the balance sheet under NZ GAAP but is classified as AT1 capital for capital adequacy purposes as set out in BS2B.

Capital requirements of the Banking Group

As at 31 March 2019	Total exposures after credit risk mitigation NZ$m	Risk weighted exposure or implied risk weighted exposure[1] NZ$m	Total capital requirement NZ$m
Total credit risk	186,426	68,955	5,517
Operational risk	n/a	9,493	759
Market risk	n/a	4,688	375
Agri business supervisory adjustment	n/a	2,118	169
Total	186,426	85,254	6,820

[1] The calculation of capital requirements for total credit risk weighted includes a scalar of 1.06 in accordance with the Bank's Conditions of Registration.

Capital structure

Ordinary shares- common equity tier 1 capital

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

Preference shares – additional tier 1 capital

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

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

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

The preference shares are redeemable, subject to prior written approval of the RBNZ, by the Bank providing notice in writing to holders of the preference shares:

- on any date on or after a change to laws or regulations that adversely affects the regulatory capital or tax treatment of the preference shares or
- on any dividend payment date on or after 2 September 2019 or
- on any date if the Bank has ceased to be a wholly owned subsidiary of the Ultimate Parent Bank.

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

The preference shares qualify as AT1 capital for RBNZ's capital adequacy purposes.

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

Additional tier 1 (AT1) capital notes

AT1 capital notes are fully paid convertible non-cumulative perpetual subordinated notes. The AT1 capital notes rank equally with each other and with the Bank's preference shares. Holders of AT1 capital notes do not have any right to vote in general meetings of the Bank.

As at 31 March 2019, ANZ NZ CN carried a BB+ credit rating from S&P Global Ratings.

AT1 capital notes are classified as debt given there are circumstances beyond the Bank's control where the principal is converted into a variable number of ordinary shares of the Bank (ANZ NZ ICN and ANZ NZ ICN2) or the Ultimate Parent Bank (ANZ NZ CN).

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

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

REGISTERED BANK DISCLOSURES

Each of the AT1 capital notes will immediately convert into a variable number of ordinary shares of the:
- Bank based on the net assets per share in the Bank's most recently published Disclosure Statement (ANZ NZ ICN and ANZ NZ ICN2); or
- Ultimate Parent Bank based on the average market price of the Ultimate Parent Bank's ordinary shares immediately prior to conversion less a 1% discount, subject to a maximum conversion number (ANZ NZ CN)

if:
- the Banking Group's, or in the case of the ANZ NZ CN the Overseas Banking Group's Level 2, common equity tier 1 capital ratio is equal to or less than 5.125% - known as a Common Equity Capital Trigger Event; or
- RBNZ directs the Bank to convert or write-off the notes or a statutory manager is appointed to the Bank and decides that the Bank must convert or write-off the notes, or in the case of the ANZ NZ CN, APRA notifies the Ultimate Parent bank that, without the conversion or write-off of certain securities or a public injection of capital (or equivalent support), it considers that the Ultimate Parent Bank would become non-viable – known as a Non-Viability Trigger Event.

Where specified, AT1 capital notes mandatorily convert into a variable number of ordinary shares of the Bank (ANZ NZ ICN and ANZ NZ ICN2) (based on the net assets per share in the Bank's recently published Disclosure Statement) or Ultimate Parent Bank (ANZ NZ CN) (based on the average market value of the shares immediately prior to conversion less a 1% discount):
- on a specified mandatory conversion date; or
- on an earlier date under certain circumstances as set out in the terms.

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

The table below show the key details of the AT1 capital notes on issue at 31 March 2019:

	ANZ NZ CN	ANZ NZ ICN	ANZ NZ ICN2
Issuer	The Bank	The Bank	The Bank
Issue date	31 March 2015	5 March 2015	15 June 2016
Issue amount	NZ$500 million	NZ$1,003 million	NZ$938 million
Face value	NZ$1	NZ$100	NZ$100
Interest frequency	Quarterly in arrears	Semi-annually in arrears	Semi-annually in arrears
Interest rate	Fixed at 7.2% p.a. until 25 May 2020. Resets in May 2020 to a floating rate: (New Zealand 3 month Bank Bill rate + 3.5%)	Floating rate: (New Zealand 6 month Bank Bill rate + 3.8%)	Floating rate: (New Zealand 6 month Bank Bill rate + 6.29%)
Issuer's early redemption or conversion option	25 May 2020	24 March 2023	15 June 2026 and each 5th anniversary
Mandatory conversion date	25 May 2022	24 March 2025	n/a
Common equity capital trigger event	Yes	Yes	Yes
Non-viability trigger event	Yes	Yes	Yes
Carrying value as at 31 March 2019 (net of issue costs)	NZ$498 million	NZ$1,003 million	NZ$938 million

Reserves – common equity tier 1 capital

Common equity tier 1 capital includes the investment securities revaluation reserve of NZ$6 million as at 31 March 2019.

Retained earnings of the Bonus Bonds Scheme– additional tier 1 capital

The Bonus Bonds Scheme is consolidated for capital adequacy purposes, and its retained earnings are included in additional tier 1 capital less 8.5% of the consolidated risk-weighted assets that relate to the Bonus Bonds Scheme.

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

IRB credit exposures by exposure class and customer credit rating

As at 31 March 2019	Probability of default %	Total value NZ$m	Exposure at default NZ$m	Exposure-weighted LGD used for the capital calculation %	Exposure-weighted risk weight %	Risk weighted assets NZ$m	Minimum capital requirement NZ$m
Corporate							
0 - 2	0.06	71,687	4,950	60	32	1,697	136
3 - 4	0.32	44,491	23,596	36	41	10,196	816
5	1.00	14,886	12,979	33	58	8,036	643
6	2.23	4,379	3,998	34	78	3,287	263
7 - 8	11.63	2,404	1,999	39	155	3,278	262
Default	100.00	326	320	45	183	619	49
Total corporate exposures	1.77	138,173	47,842	38	53	27,113	2,169
Sovereign							
0	0.01	24,406	11,053	5	1	136	11
1 - 8	0.01	860	842	5	1	11	1
Total sovereign exposures	0.01	25,266	11,895	5	1	147	12
Bank							
0	0.03	30	30	65	15	5	-
1	0.03	1,332,653	9,446	57	25	2,509	201
2 - 4	0.12	70,594	744	65	39	306	25
5 - 8	8.35	2	2	26	106	2	-
Total bank exposures	0.04	1,403,279	10,222	57	26	2,822	226
Residential mortgages							
0 - 3	0.20	25,605	25,969	12	5	1,478	118
4	0.46	35,595	35,748	18	15	5,637	451
5	0.92	21,136	21,246	23	31	6,994	560
6	1.98	4,318	4,324	26	60	2,730	218
7 - 8	4.85	324	324	27	94	323	26
Default	100.00	277	276	19	18	53	4
Total residential mortgages exposures	0.90	87,255	87,887	18	18	17,215	1,377
Other retail							
0 - 2	0.10	537	540	77	50	284	23
3 - 4	0.27	4,724	4,810	78	55	2,786	223
5	1.05	1,988	1,936	72	74	1,527	122
6	2.32	2,006	2,045	69	88	1,915	153
7 - 8	8.85	1,352	1,390	85	133	1,965	157
Default	100.00	87	87	76	56	51	4
Total other retail exposures	2.69	10,694	10,808	76	74	8,528	682
Total credit risk exposures subject to the IRB approach	1.15	1,664,667	168,654	29	31	55,825	4,466

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

As at 31 March 2019	Total value NZ$m	Exposure at default NZ$m
Undrawn commitments and other off-balance sheet amounts excluding market related contracts		
Corporate	12,066	11,166
Sovereign	341	325
Bank	1,670	1,347
Residential mortgages	8,242	8,657
Other retail	5,431	5,459
Market related contracts		
Corporate	90,753	1,736
Sovereign	13,307	128
Bank	1,395,538	3,915
Residential mortgages	-	-
Other retail	-	-

Additional mortgage information

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

As at 31 March 2019	On-balance sheet NZ$m	Off-balance sheet NZ$m	Total NZ$m
LVR range			
Does not exceed 60%	39,406	5,623	45,029
Exceeds 60% and not 70%	17,926	1,339	19,265
Exceeds 70% and not 80%	17,533	969	18,502
Does not exceed 80%	74,865	7,931	82,796
Exceeds 80% and not 90%	2,913	139	3,052
Exceeds 90%	1,235	172	1,407
Total	79,013	8,242	87,255

Specialised lending subject to the slotting approach

As at 31 March 2019	Total exposures after credit risk mitigation NZ$m	Risk weight %	Risk weighted assets NZ$m	Minimum Pillar 1 capital requirement NZ$m
On-balance sheet exposures				
Strong	4,957	70	3,678	294
Good	5,808	90	5,541	443
Satisfactory	393	115	480	38
Weak	154	250	409	34
Default	37	-	-	-

As at 31 March 2019	Exposure at default NZ$m	Average risk weight %	Risk weighted assets NZ$m	Minimum Pillar 1 capital requirement NZ$m
Off-balance sheet exposures				
Undrawn commitments and other off-balance sheet exposures	1,435	91	1,378	110

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

Credit risk exposures subject to the standardised approach

As at 31 March 2019	Total exposure after credit risk mitigation NZ$m	Average risk weight %	Risk weighted exposure NZ$m	Minimum Pillar 1 capital requirement NZ$m
On-balance sheet exposures				
Cash and gold bullion	293	-	-	-
Sovereign and central banks	1,891	-	-	-
Multilateral development banks and other international organisations	-	-	-	-
Public sector entities	-	-	-	-
Banks	-	-	-	-
Corporate	1,085	10	119	10
Residential mortgages	-	-	-	-
Past due assets	1	150	1	-
Other assets	1,009	100	1,070	86

As at 31 March 2019	Total exposure or principal amount NZ$m	Average credit conversion factor %	Credit equivalent amount NZ$m	Average risk weight %	Risk weighted exposure NZ$m	Minimum Pillar 1 capital requirement NZ$m
Off-balance sheet exposures						
Undrawn commitments and other off-balance sheet exposures	605	70	421	97	434	35
Market related contracts						
Foreign exchange contracts	6	n/a	-	138	-	-
Interest rate contracts	245,396	n/a	286	5	15	1
Other - OTC etc	-	n/a	-	-	-	-

Equity exposures

As at 31 March 2019	Total exposure NZ$m	Risk weight %	Risk weighted exposure NZ$m	Minimum Pillar 1 capital requirement NZ$m
Equity holdings (not deducted from capital) that are publicly traded	-	300	-	-
All other equity holdings (not deducted from capital)	1	400	5	-

Credit risk mitigation

As at 31 March 2019, the Banking Group had NZ$876 million of Corporate exposures covered by guarantees where the presence of the guarantees was judged to reduce the underlying credit risk of the exposures. Information on the total value of exposures covered by financial guarantees and eligible financial collateral is not disclosed, as the effect of these guarantees and collateral on the underlying credit risk exposures is not considered to be material.

Operational risk

The Banking Group is accredited by the Bank's conditions of registration to use the Advanced Measurement Approach (AMA) for its ORC requirement. However, as explained in Note B1, due to the Banking Group not having an approved internal model, RBNZ has decided that the Banking Group's ORC requirement will be calculated in accordance with BS2A. As at 31 March 2019, the Banking Group had an implied risk weighted exposure of NZ$9,493 million for operational risk and an operational risk capital requirement of NZ$759 million.

Market risk

The aggregate market risk exposures below have been calculated in accordance with BS2B. The peak end-of-day market risk exposures are for the six months ended 31 March 2019.

	Implied risk weighted exposure		Aggregate capital charge	
	Period end	Peak	Period end	Peak
As at 31 March 2019	NZ$m	NZ$m	NZ$m	NZ$m
Interest rate risk	4,577	6,593	366	527
Foreign currency risk	110	156	9	12
Equity risk	1	1	-	-

Capital for other material risks

The Banking Group has an Internal Capital Adequacy Assessment Process (ICAAP) which complies with the requirements of the Bank's Conditions of Registration. Under the Banking Group's ICAAP it identifies and measures all "other material risks", which are those material risks that are not explicitly captured in the calculation of the Banking Group's tier 1 and total capital ratios. The other material risks identified by the Banking Group include pension risk, strategic equity risk, fixed asset risk, deferred acquisition cost risk and software risk. The Banking Group's internal capital allocation for these other material risks is NZ$282 million. (March 2018: NZ$399 million). Insurance, value in-force and business retention risks are no longer included following the sale of OnePath.

Information about Ultimate Parent Bank and Overseas Banking Group

APRA Basel III capital ratios

	Overseas Banking Group		Ultimate Parent Bank (Extended Licensed Entity)	
As at 31 March	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 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.

Regulatory liquidity ratios

RBNZ requires banks to hold minimum amounts of liquid assets to help ensure that they are effectively managing their liquidity risks. The mismatch ratio is a measure of a bank's liquid assets, adjusted for expected cash inflows and outflows during a 1-month or 1-week period of stress. It is expressed as a ratio over the bank's total funding. The Banking Group must maintain its 1-month and 1-week mismatch ratios above zero on a daily basis. The 1-month and 1-week mismatch ratios are averaged over the quarter.

RBNZ requires banks to get a minimum amount of funding from stable sources called core funding. The minimum amount of core funding is currently set at 75% of a bank's total loans. The Banking Group must maintain its core funding ratio above 75% on a daily basis. This measure of the core funding ratio is averaged over the quarter.

For the three months ended	31 Mar 19	31 Dec 18
Quarterly average 1-week mismatch ratio	5.6%	5.0%
Quarterly average 1-month mismatch ratio	4.7%	4.8%
Quarterly average core funding ratio	88.8%	88.3%

B5. CONCENTRATIONS OF CREDIT RISK TO INDIVIDUAL COUNTERPARTIES

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

The exposure information in the table below excludes exposures to:

- connected persons (ie other members of the Overseas Banking Group and Directors of the Bank);
- the central government or central bank of any country with a long-term credit rating of A- or A3 or above, or its equivalent; and
- any supranational or quasi-sovereign agency with a long-term credit rating of A- or A3 or above, or its equivalent.

	As at 31 Mar 19	Peak end of day over 6 months to 31 Mar 19
Exposures to banks		
Total number of exposures to banks that are greater than 10% of CET1 capital	3	3
with a long-term credit rating of A- or A3 or above, or its equivalent	3	3
- 10% to less than 15% of CET1 capital	3	1
- 15% to less than 20% of CET1 capital	-	1
- 20% to less than 25% of CET1 capital	-	1
with a long-term credit rating of at least BBB- or Baa3, or its equivalent, and at most BBB+ or Baa1, or its equivalent	-	-
Exposures to non-banks		
Total number of exposures to non-banks that are greater than 10% of CET1	2	3
with a long-term credit rating of A- or A3 or above, or its equivalent	2	3
- 10% to less than 15% of CET1 capital	1	3
- 15% to less than 20% of CET1 capital	1	-
with a long-term credit rating of at least BBB- or Baa3, or its equivalent, and at most BBB+ or Baa1, or its equivalent	-	-

B6. INSURANCE BUSINESS

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

DIRECTORS' STATEMENT

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

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

Over the six months ended 31 March 2019, after due enquiry, each Director believes that:

- ANZ Bank New Zealand Limited has complied with all Conditions of Registration that applied during that period except as noted on page 14;
- Credit exposures to connected persons were not contrary to the interests of the Banking Group; and
- ANZ Bank New Zealand Limited had systems in place to monitor and control adequately the Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied.

This Disclosure Statement is dated, and has been signed by all Directors of the Bank on, 17 May 2019.

Antony Carter

Shayne Elliott

David Hisco

Michelle Jablko

Rt Hon Sir John Key, GNZM AC

Mark Verbiest

Joan Withers

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE SHAREHOLDER OF ANZ BANK NEW ZEALAND LIMITED

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 ANZ Bank New Zealand Limited and its subsidiaries (the Banking Group) on pages 3 to 31, 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, the Banking Group'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, B5 and B6 disclosed in accordance with schedules 5, 7, 13, 16 and 18 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the Order) respectively, do not fairly state, in all material respects, the matters to which they relate in accordance with those schedules; and
- the registered bank disclosures relating to capital adequacy and liquidity requirements in section B4 are not, in all material respects, disclosed in accordance with the applicable clauses of schedule 9 and 11 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 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, 11, 13, 16 and 18 of the Order.

BASIS FOR CONCLUSION

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

As the auditor of ANZ Bank New Zealand Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

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

EMPHASIS OF MATTER

We draw attention to sections B1 and B4 of the disclosure statement which describe the Banking Group's identification of historic non-compliance with the Operational Risk Capital calculation requirements of its Conditions of Registration, and the steps that have been agreed between the Banking Group and the Reserve Bank of New Zealand to calculate and report Operational Risk Capital using a standardised approach under RBNZ Banking Handbook document Capital Adequacy Framework (Standardised Approach) (BS2A) as at 31 March 2019. Our opinion is not modified in respect of this matter.

USE OF THE INDEPENDENT REVIEW REPORT

This independent review report is made solely to the shareholder of the Banking Group. Our review work has been undertaken so that we might state to the shareholder those matters we are required to state to them in the independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholder for our review 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 the Banking Group, 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, 13, 16 and 18 of the Order;
- the preparation and fair presentation of the registered bank disclosures in regards to capital adequacy and liquidity requirements in accordance with the applicable clauses of Schedule 9 and 11 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 2410 requires us to conclude whether anything has come to attention that causes us to believe that:

- the interim financial statements do not present fairly in all material respects the Banking Group's financial position as at 31 March 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, 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 capital adequacy and liquidity requirements in section B4 is not, in all material respects, disclosed in accordance with the applicable clauses of Schedule 9 and 11 of the Order.

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

KPMG

KPMG
Auckland

17 May 2019

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BANK FINANCIAL STRENGTH DASHBOARD

Background

This section does not form part of the Disclosure Statement. It contains information in respect of the Banking Group 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. CREDIT RATINGS

As at 31 March 2019	Credit rating
S&P Global	AA-
Fitch	AA-
Moody's	A1

D2. CAPITAL ADEQUACY

Capital ratios

As at 31 March 2019	
Total capital ratio	14.6%
Common equity tier 1 (CET1) capital ratio	11.4%
Tier 1 capital ratio	14.6%
Buffer ratio	6.6%
Total capital ratio regulatory minimum	8.0%

Capital

As at 31 March 2019	NZ$m
CET1 capital	13,291
CET1 deductions	(3,608)
Net CET1 capital	9,683
Total additional tier 1 capital	2,777
Total tier 1 capital	12,460
Total capital	12,460

Risk weighted assets

		Classification differences			
As at 31 March 2019	Disclosure Statement NZ$m	Default exposures NZ$m	Credit valuation adjustments NZ$m	Exposure categories NZ$m	Dashboard NZ$m
Sovereign / quasi-sovereign	147	-	(25)	-	122
Public sector entities	-	-	(443)	809	366
Registered banks	2,822	-	(371)	(809)	1,642
Corporates	27,113	(618)	(607)	11,410	37,298
Retail / Residential mortgages	17,215	(53)	-	-	17,162
Other retail	8,528	(51)	-	(8,477)	-
Specialised lending exposures subject to slotting approach	11,486	-	(76)	(11,410)	-
Exposures subject to standardised approach	569	-	-	(569)	-
Problem loans	-	722	-	-	722
Equity holdings	5	-	-	-	5
Credit risk supervisory adjustment	-	-	-	2,118	2,118
All other assets	1,070	-	1,522	9,046	11,638
Credit risk	68,955	-	-	2,118	71,073
Market risk	4,688	-	-	-	4,688
Operational risk	9,493	-	-	-	9,493
Agri business supervisory adjustment	2,118	-	-	(2,118)	-
Total risk weighted assets	85,254	-	-	-	85,254

D3. 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	78,755	3,524	29,532	17,483	1,307	130,601
Impaired loans	35	12	44	156	44	291
Loans 90 days past due but not impaired	186	25	50	13	1	275
Total non-performing loans	221	37	94	169	45	566
Non-performing loans ratio (%)	0.28%	1.05%	0.32%	0.97%	3.44%	0.43%
Individual provisions	11	6	29	31	35	112
Collective provisions	50	68	188	61	5	372
On-balance sheet residential mortgage exposures with LVRs that:						
Exceeds 80% and not 90%						3.7%
Exceeds 90%						1.6%

BANK FINANCIAL STRENGTH DASHBOARD

D4. PROFITABILITY / PERFORMANCE

3 months to 31 March 2019	Dashboard NZ$m
Interest income	1,628
Interest expense	820
Net interest income	808
Gains/losses on trading and hedging	3
Fee and commission income	172
All other income	50
Operating expenses	359
Impaired asset expense	21
Profit before tax	653
Tax expense	171
Profit after tax	482
Return on assets (%)	1.2%
Return on equity (%)	14.4%
Net interest margin (%)	2.2%

D5. FINANCIAL POSITION

As at 31 March 2019	Financial statements NZ$m	Classification differences: Other bank deposits and other assets NZ$m	Classification differences: Securities purchased under agreements to re-sell NZ$m	Dashboard NZ$m
Cash and bank deposits[1]	5,067	(83)	(336)	4,648
Debt securities held[2]	13,891	-	-	13,891
Net loans and advances	130,110	-	-	130,110
Derivatives in an asset position	9,204	-	-	9,204
All other assets	5,102	83	336	5,521
Total assets	163,374	-	-	163,374
Deposits	107,528	-	-	107,528
Debt securities issued[3]	27,750	-	-	27,750
Other borrowings[4]	804	1,470	-	2,274
Derivatives in a liability position	9,821	-	-	9,821
All other liabilities	3,880	(1,470)	-	2,410
Total liabilities	149,783	-	-	149,783
Equity	13,591	-	-	13,591

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

D6. LIQUIDITY

3 months to 31 March 2019	
Quarterly average core funding ratio	88.8%
Quarterly average 1-month mismatch ratio	4.7%
Quarterly average 1-week mismatch ratio	5.6%

D7. LARGE EXPOSURES

As at 31 March 2019	
Top 5 credit exposures to non-bank counterparties (ie corporates) as a ratio of CET1 capital	52.4%
Credit exposures to non-bank counterparties (ie corporates) that are greater than 10% of CET1 capital	2
Top 5 credit exposures to banks as a ratio of CET1 capital	43.8%
Credit exposures to banks that are greater than 10% of CET1 capital	3

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	81,194	n/a	n/a	n/a	49,338	130,532
Fair value hedge adjustment		(5)	-	-	-	5	-
Business loans secured by residential property		(2,434)	-	-	326	2,108	-
Residential investor property		(21,552)	-	-	51	21,501	-
Other household and agriculture industry loans		-	3,524	-	17,529	(21,053)	-
Concentration of loans by industry[2]	B2	57,203	3,524	-	17,906	51,899	130,532
Fair value hedge adjustments		-	-	-	-	(5)	(5)
Unearned income on finance leases		-	-	-	-	(203)	(203)
Deposit components of overdraft product		-	-	-	-	277	277
Residential investor property		21,552	-	-	(51)	(21,501)	-
Business lending		-	-	29,166	(46)	(29,120)	-
Loans by purpose (RBNZ series S31)		78,755	3,524	29,166	17,809	1,347	130,601
Other business loans secured by residential property		-	-	366	(326)	(40)	-
Total loans per Dashboard	D3	78,755	3,524	29,532	17,483	1,307	130,601

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.

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